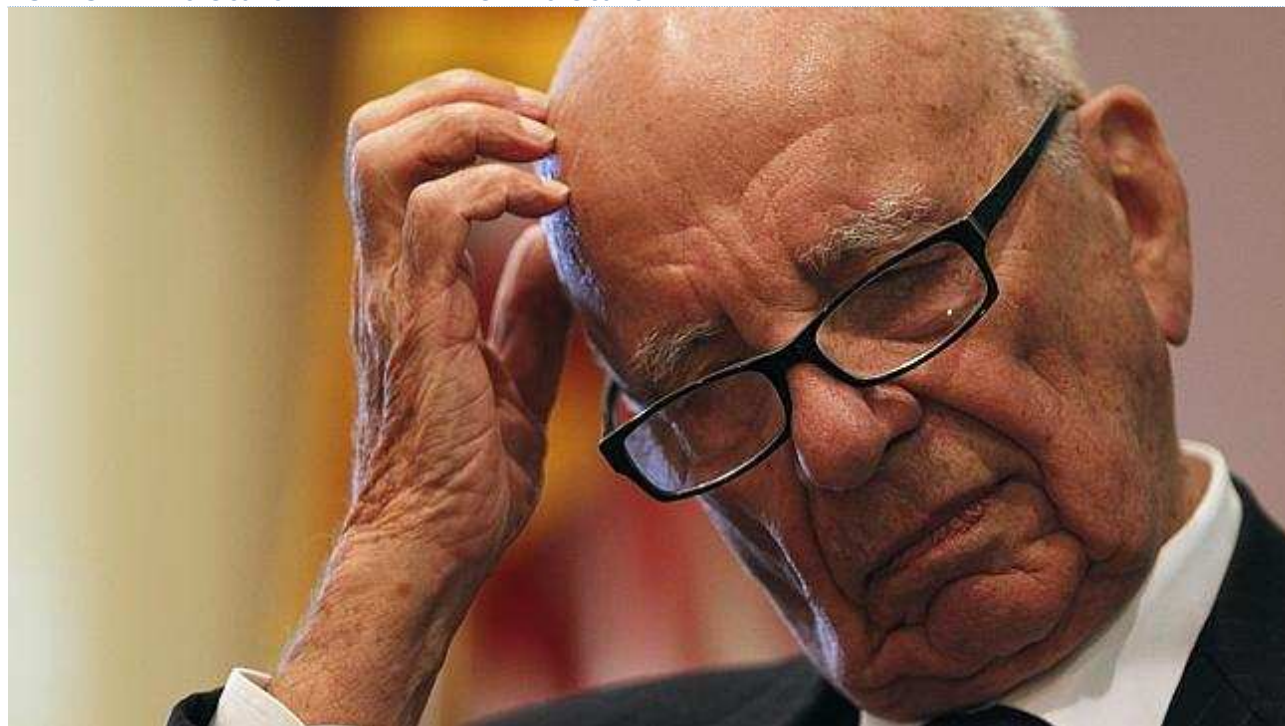


## Skulduggery on the good ship Murdoch

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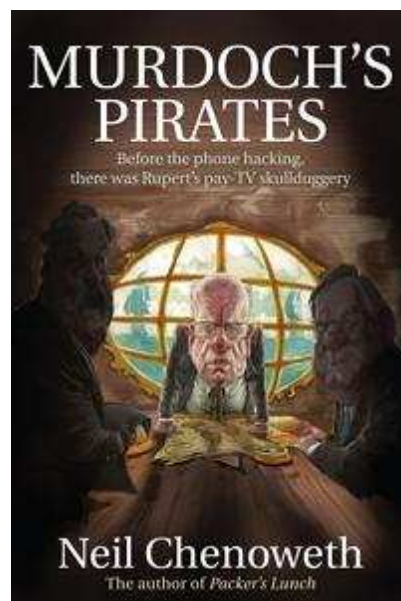
Question for News Corporation: Who decides what should be disclosed and what shouldn't? **Photo: Reuters**

**Neil Chenoweth**

**Berlin, Sunday-Tuesday, 18-20 October, 1998**

When the parents of Boris Floricic [German hacker, nicknamed Tron] filed a missing person report on Monday, they told police that their son had been contacted by intelligence services, who had attempted to recruit him.

The police were alarmed. They looked at Boris's court record and decided to seize his computer and issue an arrest warrant for him.



The new book appears next week.

Apparently, NDS had not been the only firm eager to recruit Floricic. "This is a very sensitive area and the intelligence services are very interested," Detective Thomas Kasbaum, one of the team investigating, said later. "He received several specific offers of work, from German and international companies."

By this time, Boris's friends at the Chaos Computer Club knew he was missing. The CCC president, Andy Mueller-Maguhn, hired a lawyer to represent Boris in the police investigation. ...

## London, Thursday, Oct 22, 1998

The rumours were running out of control. Late on the Thursday afternoon, 22 October, Ray Adams [UK chief of NDS Operational Security and former commander UK Metropolitan Police] received an email from Andreas Rudloff, who headed security at the pay TV operations of German media company KirchGruppe. Rudloff had heard of a “strange problem”, he wrote, with inverted commas.

“There seems to be a young hacker in Berlin, who has developed ‘hacksoftware’ for digital TV systems.” Apparently he was not distributing the software but he was talking with his friends about this. “Last weekend he has left his home together with two guys” and had not returned home, Rudloff wrote. Police were looking for him. “As I have heard, the young hacker also knows something about the ‘Hornet-Card’ and ‘Bulgaria’ and ‘Russian Mafia’.” There was a theory that his hack was against the interests of the distributors of pirate cards. “If this would be the case they have different solutions to solve the problem ...”

But Adams’s information was already way out of date. ...

## Britz Süd, Berlin, Oct 22, 1998

The green patchwork of parks throughout the city was a mass of yellow, red, orange and brown. In Neukölln in the south-west the regulars were out on the walking tracks. The paths ran everywhere, shadowing the major roads through endless belts of trees planted to muffle the traffic noise. An elderly man who followed his dog through the trees near the southern fence of the park found a body hanging from a drooping tree branch. It was a man in his mid-twenties: slight build, with black jeans and T-shirt. His jacket lay on the ground beside him. Children had played in the area the previous afternoon, which suggested he had been hanging since some time Wednesday night. A belt that looked too long for his slim waist was looped around his neck in a complicated affair that was attached to a wire that had then been looped over a tree branch. It seemed an elaborate way to kill yourself on a wet, dark night. In any case the wire was too long or the branch too supple. The man’s shoes were firmly planted on the ground.

It would be two days before the Chaos Computer Club broke the news in a press release: “*Tron ist tot.*”

Tron is dead. ...

UNLESS IT was a totally cynical exercise, the fact that the police investigated the death for three years indicates that they envisaged the possibility that Boris was murdered, that the evidence from the autopsy was not as conclusive as they claimed. One of the fundamental problems for them was that they could find no evidence that someone had a motive for murder. What isn’t clear is how far they were able to pierce the dark side of telephone and pay TV hacking.

How much did they know about what Boris did? How much were they told? His laptop was encrypted, which means there would have been little help there. The police didn’t even take his laptop’s power adaptor, which suggests they threw in the towel earlier rather than later.

It seemed only a matter of time before organised crime made inroads in Europe, as it had in North America, and yet police in Europe were still reluctant to see pay TV piracy as a crime, let alone something that people could be murdered over. It appears that the police best able to understand Boris’s pay TV hacking were not consulted for the investigation. So what was the most qualified person in Europe – former Scotland Yard commander Adams – going to tell the Berlin homicide squad?

Boris’s parents had found the NDS invoice that accompanied the chips that [NDS’s] Chaim Shin-Orr sent Boris on 12 July.

“He was an exceptionally talented engineer,” NDS spokeswoman in London, Margot Field, told *TheNew York Times*. NDS had wanted to hire him as a consultant, but they couldn’t move forward because Floricic hadn’t yet graduated or completed his compulsory military service. The firm’s last contact with him had been in June.

“Consultant” was a wonderfully wide term that covered all of NDS’s undercover agents and informants. Of course it was one thing to give clever answers to the media; the police were a different matter. How much did the Berlin detectives need to know about Adams’s network of 17 agents and the debate within NDS over whether any of them were involved in piracy or moved in pirate circles? This is not to suggest that any of the 17 were linked to Boris’s death. But did police need to know the background?

In the meantime, Adams seems to have been concerned about the possible Bulgarian connection and to have been busy with his own inquiries. He got in touch with his friends at BullACT [Bulgarian Association Against Copyright Theft] in Bulgaria. In an email with the subject line, “Murder”, they reported to him on 11 November that mountaineers the previous month had discovered the skeleton of Nikolai Iovchev in a precipice near Shumen, some 100 kilometres from the Black Sea. He was 17 years old when he disappeared on 7 February, 1997.

“There were rumours that the boy had been abducted by hackers who had made him work to them,” the BullACT researchers wrote. “The boy was considered to be a computer genius. Possibly this is the guy you are looking for. If

this is so, please confirm it, so we could proceed with this case or look for another one. As it concerns our current target's case, we are still awaiting for further instructions..."

Adams has never explained why he wanted details of a hacker murdered in Bulgaria, or who told him about it, or how this was linked to "our current target's case". In the next two years he would intensify his investigations into Bulgarian piracy circles, using private investigators from Argen GmbH.

Suddenly it seemed that NDS was concerned to get Oliver [Kommerling, German master hacker] out of Europe for a couple of weeks. He travelled to Israel, on 15 November, to work with the Haifa encryption-cracking team and then to visit Jerusalem. Possibly Adams was also concerned to provide Oliver with extra cash to fund additional security. ...

RAY ADAMS did in the end talk to the Berlin homicide squad. But what did he tell them? It's not known. Did he tell them that he ran a network of undercover agents? When he said he wanted to hire Boris, did he spell out just what that would involve? Did he mention, for example, that Boris's friend Oliver had been busy working with the Haifa team on reverse engineering EchoStar's Nagra card in North America? Did he mention the murdered hacker in Bulgaria he was investigating, or the furious row he had had with John Norris three weeks before, over Norris's claim that Adams' agents were too close to pirates? Did he mention anything about hiring bodyguards for Oliver Kömmerling?

It needs to be noted that there has never been any credible suggestion that NDS itself was involved in Boris's death. But there are serious questions to be asked about News Corporation, its subsidiary NDS and its employees and agents. What obligation does an international media organisation have to assist police in a murder investigation? Where is the line drawn, when choosing what information is relevant and what is not? Who decides what should be disclosed and what shouldn't? When does the decision to withhold information on the grounds of relevance become more than just a company preserving its trade secrets and intellectual property? When does it become a cover-up of the operations of NDS?

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### Monaco, May 2011

So here, at the finale, there is a happy ending for all parties. Everyone has been vindicated. NDS emerges untouched, without a smirch on its character. Ray Adams remains one of the most highly decorated former police officers in the history of the Met. He will tell you so himself. NDS itself was heading for new horizons after Abe Peled [NDS chief executive] supervised the sale of the company to network giant Cisco in March 2012 for \$5 billion. When asked whether the sale would be affected by reports by the BBC's *Panorama* and *The Australian Financial Review*, Peled told a Reuters reporter that Cisco had conducted its due diligence process before the deal was announced and it would not be revisited. The sale would be completed in the second half of the year. It went unsaid that selling NDS would cut all corporate ties between Rupert Murdoch and News Corporation's most precocious child.

Meanwhile, Murdoch announced that News would split off its newspapers into a separate public company. News America Marketing and News International, whose scandals together will probably end up costing shareholders more than \$1.5 billion, will be quarantined off in "Bad NewsCo". News Corporation's entertainment arm, "Good NewsCo", run by Chase Carey and Murdoch, will emerge from this difficult time suitably pristine and unsullied.

The flaw to this exercise in corporate dry cleaning is that cutting off or selling scandal-prone business arms does not address the governance and management structures that allowed the scandals to develop. In the decade and a half that I have been covering NDS, I long ago concluded that its history was so outlandish and bizarre that it could not have played out in a vacuum. At the most basic level, what position did News Corp directors and senior News management take on the controversial business practices at NDS? The two most likely options seemed to me to be either that NDS was a blind spot in Rupert Murdoch's empire that no one chose to look at too closely; or, that there was something within the News Corp corporate culture that allowed such practices not only to be tolerated, but to prosper.

The marker for a sick management culture is that multiple scandals erupt that are not tied to a particular business or a geographical location. They break out spontaneously across a business group, driven typically by head office's demand for results, without a governance structure to question the methods used to achieve that success. As a consequence, for the last decade I have been looking for other examples of trouble within the wider News Corporation empire. These examples were present, but remained invisible until after 2007 when telephone hacking in Britain and News America Marketing's anti-competitive behaviour began their slow public emergence.

Taken together, the controversies at NDS, News International and News America Marketing paint a pattern of failed accountability within large segments of News Corporation. That suggests part of the problem lies with directors and senior management. But fixing a sick management culture requires more than shutting down newspapers or shedding troubled business units. This is the underlying problem presented by the split of News Corporation. Good NewsCo and Bad NewsCo will be run by executives and board members whose actions or lack of action were instrumental in creating the management culture that allowed the scandals of the last decade and a half to develop. Chase Carey, who will run the dominant entertainment arm under Murdoch, was the News executive given the task of overseeing NDS. Chief financial officer David DeVoe, former group counsel Arthur Siskind, and James and Lachlan Murdoch

have all been directors of NDS. There is no suggestion that they were aware of any of the actions of the Operational Security team. Rather, the question is whether they should have been aware.

Not to worry. The single constant in News Corp's corporate history is that the ship sails on. Rupert Murdoch has never been one to look back. In mid-2012, he was using his Twitter account to attack Google, whose corporate behaviour he depicted as akin to piracy. He foresaw a long and healthy future for his newspapers as well as his global television operations.

Life goes on as well for the hackers whose lives were turned upside down by the great global game that [head of NDS Operational Security and former deputy head of Shin Bet] Reuven Hasak's team played.

Jan [Saggiori, Swiss hacker] will keep chasing pirates – it's a family tradition, to root out the frauds. Oliver will keep reverse engineering cards—it's what defines him. They are creatures of the secret world. Now you see them; now you don't.

In the end, are there any answers? Is there any way really to decode what goes on in this arcane universe that operates beneath our noses? Whatever clarity, whatever picture emerges, it wavers and winks out even as we watch.

Cyber realities are not for the fainthearted. And just what will we make of this world? Who shall we call to account?

Neil Chenoweth is a senior writer with The Australian Financial Review. He won a Gold Walkley in 2004 for his story about Rene Rivkin, Trevor Kennedy, Graham Richardson and Offset Alpine Printing. He is author of Packer's Lunch, published by Allen & Unwin, for which he won a Walkley award in 2006. The above is an edited extract of his new book, Murdoch's Pirates, to be published by Allen & Unwin next Wednesday.

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