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DIGITAL BRITAIN VISION UNDERMINED BY GROWING SOFTWARE PIRACY PROBLEM

IDC report finds that over a quarter (27%) of software in the UK is illegal

London, 12th May – Piracy of software on PCs shifted into reverse gear in the UK, rising to 27% in the last year. According to the sixth annual global IDC software piracy study, released today by the Business Software Alliance (BSA), industry losses due to software piracy in the UK amounted to £1.49 billion in 2008 – the highest level ever.

Recent months have seen consultations and the release of initial findings towards creating a 'Digital Britain', aimed at securing Britain's place at the forefront of the global digital economy. Yet this unacceptably high piracy rate continues to undermine this drive, harming our IT industry, Intellectual Property (IP) rights holders and the wider economy.

"With more than one in four software installations categorised as illegal in the UK, we cannot afford to give up the fight against software piracy," said Alyna Cope, spokesperson for the BSA UK country committee. "Much more needs to be done by the industry and the government to warn businesses and consumers of the risks associated with under-licensed software, from a legal, financial and operational point of view. Software piracy hurts our knowledge-based economy by weakening the very foundation on which it is built - respect for intellectual property and innovation."

In addition to raising awareness of the software piracy problem through major education programs, including successful campaigns in Glasgow and Manchester, the BSA is committed to pursuing companies blatantly flouting copyright laws. In 2009 already, the value of legal settlements achieved by the BSA on behalf of its members in the UK for the illegal use of unlicensed software is 25 times up on the same period in 2008.

Software piracy affects much more than just industry revenues. An IDC study released in January 2008 found that reducing software piracy by 10 percentage points over four years could generate more than £6 billion in economic growth and increase tax revenues by £1.47 billion to support local programs and services.

"The IDC software piracy rate demonstrates how much further there is to go towards achieving a world class protection regime. To realise the Government's Digital Britain ambition, our digital and communications industries must have the protection they need in terms of copyright and piracy," said Kevin Hctor, Senior Policy Adviser at the British Chambers of Commerce. "In the current economic climate the impact effective enforcement could have on employment and revenue should not be ignored".

The UK software piracy rate has stalled over the last five years, remaining at 27% for three years before dropping to 26% in 2007, only to rise again this year. Globally half of the 110 countries studied saw piracy rates drop and only 15% increased (further global statistics in editor's notes).

The recession is likely to bring more offending companies to the fore as informants, induced by the prospect of a financial reward, report on software malpractice.

John Gantz, Chief Research officer at IDC, notes that consumers with reduced spending power may hold on to computers longer, which would tend to increase piracy because older computers are more likely to have unlicensed software loaded on them. However, financial pressures are spurring sales of inexpensive 'netbooks', which tend to come with legitimate pre-loaded software, and business use of software asset management (SAM) programs to lower IT costs.

"In any case, the cost of software is only one factor driving software piracy," Gantz says. "The economic crisis will have an impact, part of it negative, part of it positive, but it will be one of many factors and it may not become fully apparent until the 2009 figures come in."

In order to enjoy the economic benefits of reducing software piracy, BSA encourages the UK Government to:

- Support a light regulatory approach to software piracy and the development of a code of practice between ISPs and right holders as recommended by Ofcom and the Government
- Set about the formation of a body with a focus on enforcement and education
- Improve public education and awareness
- Lead by example by requiring the public sector to use only legitimate software

For more details or a copy of the complete study, visit www.bsa.org/globalstudy.

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Editor's notes

Other key findings from the study:

Among the 110 countries studied, PC software piracy dropped in fifty-seven countries, stayed the same in 36 and increased in only 16. However, because the worldwide PC market grew fastest in high-piracy countries, the worldwide piracy rate increased by three percentage points to 41% in 2008.

In Europe, the highest-piracy countries were Georgia (95%), Armenia (92%), and Azerbaijan (90%). Among the lowest-piracy countries were Luxembourg (21%) and Austria (24%). Russia has made the most progress, with a one-year drop of five points to 68 percent and a six-year drop of 19 points.

While emerging economies account for 45 percent of the global PC hardware market, they account for less than 20 percent of the PC software market. If the emerging economies' PC software share were the same as it is for PC hardware, the software market would grow by \$40 billion a year. Also, lowering global piracy by just one point a year would add \$20 billion in stimulus to the IT industry.

Spreading Internet access will increase the supply of pirated software. Over the next five years, 460 million people in emerging countries will come online. The growth will be highest among consumers and small businesses, which tend to have higher rates of piracy than businesses and government agencies.

BSA advocates a five-point 'blueprint' for reducing software piracy and reaping the economic benefits:

- Increase public education and awareness of the value of intellectual property and the risks of using unlicensed software;
- Update national copyright laws to implement World Intellectual Property Organisation (WIPO) obligations in order to enable better and more effective enforcement against digital and online piracy;
- Create strong enforcement mechanisms as required by the WTO Trade-Related Aspects of Intellectual Property Rights Agreement (TRIPS), including tough anti-piracy laws;
- Dedicate significant government resources to the problem, including national IP enforcement units, cross-border cooperation, and training for local officers and judiciary officials; and
- Lead by example by implementing software management policies and requiring the public sector to use only legitimate software.

The study was conducted independently by IDC, the information technology (IT) industry's leading global market research and forecasting firm. It covers piracy of all packaged software that run on personal computers, including desktops, laptops, and ultra-portables. The study does not include other types of software such as server- or mainframe-based software. IDC used proprietary statistics for software and hardware shipments and enlisted IDC analysts in more than sixty countries to confirm software piracy trends.

About BSA

The Business Software Alliance (www.bsa.org) is the foremost organization dedicated to promoting a safe and legal digital world. BSA is the voice of the world's commercial software industry and its hardware partners before governments and in the international marketplace. Its members represent one of the fastest growing industries in the world. BSA programs foster technology innovation through education and policy initiatives that promote copyright protection, cyber security, trade and e-commerce. BSA members include Adobe, Apple, Autodesk, Bentley Systems, CA, Cisco Systems, Corel, CyberLink, Dassault Systèmes SolidWorks Corporation, Dell, Embarcadero, HP, IBM, Intel, Intuit, McAfee, Microsoft, Minitab, Quark, Quest Software, Rosetta Stone, SAP, Siemens, Sybase, Symantec, and The MathWorks.

About IDC

IDC is the premier global provider of market intelligence, advisory services, and events for the information technology, telecommunications, and consumer technology markets. IDC helps IT professionals, business executives, and the investment community makes fact-based decisions on technology purchases and business strategy. More than 1,000 IDC analysts provide global, regional, and local expertise on technology and industry opportunities and trends in over 110 countries worldwide. For more than 45 years, IDC has provided strategic insights to help our clients achieve their key business objectives. IDC is a subsidiary of IDG, the world's leading technology media, research, and events company. You can learn more about IDC by visiting www.idc.com.