

# Finding new bearings

---

FACTS AND FIGURES ABOUT PRIVATE MARITIME SECURITY COMPANIES

---



**Xiphias Consulting**  
*New thinking for a new generation*

# Threats at sea

- Piracy – a tropical disease

Pirates in Somalia and the Gulf of Guinea have made headlines in recent years but ships are frequently attacked in other regions as well. Statistics show that piracy occurs in many tropical regions throughout the world.

- Growing concerns

Piracy is an old phenomenon that seems to be on the rise. Journalists report about a problem that has long been ignored. At the same time, more and more goods are transported by sea and offshore oil and gas production is on the rise.

- Related problems

Even though piracy is the most headline-grabbing security problem at sea, other aspects are at least as important. Illegal fishing as well as smuggling of weapons and drugs are just two of these security concerns.

- Private security – the remedy?

Armed guards embarked on merchant vessels are a very recent development. By and large, however, they have been very successful and private maritime security companies could even expand their services in the future.

Incidents of piracy and armed robbery at sea in 2013  
(actual and attempted attacks)

	Reported incidents
Q1	68
Q2	74
Q3	51
Q4	71
Overall	264

Incidents of piracy and armed robbery at sea in 2013  
as per region of the world

	Reported incidents
Southeast Asia	128
Africa	79
Indian subcontinent	26
Americas	18
Far East	13





# Looking over the horizon

There have been a lot of talks about regulating the private maritime security industry. So far, however, nobody has asked ship-owners or captains about the performance of armed guards onboard and the effect their presence has on the crew. With our groundbreaking survey, we want to find out more about the bigger picture.

Armed guards on merchant vessels were unthinkable only a few years ago. Most flag states and ship operators opposed the idea of privately contracted security personnel on their ships as a deterrent against pirate attacks off the Somali coast.

Rising numbers of attacks, however, brought about a sea change. It did not take long for ship operators to realise that neither the US nor European nations had the capacity to provide naval protection for every single ship. Moreover, most vessels are registered in open registries around the world rather than in countries considered to be maritime powers.

Many ship operators were in desperate need to find an effective protection for their ships, their crews and their cargoes. They quickly realised that, in many cases, a combination of physical measures and armed guards was the best solution to a complex problem. While that was acknowledged by most of the important flag states, there were almost no rules in place to regulate privately contracted armed security personnel.

Within just a few years, the picture has drastically changed. An industry that did not even exist four years earlier made an estimated turnover of more than a billion US dollars in 2012 and provided some interesting headlines in the process. Flag states and port states were trying to regulate operations while the shipping industry was looking for an international standard, trying to avoid different laws in almost every jurisdiction.

Currently, the situation remains in flux. Some flag states are rather liberal when it comes to embarking private security personnel, other countries have introduced strict regulations. Furthermore, an ISO standard has been introduced in 2014 that could go a long way to securing high-quality security services at sea.

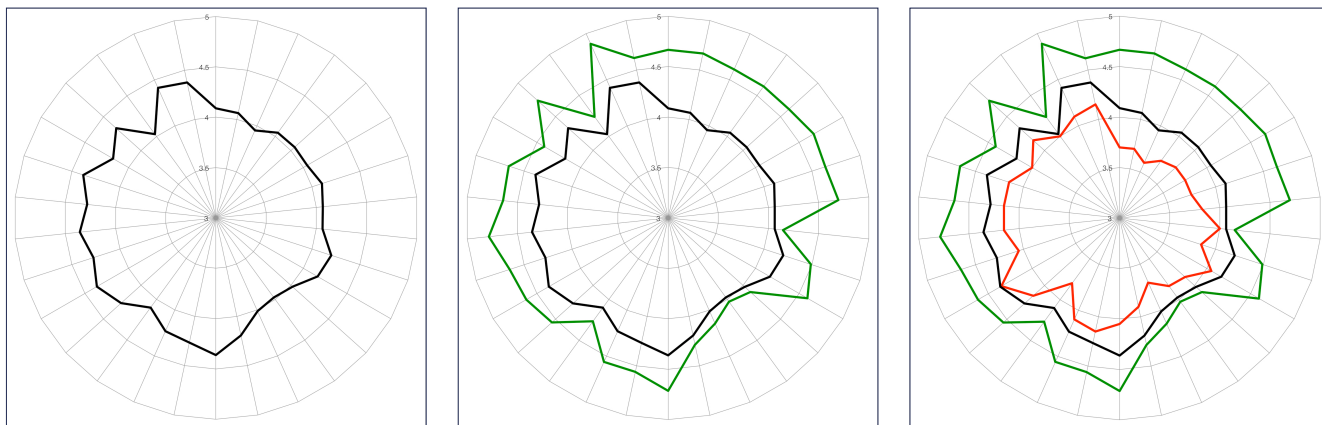
At the same time, the actual performance of armed guards on merchant vessels has not been a topic in the discussion about new rules and regulations. With our survey, we want to add another point of view. We are looking at performance indicators as well as other data such as the nationalities



of armed guards or the number of days they actually spend onboard.

The following two pages provide a glimpse into our findings. Much more work remains to be done and we would like to convince other stakeholders in the maritime domain to join our effort. After all, facts and figures are the best foundation for future regulation.

**Dirk Siebels**  
Partner at Xiphias Consulting



Average performance of PMSCs in general in the second half of 2013 (left), comparison with one PMSC consistently performing above average (middle) and one PMSC performing below average (right).

## Job well done

Rules and regulations for private maritime security companies (PMSCs) have been introduced in the recent past. So far, however, almost nobody seems to be interested in how good these companies are and whether crews like to work with armed guards.

The growth of private maritime security companies has posed a new and unexpected challenge to the maritime industry. Only a few years ago, shipping companies and flag states were strictly opposed to the idea of armed guards on merchant vessels. When more and more attacks took place in the western parts of the Indian Ocean, however, the maritime industry was in dire need for a quick fix.

For many observers, PMSCs seemed like an almost ideal solution. While the employment of armed guards adds to the cost of a voyage, they are an effective deterrent.

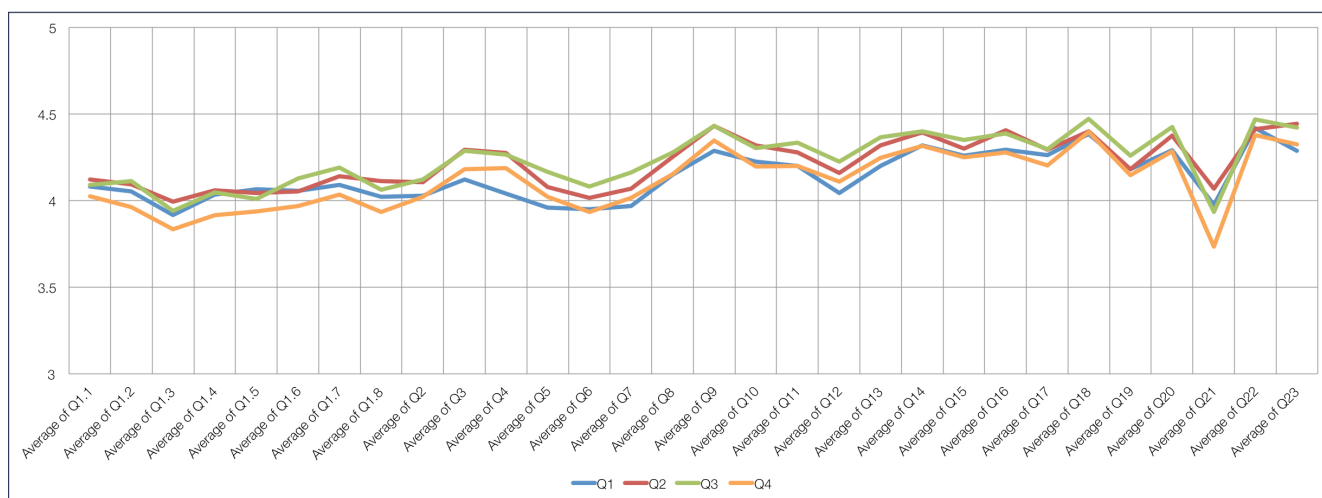
So far, no ship with armed guards has been hijacked and they provide a sense of security for crews in high-risk areas.

At the same time, many questions have been raised concerning the regulation of PMSCs. Some flag states have introduced new laws, an ISO standard is now in place and other efforts are under way. While these standards are important, they do not say much about the actual performance of armed guards onboard ships.

The graphs and figures on these pages are the result of a comprehensive survey

**90%** of captains and ship operators are satisfied with PMSCs

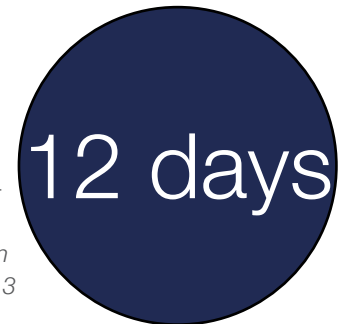
in which ship operators and captains have been asked about the performance of armed security personnel onboard their vessels. Results clearly show that about 90% of ship operators and captains are at least satisfied with the efforts of PMSC teams.



Average rating for the performance of armed guards on merchant ships in 2013, compared by quarters. The comparison shows that the performance has been constant over the course of the year.



Shipping industry spending on armed guards in 2013 (Source: Oceans Beyond Piracy, high estimate)



Average time armed guards spent on vessels in the Indian Ocean High-Risk Area in 2013

## Key facts

- Percentage of armed transits through High-Risk Area in Indian Ocean currently not dropping
- About 35 to 40% of all voyages through the Indian Ocean High-Risk Area with armed guards
- Increasing number of armed guards from non-Nato countries, e.g. Ukraine and the Philippines
- Share of armed guards from the UK has dropped from more than 50% in Q1 to about 35% in Q4
- Average performance of PMSCs in 2013 significantly above 4 (on a scale of 1 to 5)
- Only six of the largest 12 PMSCs performed consistently above average in 2013

## Not just 'low and slow'

Piracy affects the shipping industry in general yet some vessels are more in danger than others. Moreover, the survey shows that the average time armed guards spend onboard is longer than expected – and contains other surprising facts.

Ship operators and insurance companies have known for quite some time that bulk carriers, tankers and other vessels with a low freeboard and slow cruising speeds are easier targets than other ships. So far, however, there were no reliable statistics about the types of ships armed guards are protecting.

A number of other important facts can also be extracted from the data gathered in the survey. Over the course of 2013, the average time armed guards spent onboard was between 11 and 12 days. At the same time, it is expensive to employ PMSCs so shipping companies are trying to cut

costs, e.g. by employing smaller teams. In 2013, the number of four-men teams has slowly dropped to less than 60%, many teams are now comprised of just three or even two armed guards.

Equally interesting is the large number of PMSCs on the market. In an industry that did not even exist a few years ago, the growth has been extraordinary and competition remains fierce. Data from the survey shows that the largest ten security companies have a market share of 40 to 50% but they cannot be sure of their position. More than 200 other security providers are trying to pick up business in

**40%** of all PMSC teams comprise of three or less guards

the maritime domain, making up the other half of the market.

Overall, more information needs to be drawn from similar surveys. Flag states and shipping companies should join the effort and gather similar data to influence the necessary rules and regulations.

Are you looking for further details or trying to establish standards to measure the performance of armed guards? We are looking forward to discussing your requirements in details. In particular, we provide bespoke reports for:

- Private maritime security companies

Aimed at improving overall performance

- Insurance companies / P&I Clubs

Aimed at providing additional data to calculate risks

- Flag states / governments

Aimed at gathering further information to improve rules and regulations

- Shipping / oil & gas companies

Aimed at finding the best provider for individual requirements

---

## Xiphias Consulting

As an independent consultancy for business and risk intelligence, Xiphias Consulting offers tailored research on global and regional risk and environmental factors.

---

---

## Contact

Dirk Siebels  
Partner

w: [www.xiphiasconsulting.com](http://www.xiphiasconsulting.com)  
e: [dirk@xiphiasconsulting.com](mailto:dirk@xiphiasconsulting.com)

---



**Xiphias Consulting**  
*New thinking for a new generation*