

Piracy - Owner's Perspective

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Objectives

- Overview of GEM
- Transit History
- BMP 4 Compliance
- Direct Costs
- Hidden costs
- Benefits of Piracy
- Owners Concern

Overview of GEM

- Began trading operations in 2004.
- 4 shareholders - 3 major shareholders from GCC
- Currently have 19 vessels in fleet - Chemical and Product Tankers ranging from 37,000 to 115,000 dwt.
- Worldwide trading – Loading Arabian Gulf proceeding Europe, Far East, Africa, Australia and the Americas
- Employ approximately 750 officers and ratings, own manning agency in India and 50 office staff in Dubai
- Officers are predominately Indian with Filipino crew, also use Romanian, Croatian and Russian officers and 4 vessels have Indian crew
- Vessels on TC with several oil majors as well as spot fixing vessels on the open market using in house chartering

Transit History

Year	Unarmed	Armed	Total
2008	7		7
2009	27	10	37
2010	9	33	42
2011		56	56
2012		52	52
2013		80	80
2014		72	72
2015		59	59
2016		38	38
2017		12	12
Total	43	412	455

1st Unarmed transit 25th November 2008

1st Armed Transit 21st August 2009
through GoA.

9th November 2010 – Company Policy changed to using armed security guards in the HRA after a vessel was attacked by lone skiff, 4 POB, 240 miles off the outer most southern Seychelles islands. Vessel hit by 3 RPG's, one directly against the bridge door. Bridge team suffered minor shrapnel injuries from attack, Master kept phone communication open while under attack - No Armed Security team onboard.

BMP4 Compliance

- Company specific instructions for transiting HRA and VRA and checklists separate to SSP
- All vessels transiting/operating within the HRA will have an armed security team onboard – RA of voyage and routing approved by office
- All vessels transiting the VRA, comply with BMP4 – hardening measures depending upon RA layered approach approved by office – Routing also approved
- Each voyage is registered with MSCHOA with daily reporting to UKMTO, CSO and charterers if instructed
- Each ship is equipped typically with the following
 - Blast Proof window film
 - Night Vision equipment – military specification
 - Additional Binoculars including IR
 - Razor Wire / Spikes around accommodation
 - 4 sets of Body Armour/Helmet and ballistic safety spectacles – Bridge team
 - 4 Manikin Dummies
 - Steel hiding plates and RPG fencing around the Bridge deck for use by security personnel
 - A number of citadel doors in lower cross alleyways and entrance to ER
 - Citadel satellite communications, satellite portable phone and docking station
 - Gratings all accessible windows & stairways
- If pirates unable to board a vessel - they cannot hijack

Layered Approach Deck, Stairs, Citadel and Bridge



Direct Costs

- Security outfit for each vessel is approx. \$70k – Total \$1.3M
- Armed Security Team: Approx. \$12K per transit – Total \$640k
- Maximum spent on security transits in one year - \$4.3M 2013
- Annual replacements security items approx. \$8K – Total \$152k
 - Razor Wire
 - PPE
- KNR and LOH premiums – Agreed deals with underwriters for set number of transits
- Speed, routing through the HRA and VRA – Bunker cost
- Port Costs – Increasing – overall reduction due using offshore platforms – benefit to all – Legal issues of FP?
- Oil Major requirements for specific teams, security inspections and use of alternative independent tracking system

Hidden Costs

- Management costs – Additional workload and time, CSO full time job, Piracy Forums, Quantify security cost vs. measures - schemes of all sizes, Security/Piracy has now become part of the “norm” of vessel operations!
- Effect on maintenance
 - Extra look out duties
 - Costs due to defects occurring with less productive planned maintenance
- Additional Overtime Payments + HRA Bonus - this has reduced
- Fatigue/Stress/Hours of work – refusal to sail in HRA and VRA
- Audit costs for Security Contractors – Due Diligence Process
- Additional communication costs
- Human Element – Effect on crew, family and future to attract young people into the industry or a company transiting piracy areas

How much has this cost!!
What is the bill?



Benefits of Piracy

- Worldwide awareness of security issues
- Ships crews much more aware security issues
- Training of ships crews to a higher standard shore/ship
- Working and cross border co-operation of Nations to over come piracy – keep commercial routes open
- Setting up of piracy reporting forums – IMB, MSCHOA, IFO and MDAT-GoG and workgroups
- Industry borne out of protecting high valued personnel, super yacht assets and commercial vessels

Owner's Concerns

- Commercial impact, vulnerability - protect and carry cargoes with ease of escape in emergency – April 1912.
- Cost – Commercial enterprise to make money, spending on security guards does not benefit profit – necessary evil?
- Having a vessel hijacked – Commercial consideration, large ransom, reputation, loss of business, Added cost due loss of personnel, difficult to find crews who are expensive to train.
- Length of time company will have to keep using PASC? - Factors are crew willing to sail in areas
- Latest Security Attacks BEM and GoA – Shown a capability, piracy, terrorism or other illegal activities within the region
- Political and Economical situation in Somalia – has this changed - Famine and illegal fishing, terrorist groups

Owners Concerns

- Sudden commencement of piracy incidents in 2017
- Instability within the Middle East region - intervention of military powers and war on our doorstep Plus – Iran, USA and China in the region – What happens if N.Korea/USA
- Pirates Modus Operandi – will this change? Or Kidnap western or senior officers for financial or political gain
- Communications - security confidential information – internet, social media and cyber security
- Increase of other security concerns - Malacca, West Africa, Philippines which may feed the HRA increasing
- Governments - restricting naval assets in the face of global uncertainty and ever rising cost

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Thank you

