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Contacts: Ching Yee Sing
WYSECommunications
(t) 012-3401816
(e)
chingyeesing@wysecomm.com

**MALAYSIA PC SOFTWARE PIRACY RATE REMAINS AT 59%, BUT LOSSES
INCREASE TO US\$368 MILLION**

Asia Pacific piracy increases to 61 percent with losses of over \$15 billion

Kuala Lumpur (Tuesday, May 12) – The personal computer (PC) software piracy level in Malaysia maintained at 59 percent in 2008, similar to the rate registered in 2007. However dollar losses caused by software piracy continued to increase, rising to US\$368 million in 2008 compared to losses of US\$311 million in 2007.

The PC software piracy rate for Asia Pacific meanwhile increased to 61 percent compared to 59 percent in 2007, with dollar losses stemming from software piracy escalating to over US\$15 billion in 2008 compared to over US\$14 billion in 2007.

These are among the findings of the Sixth Annual BSA-IDC Global Software Piracy Study released today by the Business Software Alliance (BSA). The study was conducted by IDC, the information technology (IT) industry's leading global market research and forecasting firm.

Ronald Chua, Co-Chair of the BSA Malaysia committee said, "PC shipments to consumer and small businesses, which constitute nearly 75% of the total PC market, grew 29% in 2008 compared to 4% for other categories. Hence, while we believe that the efforts of the Ministry of Domestic Trade and Consumer Affairs was successful in addressing corporate end-user software piracy, the growth of the consumer market had effectively negated the positive ground gained in the corporate sector. Additionally, the growth of PC shipments as a whole had also resulted in an increase in the monetary losses to the software industry. Let us not forget that when the local software industry consists of local distributors, resellers, value-add partners and software developers such as BSA local member Esteem Innovation, the effects of software piracy is very much a local concern. As such, there is an urgent need to ensure greater cooperation between enforcement authorities and copyright owners to effect stronger protection for software copyright."

In 2008, the rate of PC software piracy dropped in slightly more than half (57) of the 110 countries studied, remained the same in nearly one third (36), and rose in just 16. However, the worldwide PC software piracy rate rose for the second year in a row, from 38 percent to 41 percent, mainly because PC shipments grew fastest in high-piracy countries such as China and India, overwhelming progress in these and other countries.

In another sign of the scale of the problem, the monetary value of “losses” to the software industry from PC software piracy broke the \$50 billion level for the first time. Worldwide losses grew by 11 percent to \$53 billion in non-adjusted dollars, although half of that growth was the result of the falling US dollar. Excluding the effect of exchange rates, losses grew by 5 percent to \$50.2 billion.

“We are continuing to make significant progress against PC software piracy, which helps not only the software industry, but also the wider economy and society,” said BSA President and CEO Robert Holleyman. “The bad news is that software piracy remains so prevalent all over the world, undermining local IT service firms, giving illegal software users an unfair advantage in business, and spreading security risks.”

Jeffrey J. Hardee, BSA’s Vice President and Regional Director, Asia Pacific, said, “We are seeing mixed results in Asia Pacific with eight economies showing a decline in the PC software piracy rate, no change in seven and an increase in three. The average PC software piracy rate in Asia Pacific increased to 61 percent, up from 59 percent the previous year, with losses reaching over \$15 billion. This increase in the average piracy rate is attributed to the mathematical outcome of more rapid growth of PC markets in economies of higher piracy rates. Even if piracy were to go down in every high-piracy country, their growing market share for PCs could drive the regional average up.”

“We are pleased that countries like China are moving in the right direction in bringing down their PC software piracy levels, and many governments across the region have continued to show their support with joint awareness campaigns, enterprise software legalization initiatives, enforcement actions and stronger legal remedies, but challenges still remain. One fertile ground for PC software piracy, especially in emerging markets, is the rapidly growing “white box” user base – typically consumers and small businesses – that buy locally assembled computers from non-brand-name vendors that bundle pirated software with their PCs,” said Hardee.

“The availability of pirated software on the Internet, which ironically is facilitated by increasing broadband penetration in the region, is also a major concern,” added Hardee. “On top of this, it is surprising how often we find that managers fail to institute policies and procedures in their organizations to manage their software assets to prevent the use of unlicensed software in the workplace and to gain efficiencies by carefully integrating their software assets to maximize productivity.”

Negative Impacts Go Far Beyond Software Industry

Software piracy affects much more than just the global software industry. For example, for every \$1 of software sold in a country, there is another \$3 to \$4 of revenues for local IT service and distribution firms. A [2008 IDC study](#) predicted that lowering PC software piracy by 10 points over four years would create 600,000 additional new jobs worldwide. That projection has been confirmed by actual experience in China and Russia, the new study says.

Software piracy also lowers tax revenues at a time of increased pressure on governments to provide essential services. According to the 2008 study noted above, reducing piracy by 10 points would generate \$24 billion in higher government revenues without a tax increase.

Software piracy also increases the risk of cyber crime and security problems. For example, the recent global spread of the Conficker virus has been attributed in part to the lack of automatic security updates for unlicensed software. In a 2006 study, IDC found that 29 percent of Web sites and 61 percent of peer-to-peer sites offering

pirated software tried to infect test computers with "Trojans," spyware, keyloggers, and other tools of identity theft.

Impact of Global Recession Is Mixed

The global economic recession is having a mixed impact on software piracy, the study says. Victor Lim, Vice President, Asia/Pacific Consulting Operations 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, pocketbook pressures are spurring sales of inexpensive "netbooks," which tend to come with legitimate pre-loaded software; and spurring businesses to implement software asset management (SAM) programs to increase efficiencies and lower IT costs.

"Reduced buying power is only one of many factors affecting software piracy," Lim says. "The economic crisis will have an impact – part of it negative, part of it positive – but it may not become fully apparent until the 2009 figures come in."

Among the study's other key findings:

- China's piracy rate has dropped 10 points in the last five years, a result of more vigorous enforcement and education, as well as vendor legalization programs and agreements with original equipment manufacturers (OEMs) and resellers. The government, for instance, has mandated that PC manufacturers in China only ship PCs with legitimate operating systems.
- India's rate has dropped 6 points in five years, despite its sprawling PC market, of which consumers and small businesses account for 65%. While consumer PC shipments grew more than 10% last year, shipments to other categories dropped 7%.
- Hong Kong's PC software piracy rate declined by 3 percentage points in 2008, the largest drop in the region, while the piracy rate in Australia and Japan, two of the more mature markets in the APAC region, dropped by 2 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. Lowering global piracy by just one point a year would add \$20 billion in stimulus to the IT industry.
- 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.
- The lowest-piracy countries are the US, Japan, New Zealand, and Luxembourg, all near 20 percent. The highest-piracy countries are Armenia, Bangladesh, Georgia, and Zimbabwe, all over 90 percent.

"Fortunately, experience has shown that we can reduce software piracy through a combination of consumer education, strong intellectual property policies, effective law enforcement, and legalization programs by businesses and government agencies. The

progress seen in many APAC economies is proof that this anti-piracy blueprint works – and that governments, businesses and consumers all benefit,” said Hardee.

The BSA-IDC Global Software Piracy Study covers piracy of all packaged software that runs 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.

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

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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 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, Agilent Technologies, Altium, Apple, Autodesk, Bentley Systems, CA, Cadence Design Systems, Cisco Systems, Corel, CyberLink, Dassault Systèmes SolidWorks Corporation, Dell, Embarcadero, Esteem Innovation, Frontline PCB Solutions - An Orbotech Valor Company, HP, IBM, Intel, Intuit, McAfee, Microsoft, Mindjet, Minitab, NedGraphics, PTC, Quark, Quest Software, Rosetta Stone, SAP, Scalable Software, Siemens, Sybase, Symantec, Synopsys, Tekla, The MathWorks. and UBS Corporation.

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