

The Rise of Private Maritime Security Companies

David Isenberg | May 29, 2012

Part One: A Look at the Use of Maritime Security Guards or PCASP

The number of companies who have jumped into the deep blue sea to offer armed guards and other private security services for commercial shippers who fear pirate attacks has risen sharply the past few years. Many new companies have been formed in this area since 2008 and many existing PSCs have refocused on maritime security. Land based private security has vacillated between being called private military companies (PMCs) or private security companies (PSCs). All have been faced with media scrutiny, controversy and varying degrees of helpful and unhelpful legislation. Although the provision of lethal force by private services rather than government services neither new or even unexpected on land it seems to be more complicated on the ocean and in international waters.

Maritime security has existed to protect slow moving oil drilling equipment, private luxury yachts and even undersea cable laying projects. The industry was word of mouth, providers were known by their past clients and there was little demand by traditional shipping companies. The spike in attacks in 2008 forced ship owners and charterers to find ways to reduce risk and rapidly increasing "exception" insurance premiums for routes like the Gulf of Aden and a rapidly expanding piracy zone in the Indian Ocean.

The former military who provide security to ships in dangerous waters are called Privately Contracted Armed Security Personnel or PCASP. Many of these men are veterans of the contractor circuit in Iraq and Afghanistan. [Somalia Report's 2011 first-hand report provides a glimpse into this world of tedium interrupted by a few minutes of intense action.](#) Somalia Report was the [first news service to leak a State Dept document](#) showing the pragmatic evolution of Secretary of State Hillary Clinton's anti-contractor to pro-contractor stance as well as see first hand how this emerging sector actually works in Yemen and Somalia. It is clear that the industry is not only here to stay but will demand proper recognition of PCASP's role in keeping ship, crew and cargo safe. In a perfect world there would be no threat. Or if there was, the government under whose flag the vessel sailed would provide the required security. In the real world of flags of convenience and aggressive pirates the industry has simply dealt with the unknowns under the rubric of "No ship with armed guards has been taken by pirates." This simple fact is borne out month after month of confidential reports posted by ships and security companies at sea. It is not made public knowledge for fear of tipping off pirates to tactics

or exposing the client to unwarranted criticism for employing lethal force. When this paradigm fails and pirates do overpower or outwit a armed security crew, the media will be the first to point out the exception.

Additionally there is a growing public, government and industry concern that the provision of this force may be yet another armed group that needs to be regulated. Much of this concern, like similar situations in Iraq is driven by videos or fears, rather than hard evidence. On the whole, the security industry is populated by military, police and trained professionals who must meet the stringent concerns of shipping companies. But the potential for missteps, such as the murder of fishermen, is high and the ability to adjudicate or gather evidence in the event of a violent event gone wrong, is lower than land-based operations.

The media is historically inclined to disparage armed private security, but governments are not that helpful in supporting the industry either. It is only last year that the United States and the UK have come out in full support of using armed guards on ships. Sadly the number of international commercial vessels flagged by either nation is minuscule compared to flags of convenience.

Although the provision and use of weapons at sea for self defense is legal, there are a myriad of contradictory laws as soon as those security teams start heading to port. These contracts are so lucrative for the security contractors that they have been reported to (wink wink) drop their weapons overboard when the vessel they are guarding is about to enter a weapons-restrictive port and then purchase new weapons for their next contracted voyage. The reality is that many security companies require creative workarounds to avoid the stiff fines and penalties levied by developing and often rightfully paranoid nations in Africa and the Middle East. Maritime security providers have been arrested and jailed in Somalia, Egypt and Kenya. Not only must the industry meet the legal requirements of over a dozen countries when docking they are also under the watch of the UN Arms Embargo inspectors, international regulations and numerous pressure groups who see ill intent in having armed men on board ships.

To further complicate and frustrate the maritime security industry, the best official position of the the International Maritime Organization (IMO) was delivered in a May 16th, 2012 speech by IMO Secretary-General Koji Sekimizu. Sekimizu described the evidence of maritime security providers in preventing hijack as "anecdotal" and instead of endorsing the industry, laid it out as:

"The carriage of firearms on board merchant ships is a complex legal issue with Member States taking diverse positions. The Committee has determined that the carriage of armed personnel is a matter for flag States to authorize, however it has also accepted that their carriage has legal implications for coastal and port States, particularly with respect to the carriage, embarkation and disembarkation of firearms and security equipment in areas under the jurisdiction of such port or coastal States."

Clearly, this is not quite an overwhelming endorsement on the use of armed guards aboard commercial vessels.

Boom Market

Why do companies pursue this market? Because there is good money to be made. Hiring licensed private security guards costs up to \$60,000 for the voyage through the Gulf of Aden. Ships pay roughly \$5,000 a day for a four-man armed team, on duty for four to 20 days. Contracts can be bare bones with only three men with binoculars, radios and a single hunting rifle or ramp up to over a dozen armed men, elaborate ship hardening, drill training or if policy forbids on board security, move to an emerging trend of hardened, armed escort cutters operating as mini gunboats.

According to the private intelligence company Stratfor, the cost for a typical four-man team on a normal 40-day rotation would be \$56,000-64,000 plus whatever the security company needs to make a profit from the trip.

- Bypassing the Gulf of Aden, adding three thousand miles and from two to three weeks to voyages, incurring additional fuel costs of \$3.5 million per year for tankers and \$74.4 million per year for the liner trades
- Pay higher insurance premiums, which have increased from only five hundred dollars in 2007 to approximately 20,000 per ship per voyage, excluding injury, liability, and ransom coverage
- Paying ransoms, totaling between \$30 million and \$150 million in 2008. Ransoms paid to pirates operating off the coast of Somalia have increased from 2004 to 2009 -- from about 500,000 per vessel to upwards of \$5.5 million.
- Sustaining a multinational naval presence in the Gulf of Aden and Indian Ocean, at a cost of between \$250 million and \$400 million per year.

Why the demand? The answer is simple. To date, no ship with armed security has been successfully hijacked.

Dollars and Sense

The emerging economic paradigm indicates that use of maritime armed guards will only increase. That means the private security companies, many based in Britain or elsewhere in northern Europe, that combat the pirates were earning much more than the pirates themselves. Thus piracy is good for at least some businesses.

Maritime private security companies now pull in \$52.2m a month from an estimated 1,500 escorted journeys. Newcastle upon Tyne-based, Convoy Escort Programme Ltd. intends to deploy seven armored former naval patrol boats, each with an eight-man security team. Convoy Escort reportedly will charge about \$30,000 for a boat traveling in a convoy of about four commercial vessels for three to four days

According to the Independent Maritime Security Association the use of a private armed security team general costs about \$50,000 per transit. If only 25% of vessels employed

guards, that would work out to 10,612 transits At the 25% figure that works out to \$530.6 million for private armed security. At 50% it would be a billion dollar dollar a year industry... just in the Gulf of Aden.

And, given that some underwriters give discounts to ships that hire armed guards, they are likely to pull in more business in the future. Although Somalia is the current epicenter for acts of piracy, it is a global problem with some disturbing forecasts.

According to Peter Cook, the head of the Security Association for the Maritime Industry (SAMI), which represents 120 armed security outfits, more than half of which are British, over the next 20 years maritime traffic will increase 50% but navies will shrink by 30%. In addition to commercial traffic, there are 4,500 super yachts afloat and over half a million tourists aboard cruises ships every day of the year.

Coming up with a clear agreed upon standard for the provision of armed security will not be easy. There are more than 8,000 ports covered by the ISPS (International Port and Ship Security Code) with no clear regulation on armed security. This does not include the potential problems posed at thousands of ports around the world, the threat to offshore oil and gas industry or even how the use of armed security affects something like the undersea cable laying sector. Currently many major maritime entities insist on armed escorts which keep armed men off their corporate vessels as well as the liability.

Controversy

As the world's navies realize that piracy cannot be effectively stemmed by ships designed to fight naval battles, regional and private solutions will come into play. Because Somalia is a failed state, all of those solutions will be foreign-sponsored, land-based and robust like the Puntland Marine Police Force, some will be domestically sponsored and under resourced like the Somaliland Coast Guard and some will be imaginary like the Somali Navy. So with the Navy fleets making more of diplomatic statement, land-based programs still being spun up and ship-based security providing a simple, effective deterrent (with the costs borne by higher costs) it is clear where the short term growth will be. Except that putting armed men on commercial ships is still not embraced.

[A recent attack and response](#) caught by a Trident Group security guard's helmet cam, showed the brutal reality of what armed security does when attacked by pirates at sea. Their client, [Eagle Bulk shipping](#) was dragged into the media spotlight for legally defending itself from pirates.

The video is analogous to the [infamous Aegis video](#) from Iraq which was a compilation of car camera clips of security guards firing at passenger cars in Iraq. The video brought up the same discussion on Rules of Force during acts of piracy as did the use of private security guards in Iraq. Currently the right of a master and crew to defend against piracy includes lethal force and there is no obligation to file public reports. Private security companies are also not required to file public incident reports. Internally both the shipping industry and maritime security keeps records but neither are eager to pushed

into the public spotlight over their choice of self defense methods in international waters. What is not seen are the thousands of calm transits, use of flares and non lethal methods and perhaps darker more violent incidents that never made it to the internet. Even if the industry is not a major proponent of armed guards, all elements of the maritime industry want a code of conduct for the use of force and a clear legal structure for the provision of security. Currently the industry is "self regulating" which at its best interpretation means that the management sets standards or that competitive forces will create a Darwinian rise to the top. Historically (If the PMC industry in Iraq is a fair comparison) there is a "race to the bottom" as vendors respond to competitive pricing in an unregulated environment to meet the letter but not the spirit of the contract. That means more lower cost "Third Country Nationals" than "Tier One" contractors and more potential for problems. Although the industry boats Navy SEALs and retired Special Boat Service vets you are more likely to meet ex-Royal Marines and U.S. Navy security pros bolstered by armed Ghurkas to Yemenis. That is not a slight to the skills but it is a financial reality that shipowners are tight fisted.

Risk Versus Reward

Currently each ship owner or operator must make an assessment based on risk. Insurance providers now provide bundled insurance and security packages for specific exception zones. The legalities are still subject to the flag state, ports of call, level of threat and cost for rerouting.

According to the IMO:

The risk assessment should include and document the following factors and considerations, prior to making the determination to take such actions:

1. Vessel and crew security, safety and protection;
2. Whether all practical means of self protection have been effectively implemented in advance;
3. The potential misuse of firearms resulting in bodily injury or death;
4. The potential for unforeseen accidents;
5. Liability issues;
6. The potential for escalation of the situation at hand; and
7. Compliance with international and national law.

Furthermore there is no clear punitive industry recourse but some basic advice is provided by the IMO:

Piracy -- Performance of PMSCs and PCASPs

Many Members now place Privately Contracted Armed Security Personnel (PCASP) aboard their vessels when sailing through the High Risk Area after signing an agreement with a Private Maritime Security Company (PMSC) following a favorable contract review by the Managers.

The number of PMSCs offering such services has grown significantly in recent years, and the market continues to be flooded with new entrants. However, although the terms of the contract may be acceptable, this does not necessarily mean that the armed guards or the security company itself will perform to expectations. Members who are unsatisfied with the performance of a PMSC or PCASP are invited to report their concerns to the Loss Prevention Department. Such concerns may include:

- Failure to follow the agreed Rules for the Use of Force (RUF)
- Questionable leadership
- Inappropriate firing, handling or storage of weapons
- Improper watchkeeping
- Guards who appear to be inadequately trained
- Reckless or unsatisfactory behaviour
- Inadequate language skills
- Refusal to sign Visitors' Passes
- Late arrival at the pre-arranged boarding point
- Hidden costs

The IMO Loss Prevention Department does maintain a list of complaints (but accepts no responsibility for maintaining or enforcing standards) and provides basic and very generic vetting tips in Section 2.3 of their report on Maritime Security of [MSC.1/Circ.1405/Rev.1](#).

REFERENCE

NOTE: The Security Association for the Maritime Industry (SAMI) site has been hacked but when it is back up it can be found at seasecurity.org.

[PCASP Forum](#)

[Country by Country Guide on the Use of Armed Security on Ships](#)

[National Regulations on the Use of Armed Guards on Ships](#)

[Locked and Loaded 2011 Guide to Armed Guards on Ships](#)

[IMO Information Resources](#)

[IMO Guide to Maritime Security \(eBook\)](#)

[Ince Insurance](#)

[Guidelines on the Deployment of Armed Guards](#)

[Maritime Safety Committee \(MSC\)](#)

[Safety4Sea Resources](#)

[The Rights of Private Actors At Sea](#)

[Questions For Ships Arriving in Mombassa, Kenya](#)

[Provisional guidelines -- use of armed guards on board Norwegian ships](#)

[Anti Piracy Law Site](#)

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