



# THE AUSTRALIAN FINANCIAL REVIEW

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■ News unit's 'police informants' fund ■ Murdoch rejects 'lies'

## Piracy funds link to police

Neil Chenoweth and Angus Grigg

The secretive unit of the Murdoch media empire that promoted a global wave of pay TV piracy had a budget account to provide "a contingency sum for police informants" to "pay them for assistance given to us in our work".

Emails published by *The Australian Financial Review* show that a News Corporation subsidiary, NDS, operated the account from early 2000 and paid the Surrey Police £2000 that September.

"In our budget under code 880110 there is an amount of money set aside for payment to Police/Informants for assistance given to us in our work," said the email from an NDS executive, who was once a Surrey police officer.

NDS said yesterday the payment was a "one-off charitable donation". Surrey Police are investigating.

The revelations in the emails prompted News Corp chairman Rupert Murdoch yesterday to hit back at "lies and libels".

News Corp is being investigated by Australian Federal Police and UK authorities over phone hacking and payments to police for information used in newspaper articles.

In Britain, the independent Leveson inquiry is examining the phone hacking scandal.

News Ltd's 25 per cent owned Australian pay TV operator Foxtel is planning to take over rival Austar.

A four-year investigation by the *Financial Review* published this week has revealed how NDS targeted News Corp's pay TV competitors.

The actions of Operational Security, a group of former police and intelligence officers within NDS, devastated News's competitors, helping it acquire rivals at reduced prices.

Operational Security was responsible for the "informants" fund.

The unit's former European head,

### The media puzzle

**News Limited**  
OWNS 25% OF **FOXTEL**  
TRYING TO TAKE OVER **AUSTAR**

**RUPERT MURDOCH**  
**JAMES MURDOCH**

**AFP**  
AUSTRALIAN FEDERAL POLICE  
AFP HELPS UK INQUIRIES INTO PHONE HACKING & PAYMENTS TO POLICE

**NDS**  
FORMER UK POLICE WORKED FOR NDS ON PIRACY

**RAY ADAMS**  
**LEN WITALL**

From: LWith520@aol.com <LWith520@aol.com>  
To: Jjackson@ndsuk.com  
Date: 6/9/2000 7:32:58 PM  
Subject: cheque for Police

Joan  
(Doing this from home. Please send reply to works email)  
Over the last six months I have been doing some work with the Surrey Police.  
In our budget under code 880110 there is an amount of money set aside for payment to Police/Informants for assistance given to us in our work.  
With Ray's authority could you please make out a cheque in the sum of £2000 (two thousand pounds) payable to the SURREY POLICE and forward it to my office. When passed over to the police I will let you have the receipt.  
Many thanks  
**Len WITALL**

Graphic CHRIS FOWLER

⚠️ PAY TV PIRACY HARMS NEWS' RIVALS LIKE AUSTAR

Ray Adams, was a former Metropolitan Police commander in the UK.

In an email to NDS accountant Greg Gormley on September 10, 2001, about budget cuts, Mr Adams described budget item 880110: "This is a contingency sum for Police informants. No claims so far, May be none this year."

Mr Adams was responding to Mr Gormley alone, in reply to an email

from Mr Gormley about budget cuts headed "URGENT RE-forecasts".

The original email was copied to then NDS chief executive Abe Peled. Mr Adams' deputy at NDS was Len Withall, a former senior Surrey Police officer.

Mr Withall sent an email in mid-2000 from his private AOL account to an NDS worker asking that a cheque

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### PAY TV PIRACY

**The evidence raises legitimate questions about corporate governance, accountability and trust at an important public corporation.**  
Editorial, page 50

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## Labor's car cash riles Keating

Mathew Dunckley

Former prime minister Paul Keating has blasted the Gillard government's car industry handouts and complained that the Labor Party has retreated from the liberalisation of the economy that he implemented in the 1980s with then prime minister Bob Hawke.

Mr Keating said any job losses in manufacturing from the strong dollar would be "picked up" by the services sector, which was being buoyed by a "punch of income" from high prices for mineral exports.

The Labor Party's recent political reversals, including the landslide loss in Queensland at the weekend, were partly due to it losing touch with the middle class it helped form, he said.

"What the Labor Party have done is create a new middle class in Australia," he told a Wesley College Foundation breakfast in Melbourne yesterday. "The trouble is, it hasn't been that good at identifying with its own creation and managing it."

"The loss of this started from 1996 onwards really, when a lot of the Labor Party didn't really like the reform agenda that Bob Hawke and I presided over, and they wanted to get back to their roots."

"OK, well, roots are underground." Mr Keating is the first major figure from the Labor Party to speak against government subsidies for foreign car manufacturers since the Gillard government announced new bailouts of the Ford and General Motors Australian operations in the past few months.

The subsidies triggered a national debate about assistance to the car industry that split the Coalition, which plans to cut the subsidies, but not abolish them, by \$500 million.

The Gillard government, which  
Continued page 4

## Costello's mining state revolt Telstra stops Chinese recruit

Exclusive

Mark Ludlow and Peter Kerr

Peter Costello is set to become the new weapon for the resource-rich states of Queensland and Western Australia in the battle with the Gillard government over the GST and the carbon tax.

But the appointment of the former federal Liberal treasurer to head a commission of audit for the newly installed Newman government in Queensland — whose terms of reference include looking at the Greiner-Brumby overhaul of the GST formula — could also divide the bloc of con-

### BIG SPENDER

**'BHP Billiton's biggest shareholder, BlackRock, halved its stake in the world's biggest mining company in recent months because of concerns about the miner's planned spending.'**  
Reports, page 19

▶ Matthew Stevens, page 36

servative states against federal Labor.

In an interview with *The Australian Financial Review*, Mr Newman said that like WA he had not signed up to the conservative pact proposed by

NSW Premier Barry O'Farrell and Victorian Premier Ted Baillieu.

Ahead of next month's Council of Australian Governments meeting, Mr Newman said while he would be "putting Queensland first", he felt more of an affinity with WA.

"Both states are getting the rough end of the pineapple in the way the Grants Commission carves up works and we actually end up with less in terms of royalties per capita," Mr Newman said. "I just want to do the right thing for Queensland and I will be putting Queensland first."

Mr Costello said he was eminently  
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Nabila Ahmed and James Chessell

Telstra has ditched plans to appoint a Chinese director to its board because it was concerned about getting caught up in the controversy over China's Huawei Technologies.

It is understood the Telstra board, chaired by Catherine Livingstone, rescinded its invitation in the past 24 hours to the Chinese businessman to join its board.

The Gillard government banned Huawei from for lucrative national broadband network (NBN) contracts because of concerns over cyber attacks originating in China. The government was acting on the

advice from Australian Security Intelligence Organisation (ASIO), although the exact reasons for the decision have not been made public.

Telstra, which has targeted Asia as one of its growth regions, had been looking to appoint a Chinese director to help pave the way for business in the region.

The group managing director of Telstra International Group, Tarek Robbiati, last year said Telstra would consider acquisitions in fast-growing Asian economies as part of  
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Greg Earl in Asia, pages 12, 48  
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