

Director SCEG's Presentation SCEG Conference 2015

Paul Slough, Evan Liberty, and Dustin Head -30 years in prison. Nicholas Slatten, found guilty of first degree murder, life in prison. All four were former security contractors working for Blackwater in Iraq. These prison sentences were imposed by Judge Royce Lamberth, in a federal courthouse in Washington DC in April 2015, for their involvement in a shooting incident in Baghdad in which 14 Iraqis were shot and killed. This case was characterised by the dogged persistence of US prosecutors to bring the men to trial and the observation by the judge that the defendants with clear records appeared to be good and decent young men. This tragic case points to the very essence of why SCEG was formed and to the complexities of the security environment in which we are operating on a daily basis.

Ladies and Gentlemen welcome to the SCEG Conference 2015. In choosing this year's theme: 'The Nexus between terrorism, corruption, piracy and crime' we wanted to highlight not only the complexity of the environment but also its multi-faceted nature. Those intent on creating insecurity do not recognise boundaries between terrorism and crime but exploit the synergies between them and are so often operating in areas where governance is weak and corruption endemic.

Some might argue that such a theme is not relevant because "private security companies don't do terrorism". I would challenge that. Clearly the responsibilities for developing counter terrorist strategies and policies is a state function and it is the governments, the military, the intelligence services and the law enforcement agencies who implement those strategies. But there is an increasing trend towards out-sourcing to the private sector in areas such as intelligence assessments and capacity building including training and equipping.

It is of course more than that. SCEG companies are supporting clients who are required to operate in these demanding environments often in the face of significant terrorist threats.

By any metric the number of terrorist attacks around the globe rose by a third in 2014 compared with the previous year. This sharp increase is in large part due to the activities of Islamic State and its affiliates and Boko Haram operating in northern Nigeria and Cameroon. The seizure of Palmyra in Syria and Ramadi in Iraq in last month demonstrated that Islamic State remains remarkably resilient in the face of a sustained air campaign and is able to harness the tools of asymmetric warfare with surprisingly agile conventional fighters to deliver a significant impact at a point of their choosing.

SCEG companies are often operating in those areas where the fault lines between Islam and Christianity and Sunni and Shia are at their most acute. And they are de facto dealing with terrorism.

Let me try to add some flavour to these observations. In the summer of 2009 an oil exploration company listed on the Australian stock exchange was awarded a seismic option in Kurdistan and commenced drilling in 2012. By 2014 on the back of some early successes this Australian company was operating 4 rigs and the security for these was provided by a SCEG member - a small British based private security company. In the early hours of the 10th of June 2014, as many of you will recall, Sunni militant forces spearheaded by Islamic State swept into North West Iraq and captured Mosul and over the next few weeks the oil town of Baiji, and Tikrit, the hometown of Saddam Hussein, fell to Islamic State fighters. The speed of these advances and the collapse of elements of the Iraqi Army understandably caused considerable alarm and introspection

amongst senior executives responsible for oil operations in Kurdistan and elsewhere in the region –the Australian Company was no exception.

Several major oil companies took the decision to suspend their operations and evacuate their people. However, this small SCEG company, they won't thank me for calling them plucky, but they were, kept a cool head and wrote a threat assessment for their client examining geo-strategic issues, including how the US might react right through to tactical observations on the capabilities of the Pesh Merga bourne out of their excellent situational awareness, a product of their community liaison teams. The SCEG Company advised the Australian Company that they need not evacuate at that point but recommended evacuation plans and routes should be rehearsed and refined. This advice was accepted. The company stayed. None of their employees or sub-contractors came to any harm. Furthermore because they stayed the Kurdish Autonomous Region recently awarded them a further seismic concession. Job done!

To the casual observer the upsurge in terrorism will have created many more opportunities for private security companies and in part this is true but the flip side of that coin is also a reality. The upsurge in violence has made some theatres too difficult to operate in and this creates business challenges for SCEG companies. For example if you have a contract to protect the British Ambassador in Tripoli and he is suddenly withdrawn because of the deteriorating situation as happened this year, then overnight that contract is worth very little.

Commercial considerations linked to the threat are also affecting the maritime sector. Private maritime security companies are having to make commercial decisions against the perception that the risk of a piracy hijack in the Indian

Ocean is receding. I would contend that the containment of the Somali piracy threat has occurred because of a combination of the implementation of best management practices by the shipping industry and the deployment of naval task forces and critically privately contracted armed security personnel. These three legs of the stool have been crucial in achieving the current situation. However this lower level of risk is easily reversible. It is important to remember that threats can transform very rapidly as Somalia Pirates, Islamic State and Boko Haram have all demonstrated. It is telling that the State Department recently acknowledged when discussing the terrorist threat that they couldn't predict with precision what the landscape will look like even a year from now.

Part of the security environment is of course being shaped by our own actions as SCEG companies embrace standards and regulations. You will recall that in June 2011, following a competitive selection process, the UK Government appointed the SCEG as its partner for the development and accreditation of standards for the UK private security industry.

This decision was not taken lightly. After lengthy consultations the British Government decided that the best way forward was to encourage industry to be the catalyst for standards and regulation whilst maintaining very close links with the process - in other words to encourage voluntary regulation. I believe that decision has been vindicated. We are now on the cusp of having 2 international standards for the industry. This is highly significant and will help to underline that this is a maturing industry contributing substantially to the global economy.

On the land side the PSC1 standard was submitted to the International Standards Organisation and after rigorous negotiations involving several SCEG members

it was developed into ISO 18788 a “Management system for private security operations”. It will be published as a full ISO in the summer of 2015.

On the maritime side many of SCEG’s members played a crucial role in the development of ISO 28007 which was published as full ISO standard in March 2015. In June 2015 IMO formally endorsed ISO 28007 in Flag State guidance.

These two standards provide the means for private security companies to be audited against the way in which their processes and management systems have given effect to international and national obligations, laws and regulations as well voluntary commitments, by Accredited Certification Bodies.

Many of the companies in SCEG have successfully achieved accredited certification against one or other of these standards. This success has come at a considerable expense – third party audits by certification bodies are not cheap – and understandably these companies hope that their achievements and costs will be rewarded by client contracts. It is of course early days and it will take some time for these standards to gain traction with other security companies and clients. But I would encourage security companies to hold their nerve. There is no doubt the private security industry is fast becoming recognised as one to be respected and partnered with.

Earlier this month Vicky Pryce, and her colleagues at the Centre for Economics and Business Research, published a report on the economic contribution of standards to the UK economy. The study gives empirical evidence of the ways that standards are benefiting individual companies. It also addresses the impact of standards on exports where they have the potential to open new markets, linking companies into supply chains and reducing technical barriers to trade.

One of the keys will be to encourage the global uptake of these standards and here SCEG has a role.

In addition SCEG members have played a crucial role in the establishment of the International Code of Conduct Association which provides governance and accountability for the Code. Considerable progress has been made since its establishment in September 2013 and Andrew Orsmond will update us later on this morning.

With regard the standards it would be misleading if I left you with the impression that private security companies are only concerned with the land and maritime standard. That is not the case. These companies like those in other more mature sectors have accredited certification for a range of management standards and they are of course fully compliant with the law and take for example the legal requirements of the UK Bribery Act, the UK Counter Terrorism and Security Act and the Modern Slavery Act very seriously indeed.

One of the challenges of shaping the security environment is to understand perceptions and have strategies in place to shape the narrative. In April 2015 at the instigation of the Foreign and Commonwealth Office I was invited to represent SCEG at the 4th Session of the UN Inter Governmental Working Group on Private Military Security Companies. I was delighted to be given the opportunity to address the delegates and I explained how responsible companies within the private security sector are embracing standards and regulations to ensure that their operations are transparent and accountable, compliant with international and national legislation and critically with human rights at the heart of their business models. I stressed that SCEG companies were at the fore of this transformation of the security industry. Whilst my comments were well received by most of the delegations the delegates from South Africa took issue

with me over several points. They did not accept my distinction that security sub-contractors were not mercenaries, they challenged why South African nationals were being employed by companies as this was illegal under their national law, they even suggested that the use of floating armouries in the Indian Ocean was a means of circumventing the law. I refuted these points but I did not persuade them.

Closer to home private security companies are experiencing misplaced perceptions from surprising quarters. Several SCEG members participated in a seminar in January hosted by RUSI as part of the Agile Warrior series to discuss the Army and Private Security Companies in the future operating environment. The seminar exposed significant gaps between the reality of how responsible private security companies are run and what capabilities they can deliver against perceptions amongst many serving officers which at best reflected the situation 10 years ago. The fact that the British Army continues to use the term Private Military and Security Companies when we have been at pains to point out that the UK does not have private military companies speaks volumes. What I am clear on, is that the private security companies will be part of the future operating environment and in all likelihood we will be there before the deployment, during and after. Within SCEG we look forward to continuing the dialogue with our colleagues in the MOD and I am delighted that several officers from the Defence Academy have been able to join us today.

Perceptions about our industry have even reached the banking sector. Several SCEG companies have experienced significant problems with their banks including the closure of accounts, often with little notice or explanation and banks have been unwilling to support export finance, even when the company in question has a BIS export licence.

This issue has come to the fore because there has been a change in the banks' appetite for risk and companies that are involved with weapons in complex environments are seen by some banks as an unacceptable risk. ADS and in particular James Coady are championing our cause and attempting to dis abuse the banks of this perception.

The bank's concerns have potentially serious implications for company's business operations and further reinforces why embracing standards and regulations and operating in a transparent manner must be an essential component of the business model of private security companies.

Let me leave you with this thought. Perhaps the desperate plight of the Mediterranean migrants - that is so preoccupying heads of state in Europe - is a microcosm of the nexus between terrorism, corruption, piracy and crime. Many of the migrants are fleeing from the violence and insecurity fuelled by terrorism and they are fleeing from countries such as Libya and Sudan which are amongst the most corrupt countries in the world and many of these desperate people are being ruthlessly exploited by criminal gangs who in turn are linked to terrorism. It seems to me that in this context as in many other such complex environments across the globe, private security companies can gain visibility as some of the solution providers internationally. This is a laudable place for the industry to be. Private Security companies can also play a significant role in reducing risk in unstable and volatile situations and that is likely to gain approbation from both the public and private sector.

Ladies and gentlemen we have a stellar line up of authoritative speakers to inform, entertain and challenge you throughout the day as we start to unravel these complex issues. I very much hope you will engage with them.

I have great pleasure in introducing Paul Everitt, the CEO of ADS.