



Globalization and its Impact onto Security Provision in the Russian Federation

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So what has actually been going on in Russia?

- “Shock Therapy” in early 90ies
- Strong economic growth since 1998
- Young Capitalism & newfound business culture
- Massive opportunities for investment
- Russia is not on the top of globalization indexes
- Globalization and its components are not spread equally
- Significant impact by current geopolitical turbulence

What does this mean for the security business?

Private Security Sector (1)

- Private Security Industry exists since 1992
- Has become more visible in recent years
- Growth driven by poverty, insecurity, rise of crime
- Lack of accurate statistics and reliable information
- App. 600 guards per 100,000 population
- Around 1 million employed officially – 3 million unofficially
- Over 24 000 licensed private security companies (PSC)
- Only 10-15 of them are federal level and employ over 2000 guards
- Majority are small, owner-managed, limited geo coverage
- Total volume of the industry US \$1 to 10 bln



Private Security Sector (2)

- Impossibly low wages of the guards – US \$200-400/ month
- Legally regulated by public sector (police), financially – by clients
- Very strict legal requirements to PSCs
- Foreign investments are not allowed by law
- Only few major players incorporate the use of technology
- Absolute majority of PSCs are predominantly low skilled guarding
- Wages are low, not paid on time, long shifts, no extra benefits
- Retention of qualified and committed guard force is difficult
- Massive tax evasion, breach of labor law and fraud due to tenders and cost cutting



Private Security Sector (3)

- Large multinationals often sacrifice compliance to immediate cost savings and take high probability risks of substantial losses
- Fire arms are allowed to use by PSCs (law requires improvement)
- Operating and guarding licenses, fire arms issued and fully controlled by police
- Police officially offers full range of security services on commercial basis
- Police is often used in cash in transit, residential security, banks, government facilities, close protection
- PSCs not allowed to guard government and/ or state owned facilities (airports, railways, government buildings, etc.)
- The largest clients are Russian and foreign oil, gas & energy companies



Private Security Sector (4)

- Public and private sectors are strictly differentiated
- PSCs attempt to self regulate – currently 7 largest self regulated unions of PSCs...yet there is no consolidated industry position
- Third party insurance, certification, compliance...
- Increasing demand for technical solutions due to modernization
- Integrated security is one of few ways of optimizing costs, but some forces against modernization due to the drop in ongoing security budgets and fear of the new + professional consultancy required to glue up supply and demand
- Full spectrum of business intelligence, investigations, brand protection and due diligence services offered by the local vendors
- Global security providers model will not necessarily work in Russia in “copy & paste” mode



Future Considerations

- Private security industry is in need of improvement
- Higher quality service is desirable
- Difficult to achieve due to non transparent operational environment
- Tighter regulation (minimal wage and rates, training standards, higher entrance fee, etc.)
- Police is in competition with PSCs
- Police has not enough authority and initiative to drive change
- Improvement may require decades
- No liberalization for foreign investments expected
- Remote but possible risk of nationalization of private security (Uzbekistan - 2014, Belarus, Armenia, etc.)
- Geopolitical crisis certainly does not help and will have long term impact



In conclusion...

“The test of policy is how it (war) ends, not how it begins”

Henry A. Kissinger





Thank you for your attention.
Questions?

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