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## Pay TV piracy hits News

Secret emails reveal scandal

**Exclusive**

Neil Chenoweth

A secret unit within Rupert Murdoch's News Corporation promoted a wave of high-tech piracy in Australia that damaged Austar, Optus and Foxtel as News was trying to take control of the pay TV industry.

The piracy cost the pay TV companies millions of dollars a year. Foxtel, of which News Ltd holds 25 per cent, is in the process of acquiring satellite broadcaster Austar for \$1.9 billion, cementing its dominance of pay TV. Austar shareholders will vote on the deal on Friday.

A four-year investigation by *The Australian Financial Review* reveals a global trail of dirty tricks targeting competitors by Operational Security, a group of ex-police and intelligence officers within News Corp. Their actions devastated News's competitors, helping it acquire rivals at reduced prices – including DirecTV in the US and Telepiu in Italy.

The security group, headed by Reuven Hasak, a former deputy director of the Israeli domestic secret service Shin Bet, was established in the mid-1990s within News subsidiary NDS, to counter internal fraud. It soon began hunting the pirates targeting its own operations as the global battle for pay TV dominance raged.

But documents uncovered by the *Financial Review* reveal that NDS encouraged and facilitated piracy of its competitors as well as companies



Sydney engineer David Cottle at his home this week. Inset, from top: Ray Adams, Reuven Hasak. Main photo: LOUIE DOUVIS

such as Foxtel, for whom it provided pay TV smartcards. NDS sabotaged business rivals, fabricated legal actions and obtained telephone records illegally. News Ltd chairman at the time, Lachlan Murdoch, declined to comment. A spokesman said NDS had not reported to News Ltd, the Australian arm of News Corp.

Pay TV pirates cracked the codes of smartcards issued to customers paying for the service. The hackers would then sell black-market smartcards giving viewers free access and

costing the broadcasters millions. NDS's actions are documented in an archive of 14,400 emails once held by former Metropolitan Police commander Ray Adams, who was European chief for Operational Security between 1996 and 2002.

The *Financial Review* is posting many of the emails on its website at afr.com. They provide a unique insight into the secret side of Rupert Murdoch's sprawling global empire, exposing an operational arm that has generated multibillion-dollar windfall profits for News Corp. NDS was

sold last week to Cisco for \$5 billion. The emails bolster claims by the BBC *Panorama* program that News sought to derail ONdigital, which collapsed with losses of more than £1 billion in 2002.

A Foxtel spokesman said yesterday it had worked with NDS for many years. "The entire basis of our contractual relationship is that NDS provides Foxtel with encryption services to prevent piracy."

News Corp has consistently denied any role in fostering pay TV piracy. Full reports, pages 12-16, 49 ■

Hacker who got stung

Neil Chenoweth and Angus Grigg

For the undercover watchers in Rupert Murdoch's private security force, David Cottle was the "king", the "co-ordinator" of all hacking activities in Australia.

He called himself "Bond 007" online and hosted web forums about hacking pay TV smartcards – he certainly didn't think his telephone records could be hacked. "Cottle is the pirate in OZ," wrote Avigail Gutman, the Asia-Pacific head of Operational Security at News Corp's NDS unit.

Cottle denied being part of a global hacking team when *The Australian Financial Review* located him in north-western Sydney on Monday.

"Good luck to them proving it because I was never involved," he said. But the 47-year-old father, who was employed by Fox Sports to install satellite TV in hotels, was not surprised to learn that NDS had put him under surveillance in 1999 and attempted to obtain his phone records.

His was a complicated relationship with NDS.

On the one hand, Cottle was encouraged by those working for NDS to hack into smartcards from a rival provider, Irdeto. At the same

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## Coalition rift on Huawei ban

The federal Coalition split yesterday over the Gillard government's decision to block Chinese technology company Huawei from tendering for the \$36 billion national broadband network.

Respected security analysts branded Labor's decision as heavy-handed. But technology experts said Huawei's attempts to allay fears would not be enough to ensure the integrity of the NBN.

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## Unions fight for super-charged wage rises

**Exclusive**

Mark Skulley and Pip Freebairn

The union movement will today defy Workplace Relations and Superannuation Minister Bill Shorten and refuse to give up wage increases in return for higher superannuation payments.

The national executive of the Australian Council of Trade Unions will

meet in Melbourne and recommit to opposing trade-offs for an increase in super contributions from 9 per cent to 12 per cent over a decade.

The Gillard government introduced the policy as part of the minerals resource rent tax and regards it as one of its top priorities.

The ACTU's move could embarrass Mr Shorten, who recently promised the business community it wouldn't be forced to cover the full

cost of super increases in addition to normal wage rises.

ACTU secretary Jeff Lawrence said the body planned to send a clear statement of its position, "given some of the comments in the last week from the Minister [Shorten] and from other people".

"There's no way that unions are going to say that there's any trade-off because, apart from anything else, the phase-in time is so long," he told

*The Australian Financial Review.*

Mr Shorten has argued that employees will recognise that larger superannuation payments are equivalent to delayed pay rises and will restrain claims for immediate wage increases.

His spokesman said yesterday that

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