



ASKET Ltd

Maritime Security:
Quality, Compliance & Reliance

Presented By

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Maritime Security: Quality, Compliance & Reliance

ASKET have had concerns about the state of the maritime security industry for several years:

- Can fair competition drive down prices further and still provide a compliant, valuable and safe service?
- What is the real cost of security, and where is the bottom line?



- Worlds leading **independent** security broker
- Established in 2013, drawing on many years of **maritime security experience**
- Fully independent and integrated service working **directly for the shipping industry**
- The ASKET model **re-invests back** into supporting the **Shipping** industry providing free services, support & open source material
- **Trusted** by over 3,000 regular subscribers or users of our free services



PIRATE ATTACK!

The Lessons Learned from a Pirate Attack in the Indian Ocean

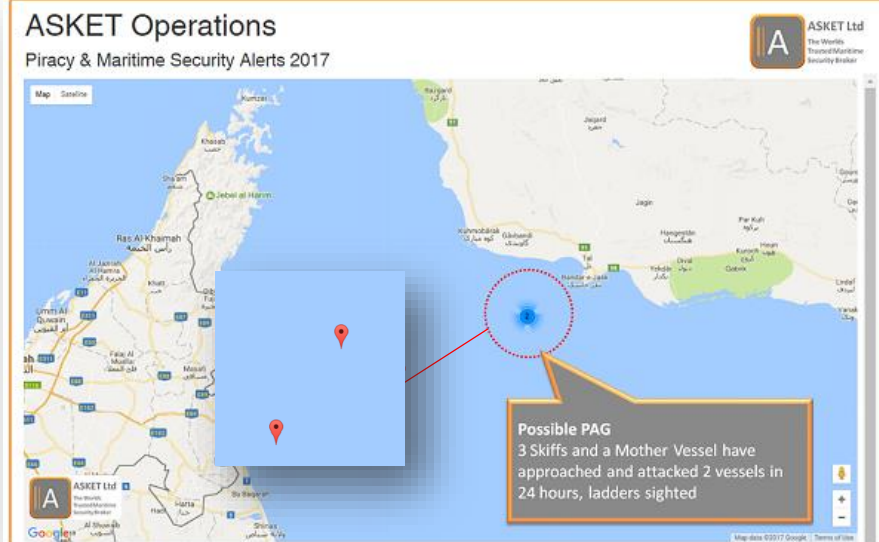


Pirate Skiff and Whaler Destroyed
(Picture: ABIS Jayson Turkey, Commonwealth of Australia)

The Situation at Sea

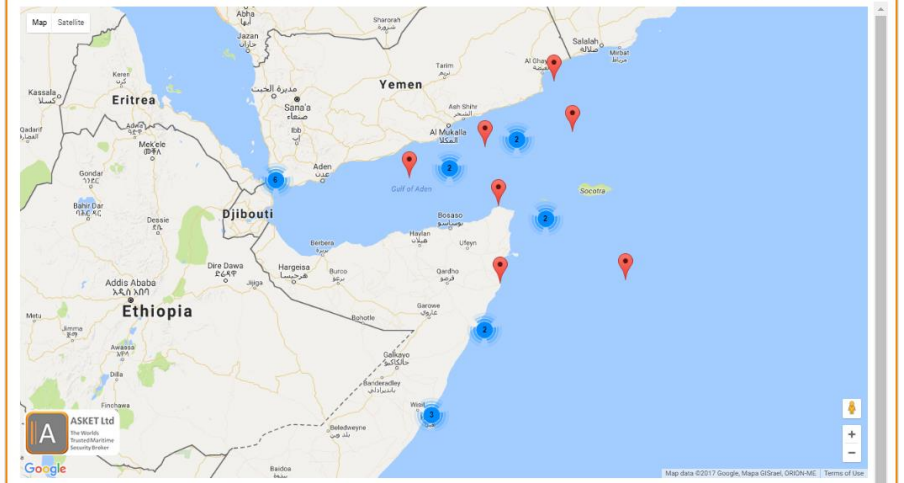
Vessel Operators

- Commercial factors
- Reduction in mitigation measures
- Piracy Resurgence
- Insurance Requirements



ASKET Operations

Piracy & Maritime Security Alerts 2017



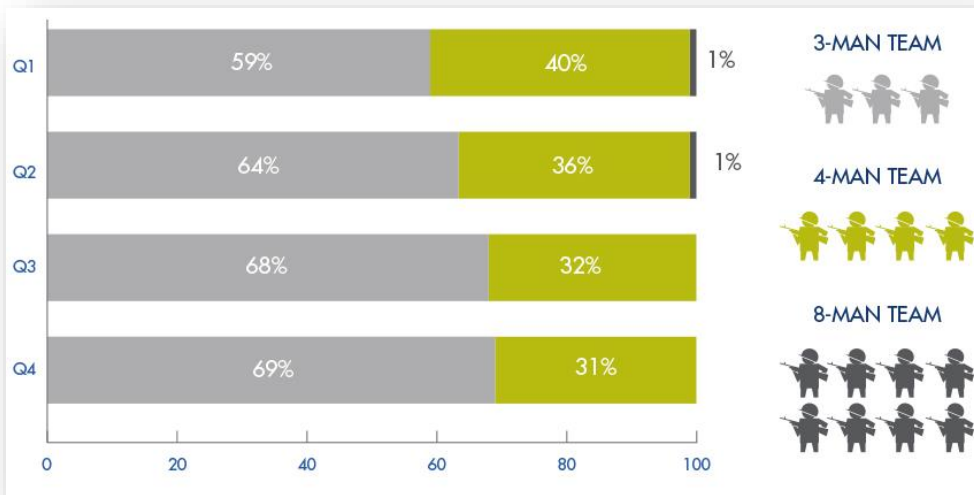
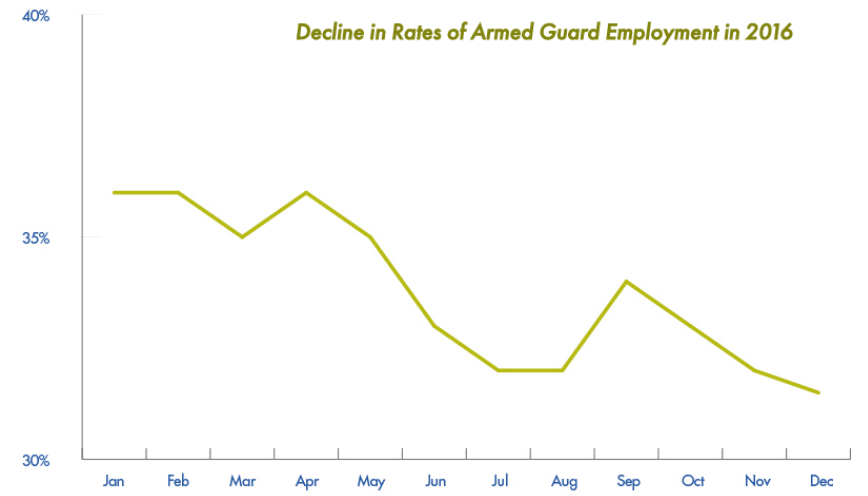
Cost (2016)

- Ship Protecting Measures - \$6.6M
- Increase in speed - \$533M
- Armed guards - \$726M
- Insurance – \$70M

Reduction in use of Armed Guards

Reduction in use of armed guards

- 40% in 2014
- Falling from 36% in January to 31.5% in December 2016
- Average of 34% in 2016



Cost saving measures - armed guards

- 3 Man Teams the norm
- Multi national teams (Non UK) (67%)
- Increase in all Greek and all Indian Teams (28%)

Security Landscape & Dynamics

- PMSC's : 180+ down to approx 40 – 50 today
 - Margins are being squeezed and quality is often sacrificed,
- Legality of Weapons and Floating Armouries is an issue
- Questions ASKET are asked by our clients:
 - Do we need armed security?
 - How compliant are PMSCs and is our reputation at risk?
 - How do we check weapons and EUC's
 - Are the MSO's trained to do their job?
 - How reliable is auditing and is ISO 28007 a guarantee of quality?



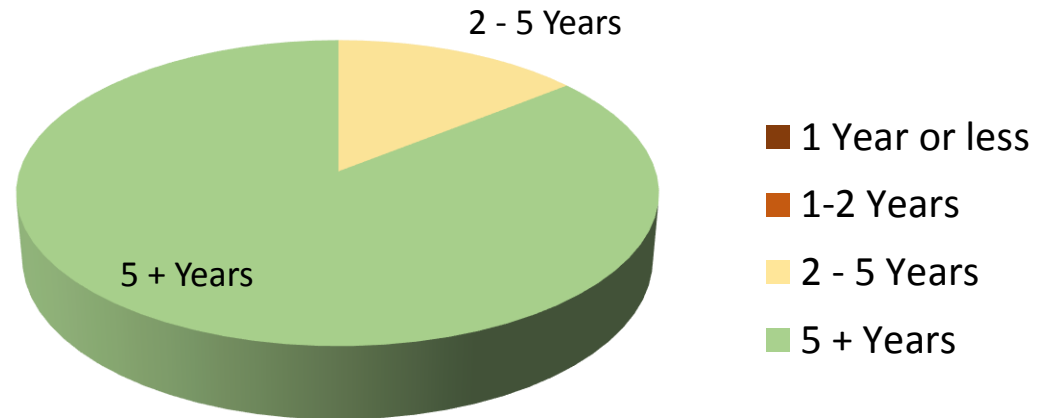
Following removal of a PMSC from ASKET approved list BIMCO are concerned:

“There is a growing division in the PMSC world with **those genuinely honest companies** and some that appear **happy to cut corners.**”

A PMSC Perspective – Our Survey

We asked 14 PMSC's for their feedback on today's industry – here are our findings

How long have you been trading as a PMSC



**Samples from both ASKET Approved and non approved PMSC's*

A PMSC Perspective – Our Survey

How has the industry changed in the last 2 - 3 years?

Standards and prices have been **driven down**

Decrease in number clients engaging PMSC's, increase in **difficulty in re-balancing equipment** inventories.

A significant price drop. **Margin pressure**. Changed in team composition (nationalities)

More compliant, more aware

Training standards and **standards of compliance** have been **ignored or hollowed out**.

A race to bottom and **lower quality**

A PMSC Perspective – Our Survey

What are your Greatest Challenges?

Remaining competitive but also legal at the same time

Driving down overheads and simultaneously **keeping quality** personnel

Fighting a **Price war**

Competitors **cutting corners**

Meeting client demands for ever **lower prices**

Business development

A PMSC Perspective – Our Survey

What do you think CSO's and Masters should take into account when selecting PMSC's?

Financial stability of the PMSC and also the **legality**

Quality of PCASP, **genuine certification**, **weapon ownership**, ability of PMSC back-room staff to back up front-line teams.

Ownership of weapons, ISO 28007 certified companies, **capabilities of the guards**

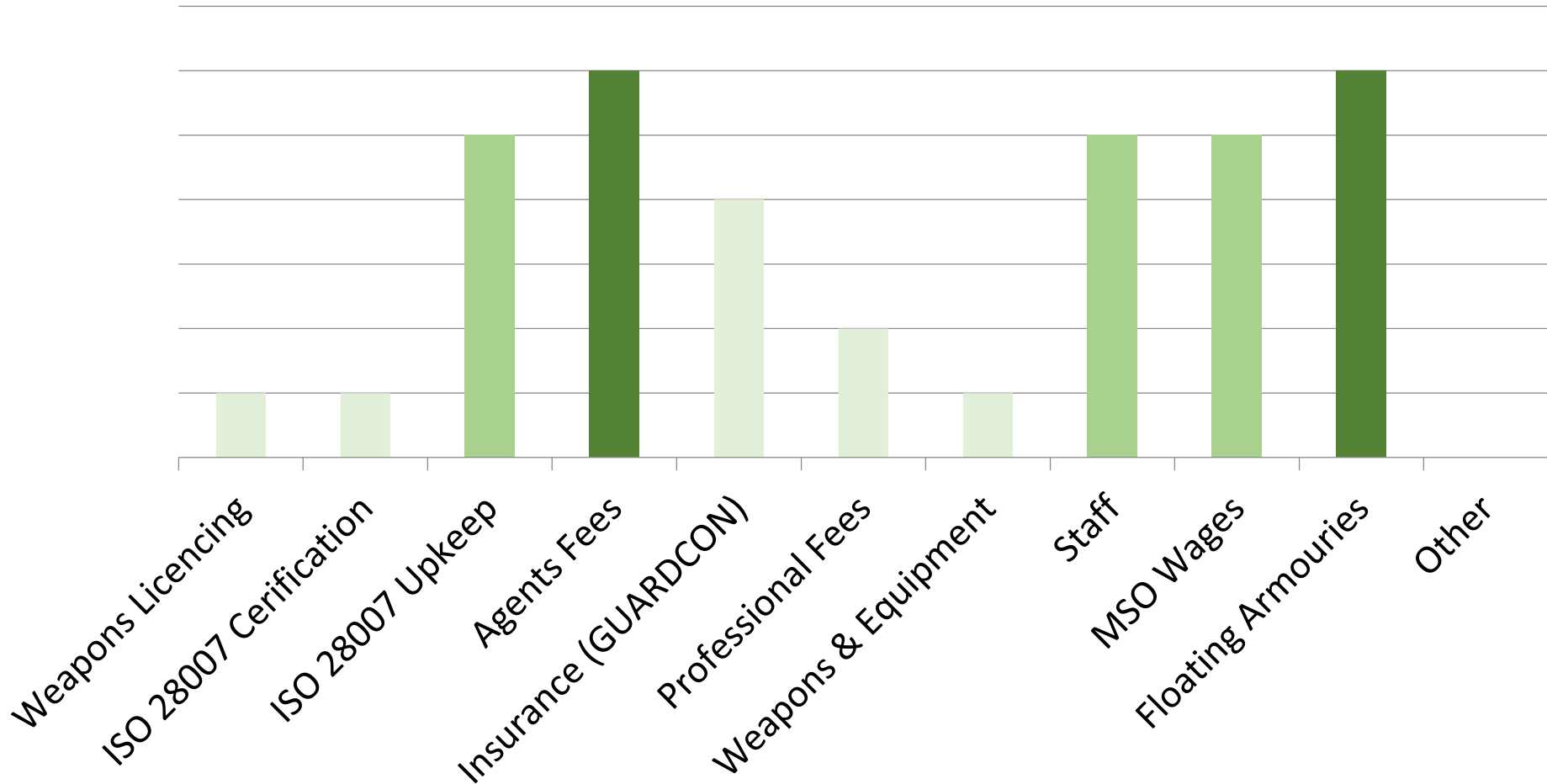
Reputation, quality assurance, price (in that specific order)

Weapons ownership, ISO 28007 compliance / good **training standards** and HR management, using **authorised armouries**, slick operational delivery

Compliance, history, depth of service, **financial health**

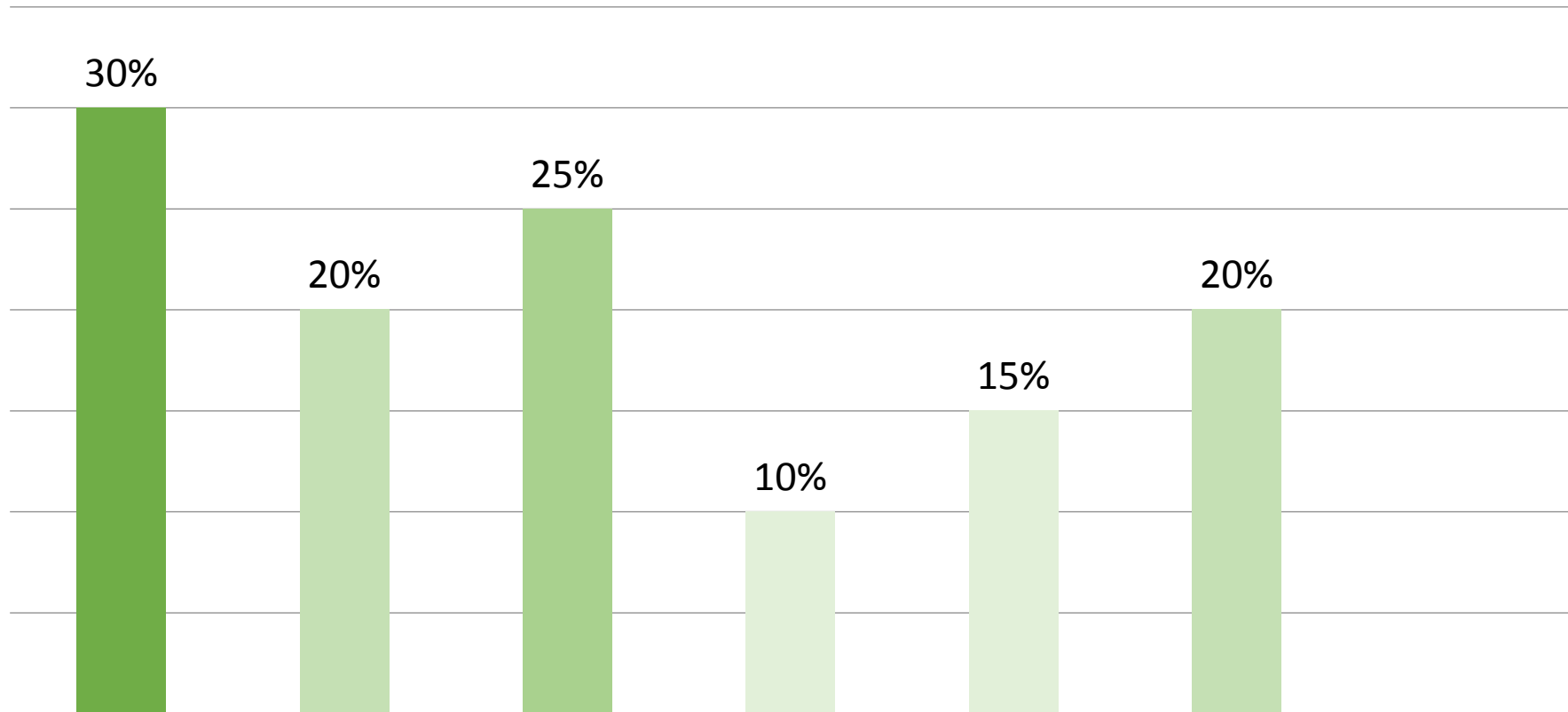
A PMSC Perspective – Our Survey

The Cost of Compliance - What are your top 5 expenses?



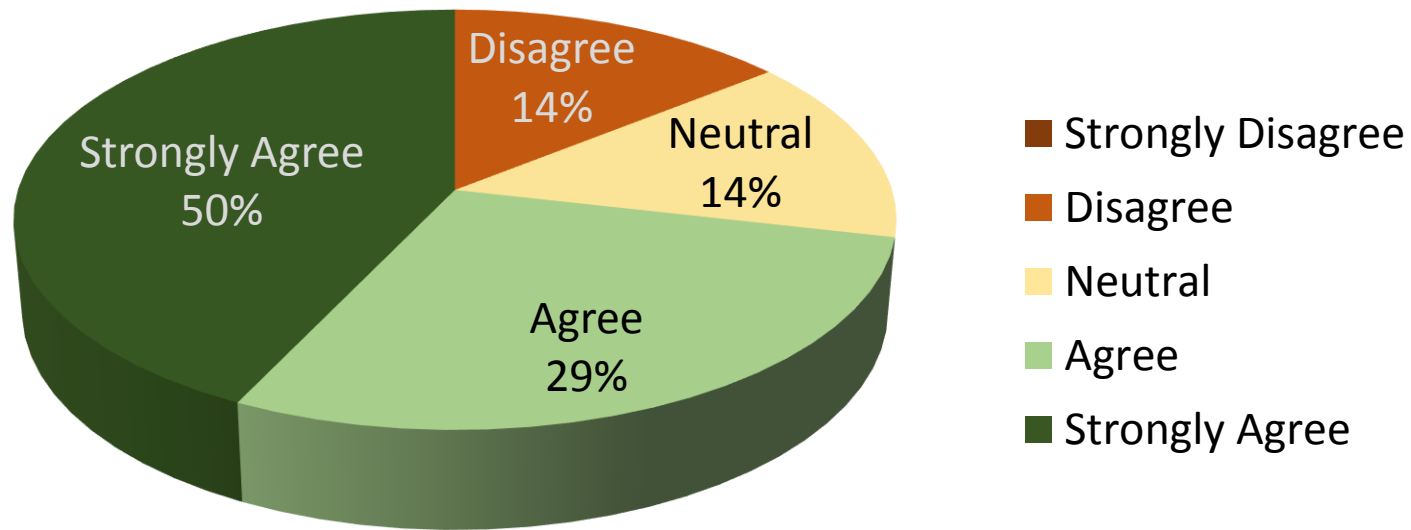
A PMSC Perspective – Our Survey

The Cost of Compliance - What percentage of revenue goes into remaining compliant?



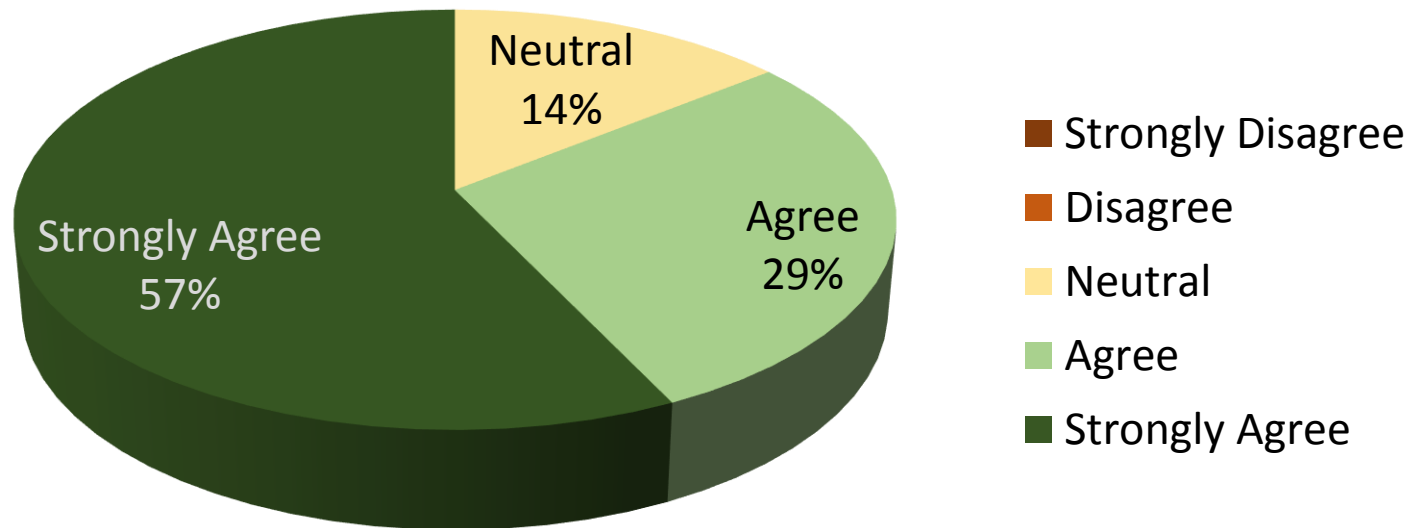
A PMSC Perspective – Our Survey

Does ISO28007 Accreditation allow you to differentiate yourself from less compliant PMSC's?



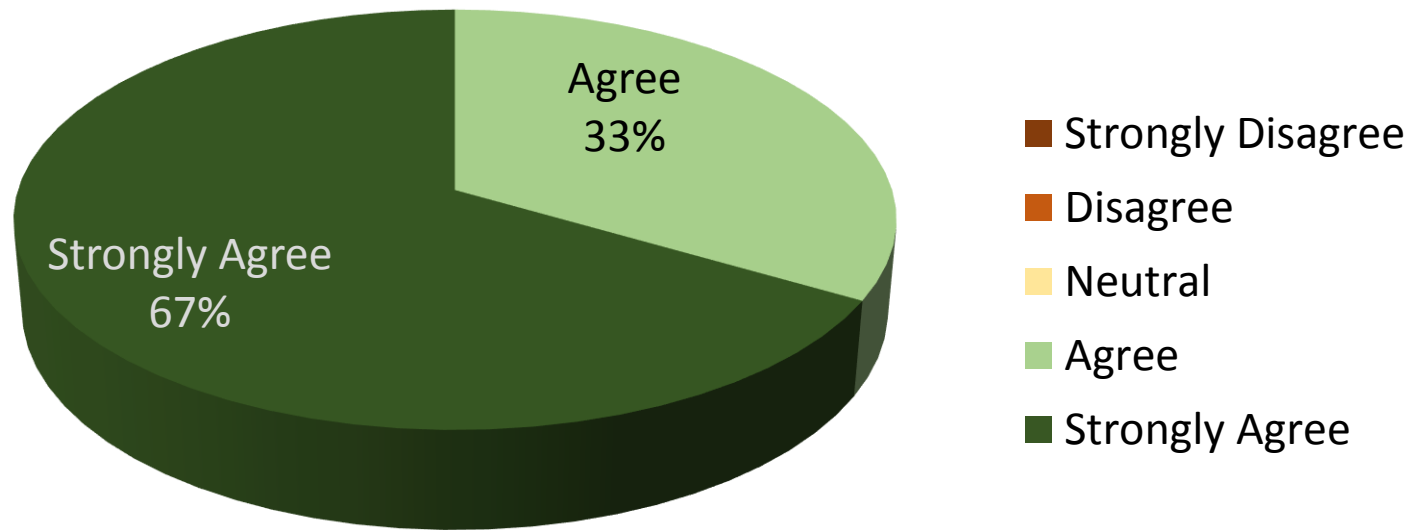
A PMSC Perspective – Our Survey

The decreasing price of security has or will drive down the quality and compliance of services



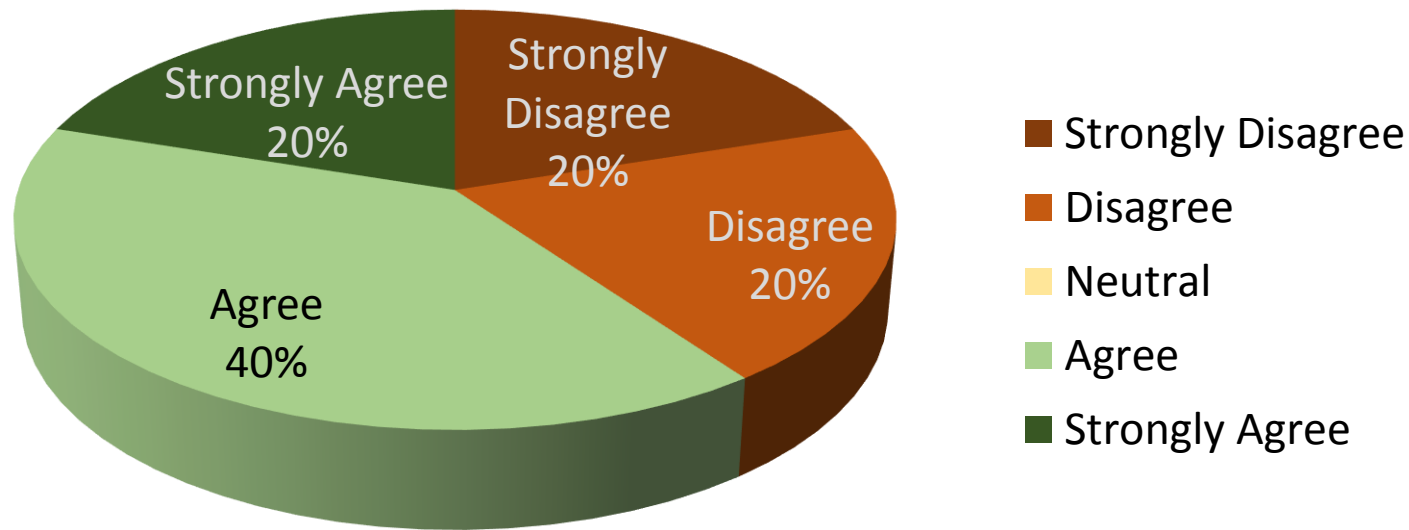
A PMSC Perspective – Our Survey

Security buyers are taking risks by engaging cheaper security options



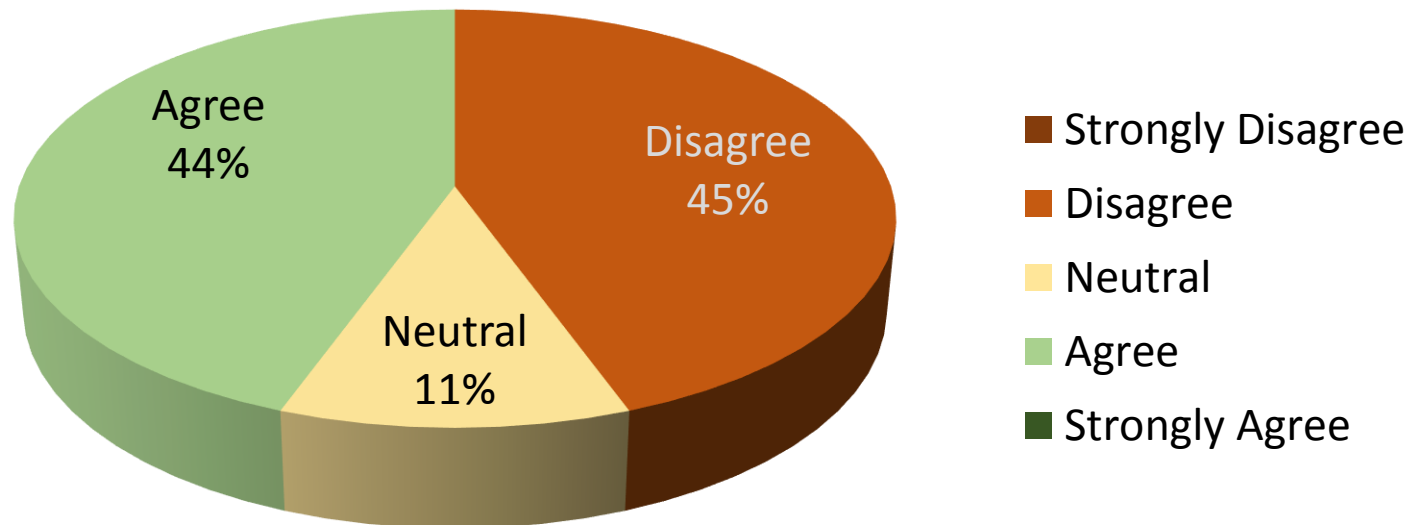
A PMSC Perspective – Our Survey

Weapons licencing is managed poorly by the competent authorities?



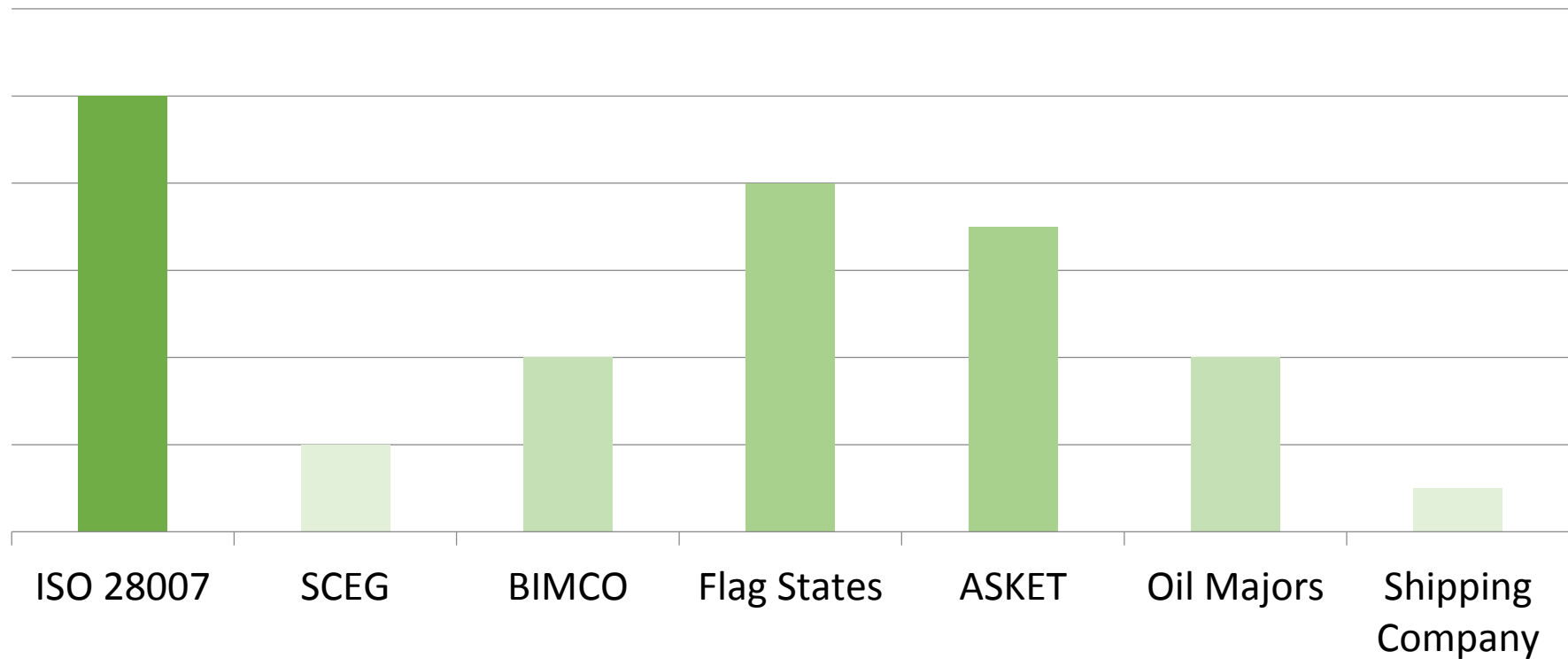
A PMSC Perspective – Our Survey

Floating armouries provide a competitive, well organised and legal platform to support our requirements



A PMSC Perspective – Our Survey

Which accreditation bodies or organisation membership provides the best test or demonstration of a PMSC's continued compliance?



Getting it Right - The Cost of Compliance

Top overheads:

- Agents Fees
- Floating Armoury Fees
- MSO's wages
- Compliance Staff and Offices
- ISO 28007 Upkeep
- Insurance (GUARDCON)
- Professional costs (legal, intelligence, monitoring etc)
- ISO 28007 Certification
- Licensing Costs (annual)
- Weapons & Equipment Outlay



Getting it Cheap – How to Cut Corners

- Smoke and Mirrors
- Mobile phone operations
- Substandard Intelligence & Monitoring
- Don't maintain ISO 28007 standards between audits
- Rent or borrow weapons
- Use cheaper HR agencies for MSO's
- Borrow MSO's from other companies
- Use cheaper floating armouries
- Take any job at any price to win



Cutting Corners – The Cost of Complacency

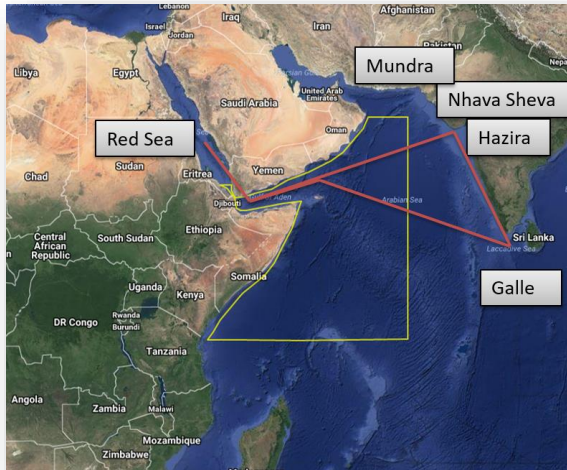
Examples of recent infringements seen by our compliance team:

- Knowingly **breaking UN Sanctions** without informing the ship owner (Oil Major Cargo)
- Embarking team and weapons with no intention of gaining **Flag State Approval**
- **Renting of weapons** between PMSC's
- **Borrowing** personnel & equipment from another PMSC to fulfill a GUARDCON contract as PMSC does not have capability
- Using **substandard agencies** to provide **MSO's** that are clearly **under qualified**
- **Declaring that intelligence and tracking** was provided through a third party where the **subscription** had actually been **cancelled** many months before



All of the listed points can place the ship's crew in danger and may also invalidate insurances or risk detention and loss of earnings

Cutting Corners – Low Cost = Low Standards?



Competitive ASKET quotes:

- \$12,500 – \$14,000

Winning quote:

- \$10,000

Example quote:

- 25 Day Transit (Vessel on 35 day circuit)
- Red Sea-Columbo-Red Sea
- 1 transit a month (7 rotations)
- MSO's 10 days on floating armoury between transits

Port fees = >\$2,500

Floating armoury = >\$2,500

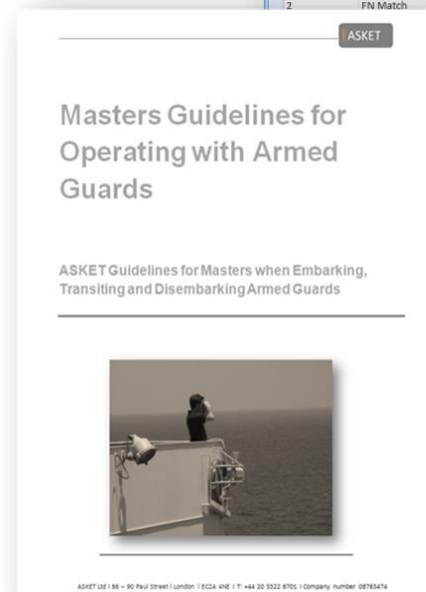
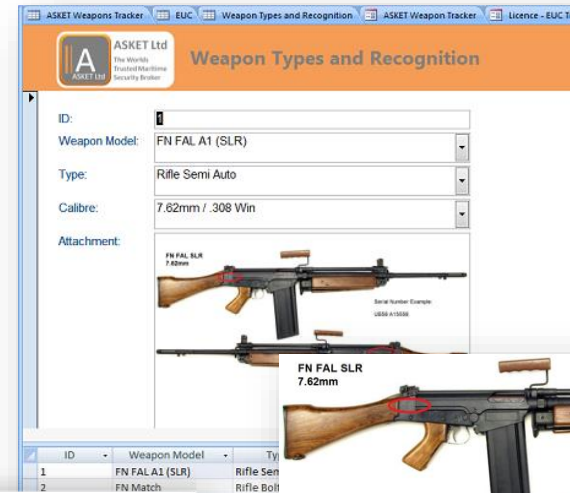
10 days on floating armoury =>\$1,500

- Total cost \$6,500 leaving \$3,500/ 25 days
- \$140 per day for 3 man team (\$46 per man per day)?
- Profit, investment, wages, insurance, licensing, equipment upkeep, manpower, training, logistics staff, flights, feeding, intelligence support?

The warning signs are not always clear if the owner does not know the costs involved

Quality Assurance – What Can You Do

- Industry knowledge
- ISO 28007 is a standard but is only a snap shot
- Regular Audits
- Transit by Transit monitoring
- Company Master feedback forms
- Clear company Policy - Masters guidelines and check lists
- Engage ASKET free end to end services



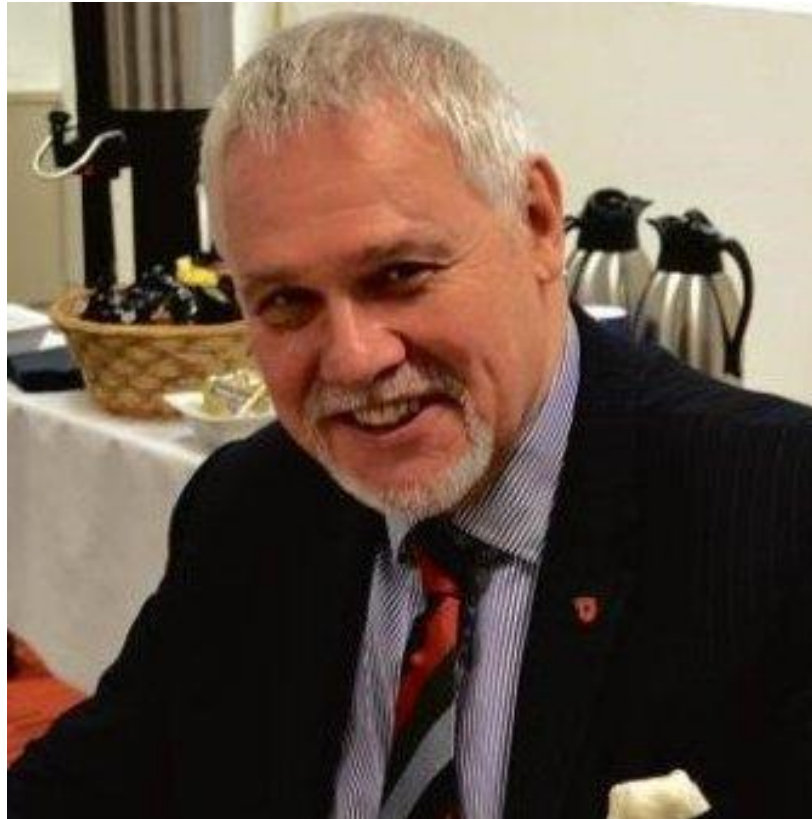
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