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# The Myriad Faces of Fraud on the Phone

By N.R. KLEINFELD

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## The Myriad Faces of Fraud on the Phone

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Someone makes a long-distance collect call to a friend at a pay phone. The friend accepts the charges, but there's no one to bill.

A man calls home person-to-person asks for himself and leaves word for himself to call back at 6:05. That information, passed free of charge, lets his wife know he's heading home on the 6:05 train.

Someone calls up a refund-control operator on a pay phone. He lies, saying he just lost a dollar in the phone. A credit is given on his home bill.

Someone is good at electronics, so he builds a "blue box," a contraption that allows the user to dial anywhere, anytime, free.

### Fraud Losses Mount

Those are just a few of the countless schemes to outfox the telephone company. People have tried them all. So many tried them, in fact, that the American Telephone and Telegraph Company, the victim of most toll theft, was hobbled by a record fraud year in 1977. It estimates its provable losses at about \$27 million, the steepest since 1972, when fraud hit \$23.9

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One of a series on A.T.&T. and its impact on American life and business.

million. In 1976, it amounted to \$20.3 million.

And that's just what A.T.&T. is aware it has been robbed of. It figures the actual numbers are much higher—perhaps double. It's not much money stacked next to total revenues, which totaled \$18 billion last year. But the phone company feels that if it didn't work hard at ferreting out crooks, the losses would explode into the hundreds of millions of dollars and possibly strangle the whole phone system.

"Fraud remains at a high level, and you might say it's straining to burst its shackles," says H. W. Caming, an A.T.&T., lawyer who specializes in

fraud. Last year, 1,093 people were arrested for, and 879 convicted of, some form of toll fraud against A.T.&T.

The cost of the theft is actually dug out of the pockets of everyone who has a phone.

The most notorious fraud device is the blue box. Taking its name from the color of the original boxes, it is the weapon of the so-called phone freaks, a loose federation of whiz kids who dart free and phantomlike through the phone company's long-distance lines. Its users are almost anyone.

Of 653 blue box users the phone company has interrogated in the last few years, nearly half were businessmen.

An inventive M.I.T. student was convicted of making blue boxes and selling them at \$300 apiece. Bernard Cornfeld, the millionaire financier, was convicted of blue box calling. So was Lainie Kazan, the singer. Bob Cummings, the actor, was arrested and charged with blue box use, although he avoided trial under a double-jeopardy ruling.

"People aren't doing it just for financial reasons," Mr. Caming says. "There seems to be an appeal in getting something for nothing."

### Pocket-Size Devices

The original blue boxes were three times the size of a toaster. The latest models fit inside a cigarette package. Thirteen pushbuttons protrude from a blue box, and the user begins with a regular call, usually to a free number. Then he pushes a button that emits a high-pitched cheep, a tone set at 2,600 cycles per second.

That cheep, in effect, "seizes" a long-distance line. After punching out some call instructions, the blue box user can then dial anywhere he wants. The billing machinery picks up only the original free call.

There are also black boxes that attach to a phone and snuff out the signal that reports a call has been completed; thus, all calls to that phone will be free. Less-popular red boxes exist that simulate the dropping of coins into a coin phone. (Both black and red boxes also take their names from the colors of the original devices.)

A.T.&T. can prove it is losing \$1 million a year from the colored boxes, although it estimates the actual deficit is closer to \$10 million or \$20 million. It has been rounding up several hundred boxes a year since the early

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# A.T.&T. and the Myriad Faces of Fraud on the Phone

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1970's. The Federal penalties are stiff: a maximum of five years in jail and a \$1,000 fine.

Electronic theft was in full swing when A.T.&T. caught wind of it in 1961. By 1964, fraud-detection equipment turned out by Bell Labs was in six toll trunk centers, randomly sampling calls for irregular signaling. In 1970, more effective hardware was installed in more cities, and A.T.&T. began exhaustive computer analyses of call patterns and trouble reports.

Still better equipment came out of the labs in the last year or so. Now, much of the phone system is ceaselessly scanned, at bewildering speed, by computerized machinery that picks out blue-box and black-box calls and almost instantaneously taps out on a teletypewriter the calling number of the user. Once A.T.&T. is certain a fraudulent call is in progress, it tapes a small bit of it for evidence, the only time, it says, it ever records calls.

New York Telephone, handling fraud-riddled New York City, installed some of the latest equipment last summer and says it has since rounded up some 35 blue boxes.

Chinks remain in the system. All the phone network is not yet monitored by fraud-detection hardware. What's more, it is tough to catch blue-box users who work through pay phones and keep their calls short. But, by 1981, long distance calls for much of the country will flash across a common-channel interoffice system. Call information will travel over a different path from the actual conversation, and different signaling will be involved, making blue-box calls almost impossible.

Meanwhile, plenty of non-electronic

tricks are played on the phone company, and they're not easy to squelch. Last year, A.T.&T. estimates that such endeavors drained it of roughly \$26 million.

The heftiest chunk of the fraud—\$11.3 million—involved the credit card dodge. Stolen or bogus telephone cards were used to bill calls. To charge a call to a card, all one has to do is recite the card number to an operator. Unlike the procedure with other credit cards used in stores and restaurants, there's never a need to present the actual card.

Thus, if someone overhears you giving your card number, he could start charging his calls to it. Underground magazines like to run articles detailing how to fabricate credit card numbers, or print extensive lists of numbers that work.

"That's not what we consider great journalism," says a New York Telephone security man. With 7.6 million cards in people's wallets the potential for abuse is great.

## Charge it to the F.B.I.

Unauthorized third-number billing—charging a call to a fake number or some real number you have no business charging calls to—cost A.T.&T. about \$9.1 million last year. Phone freaks have urged people to feel free to bill calls to places like the F.B.I. or the White House (though A.T.&T. says this hasn't been a problem).

Sundry other tricks, like calling collect to coin phones and code calling, hit A.T.&T. with \$5.6 million in losses last year.

The company has prosecuted entire businesses for indulging in code calling. Department stores and sales concerns, using the cover of person-to-person calling, have fashioned codes to order merchandise from suppliers. Someone calls a supplier and asks for Mr. Trapper. The caller is told he's out (since he doesn't exist). The caller says he'll call back in 30 minutes. The conversation could be translated as an order of 30 cases of ball bearings.

To help root out non-electronic fraud, the Bell System keeps 74 Centralized Ticket Investigation units spotted around the country, staffed mainly by experienced operators who try to puzzle out who should pay for unbillable calls.

A visit to one of the biggest C.T.I.s (it was agreed not to disclose the location) revealed a cavernous fluorescent-lit space. Ticket investigators were huddled over tickets representing calls.

The C.T.I. director, a cordial man,

explained the operation. "We do about 7,000 investigations a day," he said. "The first thing is to see if there's a simple error — a number transposed from a credit card, an incorrect area code. Almost half of the tickets are easily corrected in this way."

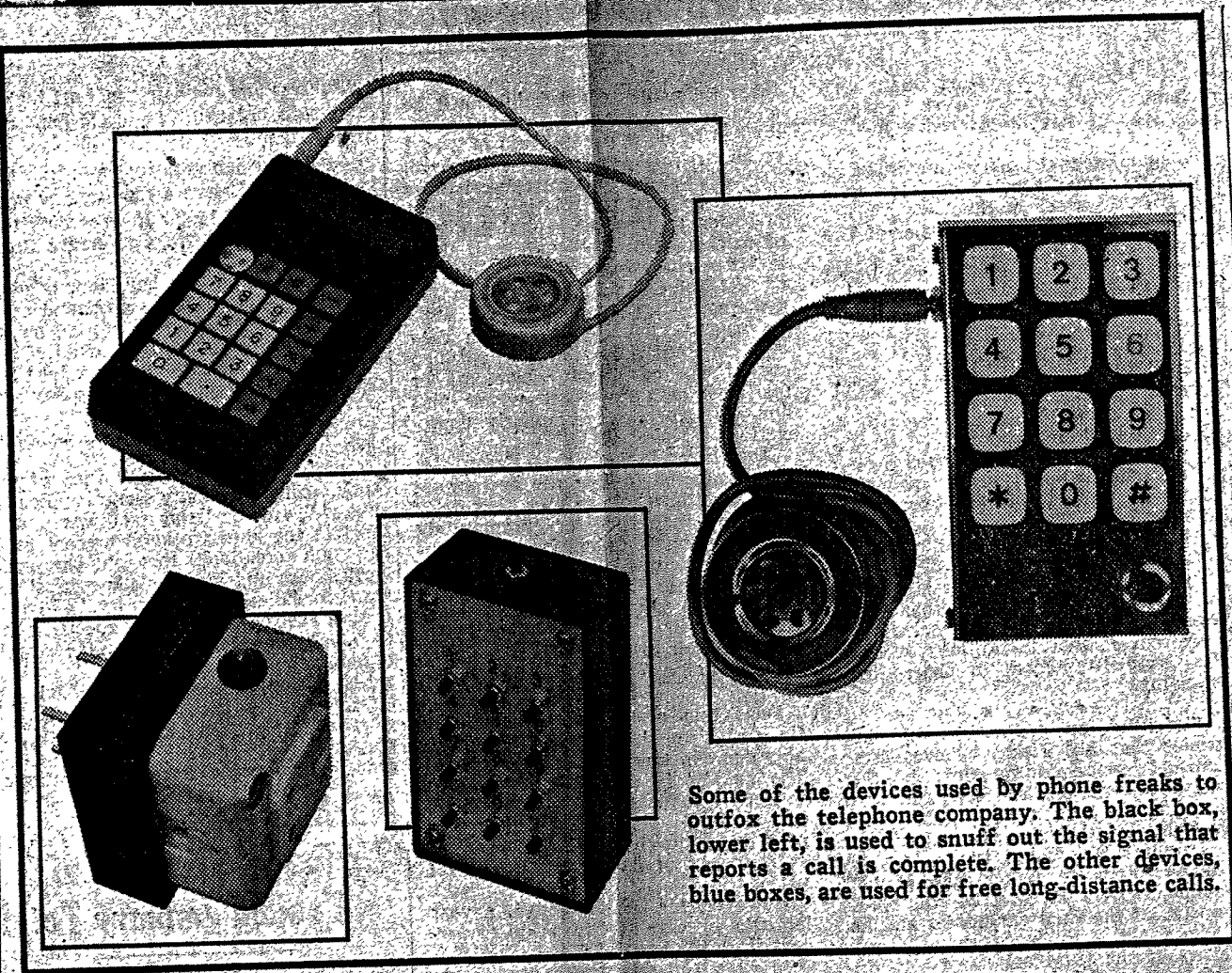
Investigators seize on possible fraud—which crops up in about 10 percent of the cases—by rifling through call patterns and frequently used fraudulent credit-card and third-party numbers and by resorting to what the director called "a sixth sense that these people develop."

He said that the general practice was to pass on a fraud case to security for final investigation and possible prosecution when the amount gets to \$50 and there is a suspect, or when it hits \$200, suspect or not. One case, he said, masterminded by a band of college students, had ballooned to \$8,000 worth of fraudulent calls a month before it was solved.

The general feeling at A.T.&T. is that it will probably always live with the specter of fraud. "As in any struggle between the forces of evil and those who try to stem them," Mr. Caming says, "there will always be some crime." However, he guesses that theft will taper off from the 1977 high until it bottoms out at about \$20 million or so a year. The phone company thinks it can live with that.

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 ed violations...  
 fined to 18 and...  
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# The New York Times



Some of the devices used by phone freaks to outfox the telephone company. The black box, lower left, is used to snuff out the signal that reports a call is complete. The other devices, blue boxes, are used for free long-distance calls.

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