



Exploding The Phone

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Bibliographic Cover Sheet

Title **Statement of John deButts regarding toll fraud surveillance (Greenstar)**

Date 1975-02-04

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Abstract Memo from W. P. Mullane, Jr. and Joseph F. Doherty to all Bell System news contact personnel and security managers, with instructions for use externally and distribution internally, With attached statement from John D. deButts Regarding toll fraud countermeasures and AT&T's warrantless wiretapping. Statement outlines the extent of electronic toll fraud, the methods used to prevent it, the unlikelyhood of having a call recorded, and notes that the methods used in the past were legal and have been discontinued. Includes statistics.

Keywords John D. deButts (Chairman, ATT); W.P. Mullane, Jr.; Joseph F. Doherty; blue box; greenstar; electronic toll fraud; New York City; Los Angeles; Miami; Newark; Detroit, MI; St. Louis, MO

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John D. deButts, chairman of the board of American Telephone and Telegraph Company, said the Bell System has an obligation under the Federal Communications Act of 1934 to seek out and prosecute persons who make fraudulent use of telephone equipment and services.

"We are trying to save telephone customers the burden of the \$1 million or more in long distance calls which, despite a continuing stream of prosecutions, we estimate are being stolen annually," the chairman emphasized. "And the losses will continue to mount each year unless we forcefully combat this thievery."

"Our program is legal and is carried out with the knowledge of appropriate government officials," deButts said.

Since the latter part of 1964 when the program was initiated, 239 convictions have been obtained on Bell produced evidence and a number of prosecutions are now pending.

"These Bell System toll fraud detection efforts are expressly authorized by Section 2511 of the Federal Omnibus Crime Control and Safe Streets Act of 1968 as amended and, furthermore, are mandated as an express obligation of the telephone company under the Federal Communications Act of 1934, which directs us to ensure that all individuals using our service pay the authorized rates," Mr. deButts said.

"Since the mid-Sixties, our methods of gathering evidence of electronic toll fraud have been tested in numerous court cases and upheld through all levels of the judiciary up to and including the United States Supreme Court," he said.

Since the Bell System began its intensive program to apprehend those making illegal long distance calls, those convicted have included businessmen, professional people and gamblers as well as electronic experimenters.

The type of equipment used to scan the telephone network between 1965 and 1970 consisted of fully automatic units of Bell Laboratories design, each used to randomly sample 100 outgoing trunk lines. The units were operated in New York City, Los Angeles, Miami, Newark and Detroit. The unit in Detroit was moved in 1967 to St. Louis.

During the first two years of the experiment, the equipment was used to develop a statistical sample of the magnitude of electronic toll fraud. After discerning the widespread nature of the problem and the potential losses that ultimately would have to be borne by our honest customers, the equipment was retained in service for detection purposes until 1970.

Only when there was positive indication of the use of an electronic toll fraud device were conversations recorded and analyzed. Of the more than 30 million calls scanned in the five-year period, some 1.5 million calls gave such indications. All recorded calls were promptly erased after analysis at the centralized toll fraud detection and analysis bureau in New York City with no record kept of such conversations.

The analyses were made by a small group of long service managers who were carefully selected and trained for the project.

As a result of this activity, there were approximately 500 separate cases of toll fraud detected, involving thousands of illegally placed calls.

The project was terminated in 1970 as soon as the Bell System developed better ways to make preliminary detection of electronic toll fraud. Under the new system, electronic toll fraud tones are registered automatically on regular telephone equipment which does not include voice recordings.

"The chances of the average telephone user's call being recorded were infinitesimally small," he said. "During the five-year period the devices were in use, the odds would be about one in a half-million."

"I want to repeat," deButts said, "that the persons using the electronic fraud devices are cheating. They are stealing service from the telephone company in direct violation of the law. And what we do to catch them is legal, within the law and mandated by the Federal Communications Act."

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