

THURSDAY 25 FEBRUARY 2010

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Present

Anderson of Swansea, L  
Chidgey, L  
Crickhowell, L  
Inge, L  
Jay of Ewelme, L  
Selkirk of Douglas, L  
Sewel, L (in the Chair)  
Swinfen, L  
Williams of Elvel, L

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Witnesses: **Mr Jan Kopernicki**, Vice President Shipping of Shell International Trading and Shipping Company and Chairman of the Oil Companies Marine International Forum, and **Mr Gavin Simmonds**, Chamber of Shipping, examined.

**Q214 Chairman:** Good morning. Thank you both very much for finding time to come to help us with this inquiry. I am particularly looking forward to the two sets of evidence we are having this morning because I know it could be potentially very helpful in us finding a way forward with this tricky problem of Somali pirates. A couple of housekeeping issues. First of all, this is a formal evidence-taking session of the Committee. A record will be taken. A transcript will be made available, which you can correct for any errors that have crept in. Also, it is technically being webcast. What that quite means I am not absolutely sure! I do have to say that in the other Committee I chaired we had it webcast for the entire period of my chairmanship, which was several years, and we never had any evidence that anyone ever listened. Of course, this Committee might be very different. I wonder if you would like to start by giving a brief statement in introduction and also to introduce yourselves.

**Mr Kopernicki:** Thank you, and thank you for giving us the opportunity this morning to discuss what is a very serious matter, where the industry is very concerned to find solutions.

My name is Jan Kopernicki. In my day job I am Head of Shipping for Shell International. In other roles I chair the Oil Companies International Marine Forum, a grouping of some 80 oil companies around the world. This group prepares technical guidance and recommendations for shipping, and has assisted in the piracy aspect, rather curiously, but it seemed the right thing to do. I am also Vice-President of the United Kingdom Chamber of Shipping and Co-chair of the United Kingdom Shipping Defence Advisory Committee, a committee formed in 1937 to provide a focus between the military and the civilian sector in time of war. We are very supportive of what the European Community and the United Kingdom have done with Operation Atalanta and the related activities of NATO and CTF 151, the combination of military approaches but, more importantly, in our conversations this morning I think we want to stress the broader picture of addressing the land-side issues in Somalia and to some extent Yemen, because the issue of piracy runs the risk now of being copycatted more broadly, and we are seeing shards of that already in West Africa. My Lords, I think we will come back to that in the later conversations but I just want to set the frame that, in addressing the focused issue, there is the beginnings of a broader and far more serious issue which is available.

**Q215 Chairman:** Mr Simmonds, do you want to make an opening statement at all?

*Mr Simmonds:* Thank you, my Lord, only to perhaps add that, through the UK Chamber of Shipping we have in the last two years maintained very close links with the MoD, Royal Navy and with EU NAVFOR, and we have encouraged very close operational liaison with the EU NAVFOR headquarters at Northwood. So we feel that we have very good connections with the military and we share common concerns and develop common responses to the piracy problem. By way of introduction, my role is with the UK Chamber of Shipping. I am Head of International Policy. Within that, the majority of my time at the moment is concerned with military issues, relationships with the military. I am Co-Secretary of the

Shipping Defence Advisory Committee. We also have a very active working group that monitors the piracy situation all the time.

**Q216 Chairman:** Can I kick off and ask you briefly to give your overall assessment of Atalanta and then how you think it may be made even more effective.

**Mr Kopernicki:** I think the United Kingdom is to be congratulated in providing the home for the Atalanta development. Not just the Royal Navy but also the Foreign Office I think have been enormously successful in, first of all, bringing this to life very quickly, a very rapid start-up by any standards, and an excellent choice of location, having the benefit of an established naval base at Northwood, which just happens to also be the Permanent Joint Headquarters of the Navy and a significant NATO base, so you get all the connectivity, and a very good platform also for our European colleagues to work within. So a rapid start-up, a very good choice of location, and then an excellent choice of leaders, with Rear Admiral Philip Jones initially and Captain Richard Farrington, an absolute star in his role, and now another excellent Rear Admiral, Peter Hudson, in the role. So we have had very strong leaders appointed to the EU NAVFOR role. The other thing that has been significant is that there has been really good military-civilian co-operation, because the problem is one which straddles outside the normal military parameters. I would respectfully raise the question that I think a role of the Navy is to protect merchant assets and the flow of free trade, so perhaps it should be more within the normal Navy parameters but, very quickly, in the early days, when we met with Phil Jones, working through OCIMF and from the Chamber, we agreed to appoint Merchant Navy liaison officers into Northwood almost from the first day to work on mapping out the transit corridor that has proved so successful, and that process of civilian and military co-operation has continued very effectively. The other thing that has worked well is the co-operation with other nations, and that of course reflects the broader engagement of Atalanta, aka EU NAVFOR, with the NAVCENT, the American Fifth Fleet base in Bahrain,

where the combined task forces are based, and the NATO deployments. They come under an umbrella, the so-called SHADE. I forget the exact meaning of the acronym but it is an informal collation of all the nations at an operational level, which just happens to be run by another very bright Royal Navy flag officer, Commodore Tim Lowe. Again, you see the quality of our Royal Navy people, bringing together these disparate groups from different nations, co-operating extremely effectively on the water. We now have the excellent example of the Chinese being granted a sector of that corridor to supervise, looking after American ships. This is a tremendous diplomatic development which goes far beyond the remit of just an anti-piracy campaign. In summary, it is an excellent start. The challenge is now the sustainability but, much more importantly, the issue is not running a navy running after pirates; it is sorting out the problem at source and what we can do to help with that while we manage the military disposition, which I think is being managed very well.

**Mr Simmonds:** I think that is very comprehensive. I would only add that we know that the operational base is established for the time being at Northwood, and we see it as a priority task to encourage the EU Council of Ministers to keep it there and not to allow it to be moved for any political purposes, because militarily it is very well located, obviously, within the UK headquarters but close to the shipping community in London, and that has facilitated the very good liaison. There are a couple of, I think, very positive operational decisions that the Commanders at EU NAVFOR made in the early days. Mr Kopernicki has mentioned the international corridor. We also fully supported the tactic of introducing group transits, and the avoidance of any suggestion that the naval force was going to be large enough to provide a convoying system through the Gulf of Aden, so reflecting the assets available. This seemed to be and I think has proven to be the most effective way of those military forces being deployed. Also, there was what I think I can best describe as the inspired decision to set up a website so that the initial liaison between shipping companies and the EU headquarters was

established through a website known as MSC HOA. This enabled the very rapid exchange of key operational information for intelligence and reassurance and the best management practices to be conveyed to individual shipping companies. It is a secure mechanism. It is regularly updated. It is very positive. If there were one criticism to perhaps observe about it, it is that websites tend to have a fairly commercial aspect as well, and it is perhaps a little surprising that some of the commercial interests have been able to put themselves so far forward on the website but as an intelligence and liaison tool it has been excellent.

**Q217 Chairman:** You have made some very positive points. I have to give you the opportunity to say whether you think there are any weaknesses.

**Mr Kopernicki:** Not a lot. We have been intimately involved from day one. This is something we see as a very good example of civilian/military/governmental partnership – and I would mention government departments too, which I omitted to mention. Given the situation that exists today, I think the Commanders are doing a very good job. Now, what is lacking? The World Food Programme issue is a concern. It is clearly a priority – no problem with that but what do they do? They charter old, very slow ships, which are small. The consequence of that is that the navies have to deploy large numbers of personnel and ships for long periods to steward these very slow, very small ships. It would substantially help the Commanders if we could somehow persuade the World Food Programme or assist them with some short-term cash – I do not think it is absolute money but it is just that they do not have large sums of cash at any one time, so they have to take cheap, small ships – to use larger, more modern ships which go faster, which would then require far fewer troops and ships to patrol, which would release other ships to do the broader anti-piracy activity which is required. So it is a practical thing we can do there. We are doing other things about improving the flash messaging of up-to-date intelligence to commercial ships, because it is

clear that if you are in a ship in an area, you really want to know if there has been a problem near you. That is coming along well. We already have the very good UKMTO base---

**Q218 Lord Jay of Ewelme: MTO?**

*Mr Simmonds:* Maritime Trade Operations, which is a UK RN unit providing advice to commercial shipping.

*Mr Kopernicki:* They are based in Dubai and they are the communication point with ships at sea. So if you are a captain at sea, you ring up UKMTO and you have a chat. “What is the position today?” “Here is the position.” “I am going this way.” What would you advise?” “This has happened here, this has happened here, you should do this and that.” They plug back into Northwood very effectively. It is a total success story of the Royal Navy. What we as the industry are now doing is suggesting that we augment UKMTO. We have a plan under discussion now to provide, again, Merchant Navy liaison officers into UKMTO so that when captains ring up, they not only have somebody from the Navy they can talk with but there is a sea captain from a commercial firm – and we would send them on rotation – that they can talk with working alongside. It is another example of civilian-military co-operation. The other thing is that your Lordships will be very aware that, in addition to the problem in what I call the Somali corridor, which is very technically patrolled or controlled with this transit zone, the problem has expanded into the broader Indian Ocean area, really way out, 1,000 miles out, 62 East. I am routing my ships almost on the Indian coast and then turning sharp right to go along to pass South Africa. The concern has been expressed by the military about the ability to refuel their warships out in this area, and I think there is an opportunity there if the military would consider chartering. I have no interest in a commercial sense, but many tankers are already fitted out with NATO-compatible connections as a redundant provision in time of war. It would be a simple thing if the Navy considered using commercial tankers to augment their fleet oilers so their operational sustainability in deep ocean areas would be maximised,

another practical opportunity. However, again, I do come back: the key thing for us is that, while everybody is doing an excellent job trying to handle the physical problem of pirates, addressing the mother ships, trying to follow the piece of string home to the shore, the issue is really one in Somalia and what we can do to link the various conversations. At the moment they seem to be a little bit separated between handling pirates at sea and handling the land side, and the more we can do to mesh those two and to begin to talk about helping the Somalis build a coastguard, some limited aid to begin to develop enclaves – one has to be very practical; it is a dysfunctional zone, so it is not a case of restoring normality in a Harry Potter wand stroke – in starting enclaves of normality in certain areas and moving on from there. I think the European Community together with the United Kingdom and other interested countries, including the Gulf Co-operation Council and some of the African groups, really are working already quite well but there is more to do in that area.

**Q219 Lord Anderson of Swansea:** To clarify a point Mr Simmonds was making, we have not heard any evidence of a threat to move the location of the operation from Northwood. Is there in your judgement any such threat? On the World Food Programme, my understanding is that the World Food Programme ships have all got through but they are, as you say, very old, they are low in the water and they are easy to take. It seems on the face of it unlikely that there would be an attack on these ships because they would be harming the welfare of their own people. Is there a real threat to the World Food Programme ships? Could there not be some special measures by having, say, armed personnel on their ships if they are going to slow down the convoys?

**Mr Simmonds:** My Lord, responding to your first question, as we understand it, the EU NAVFOR operation has been extended through to the end of this year, and after that we judge that there will be a continuing need for some EU force in the area. I think at that stage we have sensed from the UK that there will be a question about whether the UK MoD can sustain

the headquarters and I think there are a number of other EU navies who would be willing to share the load and take it over.

**Q220 Lord Anderson of Swansea:** Actually bidding to take over?

*Mr Simmonds:* I think we will see bidding in the middle of this year.

*Mr Kopernicki:* On the subject of the World Food Programme, the issue with the current low, small and slow ships is that they consume large numbers of military personnel and escorting ships. I think there are two things we would recommend. One, to use bigger ships so that they have fewer transits which require fewer ships to protect and fewer embarked marines, because you have to put marines on and off and you have to have ships around – it is stating the obvious; do forgive me, but my military friends tell me that this is a very high-maintenance activity at the moment, and they would dearly wish the WFP to use larger, faster ships. I do not know if they would be attacked if not protected. This piracy is an example of fairly organised criminality, and if they felt they could get some money from it... They have attacked all kinds of people.

**Q221 Lord Anderson of Swansea:** But they would be harming their own people by so doing.

*Mr Kopernicki:* Yes, again, I have found in this situation that sometimes logic has not prevailed but I could not disagree with you.

**Chairman:** Let us get on to some more general issues.

**Q222 Lord Chidgey:** I know you have had previous sight of the sort of questions we are going to ask you so you will not be surprised that I want to ask you a little more about the further measures you feel the EU could take to stop piracy. Mr Kopernicki, you have actually already alluded to your feeling that the military side is more or less under control as far as it

can be, but there is much more to do in the political and foreign policy and EU engagement issues. I wonder if you would like to develop that a little, from your very much engaged view of your ships being the sufferers here.

*Mr Kopernicki:* Thank you. First of all, I think the UK Government and one or two other European governments, and the United States as well, are pursuing this very constructively. There seems to be a core of governments who really understand this and are working with colleagues in the EU, the French not least, to try to develop aid-driven discussions to change things, but the situation on the ground is very difficult indeed. There is a list of things that are being talked about: a coastguard – I have heard the argument that that would train people to attack ships better but I think I would reject that and say some structured income which would feed people and would create some economic normality would seem logical. There seems a sound argument to perhaps focus on one or two areas of Puntland and Somaliland, for example, and try to get some sense of normality by putting aid into there. There are sources of aid available in EU funds, we understand, which could be deployed helpfully here. However, I think it also requires the involvement of the Gulf States particularly – there are religious and other regional aspects which are potentially useful and helpful in that discussion – as well as the African organisations. This is slow. On any measure, these developments will move slowly but the UN Contact Group on the piracy aspect is working fine. The slight worry is that people are talking about it continuing normally. It is almost “Do we need a building in which to house it because it is going to be permanent?” I am being slightly frivolous but there is a sense of it becoming institutionalised, and that worries me, because we would prefer this to be a temporary event. I think we need to link the pirate groups and the people working on the land side more, because in some of the governments you actually go to two parts of the same administration to have the different conversations. Yes, they do talk to each other but they are in compartments.

**Q223 Lord Chidgey:** If I can just ask a supplementary, we had some meetings earlier this week with some representatives of the TFG in Somalia, ministers and so forth, who were quite convinced that the problems you just stated were on the land side, providing income for the villagers and those involved in this but, given that the TFG does not even control the capital city of the country, let alone the rest of the land, is this not a very long-term aspiration that they would eventually bring law and order and civil administration to these areas?

**Mr Kopernicki:** Yes, I would solidly agree. This is very long-term indeed. The key issue is that one has to keep it on the agenda. In my day job in my company we work on scenarios a great deal and we look into the future. If you were to draw a scenario for this area, if this did not begin to resolve, you could see a continuing problem in that area and Yemen, the two, and that could bubble up to some great extent. Of course, this straddles the equivalent of the M4 in commercial terms for much of the Western world. Your option is to go southwards and drive from London to Swansea via Madrid. This is probably not a good thing. I think it is important to bring it up on the agenda, not to frighten people unnecessarily but it is legitimate to say this is a potential future extreme hotspot; it deserves attention now, however difficult. Then there is my West African issue. We are already seeing the copycats along the West African coast. The other thing is if it then spreads. Look at the model: you take some friends, you get a boat, you get an outboard and you go off and attack some ships. You come home with \$2 or \$3 million. It is quite a good business model, and others are looking at that.

**Q224 Lord Inge:** It has already been said really but I think you are, if I may say so, grossly over-optimistic about the problems of solving the problem on land. Somalia has a deep, deep history of corruption, of chaos and shambles, and to think you are going to solve that quickly I think is cloud cuckoo land.

**Mr Kopernicki:** I agree.

**Q225 Lord Anderson of Swansea:** I have lectured at two governance courses in Somaliland and so far as I am aware there is no piracy emanating from their coast at all and they are a relative haven of security and stability in the area. Would you agree with that?

**Mr Kopernicki:** There are pockets of that, and the pirates are literally working off the beach. Literally.

**Q226 Lord Swinfen:** This must be having some effect on the Egyptian revenue from the Suez Canal. What are they doing to help in the situation, if anything?

**Mr Kopernicki:** Because of the effectiveness of the transit corridor, I do not know the exact figures but the general flow is being maintained through the corridor, with some diversions around the Cape. The Egyptians have been very helpful in working with us. One of the key problems with the industry is around persuading the quarter or third of ships who, for some unknown reason, will not follow these best practice guidelines. We, as the industry – and OCIMF started this – have published these booklets. This is the how-to-do-it book. They are free. We have printed 32,000 of them, I think, at the last count. We give them to everybody who wants them. All you have to do is either ring somebody or look on the website and be told what to do, and people will not. One quarter of the ships going through that area do not do it and a high proportion of the ones that are attacked are in that one quarter. The Egyptians have been very helpful in boarding ships at Suez and giving information to masters and talking to them, and helping in every way they can. That is probably the key thing to raise awareness. I am still staggered as to why many ship owners choose not to avail themselves of the transit corridor or to follow the guidelines which are available. It is free, it is available, and it protects lives. Why not do it?

**Q227 Chairman:** I think we have to jump in on that and say, what can be done to better encourage ship owners to follow the best practice rules?

**Mr Kopernicki:** That is a very interesting question.

**Chairman:** This is the key to it, in a sense, is it not? The transit corridor works well, because group transits work well, and you have this quarter of ships basically freelancing. How do you stop that?

**Lord Swinfen:** My Lord Chairman, we might ask the insurers.

**Q228 Chairman:** I am going to ask the insurers, yes.

**Mr Kopernicki:** It is an industry issue, and insurance is only one part of it. The shipping industry is very disaggregated, as you know. First of all, have the core of the main industry associations advertised? Have they beaten a path to every door? Yes, they have. Have they broadcast what to do? Yes, they have. All those things are done, so the question now is one of changing behaviours of small, independent, often family-owned firms with one or two ships, who think they will just get on with it and take a chance. There is a conversation I am aware of, a suggestion that perhaps by some control of insurance availability one could throttle behaviour and say, “If you do not follow these guidelines,” for instance, “your insurance in the event of an attack would not be valid.” Thus far the insurers have been slightly wary about that. I am a director of a protection and indemnity mutual club, the UK P&I club, and I have had this conversation with my colleagues there. There is a slight reluctance to impose that explicitly. I do wonder though, in today’s world, if somebody did have an event and came for adjudication – because, in these insurance areas, matters which do not fall within the rules are brought to a board for adjudication – what the view might be. Raising insurance levels: I do not know if that would help. We certainly do not want to make it a war zone; I think that is not the correct answer. This is genuinely difficult and we are trying every which way we can but I cannot offer you, again, Harry Potter solutions.

**Q229 Lord Jay of Ewelme:** I wanted to press ahead with the same set of questions really. You talked a lot about what the Navy are doing and you talked a lot, and I thought it was very interesting, about the better co-ordination you are getting between the ship owners and the shipping companies and the Navy. I wonder if I could press you a little bit more on what you have just been saying about what more the industry itself can do to get its message across, to get people to observe its message in Somalia, and you yourself raised the issue of the copycat in West Africa. Are there things that you can do now to make it less likely that West Africa becomes as serious as Somalia has become? A slightly off-piste question: I was in Copenhagen recently listening to the hearing, to a Rear Admiral in the Danish Navy talking about the effect the melting of the Northern ice cap would have and the likely or possible shifts of sea lanes, going across the top of the world rather than around it. Is that the sort of thing you are thinking about which could reduce the number of ships – clearly, there are limits as to how much of this can be done – which are going past some of the more dangerous zones?

**Mr Kopernicki:** I think, first of all, on what we are doing as the industry, all sensible ship owners that I talk to are doing the things you would expect. It is now common practice to put razor wire around your ship in pirate areas, to have rotating water cannon, to have extra watches with infrared night sights, to mount low radars to pick up small boats approaching you. All sensible ship owners are doing this. The question now arises around what you do in deep ocean, because we have had cases of attacks in deep ocean, in the Indian Ocean, and that is where intelligence comes in and the co-operation between the military and the civilian sector around intelligence. That is coming along well but then you come to other areas, and you can do all these things but is it the case now that all shipping in all places will be at the hazard of pirates? We can do the defending bit but there is also a sorting out bit that needs to be done in the current problem to send the message that it is not worth pursuing this business

model because, if you do, bad things will happen. That message needs to transmit to other places. It is already the case that, in looking at new ship designs, for instance, ship owners are now looking very positively at creating maximum freeboard, no catching points where you can climb, in the design stage already but, as is the case with motorcars, ships last 20 to 25 years. You can adapt them in dock but you will wait a bit till new designs come in. I will come to your northern sea route in a minute, if I may.

**Mr Simmonds:** We have been involved in a lot of workshops and projects discovering new ways of target-hardening ships. That continues on a day by day and a company by company basis. Ships do have, as has been described, razor wire; they also fit grilles; the ladders are cut away. So ships are substantially hardened. Could I just make a point which I think is an important one about the human factors? Again, one of the reasons why we cannot continue to further harden ships beyond a reasonable, and that is a high level, is because of the impact on the crews who are transiting these areas. Many ships are on “bus routes” and so are going backwards and forwards, and it is obviously not tenable in the long term to have trade routes which have a substantial proportion of their route accepted as being at high risk. So our policy approach is to insist and lobby the navies – and this is where the EU NAVFOR is a very good example – to respond to the need to provide for the protection of trade, and that is not an easy argument. I think also, just to elaborate, at the moment we have a situation where a limited number of military forces are providing the group transit system. The only alternative is really to move to some sort of convoy system whereby ships are protected all the time. This is obviously a task beyond the navy of a single country, and it is probably beyond the capability of even EU NAVFOR. What we do have in the Gulf of Aden and in the Indian Ocean is this very wide coalition. We continue to work on options for the coalition to produce better joined-up responses but it demands an extraordinarily high number of hulls, which navies just do not have these days.

**Mr Kopernicki:** May I respond on the northern sea route question? It is a fascinating question, interesting. Obviously, with the development of hydrocarbon reserves in northern Russia, the issue of short-cutting to Tokyo has come into play. You save 16 days, I think, and 8,500 miles by cutting across the top. There is one slight problem: it has only been done on a test basis by a tanker doing drops, a small, Polar class tanker. For trade, you would need at least Polar class, which is the ultimate ice-strengthened tanker, and because you need icebreakers, it is atomic icebreakers, so you go to Mr Atomflot to provide those, but, because icebreakers are only so wide, if you have large ships, you need pairs to get the beam through ice, and the ice is very unpredictable in those areas, both within a season and year to year. So at the moment – and we and others are doing studies on this – there is no immediate evidence that it is any easier. On the other hand, the attraction of a short sea route with icebreaking solutions is potentially available.

**Q230 Lord Inge:** How did they solve the problem in the Malacca Straits?

**Mr Kopernicki:** The Malacca Straits is an interesting case. There were three countries principally involved: Malaysia, Indonesia and Singapore. Interestingly, Japan took a very positive view. It is an interesting case of thinking through the importance of your trade route. The Japanese took the view that, because they are energy-light and they depend on the flow of energy through this area, it was of relevant interest to Japan, so they fostered a UKMTO-type centre in Singapore, and the Singaporeans, with their colleagues in Malaysia, worked together as governments and as navies to increase patrolling significantly and essentially to clear the problem out. So it was a highly cooperative, tripartite governmental and naval solution with very high-quality support, obviously, from Singapore, Malaysia and Indonesia, but then this interesting view of the Japanese, and I think that interestingly transposes to our UK context now, as we are becoming a gas-light country, depending on flows into Pembroke, as an example, to keep the lights on in Birmingham. Should we not now be thinking that it is a

legitimate security interest for us to consider the trade routes as far as the Gulf of Aden as part of our national concern? That in turn reflects the defence agenda and the importance of the Royal Navy.

**Q231 Lord Inge:** The First Sea Lord would love to hear that!

*Mr Kopernicki:* From a commercial point of view, as a major energy company, with my day job hat on, this is a serious issue and I think it bears thinking about. You do not have to think about exotic warships, and Mark Stanhope would prefer me not to say that I prefer to have simple ships, but I think intermediate ships, of intermediate technical quality, in some numbers, and restoring some balance to the availability of protection for British-oriented shipping is important.

**Q232 Lord Selkirk of Douglas:** I think you have really answered the essence of the question which I was about to ask about measures: what measures the insurance industry is taking to encourage shipping companies to follow international and EU best practice on reducing the risk of pirate attacks and what further measures could or should be taken. Can I add to that a supplementary question: how strong is your opposition to putting security guards on civilian ships? Is that very strong on grounds of principle or could there be certain circumstances in which that might be permissible?

*Mr Kopernicki:* Let me start, and then hand over to Gavin. Not principle but practice. First of all, even if we were to say it is a great thing to do – and I do not have the numbers here – quite a lot of ships go through there every day, so you would have to think through how you are going to get all these accredited people on board. Let us talk about accreditation for a moment. If you have troops on board ships, our belief is that there are certain situations where it may be highly valid, but then they have to be part of an organised military envelope, so Royal Navy Marines deployed, or French Marines deployed, within a chain of command,

with rules of engagement, responsible to a government. An example where we would think that is entirely appropriate: the other day my company had to move some bits for a refinery, a gas plant, in the Middle East through that Gulf corridor on one of these heavy-lift ships that go very slowly. We rang up Northwood and had a chat with them. They went through the risk profile. They said, “What you need is a close escort. That is the only way you can be properly protected. We will put some Marines on and a Corvette will accompany the ship through.” That is an example of a proper risk assessment, resulting in a logical solution. There is co-operation from the military to do that. It varies between a coalition approach, and there are some countries that protect their own ships. The Malaysians protect their gas carriers and their oil tankers, and the Iranians do, and so on. Then you come to the more generic discussion about arming. We do not support it. We think it is the wrong answer, for a number of reasons. One, there are no rules of engagement. Secondly, who are these people? We have talked to these security firms, and the quality is highly variable. Highly variable. I would not put them on my ships. I have investigated this, so I understand what the problem is. Thirdly, you create an elevation in the degree of conflict available, so what is now a merchant ship becomes a legitimate target, and you raise the stakes, and if you raise the stakes on the ship, you raise the stakes with the pirates, and you go up the chain. Also, while the pirates find it easy to shoot at you – and we have had Qinetiq do some work for the industry on how you target a ship and where bullets will fall, because we are concerned about protecting our crews – you firing at a little boat is actually very hard, unless you are in a military environment, with mounted weapons, and that is not the case here. So it is about the effectiveness, particularly at night, and particularly if the pirates have already boarded – and bear in mind these pirates board in minutes, in darkness, and if you are not aware of the boarding, you have an on-ship fire fight. Then, will the crews come along with it? These are civilians; they are not military. They may say, “We just don’t want to serve, thank you very

much. If it's that bad, I am not going." The list goes on. Where are you going to store weapons? A minor detail for those of us that carry oil and gas: bullets and oil and gas do not go very well together and we would rather not, but I did not want to put that at the head of the list. Our colleagues in America are very enthused with the subject. However, they operate a very small American flag fleet internationally, and the case of one ship where there was a celebrated rescue I think is the exception rather than the norm.

**Mr Simmonds:** I think there is only one thing to add. In our discussions with the FCO and TRANSEC, we cannot help but acknowledge the complexity of the legal problems around the carriage of weapons on board civilian ships. Whereas we have always thought it sensible to maintain a policy approach that does permit the carriage of weapons, as has been explained, under very exceptional conditions, internationally and between specific ports, the carriage of weapons and armed teams routinely between different states through the territorial seas and into the internal waters, the ports of foreign states, is not an easy legal area. In fact, we did mention the issue of Egypt and the key strategic position that Egypt obviously holds. There is, to give just one example of very strong opposition within Egypt to the carriage of any weapons in their territorial waters. To work that through and produce legitimate and operational solutions in other countries and jurisdictions is very difficult indeed, so we continue to see that it only has very exceptional, limited application.

**Q233 Lord Williams of Elvel:** Going back to the insurers, do you think they are being rather wet about possibly restricting cover, or are there serious technical problems in doing so?

**Mr Kopernicki:** It is difficult. The insurers: it is a constellation of bodies that constitute a ship's insurance, so to get an effective solution, a lock, you would need a combined and consistent approach from all the stars in the constellation. Are they being wet? No. In a sense, they are only a reflection of the principals they serve. I think they are being realistic, in that it is not clear if it would actually do the job for this minority of ships that do not obey the

rules. I am not certain that it would actually do the job even if you managed to create the lock. Yes, the ship might be out of class and all the rest, but you might then get down to 10 or 15 per cent that still did not follow the rules and the pirates would grab them. It is an interesting question. For me, the protection and indemnity route is the most attractive because every ship has to have P&I insurance as a matter of law in order to get its various registrations. I wonder if that is not the route in, to say that if you go through a defined area – it has to be defined – and you do not follow substantial measures, then your cover might be withheld, but I think that is as far as you probably could go.

**Q234 Lord Crickhowell:** Can I come in on this one? It is a very large number of years indeed since, as a Lloyd's insurance broker, I placed insurance on some quite big ships, indeed, the two largest tankers in the world at the time. I entirely understand what you were saying about a general policy but I am bound to say, if I were a broker going in to place the insurance on the ships, or indeed later, having to come along and say, "We have got a claim on the ship," I would expect both the underwriters I was dealing with – the principal underwriters, because these are the people one is dealing with, not the great vast mass of participants – and indeed, the P&I clubs, to ask some sharp questions about what the organisation, the company, was doing, whether they were observing the rules, and indeed, if they were not observing the rules, I would have thought the underwriters might have proved quite vocal about the issue. So while I understand the difficulty of a general policy, I am slightly puzzled by what seems to be your almost total dismissal, although you began to move to a more positive line in your last answer on the P&I clubs. I would have thought underwriters could influence things quite considerably.

**Mr Kopernicki:** I take your point, and indeed, we have devoted a lot of thought to this and it is not straightforward. The P&I route seems a sensible key because it is one that really matters to people. If you have a prang and you ring up Norwich Union and a telesales person

says, "I'm sorry, you're not covered" because you did not do this or that, that seems quite a powerful argument but I have met some resistance in promoting that logic, because insurers are very reluctant to alienate their clients. That is as I see it. I have run up what I would like to think is a very well run shipping division. I have colleagues who do the same in big companies. We do all the right things, touch wood, and we risk-manage and all the rest, so we have a fairly positive conversation with our insurers but I agree with you, there is opportunity there, and I think you will have some interesting questions later in the morning but it is around finding something which is practical and relevant, and, for me, it would be to address that issue around how P&I is provided rather than just hull. Hull would be the other route but the P&I gives a sense of where you can have an adjudication and a conversation around a decision.

**Q235 Lord Swinfen:** We have been talking so far about prevention, and I want to turn to what happens now after pirates have attacked and captured a ship. What is your policy on the payment of ransoms? What advice do you give to ship owners on ransoms? Is the Chamber of Shipping ever consulted by ship owners when ships are captured? Probably Mr Simmonds can answer that. What considerations come into play when companies decide to pay a ransom? Interestingly, how is a ransom paid, and can you track that payment?

**Mr Simmonds:** Thank you, my Lord. This is a very important and current area, and there is quite a lot of coverage in the media at the moment of the suggestion that the payment of ransom money should be made illegal. Our view is that there is within the whole Somali business model and the existing piracy problem a fragile status quo which at the moment does enable ship owners to recover, most importantly, their seafarers, the majority of which are recovered unharmed, leaving aside the traumatic effect of being held in captivity, and their ships and cargoes, again, unharmed and without the risk of deterioration of cargoes or the pollution of the seas by oil or chemicals or whatever else the ship may be carrying. So the

status quo is fragile but it is working, and it is delivering our people and ships back. The payment of ransoms is not illegal under UK law. We have been following this very carefully for several years. It obviously would not help the situation, we feel, if that were to change through the United Nations monitoring group on Somali sanctions. Responding to the other part of your question, we have no specific policy as the Chamber. Very few UK ships, most fortunately, probably because of the way they are managed and because of the best practices, have fallen prey to pirate attacks. In the last eight weeks two have. We have been contacted by the owners of those ships. There is little information and we obviously need to be very careful that at this stage, before we know a proper investigation has been carried out and we know all the facts, about jumping to any conclusions. We see in the interim that the company should do a number of things: first of all, obtain clear, up-to-date legal advice about the payment of a ransom; work towards the release of their crew and ship using hostage negotiators, of whom, again, rather like the other elements of the security industry, there is a wide selection but there are very experienced and capable individuals who have recent experience of delivering successful outcomes. We know who those people are and we are in touch with them. They operate to the highest standards, and we encourage those people to be used to enable the ships to be released as quickly as possible. Very often, it does not happen very quickly, and the seafarers are held captive for a considerable period of time. The priority is the safe return of seafarers and, rather secondly, the ship, and that is the way it is done. In terms of the actual delivery of money, the practicality is that the insurance companies indemnify the ship owner against a claimable loss, so the ship owner will pay the ransom, and he will arrange to have it delivered by whatever means is possible – by land, sea, or air drop – these are the most sensible options, and considerable sums of cash have been delivered successfully.

**Q236 Lord Swinfen:** In the form of cash?

**Mr Simmonds:** Yes. Then we are working very closely with SOCA and various other agencies to understand the flow of that cash. Most importantly, we have spent a considerable time establishing that the ransom money paid does not feed into terrorism. We think there is a very clear separation and the funding is being distributed locally. The information we have is that it is actually being accounted for very carefully between the pirates, with very small shares going to the guards and the lesser participants and proportionately much higher shares going to the ringleaders and the organisers, and it is obviously those ringleaders that we have heard most about and those are the ones that obviously should be targeted in the future.

**Q237 Lord Swinfen:** Would you consider payment of ransom to be bribery?

**Mr Simmonds:** No. I think there is a clear distinction. Ransoms are paid so that a ship owner can retrieve his crew and ship safely. Bribery indicates some sort of gain to be obtained from the whole process, and there is no gain. The ship owner's interest is recovering his ship and crew.

**Q238 Lord Swinfen:** I ask the question because there is a Bribery Bill going through Parliament at the moment and I wondered what effect it might have on that.

**Mr Kopernicki:** At first sight, paying ransoms is an anathema, something one desperately does not want to do, and we are very familiar with the argument that it might fuel further activity but, as Gavin has mentioned, the priority is around the safety of seafarers. That is the paramount priority. People often think it is the ship, and I can assure you, large companies included, we are concerned about our seafarers. We have young cadets on board, we have people, members of families. These are our people, and our first and passionate concern is to protect them.

**Q239 Lord Swinfen:** I do know that. I have a son-in-law who is a Master Mariner and my daughter went round the world with him for the first three years of their marriage, so I do know what it is like.

**Mr Kopernicki:** It comes back to addressing the root cause of the problem. Of the available solutions, it is one of the solutions which is, unfortunately, available. There is, as Gavin mentioned, a conversation emanating from Washington about suggestions to make payment of ransoms in some way illegal. The High Court has very helpfully ruled on that recently in this country, and there is a very good international discussion perhaps not to support the American move. I think it distracts from the more fundamental issue of addressing the root cause of the problem, and the issue around mother ships departing from the shores and actually addressing the pirate issue. I think that is a much more fruitful avenue than preventing people paying ransoms. There is just one footnote to add. We do have the concern that if a view were taken that paying ransoms was illegal, the process would go underground, and that would be far, far worse. None of this is good but this is an extremely difficult situation and at the moment, thankfully, we have had very little loss of life in extraordinarily difficult situations.

**Q240 Chairman:** There is a difference between whether something is legal or illegal and a second decision of whether it is in the public interest to prosecute.

**Mr Kopernicki:** But some nations believe that their domain of influence extends quite widely and if they were to rule on a matter many organisations would be fearful of taking any action.

**Q241 Chairman:** Do you actually seek the consent of the Serious Organised Crime Agency before making ransom payments?

**Mr Kopernicki:** I have not had to pay a ransom payment, thankfully, so I do not know.

**Q242 Chairman:** You were nodding?

*Mr Simmonds:* I was nodding because it is my understanding that prior permission is always obtained as part of the legal process.

**Q243 Lord Anderson of Swansea:** Just a point of detail. Presumably the crews on these massive Shell tankers are very small. What is the feasibility of those crews seeking refuge in a reinforced bridge until help comes?

*Mr Kopernicki:* The citadel concept. You are quite right, a typical company ship might have 23 people on board, unless it is being used as a training ship, in which case you go up to 30-something. Citadels are a mixed blessing. We do not advocate them because when they board the pirates will get the people. The American case that was so touted about people locking themselves in the engine space is misleading. Once the pirates are on board they have all the time in the world to cut through any doors. They are armed and there is evidence of them learning about plastic explosives to blow doors open, so you have prisoners; you have not solved anything. The military are very wary of boarding in that situation. The general rule is that once the pirates have got on board, you do not attempt a rapid pursuit because there is a real risk of loss of life. That is not to say you might not have a planned assault at some later time. Rather than a citadel as such the whole focus, certainly in my company and for colleagues in other companies, is to be sure that the crew are protected while the pirates are firing bullets and RPGs, so we have created a core space in the ship and, as mentioned, we have had QinetiQ actually do the sums to protect the crew from incoming projectiles but still allow the crew to manage the ship and continue navigating the ship at speed.

**Q244 Lord Selkirk of Douglas:** Could I ask a brief question. You may not be able to answer it today but what would be very helpful is for us to have evidence as to what the scale of this problem is, whether it is diminishing or growing, and to what extent it is changing and,

for example, how many of the major ships are covered by the convoy system, what percentage are covered and what percentage are not? Is there a need for more national navies to be involved in this matter and what do you think should be the response?

**Mr Kopernicki:** We would be happy to provide information, but pretty well all major shipping companies have found solutions, either conforming to the EU NAVFOR coalition envelope or using the navies of their nations, as I mentioned earlier. Is the problem getting worse or better? It is stationary. We are watching it. It is almost weather dependent. We talk about the “car park” of taken ships and we count how many ships are in the car park. It is rather simplistic but you watch the car park diminish and you realise that if the car park is a bit empty the pirates are likely to be out again. At the moment it is criminality. We have mentioned we do not think it is linked to terrorism. That is what we are told. We do however worry that this is something ripe for taking by terrorist interests in the medium term. It surprises us that they have not availed themselves of this mechanism. I am glad of that of course, but it is surprising. I would be very happy, my Lord, to provide any information or digest that would be helpful.

**Q245 Chairman:** If you could that would be helpful to us. Thank you very much and thank you for your time and the evidence you have provided.

**Mr Kopernicki:** My Lords, I have brought for you the do-it-yourself protect-a-ship digest.

**Chairman:** Thank you very much.