

# Downloading epidemic that's defying a cure

## Policing Paul Smith

For one of the most eagerly anticipated TV shows of the year, *Game of Thrones*, pay TV viewers with Foxtel and Austar subscriptions will have to wait until April 10 to watch the first episode of season two.

But for internet downloaders who don't mind breaking the law, *Game of Thrones* S02E01, as the episode is known in downloader parlance, appeared last night.

Internet piracy isn't just a cheap option. For impatient viewers it can be the only option, and while hacked smartcards giving users access to pay TV services were — and still are — a headache for television companies, the emergence of rampant file-sharing

means some in the TV industry must have read the revelations about News Corp subsidiary NDS's alleged role in piracy with dewy-eyed nostalgia for a simpler time. For most non-live television content, the BitTorrent file-sharing system has become a default option for millions of no-pay-per-view TV on demand viewers.

In his weekend letter to *The Australian Financial Review*, News Ltd chief executive Kim Williams says: "Piracy is a scourge in modern media and intellectual property life and no more so than with video material."

TV companies have waged high-profile legal cases to try to retain control of their content, such as the recent High Court battle between Hollywood studios and Perth-based ISP iiNet.

From a technology perspective, the means to pirate TV content has

## THE JURY'S OUT

The ABC's *Media Watch* program is not "fully convinced" that one of the email examples highlighted by *The Australian Financial Review* in its series on News Corp subsidiary NDS proves claims of widespread pay TV piracy. Presenter Jonathan Holmes suggested last night the email example could merely be "dirty tricks" against a competitor. And he said it was a hugely complex story that was hard to judge in a matter of days.

become so simple that the television companies face an almost impossible and constant battle. "As soon as a pirate site is shut down a new one pops up," IBRS analyst and IT security spe-

cialist James Turner said. "That's the nature of security and the struggle against piracy is effectively a struggle to protect confidentiality. People in IT security discover an attack and then develop a defence against that attack. The attack no longer works, so the attacker changes their method."

Mr Turner said piracy was almost unstoppable as viewers often saw it as a victimless crime. "The tricky part in the struggle for content control is using technical controls that are simultaneously non-intrusive to legitimate users and yet also minimise the opportunity for piracy. This will be a challenging balance to achieve."

The managing director of digital identity consultancy Lockstep Group, Stephen Wilson, said that while the rate of Australian pay TV smartcard piracy was unknown, they were still

the most widely pirated smartcards worldwide. Even though technology to combat fraud was more widely available, it was expensive.

He said it cost about \$20 to engineer a smartcard to be copy resistant under all reasonable modes of attack. "High-end chips have secure operating systems and cryptographic keys that never leave the chip; they have tamper detection and will automatically wipe their own memories if they think they're under attack. By comparison, the benchmark cost for a banking card is more like \$1, so few card issuers will pay that much per unit."

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## FULL COVERAGE

Reports, analysis and reaction to the four-year Financial Review investigation at [afr.com/paytvpiracy](http://afr.com/paytvpiracy)

# Smart code sharing 'systematic'

## Hacker attack Angus Grigg

Sydney hacker David Cottle claims there was a systematic campaign to distribute secret operating codes for pay TV smart cards on the internet, so "any dummy" could download them.

Mr Cottle, who was heavily involved in the hacking community during pay TV's infancy a decade ago, moderated the thoi.com piracy website which, unbeknown to him, was secretly funded by News Corp subsidiary NDS.

A special unit within NDS, the Operational Security team, is alleged to have promoted a wave of high-tech pay TV piracy in Australia and overseas that weakened News Corp's commercial rivals. News and NDS strenuously deny the allegations.

As a moderator of thoi.com, Mr Cottle said he attempted to keep sensitive information, like operating codes, on the private "members-only" forums.

"We just tried to keep it out of the way of the public," he told *The Australian Financial Review* yesterday.

"I objected to anyone exploiting this information that did not work it out for themselves."

But Mr Cottle said the "private information" that was supposed to only be available on locked forums such as thoi.com's "area 51" for Australian hackers kept finding its way onto other hacking websites.

"It meant that any dummy could download and exploit it," he said. "People should work out how to do it themselves, not just be spoon-fed it."

Mr Cottle said there were repeated



David Cottle says widespread distribution meant that 'any dummy' could download and exploit codes.

Photo: LOUIE DOUVIS

examples of information that had been posted on members-only forums emerging shortly afterwards on public chat sites.

In a series of emails the Operational Security team talked about putting him under surveillance and obtaining his phone records.

The *Financial Review* has obtained 14,400 emails from within NDS, many of which are available on the afr.com website.

These have formed the basis of a major investigation into NDS and its efforts to promote piracy against the pay TV rivals of News Corp.

The emails revealed that the European head of operational security, Ray Adams, had established thoi.com in the late 1990s.

"I created thoi.com and still consider it my baby," Mr Adams, a former UK police commander, said in an email.

The trail of emails also reveals that NDS paid £75,000 (\$115,7300) a year to maintain and operate the site. Cottle was asked to moderate the Australian arm of thoi.com.

He claims not to have known about NDS's involvement.

It is clear, however, that NDS wanted him to hack into the smart

cards from a rival provider, Irdeto.

At the same time NDS was concerned that Cottle might turn his attention to their own pay TV platform and they considered having him arrested.

"The objective of any current action would be to eliminate Cottle as a threat to any NDS systems but without disturbing his other hacking activities (as much as possible)," wrote the Asia Pacific head of operation security, Avigail Gutman.

"We do not want Cottle in jail until he has a successor for the Irdeto hack."

# Rann slates journalism standards

## Media ethics Mathew Dunckley

The standards of political journalism, particularly in newspapers and on commercial television, are diving as commercial pressures bite, says former South Australian premier Mike Rann.

The principal but not sole target for criticism in Mr Rann's scathing speech at Flinders University last night was News Ltd, which he said enjoyed an "unhealthy" dominance of the media landscape in his state.

The News Ltd-owned *Adelaide Advertiser* did have some "excellent reporters" but had "fallen into the entertainment or anger trajectory" as competition had increased, particularly from the internet.

"Worst of all, in the eyes of many from my side of politics, is *The Australian*," he said in the speech, issued to *The Australian Financial Review*.

Mr Rann, who stood down from office late last year after leading state Labor for 17 years, said that was a pity because of the quality of some of the paper's journalists.

"Unfortunately, its editorial line sometimes infects its reporting of politics. Even worse, there are examples where political bias and distortion collide in a toxic cocktail which has nothing to do with real journalism," he said.

Mr Rann had a tense relationship with the paper as premier.

In the speech, he criticised "desperate journalists" at the newspaper who he said were "far below the calibre" of colleagues such as Paul Kelly and Peter von Onselen.

"They try to be amateur political players themselves or, at worst, twist their story and sometimes even their quotes in order to get their 'beat-up' into the paper."

Mr Rann said the vast majority of journalists and politicians were "decent and honest professionals" but reporters were now under "increasing pressure to 'beat up' and simplify stories about important issues in order to attract attention rather than provide insight."

"The consequences of this continuous downward spiral are even worse for the public, not just in terms of limiting sensible debate on serious issues," he said.

Mr Rann praised the ABC, SBS and Sky News for their "straight and unbiased" approach to the news.

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# Investors want News board overhauled

## Governance Patrick Durkin

Major investors who have raised concerns about the governance at News Corp for years are renewing their calls for an overhaul of the board.

The managing director of Regan, Amanda Wilson, which represents superannuation funds worth more than \$54 billion, is not surprised by the allegations concerning pay TV piracy raised by *The Australian Financial Review* and the BBC after raising concerns about the governance at News Corp over several years.

"We look at board quality, the independence of the board and exec-

utive remuneration and they all go into our view of corporate governance and our view of corporate governance at News Corp is not good," Ms Wilson said.

"For us, that is often a predictor of a blow-up down the track. Now that is not making a comment on whether these allegations are true or false. It is saying that either way there is a risk there and that the board is not sufficiently skilled or independent to oversee and mitigate that risk, which is not good for shareholders," she said.

"The phone hacking scandal highlighted it and this does too. For the companies we rate highly on corporate governance these sorts of events just don't happen," Ms Wilson said.

Last month, major super funds

and institutional investors met local News Corp director Rod Eddington to spell out a list of demands for overhauling the media giant's board.

The Australian Council of Superannuation Investors (ACSI), which represents super funds worth more than \$300 billion, voiced their concerns that Rupert Murdoch should relinquish his role as both chief executive and chairman of the company.

The influential investor group also called for a shake-up of the board and an injection of independent directors as the fallout from the UK phone hacking scandal spreads.

Globally, pension funds and institutional investors are also stepping up the pressure to oust James Murdoch and are already

drafting resolutions for this year's shareholder meeting ahead of the May deadline.

Last year, 35 per cent of shareholders voted against James Murdoch's re-election to the board, despite the Murdoch family controlling 40 per cent of the voting stock.

For local super funds and investors, the primary concern is ensuring an injection of independent directors into the abnormally large 16-member board, which includes a string of executives including Lachlan and James Murdoch.

News Corp has also been placating local investors with a review into News Ltd, its Australian arm, by former Victorian Supreme Court judge Frank Vincent.