

IDC study finds 31 percent of software in use in Australia is pirated US\$342m in losses last year

Thirty one percent of the software installed on computers in Australia was pirated in 2003, representing a loss of US\$341m, according to the findings of a global software piracy study released today by the Business Software Alliance, the international association of the worlds leading software manufacturers.

Conducted for the first time by global technology research firm International Data Corporation (IDC), this years BSA global piracy study incorporated major software market segments including operating systems, consumer software and local market software. In previous years, the study was limited to business software applications. This years study also accounts for software such as shareware or software developed by the open source community.

The inclusion of these new categories paints a broader, more accurate picture of the global software piracy problem based on IDC's extensive industry and market knowledge. The study found that while US\$80 billion dollars in software was installed on computers worldwide last year, only US\$51 billion was legally purchased. This equates to 36 percent of all software installed on computers worldwide being pirated.

Australias 31 per cent piracy rate in 2003 compares with an estimated 32 per cent in 2002. Despite the one per cent drop, Australia has continued to fall behind its economic peers, with the US piracy rate at 22 percent, New Zealand at 23 percent and the UK at 29 percent. Australia is ranked sixteenth on the global software piracy tables for total software piracy losses.

Software piracy continues to be a major challenge for Australia, just as it is for economies worldwide, said Jim Macnamara, chairman of the BSAA. Piracy is a disadvantage in any country, governments lose tax revenue, it costs jobs throughout the technology supply chain and it inhibits the local software industry.

The total Australian software piracy losses of US\$341m (A\$487m) detailed in the IDC study compare with The Cost of Counterfeiting Study (2003) conducted in Australia by the Allen Consulting Group, which found that losses due to counterfeiting was A\$446m.

The increasing availability of pirated software via SPAM, P2P file-sharing sites and mail-order or auction sites, will potentially drive the piracy higher in the future, said Mr Macnamara. The extraordinary increase during May of SPAM selling illegal software, as recently reported by Clearswift, shows that Internet piracy is a growing area and its one of great concern for the BSAA.

Piracy continues to be a significant problem through Asia Pacific, as evidenced by the regions representation among the worlds piracy leaders, added Martin Kralik, senior research manager for Asia Pacific consulting at IDC. Unfortunately, this same piracy is also hurting the regions competitiveness. The revenues that are lost to piracy are vital to the success and survival of smaller, local software developers and that ultimately undermines the regions ability to develop new products and compete in the global market.

Study Methodology

Robert Holleyman, president and CEO of BSA said the IDC study reflects a logical evolution in BSAs decade-long effort to measure piracy in the global economy. Its scope was expanded to account more accurately for trends such as the growth of local software markets worldwide and the acceleration of Internet piracy.

For its analysis, IDC drew upon its worldwide data for software and hardware shipments, conducted more than 5,600 interviews in 15 countries, and used its in-country analysts around the globe to evaluate local market conditions. IDC identified the piracy rate and dollar losses by utilizing proprietary IDC models for PC, software and license shipments by all industry vendors in 86 countries.

Key Findings

The piracy rate in the Asia/Pacific region was 53 percent, with dollar losses totaling more than \$7.5 billion.

In Eastern Europe, the piracy rate was 70 percent, with dollar losses at more than \$2.2 billion.

In Western Europe, the rate was 36 percent, and dollar losses totaled \$9.6 billion.

The average rate across Latin American countries was 63 percent, with losses totaling nearly \$1.3 billion.

In the Middle Eastern and African countries, the rate was 55 percent on average, with losses totaling nearly \$900 million.

In North America, the piracy rate was 23 percent. The losses totaled more than \$7.2 billion.

The study found that the size of a regional software market is the critical link between piracy rates and actual dollars lost. For instance, 91 percent of software installed in the Ukraine in 2003 was pirated, as compared to 30 percent in the U.K. But dollar losses in the U.K. (\$1.6 billion) were about 17 times higher than those in the Ukraine (\$92.1 million). This difference is attributed to a much larger total PC software market in the U.K. than in the Ukraine.

A number of factors contribute to the regional differences in piracy, including local-market size, the availability of pirated software, the strength of copyright laws, and cultural differences regarding intellectual property rights, said John Gantz, Chief Research Officer at IDC. Unfortunately, we found

that high market growth regions also tend to be high piracy regions, such as China, India and Russia. If the piracy rate in emerging markets where people are rapidly integrating computers into their lives and businesses does not drop, the worldwide piracy rate will continue to increase. The fight for strong intellectual property protection and respect for copyrighted works spans the globe, and there is much work to be done, Holleyman said.

BSA will continue to work with governments to enact policies to protect software intellectual property as well as implement programs to raise business and consumer awareness about the importance of copyright protection for creative works. Lowering the piracy rate will stimulate local economic activity, generate government revenue, create job growth and cultivate future innovation.

For more details about the study, please visit the BSA Web site: www.bsa.org/globalstudy. The full report will be released online globally at 4pm Sydney time - or contact Pru Quinlan for an advance copy.

More information:

Toll-free hotline for public inquiries (anonymously if preferred): 1800 021 143

BSAA Web site: www.bsaa.com.au

The Business Software Association of Australia (BSAA) is affiliated with the Business Software Alliance (BSA), which operates globally in 65 countries. BSAA members include Adobe, Apple, Autodesk, Borland, Macromedia, Microsoft and Symantec.

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 before governments and in the international marketplace. Its members represent one of the fastest growing industries in the world. BSA educates consumers on software management and copyright protection, cyber security, trade, e-commerce and other Internet-related issues. BSA members include Adobe, Apple, Autodesk, Avid, Bentley Systems, Borland, CNC Software/Mastercam, Internet Security Systems, Macromedia, Microsoft, Network Associates, SolidWorks, Sybase, Symantec, UGS and VERITAS Software.

IDC (www.idc.com) is the premier global market intelligence and advisory firm in the information technology and telecommunications industries. IDC analyzes and predicts technology trends so that its clients can make strategic, fact-based decisions on IT purchases and business strategy. Over 700 IDC analysts in 50 countries provide local expertise and insights on technology markets, and IDC's management team is comprised of experienced and respected industry luminaries. Business executives and IT managers have relied for 40 years on its advice to make decisions that contribute to the success of their organizations.

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