

1. As the Chairman of SCEG a very warm welcome to you all today.
2. Especially to our guest speakers, our clients form many sectors, O&G, the shipping sector, insurance, government, non-governmental organisations, the media, bankers, SCEG Members and friends.
3. Particular thanks to our main sponsor for today's conference, INTEGRO Insurance Group and Andrew PICKTHORN.
4. As I began to consider what to say to this annual conference, I thought about the question that I, as the UK commercial lead in a large private security company, would most like to be asked today.
5. I then thought it would be excellent to get answers from this body of experience and knowledge, which SCEG Members represent. Or at least promote some discussion.
6. So what is my question:
 - a. How is the UK private security sector responding and adapting to the emerging threats to the global PSC market?
 - a. Land conflicts have reduced client engagement in Iraq (IS), Libya, Afghanistan (elections), Yemen, and for maritime, the lack of piracy events for ships with armed guards within the HRA has reduced opportunities for PSCs.
 - b. But is this client reduction in activity across these areas a legitimate response to the threat? I could perhaps portray a less catastrophic view than perhaps some, not least our later speakers I suspect!

- In Iraq IS is largely contained. There are areas such as ANBAR province where I suspect there will be IS/extremists for some years to come, but the threat to KRG and Baghdad of a wholesale collapse is now over. The south is benign, with the greatest threat being RTAs and labour relations.
- Libya is in turmoil, with not even a semblance of a coherent administration in place, be it the rump of the GNC in Tripoli or the House of Representatives in Tobruk. But significant international efforts continue to restore some semblance of coherent government, of whatever limited size and style that may be. But even without a government it is still possible to operate in Tripoli and to support clients with essential, if limited business activity. In the east, Tobruk is also workable.
- In the maritime sector, the capability of the pirates to return remains, so the retention of the armed guards is an important part of the HRA success story.
- Perhaps the communications to our clients needs to be more precise than just what the BBC/ITV/on-line media might suggest.

Other pressures on PSCs include:

- In several countries, for either financial or political reasons, there is a drive towards localisation, or the use of locally employed staff. This is exactly the right way to go, but this cannot be rushed. It will take time to recruit, select, train, develop and ensure that both we as PSCs and our clients are confident in this process.

- The drop in oil price has reduced O&G activity in many of the high risk areas, which in turn has reduced the number of enablers operating in-country. The reduction in oil price has driven a desire to reduce security related costs at every contract review. But arguably this is the worst time to reduce investment in security, whilst many areas remain volatile and if anything higher standards should be set.
 - Clients and their internal audit teams remain as demanding as ever, with O&G sector leading the way. Couple these audits with the need to be compliant to ISO 28,007 and ISO 18,788/PSC.1 and be an ICOC Association member, and the compliance 'overheads' become even more demanding, albeit essential.
2. All of these points above have led to significant market consolidation, through either M&A (Constellis/EI/Olive/Triple Canopy/Academi and Tidewater), OR firms going into administration: such as Drum Cussac and Gulf of Aden Group Transits (GoAGT).
 3. So what is the answer to my question? I would suggest that despite these challenges the capability and geographical reach contained within UK PSCs within SCEG remains considerable, at a world class standard, is frequently externally audited either by a client or to gain an ISO and this capability should not be underestimated.
 4. So the answer is that driven by the challenges, SCEG members at sea and on land have recognised the need for change, have embraced formal, externally audited standards, have made some painful adjustments to their business models, have become commercially more refined and are performing to the highest of standards and delivering effective security services to their clients.

5. And what about SCEG itself? I would argue that SCEG, through its members, is working hard to represent the UK PSC sector and it has done well in the delivery of its remit to raise standards.

6. My evidence is that:
 - SCEG members, operating within the Maritime and Standards and Accreditation sub-committees have been instrumental in shaping the compliance surrounding PSCs.
 - Through Government support, UKAS, various CBs and SCEG we now have a maritime ISO 28,007 and a Land ISO 18,788(shortly).
 - SCEG members have been powerful contributors to the ICOC Association process to refine their protocols for Certification (voting closes 29 June), and the work continues on Reporting, Monitoring and Grievance protocols.
 - SCEG continues to value and nurture its good working relationships with FCO, DfT, HO and MoD, all with the aim to shape the best possible standards for operating, whilst maintaining our commercial necessities of making some money.

7. What else has SCEG done? In more detail for our guests:
 - DBS Vetting, Seaman's cards, attempting to gain authority for live fire training in the UK, training for MSOs, floating armouries, Outreach activities and the list goes on.
 - Through ADS there has been input into SDSR to the MoD and with the BBA work is in hand to try to make the banks understand that PSCs are legal, legitimate businesses, which have government support and should have the banks' support as well.

8. SCEG's drive to communicate the excellent work done to raise standards and to promote the use of PSCs who hold the ISOs is contained in an outreach programme.
9. But we need greater client engagement with these standards, both State and Non-State clients. Without this commercial lock-in the cost of gaining certification may become prohibitive for many PSCs.

So overall I would assess the UK PSC sector has had a very challenging last 18 months, but it has managed to put in place effective change, to meet the new client requirements and to manage the reality of the changed market environment.