

Counter Piracy Proposal

**For Merchant Ships
Transiting off the Coast of Somalia, the Indian
Ocean and the Gulf of Aden**



**ASIAN SHIPOWNERS' FORUM (ASF)
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1. EXECUTIVE SUMMARY

1.1 Rationale

As of 04 May 2012, at least 15 vessels with about 202 seafarers of different nationalities are still known to be held in captivity by the Somali pirates¹. It is estimated that the cost of Somali Piracy to the global economy was approximately USD 7 billion in 2011².

The international shipping industry including ASF and the Round Table of International Shipping Organisations had repeatedly appealed to the United Nations (UN) for more effective and concerted efforts against Somali Piracy. However, there had been no further substantial developments beyond the acknowledgement of the situation in the response received.

The ASF recognises and appreciates the on-going work by the International Community to address root causes of the problem on land in Somalia as well as the deployment of military assets in the piracy plagued waters. These efforts must be sustained.

In response to the problem, besides compliances with the industry's Best Management Practices (BMP) that could at best be considered as a stop gap measure, the number of ships employing private armed guards for protection against piracy attacks are now increasing.

However, the use of private armed guards is by no means a solution and it is definitely not without demerits. By employing private armed guards, shipowners would have to deal with problems such as accreditation and possible liability issues under national legislations.

It is certain that the shipping industry needs to see the development and eventual implementation of more solutions that are pragmatic which could only be accomplished through stronger governmental actions.

The ASF is therefore of the view that more needs to be done than merely expressing our frustration to the international community and we should work on presenting specific proposals to the UN especially its Security Council (UNSC) in order to have a joint discussion on possible effective solutions or mitigation measures.

Hence, the ASF would like to propose our Proposal on countering piracy against merchant ships transiting off the Coast of Somalia, the Indian Ocean and the Gulf of Aden (high risk area) through the deployment of UN-Sanctioned personnel on-board ships.

1.2 ASF Proposal

The ASF Proposal offers 2 Options in which a Counter Piracy Task Force by military

personnel would be established to provide armed protection for merchant ships transiting the high risk area.

It is estimated that approximately 30,000 merchant ships transit the high risk area yearly. On the assumption that 40% of these ships would require armed protection; the operation must cover approximately 30 merchant ships per day.

Option 1 (UN-Sanctioned Armed Personnel Using Land Bases)

Under this Option, the UN Task Force will manage the vessel protection operations using qualified armed personnel, contributed by UN Member States from their military or paramilitary services.

In order to guard 30 merchant ships per day, the ASF estimates at least **780 military personnel** would be required to serve onboard merchant ships.

These armed personnel would be stationed at land bases established preferably in existing facilities operated by the UKMTO, MSCHOA, NATO and/or CMF in the region of East Africa or the Middle East to avoid the need for additional defense personnel for the bases established under this Option.

Option 2 (Armed Personnel of Like-Minded Governments Using Floating Bases)

Considering that a decision on Option 1 by the UN would require a long discussion process and a considerable amount of time to implement, Option 2 is proposed for the consideration of like-minded governments who are keen to take immediate action to restore the law and order at sea ahead of UN's decision on Option 1.

Under Option 2, the armed personnel of the Task Force shall be qualified military or paramilitary personnel provided by the participating governments. Floating bases would be utilised in order to avoid the issue of carrying fire arms into ports of the other jurisdiction and the sensitive sovereignty issue of stationing foreign troops in a particular country.

One of the floating bases could be located off the Western coast of India and the other in the Northern part of the Red Sea. These bases would be fully equipped with necessary facilities such as accommodation, recreation, secured areas, helideck, water and basic medical facilities to support offshore operations.

In order to guard 10 merchant ships per day, the ASF estimates at least **300 military personnel** and 2 floating bases converted from two 3,000 TEU container ships will be required. This would require initial conversion cost of USD 12 million and a further operational cost of USD 12 million in the first year of operation. For subsequent years, cost of operation would be operational cost of USD 12 million plus maintenance costs.

1.3 Conclusion

The key notion of the ASF Proposal is to seek the establishment of a UN Counter Piracy Task Force that would provide protection for the merchant ships transiting the high risk area while awaiting root causes of the problem to be duly addressed on land.

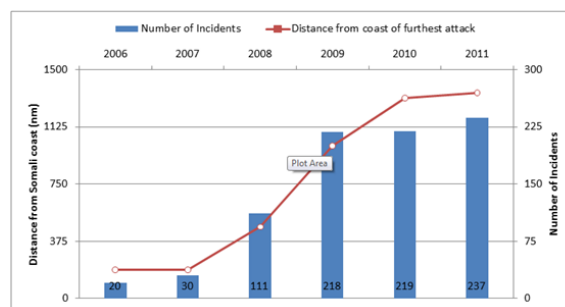
Option 1 is clearly the preferred option as protection of shipping and international trade is the responsibility of the international community such as the UN as embodied in the UN Convention of the Law of the Sea. However, Option 2 is proposed for the consideration of like-minded governments who may be keen to take immediate action to restore the law and order at sea ahead of UN's decision on Option 1.

1. *'UKMTO Weekly Report 28 April – 04 May 2012', UKMTO*
2. *'The Economic Cost of Somali Piracy 2011', Oceans Beyond Piracy*

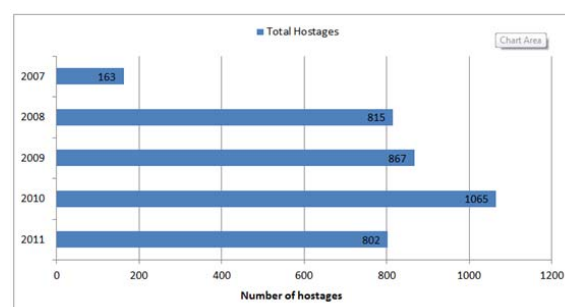
2. BACKGROUND

The piracy situation off the coast of Somalia, in the Gulf of Aden, the Indian Ocean and the Arabian Sea has seriously worsened and become more alarming over the years. Many merchant ships from various flag states have been attacked by armed Somali pirates. There were also many others that were hijacked by these dangerous criminals seeking high ransom rewards from shipowners.

The number of attacks by these highly dangerous and armed Somali pirates has shot up very significantly, from 20 in 2006 to 237 in 2011. In total there were more than 800 acts of piracy by Somali pirates during this 6-year period. These attacks caused immeasurable harm to the world's seafarers, including the deaths of over 60 individuals. The total number of crew taken hostage by these pirates has also shot up from 163 in 2007 to over 850 in 2011.



Somali pirate attacks cover a vast area which include the Gulf of Aden, southern Red Sea, off Yemen, off Oman, Arabian Sea, off Kenya/off Tanzania/off Seychelles, off Madagascar, off Mozambique, Indian Ocean, off the Indian west coast, and off Maldives west coast.



Vessels that were attacked included General Cargo, Bulk Carrier, all types of Tankers, Ro-Ro, Container Carrier, Fishing Vessels, Sailing Yachts, Dhows and Tugboats.

Most of the attacks by the Somali pirates have involved the use of weapons which is a cause of great concern to the merchant ships, as they pose a serious threat not only to the lives of the seafarers but also the ship, cargo and the marine environment.

To suppress this problem, there are at least 28 national and combined naval and military forces deployed in those treacherous waters to safeguard merchant ships. Despite the strong military presence, there were still quite a number of merchant ships that had not been able to escape capture by these Somali pirates. Improvements can certainly be made in the area of military operation coordination. There were also frequent calls for their rules of engagement to be seriously re-examined and re-defined to be able to inflict maximum impact on all these pirates.

As of 04 May 2012, at least 15 vessels with about 202 seafarers of different nationalities are still known to be held in captivity by armed gangs of Somali pirates who are waiting to collect their ransom payments¹. These seafarers, some of whom have been held for months, are reportedly living in appalling conditions and being subject to physical and psychological abuse. The demand for ransom payments to release the hijacked ships and crews has also gone up sharply from a few hundred

thousand USD to around USD 9 million. This development has become a major threat to regional trade and maritime security in the Gulf of Aden, the wider Arabian Sea and the Indian Ocean, costing the global economy approximately USD 7 billion in 2011².

It is more than 6 years now that this Somali piracy problem first emerged. Looking at the whole scenario, it certainly appears that no immediate solution is in sight at the moment. This is despite many urgent calls by many maritime NGOs urging governments, the International Maritime Organisation (IMO) and the United Nations (UN) to act expeditiously to eradicate the piracy menace. The pirates are still out there in great numbers roaming the ocean and harassing international shipping. As a consequence, shipowners are desperately seeking solutions and are extremely disappointed at the lack of concrete action and plan by the UN or any country making any headway to eradicate this threat anytime soon.

Shipowners want to see more pragmatic solutions and stronger governmental actions. It is long overdue that all the governments represented at the UN should exercise a strong political will to resolve this on-going problem, not only at sea but also on land where the root causes of piracy had begun. There is a strong need for the Somali government to enact and put into force effective legislations that will criminalise piracy and armed robbery. This will be a major step forward to containing this continued problem. From many reports, many of the pirates arrested in military operations in the Gulf of Aden had been set free for lack of evidence. Nearby countries in Africa have also been found to be reluctant in taking on the burden of the trials. In some instances, the Somali government has questioned the authority of foreign countries to prosecute the pirates outside Somalia. The European Union has also attempted to focus the prosecutions locally by involving Somalia's neighbours but Somali authorities have called for the pirates to be tried at home.

The use of the industry's Best Management Practices (BMP) by shipowners can only be viewed as a stop gap prevention measure. The employment of private armed security guards on board ships has so far been an effective deterrence in the current situation. However, shipowners are especially concerned about the problems of the use of private armed guards such as the issue of accrediting the armed guards as well as liability issues for the shipowners. Armed guards that operate under the auspices of the UN would address these concerns and would help to provide the required protection for ships transiting through the high risk area.

The ASF would therefore like to suggest a proposal for the UN to consider for adoption and implementation to offer protection for ships while awaiting a land-based solution to the piracy problem.

1. 'UKMTO Weekly Report 28 April – 04 May 2012', UKMTO
2. 'The Economic Cost of Somali Piracy 2011', Oceans Beyond Piracy.

3. EXISTING MODEL FOR COUNTERING PIRACY OFF THE COAST OF SOMALIA WITH ARMED MILITARY PERSONNEL

Before the ASF proposal is discussed, an existing working model would be examined. This model is a joint operation between a shipping company and the Navy of an Asian government. It can be summarised as follows:

- Two 700 TEU container ships brought in as armed auxiliaries by the national navy to serve as floating bases.
- Conversion was carried out to allow them to serve as naval auxiliaries. The conversions included the addition of:
 - Accommodation cabins and stores for additional personnel.
 - A helicopter deck
 - A medical centre.
 - A military command-and-control centre.
 - Positions for light weapons.
 - The capability to operate small craft.
- Each floating base carries approximately 20 seafarers employed by the shipping company, and approximately 40 naval personnel (naval special forces, 1 helicopter detachment and a medical team)
- A small group of the naval personnel was deployed from one floating base onto merchant ships to guard the ships transiting the high risk area. At the end of the passage, the group of naval personnel would disembark onto the other floating base.
- The 40 naval personnel are stationed aboard each floating base for a period of 3 months duration, after which a new set of teams will take over.

The conversion cost was approximately USD 8 million for 2 floating bases (USD 4 million per floating base).

The operating costs for the 2 floating bases were as follows:

➤ Monthly Civilian Crew Salary:	USD 0.2 million
➤ Monthly Bunkering cost:	USD 0.3 million
➤ Monthly Misc. Cost (insurance, provisions, maintenance etc):	<u>USD 0.2 million</u>
Total Operating cost per month:	<u>USD 0.7 million</u>

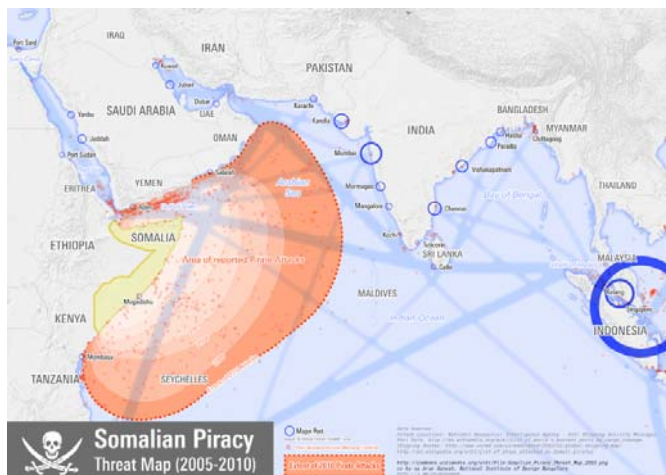
No chartering costs were incurred for as the 2 ships used as floating bases were provided by the shipping company itself.

It should be further noted, however, that the operating cost does not include the cost of maintaining and equipping the naval detachment aboard.

4. ASF PROPOSAL

4.1 Overview

The ASF Proposal is based on the undisputed principle that sovereign territory is protected/controlled by sovereign governments and that the protection of the open seas is a responsibility of all governments and the international community. It is also an underlying principle in this proposal that a merchant vessel, which fly the flag of a particular nation, is its sovereign piece of territory and that the laws of that nation must be upheld onboard at all times.



The ASF Proposal has been developed along the lines of the successful model cited in Section 3. Armed personnel would be deployed onto merchant ships of all flags that require protection during their transit through the high risk area.

4.2 Option 1 (UN-Sanctioned Armed Personnel Using Land Bases)

Qualified armed personnel will comprise either military or paramilitary services of UN Member States. In particular, this may be of interest to UN Member States that provide a high proportion of seafarers but do not have naval assets to contribute to on-going anti-piracy efforts in the Gulf of Aden and the wider Indian Ocean.

Alternatively, qualified personnel could be assigned from UN administered civilian or paramilitary civilian or paramilitary security providers.

The use of UN-sanctioned armed personnel will help to address shipowners' concerns with regards to:

- Accreditation of private armed guards.
- Shipowners' liability under national legislations.

Bases and Coordination Centres could set up at on land to house the armed personnel and to coordinate the day-to-day running of the operations. This would be more economically viable as compared to having floating bases as cited in Section 3. However, this proposition of land based establishments may only be feasible if the armed personnel are UN-sanctioned or administered, in view of the sensitive sovereignty issue of stationing foreign military personnel in a particular territory.

Under current situation, it is estimated that approximately 40% of the merchant ships transiting the high risk area employ private armed guards. It is estimated that

approximately 30,000 merchant ships transit the high risk area per year which is approximately 80 merchant ships per day. Hence, the UN Task Force will target to protect 30 out of these 80 merchant ships transiting the high risk area daily.

The number of military personnel required is calculated based on the following assumptions:

- The East-bound traffic would be 15 ships and the West-bound traffic would be 15 ships per day.
- 4 personnel per detachment per ship.
- Passage time through the high risk area will be 5 days.
- 30 Ships x 4 Personnel x 5 Days = 600 Personnel
- At the end of each passage, personnel in a detachment will immediately transfer to another merchant ship sailing in the opposite direction.

Taking into account rest-hour requirement and using a thirty percent reserve for manpower, at least **780 military personnel** would be required for the operation to provide protection for 30 merchant ships a day (15 East-Bound ships and 15 West-Bound ships).

4.3 Option 2 (Armed Personnel of Like-Minded Governments Using Floating Bases)

If the ASF Proposal is only supported by a few like-minded governments, the usage of floating bases may be required instead of land bases as the establishment of land bases involves the sensitive sovereignty issue as discussed in Section 3.2. Floating bases would also avoid the issue of carrying fire arms into ports of countries which jurisdiction do not permitting carriage of fire arms onboard.

Unlike Option 1 which would cover all ships requiring protection, for initial implementation, Option 2 would target to protect a third of the number of ships requiring armed protection which is 10 merchant ships per day.

A minimum of 2 floating bases will be required; one can be located off the Western coast of India and the other in the Northern part of the Red Sea.

The floating bases will be militarised along the same lines as that used in the existing model described in Section 3, with accommodation cabins equipped with other facilities and amenities.

Compared with the existing model described in Section 3, two larger container ships of 3,000 TEU is required to accommodate the larger number of military personnel. It may be possible to use sea cadets training ships or accommodation barges, which can accommodate more than 300 personnel onboard and would already be fully equipped with facilities such as recreation, secured areas, helideck, water and basic medical facilities to support offshore operations.

The number of military personnel required is calculated based on the following assumptions:

- The East-bound traffic would be 5 ships and the West-bound traffic would be 5 ships per day.
- 4 personnel per detachment per ship.
- Passage time through the high risk area will be 5 days.
- 10 Ships x 4 Personnel x 5 Days = 200 Personnel
- At the end of each passage, personnel in a detachment will immediately transfer to another merchant ship sailing in the opposite direction.

The defense requirements of the floating bases need to be taken into consideration in addition to requirement for rest hours. Hence, using a fifty percent reserve for manpower for the operation, at least **300 military personnel** would be required for the operation to provide protection for 10 ships a day (5 East-Bound ships and 5 West-Bound ships).

The specific details of the arrangement, operational shifts and costs need to be worked out once the basic concept has been agreed and accepted by the like-minded governments.

While it may initially involve the efforts and support of a few governments if Option 2 is supported by interested governments, successful implementation should eventually encourage the expansion of the operation.

Expansion of the operation could be possible through either establishing additional floating bases or increasing the capacity of the floating bases to accommodate more military personnel.

Nevertheless, the ideal outcome would be the creation of a UN Counter Piracy Task Force that is inspired by the success of Option 2.

4.4 24/7 Operation Centres

Under Option 2, coordination of the operation as well as cooperation with the Navies and the coalition forces deployed in the area will be necessary to ensure that a back-up system is in place. These work should be taken care by the 24/7 Operation Centres.

The Operation Centres will be primarily responsible for the coordination of the detachments of the armed personnel serving aboard merchant ships, but it must also serve as an information sharing centre in constant contact and liaison with other naval and military forces, namely UKMTO, MSCHOA, NATO, CMF and Flag States of merchant ships.

Ideally, the Operation Centres should be established within the area of the existing facilities operated by the UKMTO, MSCHOA, NATO and/or CMF in the region of East Africa or the Middle East.

The details of the Operation Centres such as operational costs, staffing and equipment need to be worked out at a later stage when Option 2 gains support from like-minded governments or the UN.

5. COST CONSIDERATIONS FOR OPTION 2

5.1 Costs for Floating Bases

5.1.1 Conversion Cost

The conversion cost of a 3,000 TEU container ship to accommodate 150 military personnel is estimated to be approximately USD 6 million. The total conversion cost for 2 ships would therefore be approximately **USD 12 million**.

5.1.2 Operation Cost

The estimated monthly operation costs per ship (converted container ship) are as tabulated in **Table 5.1**.

Table 5.1 - Estimated Monthly Operation Costs Per Ship (Converted 3,000 TEU Container Ship)

Civilian Crew Cost	USD 70,000
Bunkering / Intermediate Fuel Oil	USD 150,000
Miscellaneous Costs	USD 64,000 (Lubricant oil, Spares, Fresh waters, Stores, Paints, Insurance, Communications, Repair, Agency Fee)
Chartering Costs	USD 210,000 (As of February 2012)
TOTAL	USD 494,000 (approximately USD 0.5 million)

Hence, the total yearly cost of operation using two converted container ships as floating bases is approximately **USD 12 million**. This figure does not include the cost of armed military personnel.

5.2 Total Cost for Option 2 (Excluding Armed Military Personnel)

The total cost for operation under Option 2 excluding cost of Armed Military Personnel is as shown in Table 5.2

Table 5.2 - Total Cost for Option 2 (Excluding Armed Military Personnel)

First Year	Conversion Cost	USD 12 million
	Operation Cost	USD 12 million
	TOTAL	USD 24 million
Subsequent Years	Operation Cost	USD 12 million (plus maintenance cost)

6. ECONOMIC COST OF SOMALI PIRACY IN 2011

The economic cost of Somali Piracy in 2011 is estimated to be approximately USD 7 billion.

A summary of costs are as shown in Table 6.1 below.

Table 6.1 - Summary of Cost Factors of Somali Piracy in 2011

1	Increased Speeds	USD 2.71 billion
2	Military Costs	USD 1.27 billion
3	Security Guards and Equipment	USD 1.06 – 1.16 billion
4	Re-routing	USD 486-681 million
5	Insurance	USD 635 million
6	Labour	USD 195 million
7	Ransoms	USD 160 million
8	Prosecutions and Imprisonment	USD 16.4 million
9	Counter Piracy Organisations	USD 21.3 million
Total Economic Cost of Somali Piracy in 2011		USD 6.6 -6.9 billion

*Source: 'The Economic Cost of Somali Piracy 2011', Oceans Beyond Piracy

6 out of 9 items in the above table are mainly paid for by the shipping industry. The items are increased speeds, security guards and equipment, re-routing, insurance, labour and ransoms. The total amount of these items is USD 5.4 billion which is approximately 77% of the total economic cost of USD 7 billion in 2011.

It is evident that a massive portion of the economic cost of Somali Piracy is borne by the shipping industry. This situation cannot be unjustifiable and cannot be on-going when shipping is the vital supporting tool of world trade and the task of keeping the high seas safe is the responsibility of the governments and international community.

7. CONCLUSION

The key notion of the ASF Proposal is to seek the establishment of a UN Counter Piracy Task Force that would provide protection for the merchant ships transiting the high risk area. This would provide the much required protection in the interim while awaiting root causes of the problem to be duly addressed on land.

Option 1 (UN-Sanctioned Armed Personnel using Land Bases) as elaborated in Section 4.2 is clearly the preferred option as protection of shipping and international trade is the responsibility of the international community such as the UN as embodied in the UN convention of the Law of the Sea. It would also negate the sensitive judiciary problems and floating bases would not be required.

Option 2 (Armed Personnel of Like-Minded Governments Using Floating Bases) as elaborated in Section 4.3, is proposed for the consideration of like-minded governments who may be keen to take immediate action to restore the law and order at sea ahead of UN decision on Option 1, considering that a decision by the UN would require a long process of discussion and a considerable amount of time to implement.

The establishment and implementation of the Option 2 will require a considerable amount of funding and should not be primarily contributed by the shipping industry given the fact that much of the cost of Somali Piracy has already been borne by the industry.

However, if Option 2 is to be seriously considered by interested governments, some of the resources that have currently been spent by the industry as shown in Section 6 could possibly be channeled to support the implementation of Option 2.

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The Asian Shipowners' Forum (ASF) is a voluntary organisation of the shipowners' associations of Australia, China, Chinese Taipei, Hong Kong, India, Japan, Korea and the Federation of ASEAN Shipowners' Associations comprising shipping associations of ASEAN countries.

The aim of the ASF is to promote the interests of the Asian shipowning industries. It has been estimated that ASF owners and managers control and operate nearly 50% of the world's cargo carrying fleet.