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Phone Taps in Italy Spur Rush Toward Encryption

By PETER KIEFER
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ROME, April 29 — Drumming up business would seem to be an easy task for those who sell encrypted cellphones in Italy. All they have to do is browse the major newspapers for likely customers.

Piero Fassino, national secretary of the Democratic Left Party, could have benefited from an encrypted phone before comments he made regarding a delicate bank takeover made the front pages.

Luciano Moggi, the former head of the Juventus soccer club, could have used one, too. His phone conversations, intercepted by investigators and then leaked to the media, led to Italy's soccer game-fixing scandal.

And Prince Victor Emmanuel might wish that he had a secure cellphone before his conversations, made public, resulted in his arrest last year on charges that he provided prostitutes and dealt in illegal slot machines.

Not even Nicolo Pollari, the former head of Italy's top spy agency, was 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 company in Turin that sells encrypted cellphone software. "But after the Juventus soccer scandal, we had so many clients that we had never thought to contact."

Three years ago, the company's only clients were the government and the military; last year 60 percent of sales were to ordinary civilians.

Mr. Peroglio declined to provide exact sales numbers, but said that Casperotech's sales increased 100 percent from 2005 to 2006.

Enrico Comana, chief executive of Snapcom Italia, the Italian 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.

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, which has created a growing pool of amateur eavesdroppers. Those snoops have a ready market in the Italian media for filched celebrity conversations.


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 La Repubblica, the Rome daily.

This year, Mr. Bonini's name was among thousands that surfaced in an illegal wiretapping scandal involving employees of Telecom Italia, the Italian phone company.

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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.

A proposal that would impose stiffer fines and longer jail terms for journalists and others who make public the contents of illegally monitored conversations has passed the lower house of the Italian Parliament and now needs Senate approval.

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

"I don't think that we don't need a stricter privacy law — we already have it," Mr. 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 protect both cellphone text messages and actual voice conversations.

The high-end package, which runs about \$2,200 at both companies, includes a phone, which must be a model capable of using 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 is software that can encrypt SMS text messages for about \$410. In the midrange, a user can scramble faxes or mask the content of fixed-line calls for \$1,500 and up.

For full secrecy, however, the phones on both ends of a voice conversation must carry the software in advance of the call.

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

But does the over-the-counter encryption technology actually work?

Rolando Rosas, the United States development director for Snapcom, which operates in 40 countries, said he believed that its software was 90 percent reliable. "Nothing is 100 percent foolproof — nothing, nothing, nothing," he added.

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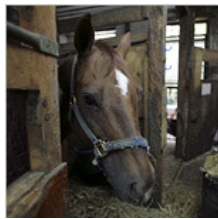
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