



Rear Window

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Spooks spoil Huawei spin party

You have to feel for big, bad telco Huawei. Despite brandishing enough PR and lobbying firepower to have a seat at the table in *Thank You For Smoking*, its hopes for a piece of the NBN action are in tatters – courtesy of the Australian Security and Intelligence Organisation, which was spooked by the risk of Chinese cyber sabotage.

Huawei's Shenzhen-based executives must be scratching their heads – after all, they've thrown all but the resources of the Australian Wheat Board at this. They originally had Bespoke Approach – the lobbying outfit of **Ian Smith**, **Alexander Downer** and **Nick Bolkus** – on the books, but when Downer was appointed to their local

board a year ago, the relationship was discontinued. They've also got **Julia Gillard's** former boss, **John Brumby**, on the board while Huawei's Australian director of corporate affairs is former **Tony Abbott** adviser **Jeremy Mitchell**.

As far as Rear Window can see, Mitchell is running a travel agency – flying **Julie Bishop**, **Bronwyn Bishop** and **Andrew Robb** to China for a look-see in the past eight months. Who told him Beehive Bronnie had sway over the Coalition's telecommunications policies?

Looks like a sure bet for PR fail of the year. If only they'd hired **Bruce Hawker** – they could've got the same result and saved themselves a fortune.

Hawker cops ALP flak

As the reality of the election debacle sets in at Labor watering holes in Brisbane, the name of **Bruce Hawker** is on the lips of some of the ALP faithful.

His contribution to the **Anna Bligh** debacle is not likely to be forgotten for awhile.

He is being blamed – fairly or not – for Bligh's campaign resembling a mud-slinging Republican primary contest. While the strategy was designed to drive up **Campbell Newman's** negatives, it actually drove up Bligh's.

Ron Burgundy's identical twin may think carefully before he ventures back across the Tweed – although come to think of it he's hardly the flavour of the month in Canberra, either, after urging **Julia Gillard** not to contest the leadership. Fortunate then that he cashed out of his Hawker Britton log-rolling business. Things could be a little quiet for the Anchorman after his recent two-zip record.

Westpac hooks Butcher

Gail Kelly's chief spinner at Westpac, **David Bell**, left his gig of two years recently and the vacancy at the top of the bank's media and government affairs team is the talk of the PR world – that and the two vacancies under chief Qantas communicator **Olivia Wirth**.

Rear Window has learnt that, far from sitting on its heels, Australia's oldest bank has engaged the services of Melbourne-based adviser **Andrew Butcher**, formerly a corporate affairs boss at Telstra and before that in New York as senior vice-president at **Rupert Murdoch's** News Corporation.

His firm, Butcher & Co, is one part of a trioka formed by fellow eminence grises **Sue Cato** in Sydney and **Ian Smith** in Adelaide.

Butcher is commuting to Sydney two days a week, and a spokesman for the bank described his gig as being on an "interim basis". We hope Butch has his **Mark Antony** costume ready for the WBC Christmas party.

Leaving which bank?

Commonwealth Bank of Australia chief **Ian Narev** announced in January that Bankwest managing director **Jon Sutton** was returning to the CBA fold in a senior executive position. The new gig was never explained and now, just two months later, competitor Bank of Queensland has poached Sutton to be its chief operating officer.

Going from boss of a provincial banking player to reporting to the boss of another is surely an unconventional career trajectory. You could say he's determined to be different.

And the move comes as some surprise given Sutton had expressed a desire to return to CBA HQ before his transfer from Perth was sealed.

A spokesman for CBA denied that Sutton had been in limbo, saying "there were plans for Jon but obviously they won't be going ahead now that he's resigned".

Senior CBA insiders insist Sutton is a valued executive who leaves with Narev's best wishes.

In an interesting twist, Rear Window has learned that ABC's *Four Corners* program is working on a story about Bankwest, and specifically its treatment of commercial property mortgagees soon after it was acquired by CBA. Disgruntled customers say it engaged in aggressive book clearing, which the bank strongly denies.

The allegations are the subject of court proceedings. *Four Corners* reporter **Deb Whitmont** has already interviewed almost 40 people for the yarn. Will Sutton come out of it smelling like roses?

Giants rise in stature

The new Sydney AFL franchise, the GWS Giants, put in a solid showing in their debut match against the Sydney Swans at ANZ Stadium on Saturday night. Hosting 800 people at a pre-match dinner, Business Council of Australia president **Tony Shepherd**, who also chairs the Giants, dazzled in an orange shirt and club tie.

His guests included new federal Sports Minister **Kate Lundy** and her NSW counterpart **Graham Annesley**, whose years as an NRL referee came in handy as he tossed the coin. Virgin Australia's **John Borghetti** mingled with fans and Giants sponsors, including Skoda's **Valentin Tondero**, who made the trip from Prague to join local CEO **Matthew Wiesner** at the historic debut. Arab Bank CFO **Bernie Buncle** and Freehills partner **Grant Marjoribanks**, fresh from his win against the ACCC in the Metcash case, also donned the ochre scarves to see a plucky Giants team win the last quarter but, alas, not the previous three.

Pumped and pedalling

With the grumbling about his government's performance piling up, **Ted Baillieu** must feel about as popular as **Anna Bligh** right now. Well maybe a bit more popular than that.

So, possibly to reconnect with the people, Baillieu subjected his entire cabinet to Melbourne's outer suburbs yesterday.

There was another notable visitor to the area: federal Opposition Leader **Tony Abbott**, who is on his charity Polle Pedal bike ride. Asked about his trip so far, Abbott said: "Once we got out of the Melbourne traffic, it was great. There's obviously a big challenge for the people of outer metropolitan Melbourne and yes, there is a lot of work being done on the roads out there."

Pedalling harder, Abbott suggested that on a bike "you are conscious of every bump". Right now Baillieu knows how he feels.

Murdoch cops

The global media giant News Corp is alleged to have funded a website for pay-TV hackers and pirates, leading to the demise of a rival broadcaster, writes **Neil Chenoweth**.

Rupert Murdoch's media empire, still struggling with the crisis over telephone hacking by its journalists at News International, is facing fresh allegations that it promoted pay TV piracy to cripple a rival broadcaster in Britain.

Two former senior British policemen, a Metropolitan Police commander Ray Adams and a chief inspector with the Surrey police, Len Withall, are reported by the BBC's *Panorama* investigative program to have operated a piracy website that released codes to unlock programming for faltering pay TV company ITV Digital.

ITV Digital collapsed in March 2002 with losses of more than £1 billion, overwhelmed by mass piracy, as well as technical restrictions and expensive sports contracts. Its collapse left Murdoch-controlled BSkyB the dominant pay TV provider in the UK.

Adams and Withall, who were secretly filmed by *Panorama* discussing their role operating a website called The House of Ill Compute (thoic.com), strenuously deny that they provided operating codes for ITV Digital, or that any codes for ITV Digital appeared on the Thoic site.

The *Panorama* program, which was due to go to air early this morning Australian time, includes an interview with Lee Gibling, the former hacker who was paid £5000 a month on top of operating costs to run Thoic. He said the website was controlled and funded by NDS Ltd, an Israeli technology company Murdoch set up in 1988 to provide encryption services to his new satellite operation, Sky Television. The claims come as UK media regulator Ofcom is reviewing whether News is a fit and proper person to hold a broadcast licence. Ofcom's Project Apple officials are liaising with the Metropolitan Police's Weeting and Elveden teams investigating hacking and bribery allegations – and studying evidence given to the Leveson inquiry on press standards.

It puts further pressure on Rupert and James Murdoch, both of whom appeared on July 19, 2011 before the UK parliamentary culture, media and sport select committee investigating the telephone hacking allegations. It was a day News Corporation chairman Rupert Murdoch described as "the most humble" of his life.

At its peak in 2000, Thoic was recording close to 2 million hits a day from hackers around the world, who posted codes for a wide range of pay TV companies, though not for NDS clients.

"It was NDS, it was their baby and it started to become more their baby as they fashioned it to their own design," Gibling told *Panorama*.

Last week News Corporation lawyers wrote to British newspapers warning that *Panorama's* allegations were "serious, defamatory, false and highly damaging; we urge your paper not to republish it, especially in circumstances where our client has not been given the opportunity to respond".

NDS describes Thoic as a "honey pot" intelligence-gathering operation, in which hackers from around the world met in online chatrooms and communicated through Thoic email accounts, all under surveillance by NDS employees.

But the company comprehensively denies ever promoting piracy. It also says Gibling was an informant, never an employee.

Adams and Withall were part of a secretive unit within News Corporation called Operational Security, which was attached to NDS. Its role was to fight piracy – but it has faced repeated claims that it gained advantage for NDS pay TV management products by encouraging piracy of its competitors.

"The sources of accusations that NDS participated in piracy of competitor conditional-access systems have been repeatedly discredited," an NDS spokeswoman told *The Australian Financial Review*.

"The United States Department of Justice, a federal court jury, a federal trial court, and a federal appellate court all rejected allegations

that NDS is responsible for TV piracy or distributed codes that facilitated that piracy."

NDS has been sued for piracy by some of the world's largest pay TV broadcasters, including Canal Plus in France, EchoStar and DirecTV (an NDS client) in the US, Sogecable in Spain and MEASAT's Astro platform in Malaysia.

Canal Plus dropped its 2002 lawsuit as part of a deal to sell its Telepiu pay TV arm to News; DirecTV dropped its claim against NDS in 2004 after News took control of the group; Sogecable and MEASAT dropped their lawsuits after several years; while EchoStar won nominal damages on three counts in a 2008 trial and had to pay \$18 million legal costs to NDS.

In Italy, a leading anti-piracy advocate, Davide Rossi, who was an NDS consultant, is facing trial on charges that he helped and protected an Italian hacker who was targeting the Swiss Nagra group, which was providing encryption for News's Sky Italia.

The Italian hacker, known as Linixone, was also on a monthly payment from NDS, paid via News International.

Television piracy exists because of the difficulty pay TV groups have in ensuring that only paying subscribers get to watch the programming.

The answer is to scramble the satellite or cable stream. A smartcard that is inserted in the set-top box checks that the Foxtel or BSkyB subscriber is paid up, then unscrambles the picture.

But through the 1990s, sophisticated pay TV hackers were able to crack the smartcards used by leading pay TV companies and sell pirate cards that allow users to watch for free. While piracy could cost pay TV companies hundreds of millions of dollars in lost revenue, many people, including police, minimised the offence.

James Murdoch in particular has been a vehement critic of piracy, calling for tougher penalties in a speech in Abu Dhabi two years ago.

"These are property rights, these are basic property rights," he said. "There is no difference from going into a store and stealing a packet of Pringles or a handbag, and stealing something online. Right?"

"I think it's crazy, frankly, people say, 'Oh, it's different, these kids, you know, these crazy kids.' No. Punish them."

When the Operational Security unit was set up in 1996, NDS smartcards for BSkyB and US satellite broadcaster DirecTV had been widely pirated.

Ray Adams, who had retired from the Metropolitan Police on health grounds in 1993 after a brilliant but controversial career, was hired to become European chief for Operational Security. Withall was his deputy.

"I am proud of my time at NDS," Adams told the *Financial Review* earlier this month. "I took on the fight against SKY piracy when no one else could even evaluate the number of devices and the loss of revenue."

"I did this in record time by identifying the pirates and either arresting or recruiting them to a better cause."

The recruits included Lee Gibling, who had been running a BBS online bulletin board which targeted BSkyB.

Gibling told *Panorama*: "They were offering me a way of taking The House of Ill Compute to a much wider community."

This included setting up a US server, paying Gibling a monthly retainer, renting a property for the operation and paying operating costs.

Withall told *Panorama*: "I didn't do it at all, it was nothing to do with me, it was set up by Ray Adams."

Adams is secretly filmed saying, "Len was running [Thoic] on a day to day basis... I was in charge of the unit so technically I was running Thoic; but on a day to day basis, absolutely not."

In one of the most controversial sections of the program, Gibling describes a meeting with Adams and other NDS staff where he was told that a hack was being worked on for OnDigital, as ITV Digital was then known.

Adams flatly denies any such conversation. BSkyB and News had been bitterly critical of the launch of OnDigital in late 1998, after its shareholders Carlton and Granada dropped an earlier decision to use NDS as its conditional access system (as the smartcard decryption