





# A growing economy faces fresh challenges

**G** Eliminating a 44-year-old preferential zero tax regime for international companies, Gibraltar has introduced a 10% low headline tax rate for all business – effectively more than halving previous local rates – and promises cuts in personal tax to fuel further growth.

**G** GIBRALTAR, the small 6.5 sq kilometres (2.5 sq miles) of land on the south-west tip of mainland Europe dominated by the 360m high Rock that is its enduring symbol, is strongly promoting itself internationally as a politically stable, trouble-free and welcoming place to visit or relocate business.

The jurisdiction has largely ridden out the recession and comparatively is one of the most successful European economies, with strong business regulation and an enviable tourist appeal.

Multicultural Gibraltar – said to be home to the oldest of humans – has a history of conflict, having been overrun numerous times through the centuries by people from all over the Mediterranean and twice by the British. After a joint Anglo-Dutch force captured the Rock in 1704, it was ceded 9 years later to Great Britain in perpetuity ending the War of the Spanish Succession.

The Union Flag has flown from this peninsula ever since, despite numerous wars and sieges inspired by Spain, and more latterly through its political manoeuvrings within the EU, the UN and directly with the UK to try and win back the territory.

None of this has affected the stability of Gibraltar. The economy's GDP has risen 130% in a decade and at sub £1bn is still growing at 5% a year; the budget is in healthy surplus, public debt a lowly 15% of GDP and there's near full employment. Peter Caruana, Chief Minister since 1996, points out, "The economy of Gibraltar has enjoyed, so far, a more comfortable passage through both the financial crisis and the global recession than larger countries in Europe."

A key factor in the success is economic diversity, based on four pillars – a deep

water port, tourism, the finance centre and Internet gaming – that have helped insulate this small territory from the global crisis, essentially by spreading the risk. The first two sectors depend on exploiting Gibraltar's natural resources, whereas the latter are the result of astute political initiatives.

When Gibraltar introduced a law in 1967 creating Tax Exempt Companies (TECs) with nil rate tax for international companies as a means of creating inward investment, it became the first territory in Europe to trade as an offshore centre. TECs became the backbone of the finance centre, but also earned the territory its reputation as a 'tax haven' serving as an offshore branch for City of London businesses and individuals who took advantage of tax planning and investment opportunities.

Gibraltar became part of the EU in 1973 wrapped up in the UK's membership, but with special status; it's not part of the Custom Union, so there's no VAT, but it forms part of the single market in services, capital and freedom of movement of people.

After pressure from the EU the tax exempt status has ended and from January a 10% corporation tax implemented for all – good news for local firms paying 22% previously, and good news for the finance centre that now says it is an "EU on-shore international finance centre" looking to broaden further its appeal.

Positive IMF reports on implementation of anti-money laundering measures and more recent completion of sufficient tax transparency agreements with other world finance centres has put Gibraltar on the OECD 'white list' of compliant

## The Gib package

### 1 English language and English legal system

This means that international firms, especially those working in the UK or the US, enjoy additional security and comfort, since they can rely on a familiar language and contract terms.

### 2 A growing economy, stable political and business climate

Despite the global recession Gibraltar has prospered in recent years and shows every sign of future growth, thanks to its steady and reliable political and business culture.

### 3 Accessible business and political leaders

Starting a company or lobbying for a change in the law is exceptionally easy since there are very few layers of Bureaucracy. The rock prides itself on its adaptability and agility, responding to changing circumstances.

### 4 Good quality of life, security, education and climate

Residents praise the high quality of life on the rock, with its proximity to watersports, golf and mountainous countryside, its low crime rate, access to good education and its 300 days of sun per year.

### 5 Strategic positioning

At the mouth of the Mediterranean, at the border of Europe and Africa, Gibraltar is in the middle of everything. And with new technology, this is only going to become more important.



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- 01 The airport and deep-water port are close to the town centre.
- 02 The runway straddles the isthmus joining Gibraltar with Spain.
- 03 Looking down on Queensway Quay, one of two marinas.
- 04 The Union flag flies on the Tower of Homage at the Moorish Castle, a dominant medieval fortification on The Rock that is visible to all visitors.

## Who is the Gibraltarian?

Gibraltar has seen many waves of immigration over the centuries. According to Professor Clive Finlayson of the Gibraltar Museum, "Gibraltar has multiple histories". In 1704 the vast majority of Spanish inhabitants left Gibraltar in the tumult surrounding the British invasion and the anticipated counter-attack from Spain. Since then waves of immigration have brought in Italians, Maltese, Jews and Moroccans.

In 1969 Spanish dictator Francisco Franco closed the border between Spain and Gibraltar. This closure, which lasted until 1982, had a profound effect on the Gibraltarian community as a sense of solidarity and camaraderie developed amongst the Rock's inhabitants.

The history of Gibraltar, and the diversity of its population, has led to a sense of community and harmony in the territory, which transcends ethnic and religious divisions with Catholic, Jewish and Muslim inhabitants living peacefully together.

The majority of Gibraltarians are bilingual speaking both English and Spanish. However the combination of British politeness, education and approach to work with the warmth, vivacity and vitality of the Mediterranean temperament coupled with a distinctive Gibraltarian entrepreneurial drive, has allowed a clear sense of Gibraltarian identity to develop, separate from that of the UK or Spain. Indeed children in Gibraltar rarely see a sheep or cow but are well acquainted with wild apes!



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jurisdictions and, in the process put pressure on Spain, which still regards the Rock as a 'tax haven'.

The territory also saw the advantage from 1999 of hosting online gaming companies that would help generate inward investment, although the earliest, such as Victor Chandler, were attracted by the more generous tax treatment of betting revenue than in the UK. Since then, gaming companies' interests have grown. William Hill is the latest to move in more of its UK operation; another gamer has just been licenced to open.

The Port, historically dependent on the Navy, is now the focal point for ship refueling in the region having built a reputation for price competitive and rapid at-anchor bunkering, along with crew transfers and ship repair services.

Cruise line business has taken a recession hit just as the specialist terminal is being doubled in size. But as with the new Gibraltar airport terminal that trebles handling capacity from summer when the number of scheduled flights is at a low, the government believes it's essential to invest for the future.

Tourist numbers have held up, although the four main hotels are reporting fewer bookings and lower yields. But hoteliers seem to have confidence and plan new Gibraltar ventures - a 5-star Hilton and a 4-star Lester Hotel adjacent to the airport - with offices.

Work starts on a Gibraltar World Trade Centre in spring to meet office demands from new businesses - particularly, insurance, funds and gaming - attracted by the jurisdiction's firm regulation, English-based legal system and support services, plus a quality lifestyle in the sun.

Caruana is concerned that there should be sufficient office space to house the

newcomers and has considered financial backing for schemes such as Midtown, a giant £120m, 4-block project that has been dogged by bank funding and other problems.

The building industry has been hard hit by the recession with local companies suffering bankruptcy and job disruption when building firms collapsed and the government stepped in to finish projects.

Local subsidiaries of UK and Danish-owned retail banks have had lending quotas and criteria tightened by parent companies, leading to hardship claims for small and medium sized businesses.

Retailers too have experienced patchy demand even in the run-up to Christmas when locals usually join large numbers of Spaniards to take advantage of the euro exchange rate.

With an election in the offing this year, a European Court of Justice (ECJ) tax ruling due that can make or break Gibraltar's appeal as a finance centre, and Spanish claims on the territory's land and sea, there is a slight uncertainty over the future direction for this once strategically important military garrison town.

In the last decade, the aim has been to establish and then protect the jurisdiction's reputation - its most valuable asset - in part by implementing "a high entry bar" to only a few businesses; it's all that is needed to make a positive impact on a small economy.

"One of the reasons why we have entered this almost unprecedented international financial and economic crisis in relatively good shape," argues Caruana, "is precisely because we have never conducted our socio-economic policies and actions on the assumption that we were entitled by some sort of divine right to prosperity." ●

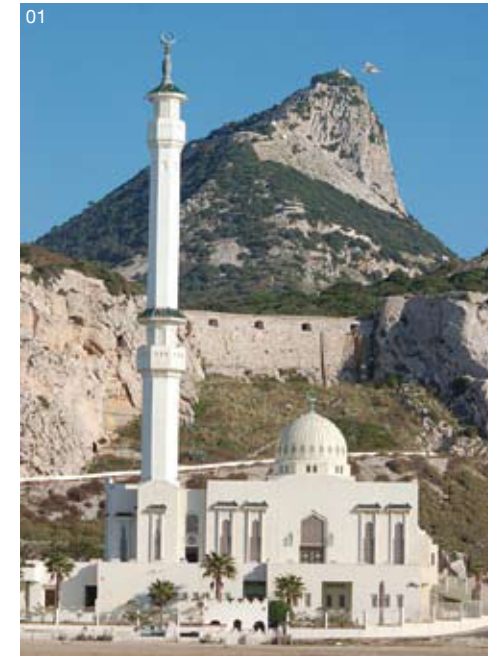


## The world comes to Gibraltar

When Kaiane Aldorino was named Miss World 2009, it was a crowning moment for the whole of Gibraltar, helping raise awareness of the Rock internationally. It was the first time a local girl had reached the competition final and businesses were urged by government to close for at least two hours so staff could welcome her home. Thousands flocked to the airport and lined the streets to see her open-top car cavalcade.

It was quite simply the biggest thing for years to have happened in this small community that saw an immense public outpouring of pride in the success of the 23-year-old hospital worker. Miss Gibraltar's success has been made all the more poignant since she replaced Miss Russia and was succeeded by Miss USA, both large countries. Even UK newspapers took the opportunity to hail it a "British" victory!

- 01 One of approximately 200 Barbary Apes found on The Rock. They originate from Africa.  
02 The Ceremony of the Keys reflects the Governor's securing of 4 garrison gates in the 18th century Great Siege of Gibraltar.



- 01 The Ibrahim-al-Ibrahim Mosque, a 1997 gift from King Fahd of Saudi Arabia, at Europa Point with views across the Strait to Morocco.  
02 The 1820 clock tower at the Cathedral of St. Mary the Crowned, the 15th-century Catholic church in the town centre.  
03 Eastern Beach, the largest of Gibraltar's 6 beaches with its all-day sun.  
04 Relaxing opposite the Governor's Convent Residence, originally a Franciscan monastery reflected in the pub's name.  
05 The 170-year-old Trinity Lighthouse at Europa Point, the southern-most point in mainland Europe.





➤ **ALTHOUGH** Gibraltar is joined to the Spanish mainland by a narrow isthmus, the residents have an island mentality. Over the last three centuries, the Rock has been attacked and supply lines cut off numerous times, most recently when Spain's last dictator, Franco, sealed the border for 13 years.

Since 1986, there has been relatively free movement between Gibraltar and Spain, which has enabled a degree of 'normality' to be established in relations between the two national administrations.

However, whilst Gibraltar residents have twice voted to emphasise their determination to remain part of the UK – the most recent referendum was in 2002 when 99% of votes were cast in favour – Spain continues to claim historic ownership of Gibraltar.

Chief Minister Peter Caruana has been relentless in his efforts on the one hand to ensure constant UK support for the territory, and on the other, to improve cooperation and dialogue with Spain. But maintaining that position has been a balancing act in political and practical trade cooperation.

The most recent conflict is Spain's listing of Gibraltar waters as Spanish in information for the European Commission, which is now reviewing the issue – with the UK defending Gibraltarian rights! Policing of Gibraltar's territorial waters under international law has since led to tensions with Spain.

Since adoption of the New Constitution four years ago, Gibraltar is accountable for almost all that happens in the territory, except that as a British Overseas Territory, the UK is responsible for defence and foreign relations. Therein lies the problem – and Caruana's impelling need to maintain a balance. As he explains, "The UK is the member state responsible for Gibraltar in the EU, but we are not part of the UK nor are we a member state of the European Union in our own right."

Caruana's task is to ensure Gibraltar's interests are protected by keeping its needs at the forefront of Ministers' and UK government officials' minds 1,000 miles away. Within the EU, Gibraltar has – with the support of the UK – defended its right to set taxes independent of the UK at the European Court of Justice following an appeal by Spain and a ruling is expected in the summer.

For a brief period, half way through this past decade, the UK and Spain explored the idea of bilateral talks on Gibraltar sovereignty, but Caruana quickly pushed it into the long grass by refusing to cooperate. Instead, in 2006 he successfully got Spain, Gibraltar and the UK to embark on tripartite talks to end restrictions on air space, customs at the border, telecommunications and pensions. The UK has since repeatedly confirmed it will not do anything without the people of Gibraltar's approval.

Whilst Spain's desire to claim Gibraltar as its own remains the underlying issue, a balance has been struck and is emphasised by the words ending official statements on the tripartite talks: "We have reaffirmed that... any agreements ... would have no implications whatsoever regarding sovereignty and jurisdiction."

The new airport terminal being built is an example of pragmatism, because it has been positioned immediately adjacent to the border fence and provides for Spain to build an independent access point, meaning passengers from Spain can be treated as though they had not left the Schengen travel area, of which Gibraltar is not part. ●

## Trade Relations

The advent of financial services, particularly over the last decade, has dramatically altered Gibraltar's historic balance of trade. Like the City of London, the local finance sector attracts business from outside on a scale that is out of proportion in relation to the size of the economy.

Whilst historically, the UK remains the main non-petroleum export partner mainly through added-value services (Gibraltar having virtually no manufacturing), which have doubled in 10 years, overall imports outpace exports by 2:1. North Africa is the 'big opportunity'. ●

Around 45% of the £267.5m of imports derives from EU countries

Accounts for 25% of imports in the last 5 years, they've grown by 70%

Accounts for 25% of imports, which have only doubled in 5 years

## Conventional wisdom Re-think Gibraltar

**G** Misconceptions are often the result of outdated thinking and sheer ignorance. Gibraltar's long history – it is said to be one of the oldest civilisations in the world and much of it full of conflict – has given enough time for untruths and half-truths to form. But there's more to this British Crown Colony than some of the myths imply.

### ➤ Gibraltar is a 'tax haven'

**NOT TRUE.** Not for the last decade or so, anyway. There's been a determined effort by the government to eliminate 'brass plate-ism', effectively a PO Box address under which non-resident companies and individuals hid income to avoid tax scrutiny in their home countries.

Gibraltar volunteered for IMF reviews – published in 2001 and 2007 – on regulatory and anti-money laundering practice, which fully met international standards.

Having now signed some 18 Tax Information Exchange Agreements (TIEAs) with major countries such as the US, France, Germany and Ireland, Gibraltar in 2009 moved from the OECD 'grey list' of tax havens to the 'white list' of transparent economies.

But that didn't stop the City of London's Global Finance Centres Index report six months later erroneously stating Gibraltar was on the OECD grey list, while Spain still has Gibraltar on its 'black list' of tax haven economies.

### ➤ Gibraltar is an island, and part of Spain

**FALSE.** Gibraltar is a small land mass of less of 6.5 sq kilometers (2.5 sq miles) strategically located at the southern end of the Iberian Peninsula overlooking the Strait of Gibraltar. Dominated by the 460m-high Rock of Gibraltar, the territory is almost completely surrounded by 12km (7.5 miles) of coastline, but is linked to Spain by a narrow isthmus dissected by the 2,000m airport runway that has the sea at both ends and the Spanish border just over 300m away.

Gibraltar is not an island, nor physically part of Spain. However, Gibraltar was part of Spain before being ceded to Britain in 1713 under the Treaty of Utrecht following the War of the Spanish Succession.

### ➤ Gibraltar is a military garrison town

**NOT ANY MORE.** It's true that during the wars of the 18th century between Britain and Spain, Gibraltar was besieged and bombarded for extended periods, but the naval and land attacks were successfully repulsed by a hardy and resourceful British garrison before Gibraltar became a colony in 1830.

During the 19th century the territory became an important base for the British Royal Navy for around 150 years, along with the Army and Royal Air Force that provided the main source of income for the economy, as well as substantial local employment. The dockyard closed in the 1980s and is now a commercial operation, although the Navy continues maintenance work and a facility for nuclear submarines to visit for operational or recreational purposes, and for non-nuclear repairs.

In 1984, nearly two thirds of Gibraltar's economy was military based, but progressively fell to today's 6% and is still falling. There are now some 500 army, navy and air force personnel and MoD land accounts for less than 20% of Gibraltar, although defence remains a UK responsibility.

### ➤ Gibberish is the official language

**NOT TRUE.** The rapid and often incoherent chatter overheard between Gibraltarians is mostly unintelligible to visitors, because of the use of English and Spanish-sounding words in the same sentence. Some understandably call it 'Spanglish', but others have even maintained it is the modern-day origin of the term 'gibberish'!

Linguists say it is Yanito or Llanito, an Andalusian-based Creole language incorporating many English, Italian, Hebrew and Maltese words, also drawing on Portuguese and Arabic, reflecting the territory's chequered history.

However, the official language is English, although most inhabitants also speak Spanish after centuries of cross-border connections.



# “Our main economic asset is our reputation”

Peter Caruana

**G i B**  
**Q & A** Exclusive Interview with Mr Peter Caruana,  
Chief Minister of Gibraltar.

➤ **THERE'S nothing Gibraltar's 54-year-old Chief Minister likes more than a good argument. Peter Caruana was after all a barrister before becoming Chief Minister at the 1996 general election. But he also always likes to win; friends say he is like a dog with a bone when he gets his teeth into an issue.**

This was never more apparent than when verbally fighting off Spanish claims on Gibraltar, refusing to legitimise 2002 bilateral talks between the UK and Spain over sovereignty. Instead, his pressure for trilateral talks, equally involving the UK, Spain and Gibraltar, resulted in the Cordoba Agreement and improved cross-border communication on a range of issues. As this exclusive interview shows, Caruana favours dialogue and co-existence with Spain.

Originally practising as a partner in one of Gibraltar's oldest law firms – he married the senior partner's daughter – Caruana went into politics in 1990; a year later he was his party's leader and in 1991 became an MP. Fourteen years ago he became Chief Minister and remains so today, but an election is pending.

Credited with providing enabling legislation and support for expansion of the finance sector that now accounts for a third of the economy, over a decade he has transformed the jurisdiction from tax haven to a mainstream onshore EU finance centre. His move to reduce business tax to just 10% positions Gibraltar as one of the most competitive locations, but demonstrating his willingness to take on opposition at any level, he says it's not for powerful G20 countries to undermine the sovereignty of countries to set their own tax levels.

Caruana has also repeatedly attended UN meetings around the world to make the people of Gibraltar's case for recognition of their right to self-determination, as provided for in the adoption of the 2006 Constitution by the UK and Gibraltar.

① Gibraltar is an oasis of growth in Europe, so what's the secret to this success?

The government practises prudent fiscal and financial policies. We have budget surpluses, rising public investment, effectively full employment with the number of jobs in the economy increasing by more than 50% in the last 10 years. Our GDP is approaching £1bn, the current budget surplus is £30 million, equivalent to about 2.5% of our GDP and we have a buffer of revenue over expenditure of about 10%. We are engaged in huge and unprecedented publically funded infrastructure projects, yet our public debt is still significantly below 20% of GDP. Gibraltar is a small economy, but one of the things that characterises it – which is unusual for economies as small as this – is the extent of our diversification.

② Everything you describe sounds almost too good to be true. What happens when it starts to rain?

We never assume that it will not rain. One of the reasons we have entered this almost unprecedented international financial and economic crisis in relatively good shape is precisely because we have never conducted our socio-economic policies and actions on the assumption that we are entitled, by some sort of divine right, to prosperity. We have never overstretched ourselves, whether in public borrowing, in overheating the local economy or in public expenditure. We are constantly repositioning our government policies for the economy and our society in such a way that includes a safety net in case the environment changes.

③ Since you regard your reputation to be your main economic asset, what do you want it to be and what steps are you are taking to manage perceptions internationally?

In the various areas of our economic activity – mainly shipping, financial services and online gaming – our main policy

objective is to provide an environment where people who want to come and do business in and with Gibraltar should be comfortable in doing so. They must instinctively appreciate that through our policies and actions, our regulatory regime, they will be coming to a place where their own corporate reputation will not be placed in jeopardy by association. We have worked to limit access to our market to reputable, established companies that value this as much as we do.

④ What makes Gibraltar attractive to investors?

The physical location of Gibraltar – within mainland Europe – is important. The fact that we're a separate, distinct jurisdiction with our own legal system based on English law makes us particularly attractive to companies working within English-speaking legal and political administrative systems. Also, we have a Financial Services Commission that operates independently of government and because of our small size, we are able to regulate on the basis of having intimate knowledge of the operations of each organisation within it. This is a place that takes its 'policing' parameters very seriously.

⑤ What personal values and traits are most reflected in the Gibraltar product and how is it perceived today?

We've always wanted to be seen as a small community that is a responsible member of the international community. We want to engage in reasoned dialogue with people who have political or economic issues with us, whilst at the same time exploiting our economic aspirations in a reasonable and legitimate way. My personal political objective has always been based on establishing as much normality as possible in relationships, while sustaining our socio-economic prosperity.

⑥ How do you see the relationship evolving with the new government in



the UK, given that you regard one of your main challenges to be ensuring your views are heard?

Although the UK is the member state responsible for Gibraltar within the EU, we are clearly not part of the UK, nor are we a EU Member State in our own right. This presents a huge challenge – both for Gibraltar and the UK – and we find it particularly difficult to ensure that when UK officials are negotiating on issues in the EU they remember that they are also negotiating on Gibraltar's behalf. However, there has always been a very powerful cross party UK parliamentary political lobby group in favour of Gibraltar, so we've always been able to mobilise those Members to increase the awareness of the UK's need to look after Gibraltar. Despite our small size, we have been able to make our voice heard in the far reaches of Whitehall.

⑦ Do you foresee change now that the Conservative Party is back in power in the UK?

In opposition the Conservative Party was very active in its support of Gibraltar and

early indications are that it will continue to be so now that it is in government.

⑧ How do you think UK investors and companies are reacting to the new 10% corporation tax for all from January?

With the ending of the Tax Exempt Company status, Gibraltar is now completely mainstream and EU compliant in terms of regulatory standards and supervisory requirements for financial centres, money laundering, exchange of information and tax. There is now a certain international opprobrium of reputable companies that seek to operate out of zero tax jurisdictions, and I know of none here in Gibraltar that plans to pack its bags and leave because it is going from zero tax to paying 10% tax.

⑨ What is your message to UK investors looking for investment opportunities in this part of the world?

If you want to do business within Europe as part of onshore Europe, but from a

fiscally competitive environment in which you know that your corporate reputation is going to be safe, and if you want to be in a place where the government is both stable and sensitive to business needs, then Gibraltar is an attractive location for you. The government will never abandon its commitment to high standards and to providing a safe environment – a safe platform – in which international business can be carried out.

⑩ What do you still hope to achieve?

At the end of the day, it is the unfinished business from my political legacy. Although much progress has been made in normalising and improving cooperation and dialogue with Spain, we haven't yet resolved the fundamental underlying issue. [Gibraltar remains a British Overseas territory]; however, Gibraltar's future must be chosen freely by the people of Gibraltar and implemented in accordance with their wishes and without any external duress or imposition from anybody. ●



# Rock solid is the new brand

**G** Rebranding usually occurs when a product needs to be repositioned in the minds of potential customers; for Gibraltar it's not simply a matter of getting people to think differently, key finance centre players most want the jurisdiction to be more widely known.

WRITER: *Ray Spencer*

**OVER MANY YEARS**, Gibraltar has come under attack for being a tax haven, but recent fiscal changes complete a long journey designed to transform the territory into a mainstream finance centre with an eye to attracting businesses looking to relocate there.

Today, the finance centre that provides around a quarter of the territory's wealth is for the first time on the offensive with the rally cry "onshore, not offshore" and the knowledge that perception is key.

Nearly two decades ago, senior financial specialists made an initial sortie into Europe selling the idea that insurance companies get a good deal by being based in Gibraltar.

The early making of the finance centre 43 years ago was the creation of the Tax Exempt Company (TEC) status to attract inward investment.

But having preferential zero tax rates for only some companies is an EU no-no, so it was agreed to phase out Gibraltar's TECs - there were 3,000 at their peak - and instead have a low 10% rate business tax for all from the end of last year.

In parallel, the Gibraltar Finance Centre (GFC), a government department charged with promoting financial services, worked with a strong-armed Regulator to show that the territory applied all appropriate EU Directives and was fully compliant with international anti-money laundering practices.

Peter Isola, managing partner at Isolalaw firm, says the process started 15 years ago with the advent of EU membership, via the UK. "Those EU directives enabled us to take advantage of what is termed 'passporting', which means we can sell our financial services in Europe." This is seen as particularly

valuable in expanding the insurance and funds sectors.

"We already have captive insurance companies domiciled in Gibraltar who write the risks of the parent throughout Europe, and we have third party insurers, mainly motor, accounting for 10% of the UK market," reports Bruno Callaghan, whose company, Callaghan Insurance Brokers, accesses markets in Bermuda, Switzerland and London.

He sees Gibraltar attracting re-insurance business from widely used Bermuda, because many companies there "do not have the ability to write into the European Union so they could use Gibraltar as a hub for EU business."

But along with other finance centre professionals, he feels greater awareness of Gibraltar's offering is needed.

Joseph L Caruana, partner in the local Deloitte specialist tax and auditing practice,



"This small jurisdiction provides good communication between industry and government."

James Lasry  
Head of Funds at Hassans

## Report Card

Gibraltar's greatest weakness is its small size, however it is also its strength; the 'light touch' in regulatory terms, coupled with good fiscal and intimate service support is there, but it is still lacking a critical mass to command international attention.

### Insurance

Latin America via Madrid is a future potential source of captive and re-insurance companies, as insurers want easy access for pan-European underwriting.

A legal drafting error means UK insurers and re-insurers involved in run-off can transfer anywhere in the EEA except Gibraltar. That should be remedied this year.

Gibraltar's small size and rapid regulatory approvals are promotable benefits over main competitors Dublin and Malta.

### Fiduciary

No filing requirements generally for trusts, no information disclosure by non-residents to any authority and no tax on income other than bank interest.

Gibraltar was first to licence trust and company businesses in 1989. Isolalaw says: "In a small community, it's easy to contact the people you need to start up; once into business planning and due diligence, the first hurdle has been crossed!"

### Funds

Asset managers are attracted by low HNW tax breaks, low service costs and the Latin lifestyle. Funds are able to start trading from day one after set-up, so no regulatory downtime. Custody of Experienced Investor Funds need not be held in Gibraltar, but local administration must be located there. "In certain cases we should open that up to foreign administrators," says GFIA chairman, James Lasry.

### Banking

There are three local retail banks (the Regulator believes there is room for another) and each handles private investment clients, although there are also 9 specialist private banks. Small firms and developers complain little money is available to develop business: government pondering forming a bank financed by local entrepreneurs.

Danish Jyske Bank clients are from 130 countries, but says "there is very little movement between banks compared to other countries".





**“One thing that Gibraltar has done is only accept first class companies. We have probably rejected up to 20 times more companies than we have accepted”**

Peter Isola  
Partner at Isolalawyers

emphasises the aim is “to be accepted into the community of countries from a tax perspective as a fully fledged, tax transparent economy, in order to totally shake off the tax haven image.”

The GFC Council, a representative consultative body of finance professionals, is planning its own marketing push for later this year and wants government backing.

Isola suggests that “What we would like from our government is for the Gibraltar brand to be marketed and then let us in the private sector go out and do the talking one to one.”

Although the new 10% business tax has been available to new entrants since mid-2009, Gibraltar companies saw their tax fall from 22% only this year – a reduction of over 70% since 2007!

Jimmy Tipping, GFC director, suggests it is “an important sign, because where we’re positioned now is the opposite of where Gibraltar was positioned some 20 years ago.”

Some caution may be founded on the uncertainty surrounding the new low tax. Spain, along with the EU for separate reasons, has appealed against the European Court of Justice 2009 ruling confirming Gibraltar’s right to set its own taxes, independent of the UK.

Arguments were heard in November, with a summer decision likely. Along with the UK and latterly supported by Ireland,

Gibraltar is confident of success, but the government conceded that the consequences of defeat “would be severe”.

Accountant Caruana says that the 10% tax rate is sustainable in the long term, because the government’s finances are in good shape, even though Chief Minister Peter Caruana said in June’s Budget that the global financial crisis had hit business volume and revenue.

Nevertheless, the finance centre had “marked time and held its own in these very difficult times.” GDP rose 5% to reach an estimated £914m and a similar improvement this year is forecast, making for a 130% increase over a decade. The budget surplus was £29m, an all-time high.

Deloitte’s Caruana notes, “We are seeing start-ups and asset managers deciding to set up new operations here in Gibraltar because of the stable fiscal environment.” He insists Gibraltar is well placed to promote its tax advantage.

However, Javier Chincotta, managing partner at Hassans law firm, cautions, “All financial products have to come with a risk warning. If you look at where we have come from you see steady growth, not rampant growth but steady, controlled, conservative and sensible growth. I would like to think that that is where we are going.”

Spain is considered likely to sign a Tax Information Exchange Agreement with

Gibraltar shortly as part of the Trilateral Forum, also involving the UK. That would remove Gibraltar from Spain’s own tax haven black list and open cross-border business potential like any other EU State.

Callaghan enthuses, “If Spain were to use Gibraltar as its de facto EU finance centre that would be fabulous, because it makes sense.” Gibraltarians have a working mentality that embraces both English speaking and Latin concepts, “making it easier for us to do business with Latin American interests that presently use Madrid, because we understand the thought process.”

James Lasry, Head of Funds at Hassans, Gibraltar’s largest legal firm, says there is good communication between industry and government: “When we wanted to have Gibraltar as a jurisdiction for funds, the time between the first meeting with government and the actual enactment of the Experiencing Investor Fund regulations was one year, which in legislative terms is the speed of lightning.”

As Tipping concludes, “There has been a massive re-branding and roadmap over the last ten years, which takes us from the last vestiges of ‘tax havenism’ and puts us firmly as a small international financial services centre.” ●

## Q &amp; A



Mr James Tipping,  
Director,  
Gibraltar Finance Centre

What is your role?

We advise on financial services, making sure that government policy gets enacted. We engage directly with the Regulator on policy issues and new directives and interface with the private sector. We also run the High Net Worth tax residents

regime – at present there are 340 such individuals here.

What of the financial services sector in 2011?

We are not interested in volume business. We want businesses to take time to decide that they want to come here and do their due diligence. Then the government feels comfortable that they are going to be here for the long run. Commercial viability of businesses here is primordial.

Financial services were much smaller 20 years ago. Even though in actual terms we are small now, we’re a more diversified and sophisticated player. We have moved from what was purely private client business to corporate business.

Apart from captive insurance, the other big trend is private client work that has high added value, multi-jurisdictional tax planned and cleared with Revenue and tax authorities in the different countries.

What is your relationship with the City of London?

We’re clearly known in the insurance area and it’s in their vested interest to make sure that they are informed about what Gibraltar offers. Traditionally, our accountants, lawyers and financial professionals have been trained or have worked in the UK, that is, in the City. There are many synergies. We have English common law, which is an important part of the package and a distinguishing factor. Lawyers in London can feel comfortable because they know the system.

How important is the EU to your success?

As part of the EU since 1973, we apply all relevant directives and financial services regulations, including anti-money laundering measures. The new 10% company tax signals this is not a zero tax system; it is a low tax environment which is EU friendly and EU acceptable. ●

## Q &amp; A



Hon JJ Holliday  
Minister for  
Enterprise,  
Development,  
Technology &  
Transport, and  
Deputy Chief Minister

What is your view of the business environment in Gibraltar?

A number of sectors are important to the economy – financial services, tourism, shipping, e-Gaming and others. People see Gibraltar as a reliable and stable jurisdiction. That is a key element for outside investors. When I became Minister for Enterprise in 2003, I never imagined the amount of interest from outside investors.

What is the status of the airport expansion project?

In 2006, the Government decided to invest in a new terminal that had direct access to Spain. The new terminal is a 20,000 square

metre facility with a capacity of 1 million passengers a year. The idea is to build a terminal that will meet the requirements of the next 50 years. It is a statement that Gibraltar is a very prosperous, stable and mature jurisdiction. It should be fully functional before summer 2011.

What will come in terms of new routes?

We have a number of additional UK destinations that are being considered. We will concentrate on the UK as our main market. However, Spain is also important for us and we will try to open up new routes to other European destinations.

What about the tunnel project?

At the moment we have a road crossing the runway and this does not allow us to maximise the use of the airfield. There is clearly a huge need to build a tunnel to have access to the border and the airport. Traffic will no longer have to cross the runway, so there will no longer be traffic jams when aircraft land or take off.

How are you addressing the parking issue?

One of our biggest problems is traffic. We get over a million cars coming through the border every year. A number of initiatives, including residents’ parking and

multi storey car parks, will alleviate the problem when it comes to finding spaces. An element of paid parking spaces is also envisaged.

What are the key strategies for increasing the port’s role in the economy?

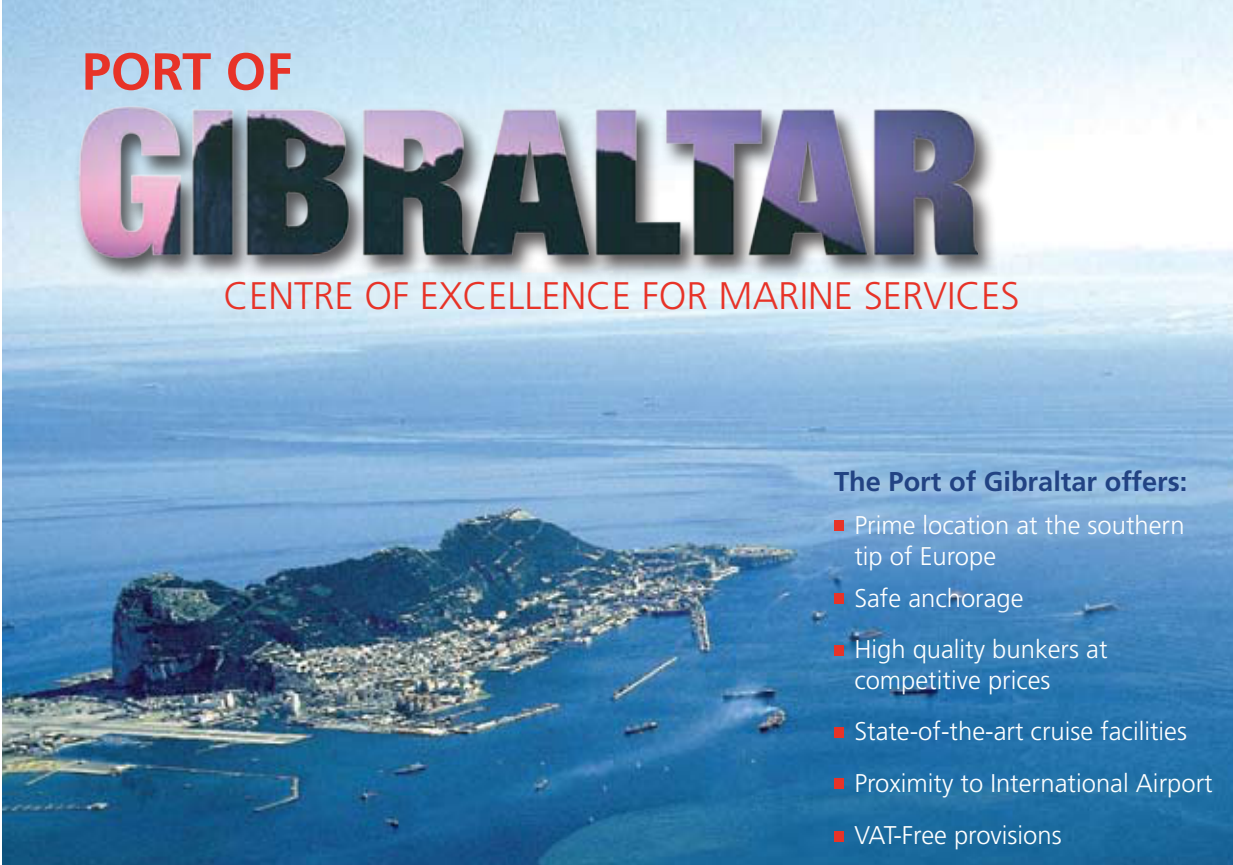
The port is an area where Gibraltar can freely develop without having to depend on the international and political agenda. We are developing a maritime centre of excellence in all areas of shipping. There has been significant investment in equipment and infrastructure to improve the standard of services we have available. There have been many options considered in terms of land reclamation and we would like to see more berths being made available. We believe that this will create business opportunities.

Who are your main competitors in terms of rival ports?

Tangier-Med, Ceuta, Algeciras and Gibraltar all do bunkering operations. Gibraltar has roughly 70% of the market share so we are the biggest by far. Our competitors really are Malta and Piraeus. In cruising, we compete with a lot of ports in the Mediterranean including Barcelona, Malaga and Cadiz. ●


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## Cable by numbers

16 Consortium members

3 Continents covered

12 Connected countries

700 Cost (USD in millions)

18,000 Km in length

# Connect...

Gibraltar plays host to a new transnational fibre optic

WRITER: *Sam Mendelson*

► GIBRALTAR, for many people, conjures up idyllic images of a Mediterranean Britain, marrying northern European efficiency and standards to southern European charm and creativity. However, to a growing degree, it is Gibraltar's position as the burgeoning global centre for the massive growth industry of e-Gaming that is making a name for the Rock.

Yet e-Gaming is nothing without the Internet. And the Internet is nothing without a competitive, reliable and state-of-the-art telecommunications infrastructure, something which is as dependable as the Rock upon which the territory is built. Gibraltar benefits from an advanced fibre optics network, something that, according to Tim Bristow, CEO of Gibtelecom, the half government-owned telco provider, was "perhaps over-engineered" to begin with. Yet as demand has grown, this network has itself come to be "the bedrock for the Rock."

Things, Bristow notes, have changed a lot in the last decade. "A few years ago, all our routes effectively went through Spain and there were single points of failure," he recalls. "Now, we are a more sophisticated network and as we have these big e-Gaming companies that need to be connected every second, they have been very influential in us building it."

It wasn't always thus. In 2002, half of Gibtelecom's business was traditional voice telephony, something which now makes up less than 25%. A third of business

is now mobile, plus there's the increasing importance of the Internet, and packages provided in partnership with Telefonica and Ericsson. "Uniquely in the telecoms world," Bristow says, "we provide one bill for everything, so customers get their mobile, landline and Internet all in one bill."

The development of telecommunications in Gibraltar has been driven by e-Gaming, and Gibtelecom isn't the only player. In 2005, Lawrence Isola set up Sapphire, an ISP that has its own entire infrastructure separate from Gibtelecom and connects Gibraltar to Madrid using fibres from Telefonica and Ono.

Sapphire has gone from being a secondary provider to a primary one. As Isola notes proudly, "One of the biggest gaming companies in Gibraltar uses us and Gibtelecom has become a backup just in case." Gibraltar, like all places, "needs to have more than one credible provider, otherwise we'd come across as a banana republic."

According to Bristow, the trends in the sector, and which Gibtelecom will pursue, are towards data centres and providing a whole range of value-added services. And the vision comes from an abiding confidence. "We wouldn't be investing this sort of money (£50m in the last decade alone) if we didn't believe in Gibraltar."

But there's another thing Gibtelecom believes in too, and that's e-Gaming.

## Gibtelecom invests in world's longest fibre optic cable



Tim Bristow,  
CEO of Gibtelecom

The biggest development may be the Europe India Gateway cable, which will run 18,000km from the UK to India through the Bay of Gibraltar. Tim Bristow sees it as crucial for the territory. "It means the beginnings of an international business because of the capacity we will own on the cable. Even if Gibraltar multiplies several fold, it's much bigger than we will ever need here." But he hasn't been leading it just from a company perspective, he says, "It's the first time in nearly 100 years that Gibraltar has had a commercial submarine cable. So we can marry it to data centres where people are looking for tax-efficient places to host their computers." Connectivity, he believes, is "the new oil".

# and play

cable and has become a pre-eminent centre for e-Gaming

Gibraltar is today home to roughly 20 gaming groups, with more than 2,000 staff making it the territory's largest employer. Jim Ryan, CEO of PartyGaming, is clear: "Gibraltar is now the centre for on-line gaming in the world."

Initially attracted by the low taxes, cost and duties (just 1% of yield), online casinos are benefiting from the fast and stable broadband offered by Gibraltar's providers (who understand the potential of the gaming sector very well), a sympathetic regulator, and plenty of ancillary professionals, such as lawyers and accountants. As an environment for e-Gaming, it's a royal flush.

If so, the ace in the hand is probably PartyGaming. A FTSE250 company, it's in the process of merging with BWIN to create, in Ryan's vision, "the world's largest listed online gaming business". With over €680m in 2009 revenue, it will dwarf the next biggest publicly traded competitor and employ 450 people in the territory. Exciting times ahead.

The past few years have been a rollercoaster for the industry. In 2006, the US government passed a law banning millions of Americans from gambling over the Internet - by prohibiting credit card payments to gaming companies. The law was catastrophic and PartyGaming among others lost half its value overnight. But it's clawed back.

For Peter Montegriffo (see box), Gibraltar's success as an e-Gaming centre has many causes, but competition is central.

"Gibraltar has 20 operators but has had hundreds of applicants - most turned away," he says. "Gibraltar has no obsession with jobs, but we do have an obsession with proper control and management and regulatory accountability."

There are, however, challenges associated with allowing online gaming to become so dominant: reputational risk is foremost, as gambling has often been associated with organised crime and carries the stigma of addiction. But also important, according to Montegriffo, is controlling growth and ensuring diversification, a lesson learned well after the 2006 catastrophe. The vision, he says, is for the government to take the number of players to 25 or 30 over a 3 to 5 year time cycle, to maintain diversification.

Yet much will continue to be owed, as Ryan and his competitors readily concede, to the Gibraltarian telco providers. "From a technical support perspective in particular," Ryan says. "What we have available to us here is top tier, it has met our existing requirements, and it will meet our growth ones too."

The future looks good. The gaming market worldwide is worth US\$350 bn, and it will, according to Ryan, continue to evolve from land to the virtual space. The next five years "will see convergence, regulation and consolidation". And with the trust built up in the industry and a reputation for data privacy, the sector will surely continue to grow apace in Gibraltar. ●

## World's best online gaming lawyer?



Peter Montegriffo,  
Partner at Hassans

Peter Montegriffo is as authoritative as you can get when it comes to e-Gaming. Gibraltar's Minister for Trade and Industry, with responsibility for economic development and financial services between May 1996 and February 2000, he is now a senior partner at Hassans, the biggest and most reputable law firm in the territory. He has been closely involved in the IPOs of several of the gaming companies established in Gibraltar, and within Hassans, Peter has been the partner liaising with the government on drafting e-Gaming legislation, in consultation with key players like 888 holdings and PartyGaming.

## e-Gaming in numbers

20 Gaming companies in Gibraltar

10% Corporate tax

1% Gaming duty

£2,000  
Annual licensing fee

£2.6 bn  
PartyGaming-BWIN merger size





# Gibraltar's entrepreneurs



**George Bassadone**  
Executive Chairman of Toyota Gibraltar Stockholdings



**James Levy**  
Senior Partner at Hassans



**James Gaggero**  
Chairman of Bland Group International



**John Bassadone**  
President of Gibunco Group



**Lawrence Isola**  
Managing Director at Sapphire Networks



**John A. Gaggero**  
Chairman of MH Bland

## The Motivator

Described as possibly the most successful Gibraltarian, in the space of 20 years, 57-year-old George Bassadone has turned the small family car dealership he inherited from his father into an international emergency vehicle re-supply giant for government bodies and specialist relief agencies.

When a leading Danish motor dealer asked George to supply five Toyota vehicles for aid work in Africa, he spotted an opportunity and developed the market to the extent that 4 years later, Toyota asked him to sell directly to aid agencies. Since the mid-1980s, Toyota Gibraltar Stockholdings (TGS) has supplied and converted at its local base more than 100,000 vehicles using ports in Spain and has set up a car distribution business in Finland and the Baltic countries.

In just four weeks Bassadone provides bespoke vehicles worldwide for organisations like Oxfam and the UN, accounting for half the average 300 monthly unit sales. Vehicles are mainly used in Africa, but are also shipped to Asia and South America and TGS recently built 200 ambulances for use in Peru.

George motivates his 200-strong team through delegation. "If every decision has to come back up the line then we lose our agility. Whatever the emergency, the first thing personnel on the ground need is a vehicle." ●

## The Strategist

A collapsible card table and chair in the reception area of his uncle's tiny solicitor's office were the humble beginnings in 1976 for James Levy QC, now senior partner at Hassans, Gibraltar's largest legal firm, with 70 lawyers and 7 trainees. It helped that the founder, Sir Joshua Hassan, was a former Chief Minister, but it was also a potential hindrance.

Levy, who gained 'Star Individual' ranking in Chambers Global 2010, subtly grew his 24-strong partner base over 30 years as part of a strategy to ensure the firm's political diversity and acceptability. He and his team of 250 now lead or support development of local legislation, promote international commercial and joint venture deals and provide specialist teams in litigation, funds, taxation and property, among others.

Described as a dynamo of work who transformed Hassans from a sleepy practice, Levy is credited with commercialising Gibraltar's legal sector after introducing the UK system of charges based on time management. He also put the jurisdiction on the world's legal map by gaining Parliamentary drafting work for South Africa, Maldives and Malta. Four Hassans lawyers are members of the British Virgin Islands (BVI) Bar while other partners have addressed conferences in London and Tel Aviv. ●

## The Visionary

In selling GB Airways (GBA), the Bland Group's core business for over three generations, James Gaggero took a calculated risk and on becoming chairman in 2007 and with more than £100m cash as a result, wondered where next to invest.

Already an integrated business in the local tourist sector – with the Rock Hotel, Blands coaches, Gibair aircraft handling and the Avis car hire franchise – Bland strengthened its foothold in a Southampton firm supplying civil, military and government amphibious and hover craft worldwide, by absorbing its only serious UK competitor.

Endorsement of his vision to aid talented British engineering firms that lack management expertise and finance came when Prince Harry recently praised Universal Engineering's Ranger – a fast, lightweight armoured vehicle with a revolutionary v-shaped base giving occupants superior bomb blast protection. It was the biggest of Gaggero's 4 investments in 2009 and he now employs over 700 in 18 businesses without any borrowing, as well as owning substantial property.

He's since devolved control of existing and new Gibraltar projects to a separate local team, preferring to work in the background diversifying risk according to location and business sectors. ●

**G** It is only in comparatively recent years, primarily as a result of the growth in the finance centre and the e-Gaming sector, that international firms have made an impact on Gibraltar's economy. However, the successful wider economy is still strongly associated with local entrepreneurial businesses such as the six featured here.

A remarkable feature of their success, whether these businesses are engaged in trade locally or internationally, is that they are invariably family affairs. Most have grown over generations

and similarly depend on long-serving teams of employees whose own families have a long history on the Rock. That some businesses have had roots in the territory for over 200 years is testimony to the durability and determination of their principals.

Gibraltar is a tight-knit community, where everyone seems to know everyone else and many people are in some form related. However, our featured entrepreneurs generally retain a low profile, preferring to develop their business outside the glare of publicity, that some of them even positively shun.

## The Adventurer

Arguably Gibraltar's largest and most successful business, Gibunco was set up by John J Bassadone 45 years ago as an underwater cleaning and maritime engineering operation to make ships go faster. Since then it has developed into oil and energy supply, shipping, maritime engineering, logistics, real estate and property development.

Bassadone kick-started the jurisdiction's now huge bunkering sector to supply vessels using the Straits and East Atlantic, becoming, alongside Spain's Cepsa in a joint venture, the largest importer and distributor of marine fuels, servicing 1600 ships annually from a fleet of barges. Recognising the potential for exporting its expertise, he formed Peninsula Petroleum in 1997 as a major bunker and lubricant supplier in Ceuta, the Canary Islands and Panama, as well as becoming a global trader with offices worldwide.

Trained as a marine and civil engineer, Bassadone managed to combine both aspects by taking Gibunco into property development, becoming instrumental for reclaiming over 30 hectares of land from the sea for housing and offices and the rejuvenation of the Gibraltar seafront and harbour side. Gibunco is a leader in Gibraltar's largest planned office development – 4 blocks totalling 38,000 sq m at Midtown. ●

## The Innovator

Originally a manager of corporate and trust services as a 1982 founder member of Fiduciary Group, Lawrence Isola became head of its property management and property development. By 2000 an Arab group had bought Gibraltar's largest office complex of 5 towers at Europort, where Isola had doubled occupancy to reach capacity in just five years.

He then saw the opportunity to provide London or New York quality Internet connectivity and formed Sapphire Networks out of Gibnet, a small, secondary Internet service provider with little of its own infrastructure. In less than a decade Sapphire has transformed into a leading provider for large international gaming companies, with the incumbent, half state-owned Telco as backup, he says.

Investment in fibre optic cabling, plus infrastructure both sides of the border using diverse circuits from Telefonica and Ono, enables Isola to boast that in nearly 4 years "we haven't had a single outage between Gibraltar and Madrid."

As part of a group that also includes Gibraltar's oldest law firm Isolas and estate agent BMI, he's been innovative with precious bandwidth by selling cheap weekend sporting and special event capacity well beyond contracted rates. Now Isola plans to build a data centre office block. ●

## The Consolidator

While the 1985 opening of the Gibraltar frontier after 16 years was a key moment for the whole community, John Gaggero quickly realised the need for significant investment. "Infrastructure, which had been put into a deep freeze for the period, had to be kick-started again," he says.

The 200-year-old MH Bland (MHB), of which John is chairman, set about capturing the lion's share of shore excursions for passengers from the fast expanding local cruise ship market and Malaga and Cadiz. The cable car it built to the top of the Rock was updated; stevedoring and delivering ship stores and lube oils to vessels in the Bay was expanded, as were ship agency services beyond Gibraltar to the Spanish ports of Algeciras and Ceuta.

Gaggero is now focusing on a myriad of opportunities in Spain and trade with the Maghreb, as well as the Strait as a cruise liner growth area. "We have no ambitions to go global or pan-European," Gaggero declares. MHB management aims for decision-making at the lowest possible level, resulting in loyal people who often stay for life.

But Gibraltar's recent loss of two cruise lines is a wake-up call, he feels; the tourist product needs to be reinvented (only a fraction of the territory's heritage is seen) to compete with neighbouring ports. ●



# City projects

WRITER: *Dominic Longstaff*

► **THIS YEAR**, the government of Gibraltar will continue to invest £150m in projects across the city. The spending will include £32m on roads and tunnels and £29m on completing the new airport terminal. More than £30m will also be spent on housing schemes.

These projects have the potential to transform the day-to-day life of those living in or visiting Gibraltar. Whether arriving by air or land, the experience of passengers will be much improved and, for those already there, the investments should enable the local economy to expand and meet its potential.

There are still some serious challenges for Gibraltar, not least the need to ensure there is enough room for businesses to grow. One of the greatest dangers for Gibraltar is that it will run out of office space, forcing financial services firms or online gambling companies that want to expand to look to other markets.

Both the government and the business community are well aware of this problem. The downturn in the real estate market around Europe means that banks are more cautious about lending to buyers or developers, but a number of new schemes are now being planned.

Between them, these government and private sector projects should help to set up the economy for more growth in the future. ●

## 1 Arriving in style

Gibraltar has needed to update the ageing facilities at its airport for years, but the new steel and glass £50m passenger terminal currently under construction means that the long wait will soon be over.

Covering an area of over 20,000 square metres, it will be four times the size of the existing terminal and will have capacity to handle some 1 million passengers a year. It should prove to be a more fitting arrival and departure point for a place that likes to market itself as an international business hub.

"The new terminal is a showcase of the government's determination to make Gibraltar a centre of excellence," says Joe Holliday, Minister of Enterprise, Development, Technology and Transport.

The Gibraltar government announced that it was pressing ahead with the development of the new terminal in 2007, a year after it had signed the Cordoba Airport Agreement with the governments of Spain and the UK.

The building will straddle the main road and run up to the border with Spain. The design of the terminal will allow Spanish officials to issue from their side of the border Schengen area travel clearance for those travelling to Spanish airports.

For now, the only direct flights from Gibraltar are to the UK, but the government is hoping that the modernised facilities will encourage airlines to open up new routes around the continent.

The new airport is expected to welcome its first passengers before the summer of 2011.



## 2 Easing traffic congestion

Gibraltar suffers from a unique problem: the main road in and out of the territory passes right across the runway of the international airport. Every time a plane lands or takes off the road needs to be closed, causing traffic jams and frustration in equal measure. The government has for years acknowledged the need to resolve this issue.

Now, as part of the redevelopment of the airport and the surrounding area, a network of new roads is being built which will include a tunnel under the runway for the first time. Once complete, it will allow traffic to pass freely to and from the Spanish border at all times.

There is little doubt that the four-lane tunnel will make a big difference to those visiting or living in Gibraltar, but anyone wanting to experience the old thrill of crossing the landing strip will still have the option of walking across the tarmac - pedestrians will not be forced to walk through the tunnel.

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## 3 Creating room to grow

One thing almost everyone in Gibraltar agrees about is the critical shortage of office space. With such a limited land area this is hardly surprising, but unless the problem is addressed the fear is that it could undermine Gibraltar's role as a business hub. If firms run out of room to expand, they may look elsewhere.

The Chief Minister, Peter Caruana, laid out the concerns of the government when giving his budget address in July 2010. "This is proving to be an obstacle to companies seeking to establish or expand operations in Gibraltar, and is thus curtailing our economic growth and development," he said.

A major difficulty for developers is raising finance in an environment where banks are reluctant to lend. Despite this, a number of new developments are being planned to address the shortage, including a £30m World Trade Centre.

The new seven-storey centre is being planned by British property entrepreneur Greg Butcher and will add more than 13,600 square metres of office space once it is completed by 2012, providing room for up to 1,000 people.

The licence to establish WTC Gibraltar was granted by the World Trade Centers Association in Beijing in October. According to Brian Stevendale, development director of WTC Gibraltar, a number of companies based in the neighbouring Ocean Village development have already expressed an interest in expanding into the new block. Two years ahead of its opening, more than 25 per cent of the space has already been provisionally allocated.

Several other local developers are also planning new commercial projects to meet demand in the coming years. Europort, for example, is planning a new office building covering 10,000 square metres which will include a data centre. Montagu Group is also eyeing up a commercial development of the same size, which will take about two years to complete and involve an investment of £35m.

"There is a need for office space," says James Garbarino of Montagu Group. "This is where we see the immediate future and this will be the first commercial and office project that we will embark on."

## 4 Optimising residential space

Office space may be at a premium but the city's residential market suffers from the opposite problem. Gibraltar has been through a real estate boom since 1995, with house prices rising by as much as 600% in that time, but the market has now slowed down.

Local industry figures say that there is now an oversupply of property. Coupled with the more cautious attitude to lending that banks have adopted, it means that few new projects are being planned. Yet even in this market there are opportunities for some, according to observers.

"We are no longer in the boom years that we were in 2003 to 2007," says Louis Montegriffo, a director at local estate agency BMI Group. "But we are certainly in a market where any savvy investor can see margins if they buy sensibly."



"There is a need for office space and we are embarking on a 10-year-long construction project. The first phase consist of 10,000 sq m of office space with an initial investment of £35 million."

James Garbarino  
Chief Executive of Montagu Group



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# Gibraltar's strategic role in world shipping

**G** At the centre of one of the world's busiest shipping lanes, the Port of Gibraltar is a pillar of the local economy and makes a sizeable contribution to the public purse. Plans to expand the port's facilities to attract more cargo and cruise ships, as well as the owners of super yachts, mean that its importance is only likely to grow in the years ahead.

WRITER: *Dominic Longstaff*

THE SEAS around Gibraltar are among the most crowded waters in the world. Every year some 110,000 vessels pass through the Strait of Gibraltar and each one has to sail within 14 miles of the Port of Gibraltar.

For Gibraltar that represents a business opportunity it cannot afford to ignore. "The key to the port and its success is its location," says Peter Hall, Chief Executive and Captain of the port. "It is a motorway service station in the seas."

With more than 1,700 metres of berths, a maximum draught of up to 9.6 metres and a tidal range of just one metre, the port has been able to capture 10% of the passing traffic. Ships use Gibraltar to take on provisions and spare parts and as a site for crew changes – helped by the fact that the international airport is just a few hundred metres away. It also has dry docks for ship repairs.

Perhaps its most important role, however, is as a refueling or bunkering hub – both for ships going through the Mediterranean and for those heading north and needing more environmentally-friendly fuel before they enter the sulphur emissions control area of the English Channel and the North Sea.

"We are the leading bunkering port in the Western Mediterranean and among the top ten bunkering ports in the world," says Joe Holliday, Minister of Enterprise, Development, Technology and Transport. "That can be mainly attributed to our location, our efficiency in the delivery of our cargo and our ability to turn around ships very quickly."

The Spanish ports of Algeciras on the opposite side of Gibraltar Bay and Ceuta on the North African coast also offer bunkering services, as does the rapidly expanding Tangier-Med port in Morocco, but they are struggling to compete with Gibraltar in this area at least. Gibraltar currently has a 70% share of the bunkering market at the



western end of the Mediterranean, an element that played a key role in allowing the port to make a contribution of £1m to the government's coffers last year.

However, in some ways the port has been a victim of its own success. With demand rising faster than it can expand, ships have had to wait longer to use the port's refueling facilities, much of which are delivered by barges while the ships are at anchor in the bay.

"You can have waits of 24 hours [but] the norm is down to 8-12 hours," says Hall. "Because of the decline of the world

economy, shipping has been prepared to wait a little longer, but as we see the growth in the world economy then we must rise to that challenge and meet it with better efficiencies."

As the recovery in the global economy picks up pace, it should lead to even more business for Gibraltar's port. The territory is preparing for that scenario, with more anchorages due to become available on the eastern side of the peninsula from mid 2011. More bunkering facilities could also be developed there, once an environmental impact

assessment has been carried out, as well as on land.

"We are looking at the idea of land storage for bunkering," says Holliday. "We feel that, sooner or later, the environmental agenda within the European Union and the International Maritime Organization is going to move towards land storage facilities only. There is a lot of interest from the private sector to invest in these facilities."

Space is clearly at a premium, although local businessmen say there is enough room. "Gibraltar has been impressive in being able to offer a corporate client or a personal resident the same resources that you would expect anywhere," says Joseph Corvelli, Chief Executive of Gibdock, a local shipyard services firm. "It is efficient. Systems and departments don't get so bloated that you get lost. I don't see Gibraltar's size as limiting at all."

Bunkering is not the only focus of expansion. Its location has also proved popular for cruise ships on their way to and from the Mediterranean. In 2009, it attracted some 350,000 passengers – almost 12 times the local population of 30,000 – and the government is aiming for far higher visitor numbers.

"The priority of future development is definitely the extension of the current

cruise terminal, which will double the amount of passengers we are able to handle," says Holliday. "Gibraltar as a port of call is extremely convenient. It is one of very few ports where within 10 minutes you're at the main tourist sites. When they call at our destination it's not just the Upper Rock [they come to visit], it's the dolphin safaris, the caves, the World War II tunnels and other attractions."

Another market which Gibraltar is targeting is for far smaller vessels than the container ships and cruise liners which the port is used to serving. The government recently decided to lift a rule that had meant the Gibraltar Maritime Administration (GMA) was not able to register commercial yachts more than 24 metres long.

"This greatly limited our market," says Alan Cubbin, maritime administrator at the GMA. "The government has now decided to lift this restriction. We are going to be able to take on the super yachts over 24 metres in length."

If it succeeds with its ambitions, the super yachts will be a lucrative addition to the port's robust economic position. It will also mean the waters in and around the port will become even more crowded than they are at the moment. ●



## New Yacht Registry

When Gibraltar started a yacht registry in 1997 it had just 50 ships, but it has come a long way since. "At the last count there were 320," says Alan Cubbin, the port's maritime administrator.

With new rules to attract super yachts, a fresh growth spurt could now start. Six have already been registered and a mix of reputable services and an English legal system could attract far more.

"We put a full package to yacht owners which covers registration, taxation, legal and running support," says Cubbin. "The beauty of Gibraltar being small is you can put all the things together quickly."

# Gibraltar



## Take a closer look...

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02

# Home from home

**G** Tourism is a pillar of Gibraltar's economy, bringing in £257 million of indirect contributions into the accounts. But how will the transformation of the Rock from its dubious tax haven image into a serious European financial centre affect the tourist industry? And will 21st-century development reduce the historical charm of the Gibraltar that witnessed so many wars, sieges and cultural changes?

WRITER: *Howell Llewellyn*

**IT'S ALL 'Rock Steady!'** in Gibraltar's thriving tourism scene. Or maybe not. As the Rock introduces radical tax changes from January as part of its transformation from an offshore tax haven into a conventional financial centre, tourism is bound to feel the effect.

"We want continuous growth in tourism," says Ernest Britto, Gibraltar's Minister of Tourism since 2007.

Unlike the majority of the sunny Mediterranean's modern beach-dominated attractions, Gibraltar's tourist lure is more focused on history. Many, many layers of history. From the Second World War, back to Neanderthal man, who seems to have chosen Gibraltar as his last known crash-pad.

Gibraltar's multiple histories, says Professor Clive Finlayson of the Gibraltar Museum, "means you've got the Neanderthals, the Phoenicians, the Muslims coming in, the Spanish, the Christians coming in, the turmoil of the British period...and you see them when you excavate any part in the town. The Rock is like a time machine."

You know you're not in a typical Mediterranean resort as soon as you arrive by plane or car. The Gibraltar airport runway, the smallest in the world and built during the Second World War,

crosses the main road into the town. Visitors are dumbfounded when traffic is stopped to allow planes to take off and land.

Once you are on Main Street, Gibraltar's biggest thoroughfare and shopping area – all VAT free, another lure for tourists to the Rock – you note a more recent history. The pound sterling is the currency and cops are English Bobbies with the characteristic helmet and uniform, speaking Spanish!

All around, everything seems to still be in the 1990s, 1980s, 1970s... This is Britain as you remember it maybe in your youth. Yet it's not really British, it's not Spanish, although the feeling is of a "home from home", a mini UK in the sun. How will the embracing of a serious European-style financial system affect this? It's maybe time for a pint in one of the southern-most British pubs in Europe...

Gibraltar was an important operations base in the Second World War, and much of the Rock's 50 kilometres of tunnel – more than its surface road – were built during the war.

General Dwight Eisenhower in November 1942 directed the Allied invasion of North Africa known as Operation Torch from a former NATO regional headquarters deep inside the Rock. The



03



04

UK Ministry of Defence used the same secure area until two years ago, when it was taken over by a data storage company.

Part of the Second World War tunnels includes O'Hara's Battery, a once decrepit site that has been renovated into a top attraction. O'Hara's Battery is the highest point of Gibraltar at 426 metres (1400ft approx).

The Governor believed if such a tower was built it would enable the garrison to see Cadiz and any ships heading towards Gibraltar. After it was built and his theory was dashed, it became known as O'Hara's Folly. The Second World War battery is still on MoD property and a locked gate prevents anyone getting to it. It is the final destination on the trek along the Mediterranean steps before the walk back downhill past St Michael's cave and on to the Ape Den.

Another worthwhile historical visit is to the Great Siege Tunnels, from where in 1789 the forerunners of the Royal Engineers built tunnel systems to position guns to keep back the enemy.

St Michael's Cave, regarded as one of the 10 best caves in the world, has amazing stalagmites and stalactites, and was inhabited for a while by Neanderthals as well as Neolithic man.

The Rock's Upper and Middle galleries are part of the honeycombed inside of the limestone Rock. A tour of the Upper and Middle galleries takes in thousands of years of Rock history, and this includes the notorious Barbary Ape Den, where Europe's only free roaming primates hang out when they're not looking for food from human visitors who have come to take their photos. The Ape Den has recently been facilitated with new flooring and steps – but watch out for leftover fruit and other ape food that is lying often half-rotten on the ground.

The Moorish Castle is famous for its resistance to past sieges. Construction began in the 8th century, but its completion date is unknown. The Moorish Castle played a major role in the Arab conquest of the Iberian Peninsula, overrun in just two years (apart from the northern region of Asturias). This invasion led to Arab domination of a part of Europe for nearly eight centuries, essentially from 711 to 1492, although the Spanish reoccupied Gibraltar in 1462.

Back to the present, other key attractions include dolphin safaris and wreck diving. The Bay of Gibraltar is home to several species of dolphin and many companies organise dolphin safaris.

Deep below the Rock's Upper gallery is another wonderful Gibraltar universe – the underwater world of 30 shipwrecks from many wars, reefs and pinnacles. Seven Sisters is a series of rocky pinnacles just offshore, which offer a stunning array of corals and 165 different species of invertebrate.

And if so much history and sea activity isn't your thing, you can always take a day-trip to Spain or Morocco. ●

## Gibraltar man?

The first Neanderthal skull was found on Gibraltar on March 3, 1848. Subsequent findings suggest that Neanderthals were still living there some 5,000 years after it was thought they had died out.

Many think that Neanderthal should be called 'Gibraltar Man'. This is because the skull found near Düsseldorf, in Neander Valley, in 1856 was found eight years after the Gibraltar discovery. The British, who had the Gibraltar skull, dithered over announcing their find, and missed out on the nomenclature.



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- 01 Marina Bay at Ocean Village with numerous leisure facilities, including a casino  
02 The pool is at Rosia Bay, where Nelson's body was said to have been brought ashore after the Battle of Trafalgar.  
03 The 1966-built cable car to the top of the Rock.  
04 The influence of occupation by the Moors, Spanish and British, as well as that of Genoese immigrants, is reflected in Gibraltar's architecture.

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Hon Ernest Britto  
Minister for the  
Environment and  
Tourism

Over the past 10 to 15 years Gibraltar has enjoyed a positive trend in the growth of tourists. What are the main reasons for this positive trend development and how would you evaluate the tourism sector today?

As well as being the key to the Mediterranean, the key to the success is the image that this Rock of ours creates. It is an image that has been transmitted across the world, presenting a magnetic attraction to visitors. There is something different about Gibraltar: it's the monkeys running wild and sometimes being naughty, it's the mixture of the Moroccans, the Jewish, the Gibraltarians, the Spaniards, the Italians and the co-existing of nationalities, cultures and religions.

Across the board, you have sports tourism, conference and business tourism, and wedding tourism. How do you go about increasing the different segments and utilising them to their full extent?

First we identify the niche markets and then we find ways of improving them. When I took over as Minister for Tourism in 2007, everybody talked about wedding tourism. It was there but it hadn't quite flourished. Within a space of 6 months we made some big improvements including extending the locations where people could get married. We introduced the hotels and immediately it was more marketable.

And you have introduced a 24 hour wedding license?

The normal one is 7 days, but if you come and spend a weekend here with a friend and you decide to get married, you can within 24 hours. It is possible and of course our most famous wedding was that of John Lennon and Yoko Ono. They were married here and the most successful Gibraltar stamp issued is exactly that, Yoko and John with the Rock in the background standing on the tarmac of the airport.

Gibraltar could certainly be portrayed as a nucleus for business and investment with a

spirit for tourism and travel. How would you evaluate the investment possibilities and options within this sector?

One of our biggest problems is the fact that we are very small so there is great competition for real estate. This applies to any form of investment and expansion, and therefore hotels come up against that problem. There have been a number of projects in recent years of people wanting to invest in hotels, however there is conflict of land use with the MoD and that is under discussion. In one area, there are plans for a hotel to be built by the Hilton Group, and that should be going up next year.

You have said that many people in the UK are not aware that the Pound Sterling is the official currency. Why is that?

People in the UK think of Gibraltar as British but the fact that we're still in the sterling area is not something that has been marketed much until recently. British tourists who come here benefit as this is a sterling area and they don't lose out on their rate of exchange.

In addition, Europeans holding euros come in and they find that all of a sudden we're cheaper than we were before, so it has improved our standing in shopping terms. ●



## GIBRALTAR

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