

2 March 1994

**Telecom**  
AUSTRALIA

COMMERCIAL & CONSUMER  
CUSTOMER RESPONSE UNIT

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MELBOURNE VIC 3000

Australia

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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.

A53982



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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A53983

Facsimile



To Ross Anderson

Network Products  
National Facsimile Support Centre  
23 rd Floor 242 Exhibition St.  
Melbourne. 3000

Company Telecom Portland

Australia

Facsimile 055 236 56

Telephone 03 634 6993  
Facsimile 03 640 0997

From Alan Barrow  
P.T.T.O.1

Subject COT Case

K01489

Date 29 October 1993

Ross,

The following pages are copies of my fax machines journal and the protocol printouts of failed calls.

On the date of 28-OCT-93 we were trying to create a line failure condition that would re-produce the same error on the transmitting machine and no record on the receiving Mitsubishi machine (055 267 230). The reason for this was to show that a sending fax machine could get to the point of transmitting a page to the Mitsubishi fax machine without the Mitsubishi machine having any record of the call.

The COT case call in question was the 27-10-93 at 10:46 on the journal (it is suspected that the clock in this machine is approx <sup>45-46 min</sup> 1 Hour and 15 minutes in error). The duration of the transmitting machine page of 2:21 minutes suggests that the call failed at the end of the page, possibly when requesting a reply from the receiving end. The presence of the ID in the journal of "055 267230" indicates the call was connected to the Mitsubishi fax machine in question. The receiving Machine has no matching entry in its journal for this call.

A call was placed to 055 267230 and connectivity terminated at the beginning of the page but this resulted in an error of NG in the journal along with the ID of the calling fax machine. The only way to reproduce the conditions experienced above was to interrupt the power on the receiving Mitsubishi fax machine. This would result in an entry in the transmitting machine and no entry whatsoever in the receiving Mitsubishi machine.

During testing the Mitsubishi fax machine, some alarming patterns of behaviour were noted, these affecting both transmission and reception. Even on calls that were not tampered with the fax machine displayed signs of locking up and behaving in a manner not in accordance with the relevant CCITT Group 3 fax rules. A half A4 page being transmitted from this machine resulted in a blank piece of paper 4cm long. the relevant protocol printout in sample #2 shows that the machine sent the correct protocol at the end of the page. Even if the page was sent upside down the time and date and company name should have still appeared on the top of the page, it wasn't. During a received call the machine failed to respond at the end of the page even though it had received the entire page (sample #3). The Mitsubishi fax machine remained in the locked up state for a further 2 minutes after the call had terminated, eventually advancing the page out of the machine.

Regards  
Alan Barrow

9 B

(17)

# PROTOCOL MONITOR

28-10-93 12:37 PM  
6130400997  
03 6400997  
0

\*\*\* SEND \*\*\*

| *** SEND *** |                |                   |          |        |      |                   |
|--------------|----------------|-------------------|----------|--------|------|-------------------|
| NO           | REMOTE STATION | START TIME        | DURATION | #PAGES | MODE | RESULTS           |
| 1            | 055 267230     | 28-10-93 12:30 PM | 0'47"    | 1      |      | COMPLETED<br>9600 |

```
COM:0      G3S:0      G3R:0      ECM:0      CSI:1      CIG:0
CFG:4      RHP:0      LGO:0      THP:1      W/B:74     EQL:08
```

VERSION: KM1=X01.09 KM2=R01.09 KSP= 02.00 KCP=R04.03

[illegible]

XEROX Telecopier 7017

9c



Sample #3

K03751

16

# PROTOCOL MONITOR

DATE/TIME  
LOCAL TERMINAL ID.  
LOCAL TERMINAL NAME  
COMPANY LOGO

28-10-93 12:32 PM  
6136400997  
03 6400997  
0

\*\*\* SEND \*\*\*

| No | REMOTE STATION | START TIME        | DURATION | #PAGES | MODE | RESULTS                          |
|----|----------------|-------------------|----------|--------|------|----------------------------------|
| 1  | 055 267230     | 28-10-93 12:30 PM | 0'49"    | 0      |      | COMMUNICATION ERROR<br>9600 E204 |

COM:0 G3S:0 G3R:0 ECM:0 CSI:1 CIG:0  
CFG:4 RHP:0 LGO:0 THP:1 W/B:74 EGL:08

VERSION: KM1=X01.09 KM2=R01.09 KSP= 02.00 KCP=R04.03

| APSE  | LOCAL | REMOTE   | FCF        | FIF                                                |
|-------|-------|----------|------------|----------------------------------------------------|
| 7     |       | ← CED    |            |                                                    |
| 16    |       | ← 2100HZ |            |                                                    |
| 3'35  |       | ← NSF    | 20         | 00000580004EB8000825202020202020202020202020202020 |
|       |       |          |            | 20006000180B                                       |
| 4'35  |       | ← CSI    | 40         | 30333237363220353530202020202020202020202020202020 |
| 5'05  |       | ← DIS    | 80         | 004EB800                                           |
| 6'29  | TSI   |          | 43         |                                                    |
| 7'05  | DCS   |          | 83         | 0046A800                                           |
| 7'42  | TRN   |          |            |                                                    |
| 7'67  | TRN   |          |            |                                                    |
| 7'67  | TCF   |          |            |                                                    |
| 9'18  | TCF   |          |            |                                                    |
| 10'56 |       | ← CFR    | 84         |                                                    |
| 10'85 | TRN   |          |            |                                                    |
| 11'10 | TRN   |          |            |                                                    |
| 12'11 | PIX   |          |            |                                                    |
| 32'60 | PIX   |          |            |                                                    |
| 33'88 | EOP   |          | 2F         |                                                    |
| 38'32 | EOP   |          | 2F         |                                                    |
| 42'77 | EOP   |          | 2F         |                                                    |
| 46'18 | *     |          | ERROR 3B10 |                                                    |
| 47'29 | DCN   |          | FB         |                                                    |

Mitsubishi machine  
failed to respond to  
valid EOP.  
MITSUBISHI MACHINE LOCKED  
UP FOR 2 MINUTES INSTEAD  
OF TIMING OUT AFTER 9 SECONDS.  
XEROX Telecopier 7017

At Mitsubishi 3-11-NG

SAMPLE #2

# PROTOCOL MONITOR

K03752

DATE/TIME  
LOCAL TERMINAL ID.  
LOCAL TERMINAL NAME  
COMPANY LOGO

28-10-93 12:09 PM  
6136400997  
03 6400997  
0

\*\*\* RECEIVE \*\*\*

| No | REMOTE STATION | START TIME        | DURATION | #PAGES | MODE | RESULTS           |
|----|----------------|-------------------|----------|--------|------|-------------------|
| 1  | 055 267230     | 28-10-93 12:06 PM | 1'02"    | 1      |      | COMPLETED<br>9600 |

COM:0  
CFG:4

G3S:0  
RHP:0

G3R:0  
LGO:0

ECM:0  
THP:1

CSI:1  
W/B:74

CIG:0  
EGL:08

VERSION: KM1=X01.09 KM2=R01.09 KSP= 02.00 KCP=R04.03

| LAPSE | LOCAL | REMOTE | FCF | FIF                                                |
|-------|-------|--------|-----|----------------------------------------------------|
| 2-35  | CEU   | →      | 2U  | 00001917C0A0DEC1C081F9D8A4A081010A3739393030343620 |
| 6-47  | NSF   | →      |     | 3330                                               |
| 7-42  | CSI   | →      | 40  |                                                    |
| 8-18  | DIS   | →      | 80  | 00CEE804                                           |
| 10-48 |       | ← TSI  | 43  | 303332373632203535302020202020202020202020202020   |
| 11-19 |       | ← DCS  | 83  | 0006A800                                           |
| 11-47 |       | ← TRN  |     |                                                    |
| 11-69 |       | ← TRN  |     |                                                    |
| 11-69 |       | ← TCF  |     |                                                    |
| 12-96 | *     |        | EQM | 00B3                                               |
| 13-22 |       | ← TCF  | 84  |                                                    |
| 14-26 | CFR   | →      |     |                                                    |
| 15-59 |       | ← PIX  |     |                                                    |
| 33-03 |       | ← PIX  | 2F  |                                                    |
| 35-58 |       | ← EOP  | JC  |                                                    |
| 37-21 | MCF   | →      | FB  |                                                    |
| 39-19 |       | ← DCN  |     |                                                    |

*Mitsubishi to my Xerox.  
Received a piece of paper  
4cm long (blank).*

XEROX Telecopier 7017

*Although the page was  
error-free, it did not  
terminate correctly, &  
did not have any information  
on it.*

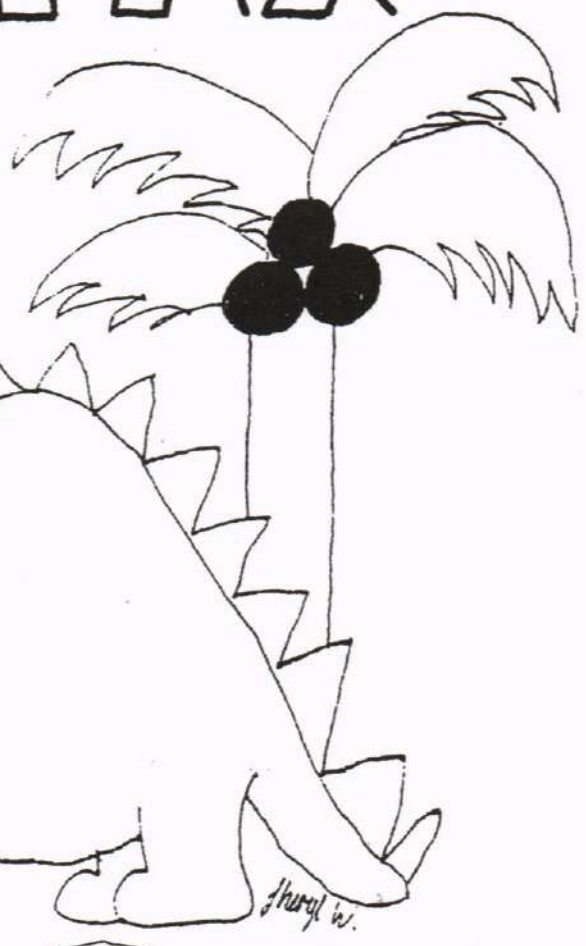
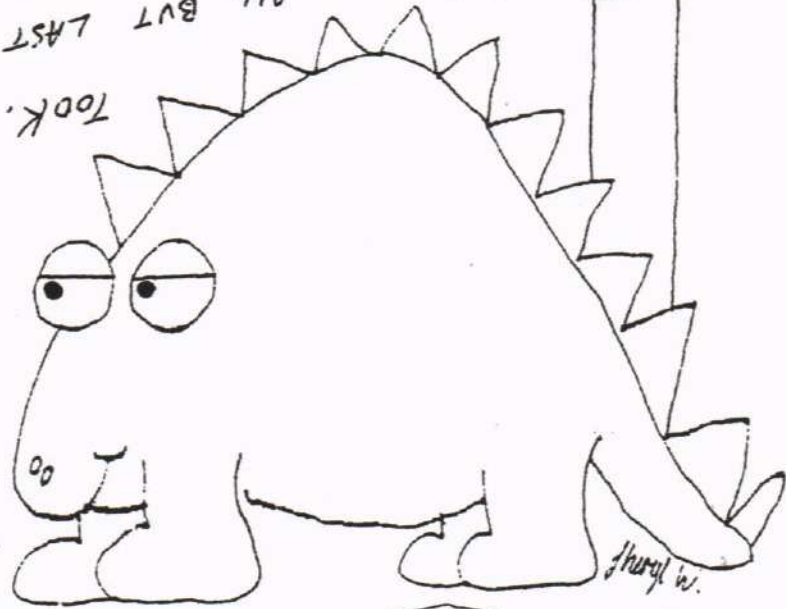
*Page received*



K03754

# TEST FAX

THIS FAX  
TOOK 3.11 MIN. TO RECEIVE  
ALL BUT LAST 12" RECEIVED  
THEN SENDING PARTY FAX WITHIN 1 MI.  
DISCONNECTED, MACHINE SILENT  
RECEIVING FAX. APPROX 2 MIN! THEN  
FOR REST OF MESSAGE RECEIVED  
OF  
(STORED IN FAX  
STREAM?)



STOP APPROX  
HERE.

055 267230: # 1

03 6400997-

128-10-93: 12:31PM :

No  
011

⑦

9c