

INTERNATIONAL
Herald Tribune

Phone taps in Italy spark a rush for cellular encryption

By Peter Kiefer

Sunday, April 29, 2007

ROME: In trying to drum up business, it would seem that those who sell encrypted cellphones in Italy have a relatively easy task: Simply browse the major newspapers here.

Vice President Piero Fassino of the Democratic Left party could have benefited from one before comments he made regarding a sensitive bank takeover were splashed across the front pages.

Luciano Moggi, the former head of the Juventus soccer club, could have used one before Italy's soccer game-fixing scandal exploded after his phone conversations, which triggered the investigation, were intercepted by investigators and then leaked to the media.

And Prince Victor Emmanuel would have been well served by a secure cellphone before his conversations made public resulted in his arrest last year over allegations of providing prostitutes and dealing in illegal slot machines.

Indeed, numerous other Italian politicians, businessmen, soccer players and coaches, showgirls and actors have had their personal conversations transcribed by official or amateur snoops and then leaked for public consumption.

Not even the former head of Italy's top spy agency, Nicolo Pollari, is immune; transcripts of some of his conversations found their way into the newspapers.

"Initially, we thought we would market to the big businesses, to lawyers and the government," said Ferdinando Peroglio, commercial director of Casperotech, a four-year-old Turin company that sells encrypted cellphone software. "But after the Juventus soccer scandal, we had so many clients that we had never thought to contact. We had a real boom of sales."

Whereas three years ago the company's only clients were the government and the military, last year 60 percent of sales were to everyday civilians.

Peroglio refused to provide exact sales numbers but said Casperotech's sales increased 100 percent from 2005 to 2006.

Enrico Comana, chief executive of Snapcom Italia, the Bergamo-based unit of an Israeli company that offers a similar product, sees the same trend.

"There is about 700 to 800 percent more interest now than at the same time last year," he said. "At the end of April, we will have done the same amount of business as all of last year. There is vigorous movement in the market."

What has spurred encryption sales is not so much the legal wiretapping authorized by Italian magistrates - though information about those calls is also frequently leaked to the press - but the widespread availability of wiretapping technology over the Internet that has created a growing pool of amateur eavesdroppers. Those snoops have a ready market for filched celebrity conversations in the Italian media.

"I suspect that there is some overreaction in the market," said Graham Titterington, a principal analyst for Ovum a telecom and software consultancy firm. Due to its niche nature, Titterington said it was difficult to gauge the health and sustainability of the market for encrypted cellphones.

When it comes to phone tapping, Brazil, Greece and Spain are other desirable markets, the encryption companies say, but in Western Europe, Italy remains peerless.

"No one is ever going to discuss sensitive issues with you on the phone," said Carlo Bonini, an

investigative reporter for the newspaper La Repubblica. "Too many things have happened in this country."

He should know. Earlier this year, Bonini's name was among thousands that surfaced in a massive illegal wiretapping scandal that involved employees of Telecom Italia, Italy's largest phone company.

Twenty people were arrested, including the former chief of Telecom Italia security, in what investigators say was an attempt to use the intercepted phone conversations to blackmail Italian public figures.

Last week, the Italian Parliament weighed in on a proposal that would impose stiffer fines and longer jail terms for those, like journalists, who make public the contents of illegally monitored conversations. The decree passed in the lower house and now needs Senate approval.

Bonini said he understood the need to curb the publication of some of these transcripts but argued that the issue is less about privacy and more about Italy's notoriously slow moving judicial system.

"I don't think that we don't need a stricter privacy law - we already have it," Bonini said. "We need consequences. We need to see sanctions.

If no one is ever held accountable, then there is no way to stop the phenomenon."

The phone encryption companies sell a range of products - all legal, they insist - that they say can keep everything from cellphone text messages to actual voice conversations a secret.

The high-end package, which runs about \$2,200 at both companies, includes the phone itself, which has to be a particular kind to use the encryption software.

Caspertech's software can be used only on phones running the Windows Mobile operating system, while Snapcom offers software that can be used on other platforms as well.

On the lower end, there is software that can cover up your SMS text message for €300, or \$410. In the mid-range, you can scramble your fax or mask the content of your fixed-line calls for €1,100 and up.

One caveat for prospective customers: For full secrecy, the phones on both sides of a voice conversation must carry the software in advance of the call, making it less than ideal for spontaneous sneakiness.

Such "point to point" technology, which is used by both Snapcom and Caspertech, works like this: Once the software is activated through a personal key code, a user's voice is scrambled or encrypted with various algorithms.

The data is then sent over the normal GSM cellphone network, received by the listener's phone and then decrypted back into decipherable language, all of which causes a slight delay.

Peter van der Arend, chairman of the European Telecommunications Standards Institute's lawful interception committee, said in an e-mail that the technology appears to be totally legal.

"If somebody wants or needs end-to-end encryption on his mobile or fixed phone or any other communication, it cannot be forbidden," he said. That would, of course, include drug dealers and terrorists as well as everyday citizens.

But the question remains: Does the over-the-counter encryption technology actually work?

"Any company that gives you a 100 percent guarantee is opening themselves up to real problems," said Rolando Rosas, the U.S. development director for Snapcom, which operates in 40 countries.

Rosas believes that Snapcom's software is reliable in 90 percent of the cases.

"Nothing is 100 percent fool-proof - nothing, nothing, nothing," he added.

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