

# **Exploding The Phone**

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- Abstract Testimony of H. W. William Caming regarding privacy of communications and combating the theft of telephone service. Pp. 485-486 contain a detailed description of Project Greenstar ("toll trunk test units").

Keywords Project Greenstar; H. W. William Caming; blue box

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## DOMESTIC TELECOMMUNICATIONS COMMON CARRIER POLICIES

HEARING BEFORE THE SUBCOMMITTEE ON COMMUNICATIONS OF THE COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION UNITED STATES SENATE

NINETY-FIFTH CONGRESS

FIRST SESSION

ON

OVERSIGHT HEARINGS ON DOMESTIC TELECOMMUNICATIONS COMMON CARRIER POLICIES

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out any apparent useful purpose. This, of course, would not include the provision of truly non-duplicative facilities necessary for the provision of specialized services and not suitable for the types of telecommunications services provided by the franchised common carriers.

In addition, services which are new and unique and not duplicative of, or substitutable for, MTS such as the services offered by the value added carriers. can provide significant benefits to users and should be provided on a competitive basis. I would suggest, however, that competition should not be allowed in the provision of services which are duplicative, of, or substitutable for, MTS because to do so, would be wasteful and could drive up basic residence rates.

#### TELEPHONE EQUIPMENT

Supply of telephone equipment is relatively simple to deal with from the Bell System point of view. First, the operating telephone companies are free to make their own decisions on the purchase of non-Bell equipment and have been making such purchases on an increasing scale as new and better equipment becomes available from outside suppliers. AT&T has a Purchased Product Division which evaluates equipment from many suppliers and recommends to the operating companies equipment which is suitable for their use. Recently, the FCC in its decision in Docket 19129 (Phase II) indicated a desire for the operating companies to have even greater autonomy in making this type of decision. We are in the process of developing plans to accommodate that desire.

Secondly, Western Electric buys substantial amounts of equipment and services from other manufacturers in its role as purchasing agent for the Bell System.

We emphatically support a competitive industry in this area. We want to be able to purchase the equipment we need at the lowest possible prices. In those cases where integration of our R. & D., manufacturing and service operations leads to greater economies, we feel our customers should get the benefits of those advantages. Where other manufacturers produce more cost effective equipment we believe our customers should receive the benefits to be obtained from that equipment as well. In order to ensure the achievement of those benefits, each individual purchasing decision should be made based upon the circumstances related to the specific decision and not influenced by arbitrary external factors.

Past performance has demonstrated that in many cases the integrated research and development of the Bell System has produced technological advances which have not been matched by other manufacturers. As a result numerous crosslicensing agreements exist to make Bell Telephone Laboratories' technology available to those who compete with Western Electric in providing telephone equipment to operating telephone companies. While we do not oppose this provision of Bell System technology to competitors, we do feel that such technology is the product of individual investments and that investors are entitled to, and should continue to receive, an appropriate return on that investment.

#### PRIVACY AND ELECTRONIC INFORMATION TRANSFER

It is universally recognized that, to fully ensure privacy in Electronic Funds Transfer Systems, it is necessary that the responsibility be assumed by diverse parties. It is to be borne in mind that the data entry terminals and computerized data bases are under the exclusive dominion and control of the providers and users of these data communications services. They are fully cognizant that only they can ensure that adequate security is maintained at entry terminals and the computerized data base. Measures must be and are being taken by the manufacturers and suppliers, in close cooperation with the providers and users to achieve such security. This includes the use of hardware and software techniques and sound audit controls. Also, additional technology such as encryption is presently under study. Security for the telecommunications link between the data entry terminals and the computerized data base is the primary responsibility of the common carrier(s) providing that service.

The Bell System has always placed singular importance upon preserving the privacy of telecommunications. Such privacy is a basic concept in our business. We have always been aware of this and have worked hard and effectively to ensure that unwarranted instrusions on customer's telephone conversations and data transmissions do not occur. We are confident that we have done and are doing a sound job in preserving privacy in telecommunications.

The Bell System companies conduct an ongoing, vigorous program to ensure every reasonable precaution is taken to preserve privacy of communications through physical protection of telephone plant and thorough instruction of employees. Our employees are selected, trained, and supervised with care. They are regularly reminded that, as a basic condition of employment, they must strictly adhere to Company rules and applicable laws against illegal interceptions of unauthorized disclosures of customers' communications.

All of our premises housing central offices, equipment and wiring and the plant records of our facilities (including those serving each customer) are at all times kept locked or supervised by responsible management personnel, to deny unauthorized persons access. Additionally, we have some 90,000 people whose daily work assignments are in outside plant. They are constantly alert for unauthorized connections or indications that telephone terminals or equipment have been tampered with. Also, telephone cables are protected against intrusion. They are fully sealed and generally filled with gas; any break in the cable sheath reduces the gas pressure and activates an alarm. We thus maintain security at a high level and every indication of irregularity is promptly and thoroughly investigated. Advances in telephone technology, such as direct distance dialing and automatic testing equipment, have also produced an increasing measure of protection for communications users.

As for the nationwide telecommunications network itself, we recognize that in the area of data communications, transmissions between the data entry terminals and the computerized data base are, to some degree, subject to unauthorized interception. However, while possible, successful efforts to fraudulently manipulate or access specific identifiable private data is not highly probable. It requires that the potential illegal wiretapper must have (1) physical access to the specific cable and pair of wires carrying the particular data communications to be seized : (2) expertise in computer and telecommunication circuitry, equipment and operating modes; and (3) a willingness to risk a felony conviction by violating applicable Federal and State anti-wiretapping laws.

## STATEMENT OF H. W. WILLIAM CAMING, ATTORNEY, AMERICAN TELEPHONE & TELEGRAPH CO.

I am H. W. William Caming, Attorney in the General Departments of American Telephone and Telegraph Company. My areas of primary responsibility have since 1965 included, from a legal standpoint, oversight of matters pertaining to corporate security and privacy as they affect the Bell System.

I wish to thank the Subcommittee for the opportunity to present the views of the Bell System on privacy of communications and the policies we pursue to preserve such privacy and the confidentiality of attendant business records. I shall also review our experiences with electronic surveillance, principally in the area of wiretaping; describe the policies governing our various internal quality control observing practices and the provision of supervisory observing arrangements to business subscribers for quality control purposes; and delineate the measures we employ to combat the theft of telephone service.

## I. SAFEGUARDING PRIVACY OF COMMUNICATIONS

At the outset, I wish to stress the singular importance the Bell System has always placed upon preserving the privacy of telephone communications. Such privacy is a basic concept in our business. We believe our customers have an inherent right to feel that they can use the telephone with the same degree of privacy they enjoy when talking face to face. Any undermining of this confidence would seriously impair the usefulness and value of telephone communications. Thus, all Bell System operating practices and service offerings fully recognize the imperativeness of protecting such privacy.

Over the years, the Bell System has repeatedly endorsed legislation that would make wiretapping as such illegal. In 1966 and again in 1967, for example, we testified to this effect before the Senate Subcommittee on Administrative Practice and Procedure during its consideration of the Federal Omnibus Crime Control and Safe Streets Bill. We said we strongly opposed any invasion of the privacy of communications by illegal wiretapping and accordingly welcomed Federal and State legislation which would strengthen such privacy.

This is still our position, one which we have reiterated in recent years before

the Federal Communications Commission and in appearances, among others, be-

vided locally are arranged by each Bell System Company to conform to the particular customer's needs. These arrangements incorporate various types of key equipment, such as multibutton key telephone sets (e.g., 6-button sets) and Call Directors® (e.g., of of 12, 18, 24, or 30 buttons), and special switchboard and console positions.

At present, many of these observing arrangements are provided as a feature of our Automatic Call Distributing Systems (ACD), rather than through key systems. ACDs vary in size, depending on the volume of incoming calls to the business. They range from 60 or less attended positions to several hundred or more in the instance of a few airline reservation centers.

ACDs automatically distribute the incoming calls in the approximate sequential order of arrival to the attendant positions in the order of their availability. If at a given time all of the attendants' positions are busy, a recorded announcement will advise the calling party that he or she has reached the company, that all of its attendants are busy at the moment, and that one will be available shortly. The waiting call will then generally be randomly distributed to the next available attendant.

It is Bell System policy to furnish supervisory observing and service training assistance equipment solely to assist business subscribers in better evaluating the quality of telephone service being rendered by those of its employees handling calls placed "to the business." The implementation of this policy relies on adherence to administrative practices and tariff provisions which, in general, impose restrictions and conditions on the provision of this service such as the following:

Furnished only to business subscribers;

Subscriber shall inform its employees their business telephone contacts are subject to observation;

Service provided solely for the purpose of determining the need for training or improving the quality of service rendered by employees in the handling of telephone calls to the subscriber of an impersonal business nature;

Limitation of use to administrative lines only in connection with hotel. motel, club or like service involving public use, and may not be used for observing conversations between guest rooms or between guest rooms and other locations involving use of the message telephone network;

Observing equipment may not be used for any other purpose;

Subscriber shall not use service in a manner contrary to tariff or law; Subscriber shall agree in writing to use the equipment solely for the purpose stated above, and to fully inform all affected employees.

Thus, the use of supervisory observing and service training assistance equipment is expressly restricted to routine, impersonal calls to the business. It bears reiteration that these are calls to the business, handled on its behalf by employees as its agents. These are not personal calls to the employees. Personal calls by and to the subscriber's employees are not to be subject to observing. For personal calling employees usually are afforded convenient access to telephones other than those used for business.

In no wise does supervisory observing in conformity with the above strictures constitute an invasion of personal privacy.

Further, such supervisory observing may only be used to evaluate the quality of service rendered by the subscriber's employees (whether they be PBX or Centrex switchboard operators, ACD attendants, or other telephone contact employees) for the purpose of determining what, if any, additional training and development is required to ensure that the performance of each satisfactorily meets the standards of the business. It is to be borne in mind that the basic work product of these employees is telephone service, susceptible to reliable and adequate evaluation only through supervisory observing. These employees are also fully aware that the performance of their telephone contact duties will be subject to supervision, in part through periodic supervisory observing. The conclusion is inescapable that it is essential to observe such business calls if the supervision, training, and development of the employees is to be effectively and efficiently conducted.

Thus, many business users of telephone service whose employees' duties entail the constant handling of large volumes of calls, often on a random basis. regard supervisory and training assistance observing as an indispensable technique for the reliable evaluation of the quality of service being provided to the public. This process not only discloses critical areas in which additional development and training are required, but also promotes recognition of satisfactory or outstanding performance.

It is clearly in the public interest to have businesses, institutions, and public agencies maintain on a continuing basis high standards of performance, not only in face-to-face contacts, but also when conducting their affairs by telephone, both with respect to the completeness, effectiveness, and courtesy of the service rendered.

Each of the Bell System Companies promptly and thoroughly investigates any complaint alleging improper use of supervisory observing equipment furnished under tariff, whether such complaint is presented directly to it or received through regulatory or other channels. Whenever the circumstances of any such investigation so warrant, necessary corrective action is promptly taken by the telephone company, to ensure that the subscriber's practices are in strict compliance with all applicable tariff requirements.

Over the years, however, Bell System Companies have received extremely few complaints or other indications of abuse of this service. This favorable experience appears to reflect, in good part, the responsible approach of the businesses subscribing to this offering, the routine and impersonal nature of the business calls under observation and the subscriber's recognition of the vital importance of this form of supervision to the successful operation of its enterprise or agency.

We believe that the provision of supervisory equipment to business subscribers, conditioned upon the terms previously described, in no respect infringes upon the privacy of personal communications.

## VI. COMBATING THE THEFT OF TELEPHONE SERVICE

Let us now turn to another subject of vital concern-the measures employed to combat the theft of telephone service by those clandestinely using electronic toll fraud devices. This subject has been extensively reviewed by AT&T in behalf of the Bell System in testimony before various public bodies, including the House of Representatives Subcommittee on Courts, Civil Liberties and the Administration of Justice, the National Wiretap Commission, and the Federal Communications Commission.

Therein, we pointed out that the Bell System firmly believes that whenever a communication is lawfully placed, its existence and contents must be afforded the full protection of the law. But when wrongdoers break into the telephone network and by use of an electronic device seize its circuits so that calls can be illegally initiated, we are faced with the formidable problem of gathering evidence of such electronic toll fraud. Telephone service is our only product, and its wholesale theft results in substantial losses ultimately borne by the honest telephone users.

The Communications Act of 1934 imposes upon every communication common carrier the statutory obligation to prevent such thefts of service. In essence, the Act imposes upon each telephone company the duty to require all users of its service to pay the lawful, tariff-prescribed charges. No common carrier may discriminate between its customers by granting preferential treatment to any. Knowingly to allow those committing electronic toll fraud to receive "free service" would constitute such discrimination and be violative of the carrier's statutory duties.

Further, each telephone company is enjoined, under pain of criminal penalty, from neglecting or failing to maintain correct and complete records and accounts of the movements of all traffic over its facilities. Each carrier is also obliged to bill the Federal excise tax on each long distance call.

To put the matter of electronic toll fraud into historical perspective-in the early Sixties, a most ominous threat burst upon the scene, the advent of the so-called black and blue boxes. These devices enable the user to circumvent the telephone company's automatic billing equipment and thereby illegally receive or place calls without payment of the lawful charges. A "black box" is operated by the called party, so that anyone calling that number from any location is not charged for the call. Contrariwise, a "blue box" is operated by the calling party and, because of its small size and portability, can be hidden on the person and at any time used to place an illegal call from any telephone to virtually anywhere in the world (often by merely holding the device against the telephone's mouthpiece, without the necessity of wiring it into the line).

It was recognized that if such fraud could be committed with impunity, losses of staggering proportions would ensue. Faced with this threat, the Bell System took immediate steps to determine whether it would be necessary to undertake the monumental task of redesigning and restructuring the signalling functions of the nationwide telecommunications network—at an estimated cost to our customers ranging upward to one billion dollars. Bell Laboratories was asked to develop electronic toll fraud detection equipment to enable the Bell System to ascertain the magnitude of the fraudulent calling.

From the inception of the project, the following guidelines were established to ensure, among others, that privacy of communications would be fully safeguarded:

The initial scanning and testing would be confined to randomly sampling a limited number of trunk lines handling outgoing long distant calls at a few representative cities.

The scanning and testing would be automatically accomplished by mechanical means, without the intervention of the human ear.

Recording for subsequent analysis would be confined to those calls, which when initially scanned and tested, exhibited to the equipment preliminary indications of illegality (e.g., abnormal network tones and signalling).

These recordings were to be immediately sealed and dispatched to a centralized toll fraud Analysis Bureau to be established by AT&T in New York City.

The voice recording for analysis phase would cease when other technological methods of detecting preliminary indications of illegal calling on the network were developed.

Beginning in late 1964, six "first generation" toll trunk test units, developed by Bell Laboratories principally from standard telephone components, were placed in service at the following locations: two in New York City, two in Los Angeles, and one each in Miami and Detroit. To obtain more effective sampling, one of the New York units was moved to Newark in late 1966, and the Detroit unit was relocated to St. Louis in early 1967.

These units were fully automatic and housed in locked cabinets located in secure areas in telephone company long distance switching centers. Each unit could scan only five calls at any one time, randomly selected from the traffic streaming through the one hundred outgoing long distance trunk lines to which the unit was connected. Only when the unit's logic found positive preliminary indications that a call was being placed in an illegal manner was any portion of the conversation recorded for subsequent analysis.

It bears reiteration that all scanning, testing and recording by these first generation units were automatically accomplished by mechanical means, without any human participation.

The recordings were placed in sealed containers and dispatched immediately by hand or through registered mail to the Analysis Bureau in New York. The Bureau was manned by a small group of closely supervised, long term management personnel who had been carefully selected and trained for this project. Each call was analyzed for pertinent statistical data and at times also provided leads as to specific offenders. These leads, including until December 1966 extracted informative recordings of suspected blue box calls, were forwarded to the appropriate Operating Telephone Company for investigation. The recordings received and securely safeguarded by the Bureau were erased within 30 days after analysis.

During the first years of the project, these toll trunk test units were able to gather significant statistical evidence of the widespread nature of the illegal calling. Preliminary information furnished by these units ultimately produced a number of successful prosecutions of major offenders, many of whom were associated with organized crime.

The project was terminated in May 1970. By that time, Bell Laboratories had developed to the field trial stage more sophisticated "second generation" equipment which permitted more effective scanning and testing of the telecommunications network for preliminary indications of electronic toll fraud, without the necessity of voice recording during the pre-investigative detection stage. Extensive use was also being made of computers, plant testing equipment and procedures, and statistical analyses.

Since 1970, we have made further strides and developed more sophisticated methods, principally computerized, of obtaining more swiftly preliminary indications of electronic toll fraud. Nonetheless, despite these and other efforts and our constant vigilance, electronic toll fraud continues at a high level.

Because blue and black box devices are relatively inexpensive to make, their use has grown at an alarming rate. We estimate blue boxes can be mass-produced at a cost of \$25 to \$50 per unit, and black boxes at a cost of a dollar or less. Our experience has shown that these devices have a unique appeal to, among others, the criminal element, whether it be a member of organized crime or an unprincipled businessman. This is so because not only is payment of the lawful telephone charges evaded, but also any record of the communication concealed, permitting them to conduct their unlawful activities under a smoke screen of anonymity.

Such crimes have never enjoyed the protection of the law, neither before nor after the passage of Title III of the Federal Omnibus Crime Control and Safe Streets Act in June 1968. A substantial number of distinguished courts, including the United States Circuit Courts of Appeals, have unequivocally held that persons stealing telephone service by trespassing upon the telephone network place themselves outside the protection of Section 605 of the Communications Act, and of Title III. The commission of electronic toll fraud is illegal under the laws of all of the States, and under Federal law (being violative of the "fraud by wire" proscriptions of § 1343, and at times the conspiracy provisions of § 371, of 18 U.S.C.).

In these criminal cases, our entire process of gathering evidence has been subjected to close and thorough judicial scrutiny. This judicial oversight has continued to date, with some 550 convictions as of the end of 1976 and a number of pending cases, indicating the extent to which the courts at Federal and State level have repeatedly reviewed telephone company procedures for gathering such evidence. With virtual unanimity, the courts have held that the methods used have been lawful, independent of cooperation with law enforcement authorities, and wholly in the public interest.

Additionally, over the years Bell System methods of gathering evidence have been under legislative oversight and regulatory scrutiny. We have testified at length on this subject in behalf of the Bell System before the House Judiciary Subcommittee on Courts, Civil Liberties and the Administration of Justice, the National Wiretap Commission, the Federal Communications Commission and various other legislative and regulatory bodies.

It should be stressed, too, that prosecution has been and continues to be the only effective deterrent. As to the specific methods employed by the telephone companies to gather evidence of electronic toll fraud—in contradistinction to the previously described pre-investigative preliminary scanning of the network we have found that a minimum amount of recording of a limited number of calls is indispensable, if a prosecution is to succeed.

Since the goods being stolen are the communication itself (for example, by blue box user), there is no alternative at this state of the art but to make, for prosecutory purposes, a limited recording of a limited number of calls, at least of the fraudulent dialing, ringing, and opening salutations. to:

Identify the calling party (the user of the blue box), and others with whom he may be acting in concert:

Identification of the telephone line(s) from which the fraudulent calls are originating must be followed by the more difficult identification of the specific individual(s) making the calls. This is of paramount importance.

Establish corroboratively the location(s) from which the specific calls upon which prosecution is to be based are originating;

Record with respect to each such call the multifrequency tones being "dialed" (key pulsed) by the blue box; and

Determine or establish corroboratively whether the fraudulent call (or series of calls) was completed by the called party (parties) answering.

Distance (as well as time) is a factor in determining the proper billing charge for a long distance call. It is, therefore, necessary to ascertain each specific location called after the wrongdoer sizes the circuit. Let us assume, for example, that a blue box user places a call from Washington, D.C. to the directory assistance operator at Chicago (312 555-1212). By then emitting a specific tone from his blue box device, the user can disconnect the operator and seize the long distance circuit "at Chicago." He can then dial from that point to any part of the country or to London, Moscow, Sydney, and other parts of the world.

The ultimate destination of each blue box call can, therefore, be determined only by documenting the multifrequency tones key pulsed. Also, as previously explained, after seizing the circuit the blue box user can make a series of calls. Should such fraudulent calls be key pulsed, determination of whether each such call was completed can only be made or corroborated through recording the telltale tones and ensuing progress of the call to its destination. Unless such data are captured at the very moment they are emitted, they are of course "lost forever."

Complete documentation of the requisite evidence cannot be obtained by use of regular plant testing equipment such as a peg count register (a simple electromechanical counting device that will count blue box tones). Such equipment cannot identify the fraudulent caller, nor determine whether each such call was completed, nor produce other necessary evidence. These essential evidentiary elements can only be adduced through recording.

Nor will inspection of the suspect location usually uncover the small, readilyconcealed devices. Moreover, seizure of the device would not, in and of itself, establish that fraud by wire had been committed, nor by whom, nor the extent of the fraud. Nor can the Automatic Message Accounting equipment that normally obtains the information essential for billing purposes produce the necesary evidence of toll fraud.

Most importantly, the limited recording done is solely to gather evidence of calls illegally placed. This is not a "wiretapping case," where the contents of the conversations are sought as evidence of some crime other than the theft of service itself.

Limited recording by the local telphone company of calls illegally placed is done from secure locations, admission to which is tightly controlled on a "need to know" basis. This is done to maximize the protection of customers' privacy by preventing intrusion by unauthorized personnel. These quarters are kept under lock and key when not in use.

As part of our continuing review of all operating policies relating to the privacy of our customers' communications, we recently further refined our procedures to require that no such limited voice recording may take place without the express prior approval of the Company's Security Manager and the concurrence of the Vice President—Operations and the Vice President and General Counsel, or their designates. In this respect too, our Systemwide procedures are more restrictive than the requirements of the law.

To assure the privacy of lawful communications, the telephone companies first employ a series of investigatory measures other than voice recording (e.g., a pen count register or its equivalent) to carefully evaluate the accuracy of any preliminary indications of electronic toll fraud. Only when a reasonable suspicion of such fraud has been firmly established, the possibility of plant trouble ruled out, and all other investigative measures exhausted, do the telephone companies engage in limited recording. Only a minimal number of such illegally "placed" calls are recorded.

Recording does not begin, for example, until the caller's blue box emits a tone to seize the line. The recording is brief and usually includes :

(i) the dialing of the multifrequency tones of the number being illicitly called;

(ii) the ensuing ringing cycle; and

(iii) the opening salutations of the parties after the call is answered. Usually only 60 seconds or less of conversation is recorded. The equipment generally is adjusted to cut off automatically at the end of this recording cycle.

In 1975, we advised the House Judiciary Subcommittee on Courts, Civil Liberties and the Administration of Justice, the National Wiretap Commission, and the Federal Communications Commission that, in our opinion, a Federal statutory provision proscribing the manufacture, possession, importation, distribution, or advertising of electronic toll fraud devices would substantially contribute to the containment of this threat. By outlawing such conduct in interstate and foreign commerce, the availability of electronic toll fraud devices, for which there is no legitimate use, will be substantially curtailed. The statute will also significantly diminish the enticement of others to such criminal activities.

The proposed legislation would also effectively supplement the Federal "fraud by wire" provisions set forth in § 1343 of 18 U.S.C., which prohibits the use of toll fraud devices in interstate or foreign commerce. However, prosecution under the "fraud by wire" statute, which criminalizes the use of the device, will necessarily continue to be our first line of defense and principal deterrent. Also, as previously noted, at the present state of the art a minimal amount of recording of a limited number of calls will remain indispensable to the success of any such prosecution. The foregoing reflects our experience in the area of combatting electronic toll fraud. In none of the many cases successfully prosecuted, State or Federal, has any judge ever subscribed to the thesis that the telephone companies do not have the statutory obligation to gather, through limited recording, the evidence necessary to identify those placing calls in an illegal manner. To hold otherwise would, in effect, herald to the racketeer, the corrupt businessman, and all others that they have carte blanche to operate with relative impunity.

We have endeavored to show that, at best, detection of electronic toll fraud is difficult. We can only conjecture at the full scale of the substantial revenue losses sustained by the telephone industry and its customers. As in many criminal areas where detection is difficult, the instances of electronic toll fraud unearthed by the telephone companies represent merely that portion of the iceberg visible to the eye. The actual losses currently being sustained may be ten or twenty times as great as our proveable losses.

The virtually unchecked use of electronic toll fraud devices which would ensue if the threat of detection and prosecution is removed would impose an overwhelming financial burden on the telephone industry and its honest customers, who would be required to underwrite the entire cost of these depredations, including the total loss of revenue and the substantial expense of the circuits, facilities, and equipment tied up by such illegal use. These losses would rapidly reach staggering proportions, soaring into the tens and hundreds of millions of dollars and jeopardizing our very ability to provide telephone service to this nation.

#### VII. CONCLUSION

In conclusion, we wish to reassert that the Bell System continues to be wholly dedicated to the proposition that the public is entitled to telephone communications free from unwarranted intrusion. We are vitally interested in the protection of the privacy of personal communications and attendant recordkeeping and welcome measures and techniques that will strengthen and preserve it.

Bell System practices and procedures are subject to legislative oversight and regulatory scrutiny on an ongoing basis. The requirements, structures and standards imposed by governmental bodies ensure that the public interest is fully safeguarded and that aggrieved individuals are afforded appropriate forums in which to obtain redress.

Bell System policies strike, we believe, a proper balance. The Associated Operating Companies of the Bell System have worked diligently and, we believe, successfully over the years to carry out their responsibilities to provide this nation with reliable, universal service, of an efficient and economical character, while taking every reasonable measure to promote privacy and confidentiality and at the same time conform to our obligations under the law. Permit me to assure you that we shall continue to do so.

I shall be pleased to answer any questions the Subcommittee may have.

Senator Hollings. The committee will next hear from Dr. Alfred E. Kahn, chairman of the New York State Public Service Commission.

### STATEMENT OF DR. ALFRED E. KAHN, CHAIRMAN, NEW YORK STATE PUBLIC SERVICE COMMISSION; ACCOMPANIED BY RICH-ARD STANNARD, CHIEF, TARIFFS AND RATES SECTION, COMMU-NICATIONS DIVISION; AND NEIL A. SWIFT

Dr. KAHN. Good afternoon, Mr. Chairman.

Senator Hollings. You may proceed. The hour is late.

Dr. KAHN. Thank you.

I am concerned whether you're likely to be able to hear me over the sound of all these growling stomachs. I will try to be efficient.

I hope you have received copies of the prepared statement that I have supplied and I will try to go through it, but very, very quickly.

I approach this assignment that you have given me today with a good deal of difference. The questions you are going to be considering.