

Dissolution paves way for early election in Malaysia

Malaysian Prime Minister Abdullah Ahmad Badawi dissolved parliament yesterday, paving the way for snap elections in which the ruling coalition's majority is expected to fall.

Mr Abdullah's popularity has plunged as the nation is beset by mounting racial tensions, street protests, anger over rising fuel and food prices and high crime rates.

Announcing that the king had consented to dissolve parliament, Mr Abdullah indicated he did not expect a repeat of the landslide in 2004, when the Barisan Nasional

coalition won about 90 per cent of parliamentary seats.

"2004 was a special election and it was extraordinary. I pray that BN will get at least two-thirds of the votes in the upcoming election," he told a press conference. I hope voters will understand the issues affecting our country objectively."

But leading opposition figure Anwar Ibrahim said it was shameful that the government was holding snap elections before he was allowed to stand for office. He will be ineligible to stand because of a ban.

"It is unprecedented that you would call elections after 3½ years with a more than two-thirds majority," he told reporters.

Mr Anwar, a former finance minister, was sacked and jailed in 1998 on corruption and sodomy charges that have been widely condemned as politically motivated.

The sodomy conviction was quashed but the corruption count bars him from politics until April 1.

The government's term expires in May 2009 and some commentators said it was going to the polls early to

ensure Mr Anwar could not contest.

Voting must be held 60 days after parliament is dissolved, but the government traditionally allows just a two-week campaign period, which would mean a ballot in early March.

Mr Abdullah appealed for calm during the campaign, in an apparent reference to public rallies over the past few months that police have broken up with tear gas and water cannon. He heads the United Malays National Organisation, which leads the National Front, a multiracial coalition that holds

200 of the 219 seats in parliament.

The Chinese-based Democratic Action Party holds 12, PAS, the fundamentalist Islamic party, has six and Keadilan, which is led by Mr Anwar's wife, Wan Azizah Ismail, has one seat.

DAP parliamentary opposition leader Lim Kit Siang condemned the election announcement, which falls during celebrations for Chinese New Year. "It shows a disregard and insensitivity of the diverse cultures and religions in the country," he said.

AFP

News subsidiary in piracy tangle

Allegations of skulduggery surrounding the hacking of set-top boxes are soon to be aired in court, writes Neil Chenoweth.

NDS Group, the secretive Israeli-based company that makes the smartcards that secure Rupert Murdoch's global satellite network, is facing a \$US1 billion damages claim over allegations it operated a worldwide conspiracy to leak the trade secrets of rivals and clients.

The case against the News Corp subsidiary, which will be one of the largest industrial espionage trials heard in the US when it goes before a jury in California District Court on April 8, will explore the murky world of hackers and counterfeiters who produce forged smartcards for set-top boxes that defraud pay TV networks around the world of more than \$US5 billion (\$5.5 billion) a year.

NDS has a controversial history of using former spies, military intelligence officers, police officers and hackers to fight the satellite pirates who are constantly trying to unlock the secrets of the microprocessors on its cards to steal access to satellite programming.

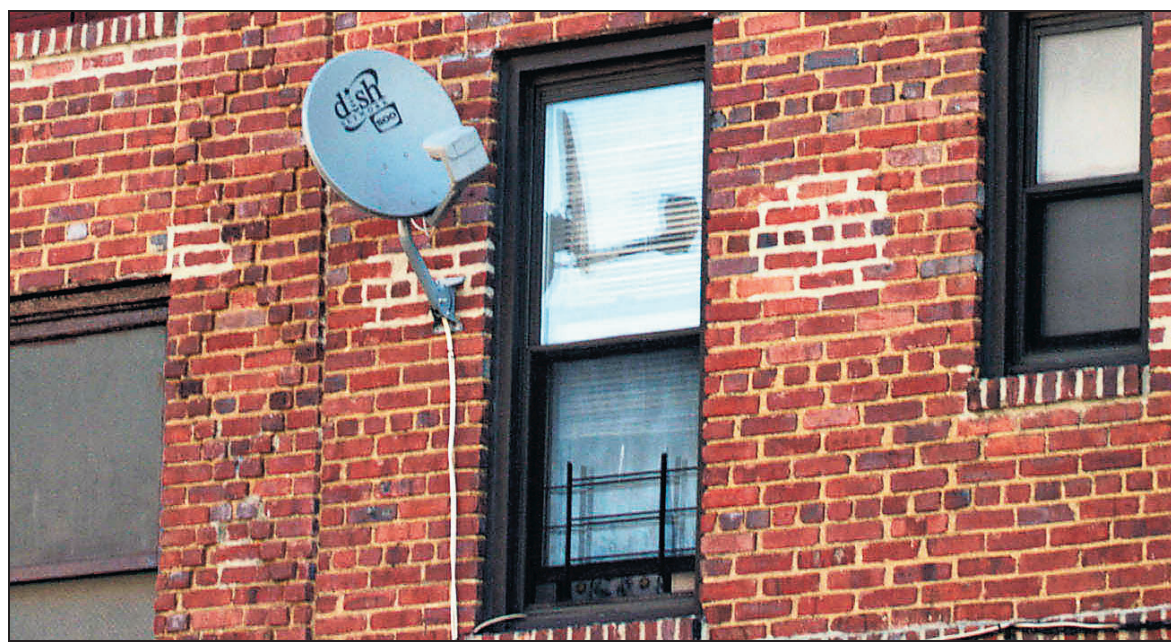
In the current case, US broadcaster EchoStar Satellite Corp and NagraStar, the NDS rival that makes EchoStar's smartcards, are claiming that NDS, overwhelmed by piracy that threatened to destroy its business in the 1990s, instead turned its covert network against rival broadcasters.

EchoStar and NagraStar claim NDS leaked the security codes of their smartcards to pirates to further its own corporate objectives — something strenuously denied by NDS, which says it employed hackers only as part of its anti-piracy investigations.

The EchoStar complaint cites testimony by former satellite pirates as well as an explosive series of internal emails between NDS executives in which they refer to alleged efforts to hack not only EchoStar smartcards but also access cards produced by French group Canal Plus and South Africa's Irdeto group, which made smartcards for Foxtel before being replaced by NDS.

NDS has sought to restrict access to the damaging emails that it says are confidential documents obtained from a hard drive stolen from a laptop of NDS's then European security chief, former Scotland Yard commander Ray Adams, in May 2002.

Six years ago, Canal Plus raised similar industrial espionage claims against NDS. Through 2002, NDS found itself enmeshed in various allegations of fraud and impropriety raised by US satellite groups



EchoStar satellite dishes in the Queens borough of New York.

Photo: BLOOMBERG

EchoStar Communications and DirecTV, Spanish broadcaster Sogecable and Malaysian operator Astro, and investigations by struggling British group ITV Digital, while in California a grand jury subpoenaed documents relating to the Canal Plus claims.

NDS was outraged by the allegations, which it said were all baseless attempts to damage its business. NDS emerged untouched — Canal Plus dropped its case after News Corp bought its Italian pay TV arm Telepiù; DirecTV and NDS dropped fraud claims against each other after News bought a controlling stake; ITV Digital collapsed; and the grand jury investigation was transferred to another jurisdiction and dropped. Yet while the other lawsuits dropped from sight, EchoStar and Sogecable continued their separate courses towards a trial.

The EchoStar case is being closely watched by the world's largest smartcard producer, Swiss high-tech giant Kudelski, which owns half of NagraStar and provides the Nagra technology that is at the centre of the dispute.

The case has the capacity to embarrass James Murdoch, who is a former NDS director. Last month, in one of his first moves as head of News Corp Europe, James paid €287 million (\$461 million) for a 14.6 per cent stake in German pay TV group Premiere — a move that analysts predicted would lead Premiere to dump its long-term contracts with Kudelski and switch to NDS.

Last week Premiere claimed in a public statement that its Nagra smartcards had been hacked, prompting a fall in Kudelski stock. Yesterday German newspapers reported two men had been arrested near Hannover over the hack.

Kudelski took the share price hit

on the eve of the EchoStar trial, which will air internal NDS correspondence from 1998 that details NDS's plan to hack Irdeto cards, which at the time were used by Premiere, in a way that was "effective and untraceable".

The case will also raise scrutiny of the level of related-party transactions between NDS and News Corp associates, which last year accounted for three-quarters of NDS's \$US709 million total revenues — up from \$US107 million in 1998, when EchoStar says NDS began releasing its rivals' source codes to satellite pirates.

The EchoStar complaint cites testimony by former satellite pirates as well as an explosive series of internal emails between NDS executives.

NDS, which is 72 per cent owned by News Corp, is listed on Nasdaq and valued at \$US3 billion. It has three News Corp directors on its seven-member board, including News finance director David DeVoe, News general counsel Lawrence Jacobs and Rupert Murdoch's personal lawyer, Arthur Siskind.

NDS and News Corp did not reply to questions this week.

The EchoStar lawsuit quotes NDS emails from 1998 which suggest that NDS should encourage a new round of hacking of its own smartcards as a means of avoiding

budget cutbacks and of convincing their clients of the need to fund the expensive covert operations.

In one exchange, NDS's Ray Adams wrote: "The one hostage that we carry into all these deliberations is the weaknesses in our technology... Yossi [Tsuria, NDS's chief technical officer] admits that our cards are even more vulnerable to attack than anyone realised before... So given that the technology can be hacked very quickly what do we do?... What we need is support. In the main that is money, money, money."

NDS has accused EchoStar of concocting a far-fetched scheme in its case that is "long on inflammatory rhetoric but lacks any admissible evidence". It says the emails quoted by EchoStar must be disregarded because the documents were stolen from NDS.

As part of a global pursuit of witnesses for the California case, in a related action NDS lawyers told a Vancouver court last September that in May 2002, at the time that Adams left NDS, the hard drive of his laptop computer had been stolen from his car. It included more than 26,000 pages of confidential documents — including reports on NDS's covert operations with hackers.

According to a report by journalist Susan Lazaruk in *The Province*, NDS told the British Columbia Supreme Court that the hard drive had been obtained by Plamen Donev, a hacker formerly with the Bulgarian military. Donev, who was also allegedly on the NDS payroll, was said to have supplied a copy of the CDs to Canadian pirate Gary Tocholke. But NDS told the court that when their lawyers demanded he return the CDs to NDS, Tocholke said he had lost them.

In California, NDS lawyers have

secured orders to seal any further references to the emails and have applied to have them barred from the trial. EchoStar and NagraStar say they obtained the NDS documents from a range of sources.

Last year's C7 trial in Australia revealed that News has a double delete policy on emails, which may mean NDS has no other record of the emails.

NDS now appears to be saying the EchoStar documents are forgeries. Last week NDS lawyers described EchoStar's case as being supported by "unauthenticated and highly suspicious documents".

In a heavily redacted statement filed to the court, the NDS lawyers say parts of EchoStar's case are supported "only by documents that plaintiffs claim were produced by NDS... NDS produced the documents in this case under its obligations to produce any potentially relevant and responsive materials, but no one at NDS has or could authenticate the documents... Because these documents are unauthenticated... and are likely forgeries, they are not admissible at trial and cannot be considered evidence..."

EchoStar claims that Chris Tarnovsky, the hacker who figured in the Canal Plus case, posted the NagraStar codes on pirate websites in December 2000. But NDS says there is no evidence except inadmissible hearsay for this.

Reginald Scullion, a Canadian satellite pirate who identified Tarnovsky as the poster in an affidavit, died last year before he could be deposed. NDS says he was embittered against NDS. Even if Tarnovsky did post the codes, NDS was not liable because it was outside the terms of Tarnovsky's employment.

NDS says actions in the 1990s are barred by the statute of limitations and its lawyers have sought to restrict EchoStar referring to the earlier period with details which they say might "inflammate the jury".

NDS has stood by its employee, Tarnovsky. According to documents cited in EchoStar's current claim, NDS's US security chief, John Norris, continued to supply Tarnovsky with expensive electronic equipment that could be used for hacking through 2002, despite the Canal Plus lawsuit.

In one case, receipts show that on January 9, 2002, Norris bought an electronic probe that he sent to Tarnovsky. On the same day in Paris, NDS chief executive Abe Peled was meeting with Canal Plus Technologies chief François Carayol in Paris to deny complaints about Tarnovsky's work as a hacker.

Sogecable's separate case against NDS is due for trial next year.

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