

2 March 1994

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AUSTRALIA

COMMERCIAL & CONSUMER
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Detective Superintendent
Jeff Penrose
AUSTRALIAN FEDERAL POLICE
SPECIAL REFERENCE INVESTIGATION
PO BOX 401
CANBERRA CITY A.C.T. 2601

Dear Detective Superintendent

RE: A.F.P. ENQUIRY

I refer to an article which appeared in the Australian Financial Review on Friday 25 February 1994 headed "Telecom minute reveals another bugging, small businessman tells police". (Copy attached)

The article stated, inter alia, that Mr Alan Smith had referred an alleged bugging incident to an A.F.P. officer the day before during five hours of questioning.

The article refers to a Telecom minute obtained under F.O.I. which indicates a series of tests were conducted on Mr Smith's telephone network in late November to determine whether the reported faults were legitimate. The article goes on to say that Mr Smith said he had never given Telecom permission to conduct such monitoring.

I have enquired into the circumstances surrounding the incident referred to and consider the outcome of that enquiry sufficiently disturbing so as to put certain information to you.

Firstly, a search of the information provided to Alan Smith under F.O.I. revealed a document headed FAX INVESTIGATION. A copy is attached hereto for your perusal. The background to that document is as follows.

Mr Smith made several reports of faulty fax transmissions during late October and the first 3 weeks of November 1993.

Ross Anderson of Warrnambool Customer Operations Group attended Mr Smith's property and conducted tests on Mr Smith's machine in conjunction with Waverley Business Service Centre and National Fax Support Centre. Some minor mis-operations were detected, but no difficulties were experienced sending faxes between machines in the test centres and Mr Smith's machine.

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Ross Anderson attended Mr Smith's property on 23.11.93 following a fault report. During the visit the fax machine rang once and stopped. No fax was received. A call was received immediately after on Mr Smith's voice line. It was Graham Schorer calling to inform Mr Smith he had attempted to send a fax from his machine at Golden Messenger to Mr Smith and had experienced a failure.

Ross Anderson made arrangements with Bert Lopes to test the Golden Messenger machine from the Waverley BSC. This was completed and no faults or protocol errors were detected between the Golden Messenger machine and the Waverley BSC.

Bert Lopes who had carried out the test on both machines spoke to Ross Anderson and concluded that there may be a protocol problem between the two machines.

In order to detect protocol problems between machines it is necessary to send test patterns between the machines and record the signals sent from machine to machine so that they can be analysed in conjunction with computer equipment at the Business Service Centre or Fax Support.

Arrangements were made with Mr Smith for Ross Anderson to attend Cape Bridgewater Holiday Camp and Bert Lopes made arrangements with Mr Schorer to attend Golden Messenger on 29 November 1993 to record test patterns and signals between the machines.

The procedure being carried out was explained in detail to both Mr Smith and Mr Schorer and it was explained to Mr Smith that tape recordings of the protocol and the test patterns would be made and subsequently deciphered to determine any interworking problem with the machines.

Mr Schorer and Mr Smith were both present during the test procedure.

Bert Lopes needed to leave Mr Schorer's premises temporarily during testing to put money in a parking meter. On his return one fax transmission had failed. Bert sent a total of 20 fax transmissions and there were no other failures.

Analysis of signalling between the machines gave no indication as to why the one transmission failed.

Mr Smith was given the originals of the test transmissions and the fax log by Ross Anderson before he left the premises that day.

I also attach a statement prepared by the two technicians involved in the testing. You will note that both state that they informed both Mr Schorer and Mr Smith of the proposed testing process and of the fact that the protocol and the test pattern would be taped for subsequent analysis. You will also note that Ross Anderson provided Mr Smith with the original test faxes and the Receive Transmit Journal.

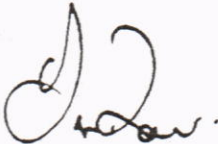
Finally, I attach a copy of a minute prepared by Mr Bruce Pendlebury, the Difficult Network Fault Co-ordinator, Telecom Commercial Vic/Tas Region. The minute relates to a phone conversation he had with Mr Smith on 28 February 1994. It would seem that Mr Smith now is requesting Telecom to tape monitor his fax machine.

If, as the newspaper article suggests, Mr Smith has alleged to the Federal Police that a "bugging" incident took place, this is a matter of extreme concern to Telecom. Telecom is of the view that the circumstances outlined above cannot on any reasonable interpretation be labelled a "bugging". No customers' conversations or transmissions were taped. Both customers were fully aware of the testing procedure and the fact that the test transmissions were to be taped. Both gave their complete informed consent to the testing.

The statement made in the article that Mr Smith said he had never given Telecom permission do not accord with events as recorded in the attached statements.

The staff involved in this particular incident are of course available to assist you in your enquiries.

Yours sincerely



I Row
CORPORATE SOLICITOR

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