

SUMMARY

In response to violence and criminality in the maritime sector, the shipping industry has progressively relied on several models of contracted maritime security to protect vessels and seafarers. This trend has resulted in a proliferation of weapons at sea and various types of armed security teams operating aboard private commercial vessels. If the activities of these armed maritime security teams continue to be largely unregulated, the actions of some unaccountable actors could increase incidents of violence at sea and possibly hinder efforts to pursue sustainable rule of law solutions to maritime criminality. Accordingly, Oceans Beyond Piracy (OBP) and other organizations within the maritime community are striving to increase transparency and oversight of maritime security operations. However, differences in function, applicable national jurisdiction, and types of services offered by maritime security providers makes assessing operational scope and designing uniform global policy for this sector a challenging endeavor.

As a first step in empirically examining the extent of maritime security operations, OBP seeks to define various models of contracted maritime security. OBP will release a series of issue papers which build on our publication from December 16th, 2016 titled [“Defining Contracted Maritime Security”](#) to further classify and define each identified model of contracted maritime security. As defined in the paper, these categories include:

- ▶ **Private Maritime Security:** Embarked private security force personnel hired by the shipping industry.
- ▶ **Vessel Protection Detachments:** Uniformed military personnel embarked on a vessel with explicit approval of the Flag State.
- ▶ **State Affiliated Escort:** Escort by a State military asset.
- ▶ **Coastal State Embarked Personnel:** Embarked armed personnel originating from the Coastal State, based on arrangements between ship operators and the providing national authorities – not specifically endorsed by the Flag State.

This first issue paper will explore the model of privately contracted armed maritime security. The wide range and structures of maritime security providers around the world, the disparate regulatory jurisdiction over their operations, and the diverse composition of their teams, management cells, and governance, along with the unique nature of their business models make the sector harder to understand than it may appear at first glance.

PRIVATE MARITIME SECURITY BACKGROUND

Beginning in 2008, East African piracy surged in Somali waters, where pirates targeted merchant vessels transiting the Gulf of Aden region, later termed the “High Risk Area.”¹ The shipping industry suffered tremendous losses from hijacking and kidnap-for-ransom in this area, extending well into the Red Sea and Indian Ocean. In response, numerous industry and governmental initiatives were launched in order to mitigate Somali Piracy.

The United Nations Security Council passed several Resolutions authorizing member navies to patrol the waters off the Somali coast and apprehend pirates, whether on the high seas or in Somali territorial waters, as well as on Somali beaches. The international response was further coordinated through a Contact Group on Piracy off the Coast of Somalia which brought together relevant stakeholders to ensure an effective response. The response included three primary pillars:

- ▶ **Operational Activity.** In 2009, global naval coalitions arrived to the Horn of Africa region to begin anti-piracy tasks which included coordinated patrols by international shipping organized through the Shared Awareness and De-Confliction (SHADE) process, the establishment of reporting structures leading to Maritime Situational Awareness and convoy protection schemes on the Internationally Recognized Transit Corridor in the Gulf of Aden.

1. HRA is defined by the IMO here: <http://www.imo.org/en/OurWork/Security/PiracyArmedRobbery/Guidance/Documents/Circular%20Letter%20No.3606.pdf>

- ▶ **Vessel Self Protection.** On the industry side, a consortium of ship-owners associations, international organizations, and government agencies released the Best Management Practices (BMP), a set of guidelines designed to help ships avoid, deter, and delay piracy attacks in the HRA, predominately in the form of physical ship-hardening measures to better protect vessels from piracy as well as encourage participation in voyage registration, ship reporting, tracking, and the use of unarmed security teams.
- ▶ **Rule of Law.** An efficient mechanism to arrest, prosecute and incarcerate piracy suspects was developed by the UNODC that included a system of Transfer Arrangements and the use of Regional Courts. This ended the “catch and release” of pirates and began to build a legal framework to deter the crime of piracy in the greater Indian Ocean region.

As the system was developed, it became clear that a more immediate way to protect individual vessels was needed to stem the tide of piracy. This resulted in the introduction of embarked armed security personnel on-board commercial vessels to thwart incidents of piracy and armed robbery. Starting in 2011, armed security emerged as an effective, though costly, mitigation measure and to date no commercial vessel employing professional armed guards has been seized by pirates.

PRIVATE MARITIME SECURITY

The deployment of armed guards as a security solution at sea is uniquely characterized by private security companies providing armed protection for assets which are mainly owned and operated by other private entities- shipowners, charterers, cargo owners, and other companies operating vessels at sea. For the purposes of this paper, the category of Private Maritime Security has been divided into sub categories of (1) Private Maritime Security Companies (PMSCs) that provide armed teams and (2) Privately Contracted Armed Security Personnel (PCASP), which are the actual teams deployed on vessels.

PMSCs are private companies usually registered and controlled from countries far away from the area of operation that offer their PCASPs to protect merchant vessels transiting high risk international waters. The success of a PMSC offering such solutions is marked by their management team’s mastery of complex logistical procedures, ensuring time-dependent embarkation and disembarkation of guards and security equipment between client vessels and approved storage facilities in remote and often hostile parts of the world. Unlike land-based private security, the core business activity is not simply dependent on tactical expertise, marksmanship, or combat readiness of guards themselves, but hinges on this company’s logistical footprint being consistently viable and cost effective.

PMSCs pre-position PCASPs and weapons at key ports of Red Sea or Indian Ocean coastal states for prompt embarkation of clients’ vessels. These PCASPs remain onboard when the vessel is transiting the HRA, and are then disembarked at the next port after leaving the HRA, to await a return voyage the opposite direction or a flight back. One common route for a southbound voyage is to embark armed guards via Suez or Safaga, Egypt and disembark them in Galle, Sri Lanka, or vice versa. OBP has also noted that there may be an emerging market for privately contracted armed security in South East Asia, particularly in the Sulu and Celebes Seas.

The logistical footprint available for PMSCs operating in the Red Sea and Indian Ocean has become constrained over the last few years. Several coastal and port states prohibited fly-in/fly-out of security guards with controlled equipment including firearms and ammunition. Other states require PCASPs to bond their weapons onboard or store them in land-based armories during port calls. As a result of these growing compliance obstacles, emerging concerns of regional instability, and increasing costs for shore-side operations, PMSCs have pursued an alternative option—keeping their equipment and personnel offshore. By utilizing the services of “floating armories”—vessels which have been repurposed for accommodating maritime security guards and storing their equipment in international waters—PMSCs can provide a more streamlined service to ship operators without subjecting their personnel or equipment to the jurisdiction of port states.

Uniform requirements for PMSC licensing, oversight, equipment management, and operational certification as well as training and proficiency in security tasks including marksmanship, vessel hardening, and other professional responsibilities for armed guards differ substantially across the industry, and from country to country. There has been an effort to regulate the industry through a variety of policies and oversight mechanisms, but there is a lack of global harmonization of law standardizing the operations, structure, and management of security companies.

FLOATING ARMORIES

Floating Armories are commercially available vessels which operate as static or mobile offshore logistics facilities for PMSCs to store weapons and accommodate personnel. At the beginning of 2016, there were at least eight in the Red Sea and seven around the Gulf of Oman. By the end of 2016, that number was reduced by at least one vessel in each region.

Based on approximate rates across the market of floating armory operators, the average fee charged to PMSCs for embarking or disembarking personnel and equipment from a floating armory vessel in 2016 was around \$1,590 per movement on or off. If security guards were housed on a floating armory, some operators charged roughly \$55 per person per day, which may have been included in the embarkation movement charge.



FLOATING ARMORY TRANSFER POINTS IN THE RED SEA & INDIAN OCEAN REGION

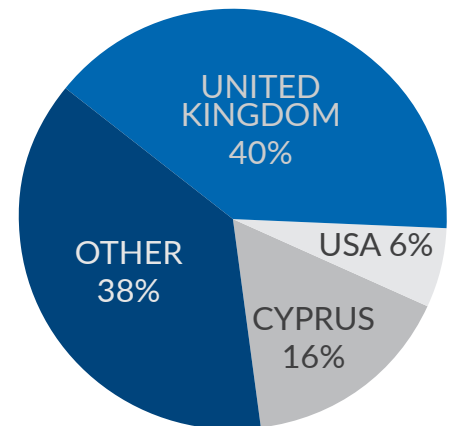
Today’s PMSCs range from boutique companies protecting a single client or small consortium of client ship-operators, to large security conglomerates which may have hundreds of land-based and maritime clients, and over 30 PCASPs protecting client vessels at any given moment. In an increasingly competitive market, some companies have fallen into a race-to-the-bottom, offering lower prices to meet reduced client budgets; often at the sacrifice of legal compliance, training, or robust logistics. Some concerns raised by industry professionals include the renting, borrowing, or sharing of firearms between multiple PMSCs, the procurement of illegal firearms, and the unlawful transportation or storage of firearms ashore or on unregulated floating armories. Other concerns cited are slashes to training budgets, requiring employees to obtain additional training or certification at their own expense, subcontracting untrained or undertrained guards from manpower suppliers in third-countries, and the poor treatment of personnel ranging from abuse and neglect, to non-payment and extended work rotations — sometimes 6 months or more without leave.

Despite such operational variation, hiring PCASPs working for PMSCs remains an effective counter-piracy measure. The use of PCASP is recommended and even required by many underwriters, cargo owners, shipowners, and even some flag states for vessels transiting the HRA.

WHERE ARE THE COMPANIES PROVIDING THIS SERVICE INCORPORATED?

The majority of PMSCs are still registered in the United Kingdom, however, recent trends elucidate a growing number of PMSCs incorporating in other countries such as Greece, Cyprus, Malta, and China, as well as new companies starting up or redomiciling in offshore jurisdictions such as Belize, Panama, and the UAE. The choice of jurisdiction may be made based on the nationality of the owners or directors, the flexibility of the chosen home state law in the context of security company management, a more favorable tax regime in the country of registration compared to other options, ease of obtaining firearms licensing and security company operating permits, company ownership confidentiality, or any combination of the aforementioned.

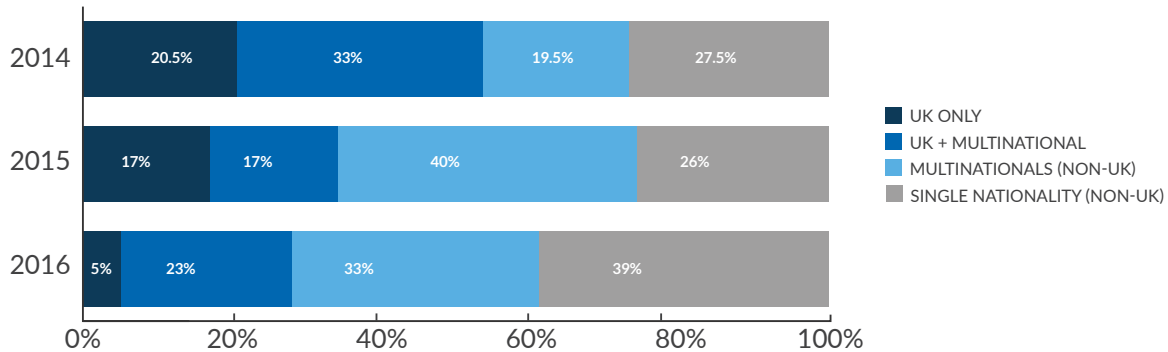
The wide range of corporate nationalities and overlapping concurrent jurisdiction creates difficulty in standardized monitoring and uniform application of legal compliance, as each company’s home country may have differing laws governing the practices of security companies operating overseas, especially in the maritime sector, and these laws may differ substantially from the countries where the company actually operates.



WHERE ARE THE CONTRACTORS FROM?

While embarked PCASPs in the early 2010s were heavily populated by British and American contractors, the demographics of PCASP has shifted to become more international. This shift has been driven predominately by cost reductions derived from employing lower salaried personnel as well as from the internationalization of the maritime security sector, as security companies from around the world expanded into the maritime arena and brought with them their local operators. OBP’s data analysis indicates the following PCASP composition breakdown:

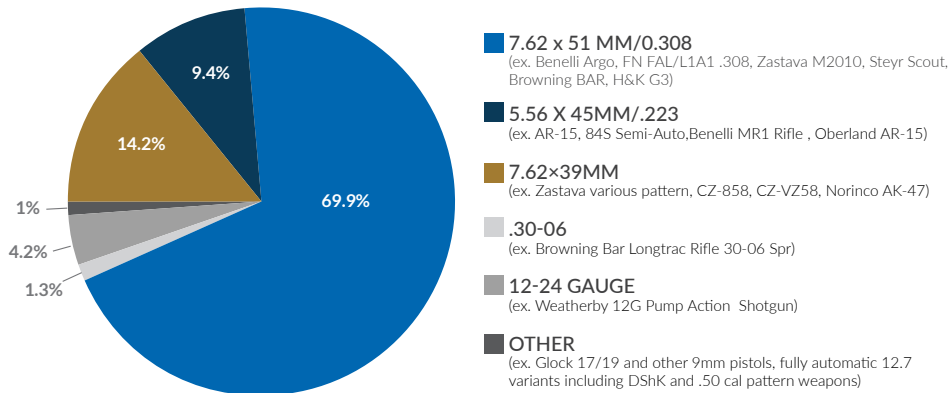
ARMED GUARD TEAM NATIONALITIES BY YEAR



WHAT WEAPONS ARE THEY USING?

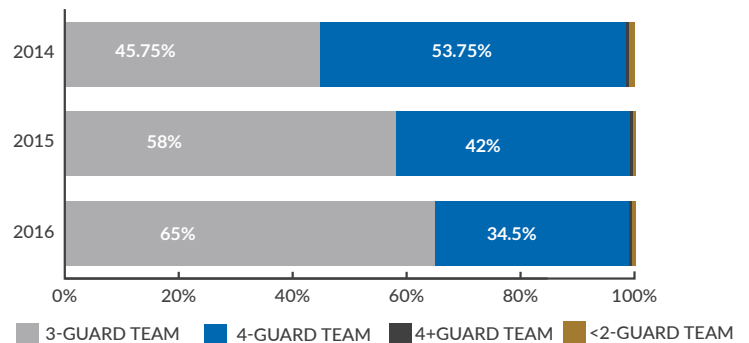
As security companies hail from many different home states and may have either imported equipment to the HRA or acquired their equipment locally, there is a wide array of weapons systems deployed ranging from 9mm handguns to .50 caliber rifles. The vast majority of weapons used are 7.62mm and 5.56mm rifles. Many industry guidelines and port or flag state regulations mandate use of the 7.62mm caliber which contributes to the overwhelming popularity of weapons chambered in 7.62x51mm and 7.62x39mm.

TYPES OF WEAPONS USED



WHAT IS THE AVERAGE PCASP SIZE?

PCASP team size may differ depending on the laws of the security company’s home state, the client vessel’s budget, CSO or SSO preference in light of current threat level, and/or any minimum or maximum requirement imposed by the vessel’s flag state. OBP’s data analysis indicates the following team size breakdown:



COST OF PRIVATELY CONTRACTED MARITIME SECURITY SERVICES FOR SHIPOWNERS

Over the last several years, the cost for shipowners to hire PCASP has dropped substantially. OBP has been tracking the economics of this industry, and found that cost reductions were prompted by several factors:

- ▶ Option for reduced team size (from 4 man teams down to 2 or 3)
- ▶ Deployment of personnel from countries with lower salary expectations
- ▶ Use of floating armories resulting in lower logistics costs
- ▶ Reduction in the size of the HRA
- ▶ General competition in the market necessitating price drops to remain competitive

PRIVATE SECURITY COMPANY OPERATING EXPENSES

The monthly average cost for deploying one PCASP team can be extrapolated through the example of a 10 day voyage. A rough estimate is included below for a single 4- man mixed team. Total approximate company operating expenses and margins can similarly be derived from this estimate depending upon how many PCASPs are deployed per month.

MONTHLY AVERAGE COSTS FOR 4-GUARD TEAM	
\$3,000	Team member salaries
\$1,500	Team Leader Salary
\$5,000	Floating or Land Armory Costs
\$400	Equipment (rental or) mortgage/loan payoff
\$1,500	Management Office Ops Expenses
\$2,500	Management Staff
\$4,000	Flights (if not remaining on FA, or at end of circuit)
\$1,000	Hotel (if not remaining on FA, or at end of circuit)
\$800	Communications (Sat phone, etc.)
\$1,500	Insurance and associated coverage costs
\$500	Licensing, Associations, Standards and Compliance/Legal
\$21,700	Total Costs
\$2,300	Remaining Profit Margin

Challenges still remain in advocating for the use of voluntary reporting measures for vessels employing armed guards, monitoring their activities, verifying their weapons ownership and training standards, and harmonizing the interplay between private security and insurance sectors to enhance transparency, governance, and business accountability. Yet there is no doubt that the efforts of private maritime security have made a substantial positive impact on the global shipping industry, as no commercial vessel employing professional privately contracted armed security guards has yet fallen victim to piracy or armed robbery. As threats against merchant shipping continue to metastasize around the world, especially in East Africa, West Africa, and South East Asia, OBP will continue to monitor the evolution of privately contracted armed maritime security, further define other models of maritime security, and assess governance and accountability in this sector.