Gibraltar

Recession proof?
Tiny Gibraltar’s healthy economic position is in sharp contrast to that of most other jurisdictions, but can its impressive record continue while reducing taxes for business and individuals?

£29.4 million
Record budget surplus

£1 million
Net contribution of the Port to the coffers

£257.59 million
Total revenues from tourism

11%
Percentage of population employed by the telecom and e-Gaming sectors

10%
New company tax from 2011

5%
Projected GDP growth

Rcession proof?

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A growing economy faces fresh challenges

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.

**Gibraltar**

The small 6.5 sq kilometres (2.5 sq miles) of land on the south-west tip of mainland Europe dominated by the 136m 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 to.

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. At 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 history of conflict, having been overrun numerous times through the centuries by people from all over the Mediterranean and twice by the British. At 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 perennial conflict zone for over 100 years. However, the relief felt in 1976, when the UK, united within the EU, the UN and directly with the Spanish Succession, was to be the last time it was desired.

The majority of Gibraltarians are bilingual speaking both English and Spanish. However the combination of British political legacy and a distinctive Gibraltarian community and harmony in the territory, which transcends ethnic and religious divisions with Catholic, Jewish and Muslim inhabitants living peacefully together.

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.

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 Francois 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 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

   More 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.

The Gibraltarian

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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!
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 building industry has taken a recession hit just as the specialist terminal is being doubled in size. But as with the new Gibraltar airport terminal that doubles 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 investment for the future.

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.

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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!
Conventional wisdom
Re-think Gibraltar

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.

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.

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 main 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’.

For a brief period, half way through this past decade, the UK and Spain explored the idea of bilateral talks on Gibraltar sovereignity, 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 trilateral 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.

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.


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 than 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 100m 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 navy, army 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

Exclusive Interview with Mr Peter Caruana, Chief Minister of Gibraltar.

Peter Caruana

How do you see the relationship with 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.

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

What do you still hope to achieve?

At the end of the day, it is the unfettered 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

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 must 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 instead have a low 10% rate business tax for all from the end of last year.

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. “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, means we can sell our financial services in Europe. “This is seen as particularly valuable in expanding the insurance and funds sectors.”

And despite the belief that the territory applied all appropriate EU directives and was fully compliant with international anti-money laundering practices, Peter Isola, managing partner at Isolas law 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 motivating benefits over main competitors Dublin and Malta.

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. Isolas 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 down-time. 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 GFA 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 Isola Lawyers

What is your view of the business environment in Gibraltar?

Mr James Tipping, Director, Gibraltar Finance Centre

What are your main concerns about the economy?

What is your view of the future?

What are your main strategies for increasing business opportunities?

What are your main strengths?

What are your main weaknesses?

What are your main challenges?

What do you think is the key to success?

What are your main competitors?

What is the next step?

What is the most important factor for your success?

What is the most important factor for your growth?

What is the most important factor for your survival?

What is the key factor for your future?

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What is the key factor for your future?
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 online gaming in the world.” Initially attracted by the low taxes, cost and duties (just 1% of yield), online casinos are benefitting from the fast and stable broadband offered by Gibraltar’s Internet service 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, €600m. Brintow says, “It’s the first time in nearly 100 years that Gibraltar has had a banana republic.”

According to Brintow, the trends in the sector will surely continue to grow apace and Gibraltar plays host to a new transnational fibre optic network. Gibraltar is now mobile, plus there’s the increasing importance of the Internet, and packages provided in partnership with Telefonica and Fibion, “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 Giblecom isn’t the only player. In 2005, Lawrence Isola set up Sapphire, an ISP that has its own entire fibre 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 Giblecom 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 Brintow, the trends in the sector, and which Giblecom will pursue, are towards data centres and providing a whole range of value-added services. And the vision comes from an industry veteran. “We wouldn’t be investing this sort of money (£50m in the last decade alone) if we didn’t believe in Gibraltar,” he says. But there’s another thing Giblecom believes in too, and that’s a Gaming duty.

World’s best online gaming lawyer?

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 BWIN and PartyGaming.
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) if the product needs to be reinvented (only a fraction of the territory’s heritage is seen) if the need is a vehicle.”

The Strategist

A collapsible card table and chair in the reception area of his uncle’s tiny solicitors’ 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 Hassans, 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 transforms 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 and financialisation, 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 re-clarifying over 30 hectares of land from the sea for housing and offices and the rejuvenation of the Gibraltar seaport and harbour side. Gibunco is a leader in Gibraltar’s largest planned office development - 4 blocks totalling 38,000 sq m at Midtown.

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, Gibraltar 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 engineer’s firms that lack management expertise and finance came when Prince Harry recently praised Universal Engineering’s Ranger – a fast, light, weight 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 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.

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 ships 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 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.

As part of a group that also includes Gibraltar’s oldest law firm Isolas and estate agents, Isolas and O’Donovan, Isolas too that in nearly 4 years “we haven’t had a single outage between Gibraltar and Madrid.”

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 success of richer entrepreneurs 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.

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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. Construction means that the long wait will soon be over.

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.

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 Butler 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, developer 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. As 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.”

James Garbarino
Chief Executive of Montagu Group

City projects

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.

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.

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.

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Gibraltar’s strategic role in world shipping

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.

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 refuelling 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 emission 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 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 refuelling 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 be created in 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 can 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), its 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.”
Home from home

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, it’s like a time machine.

“We want continuous growth in tourism,” says Ernest Britto, Gibraltar’s Minister of Tourism since 2007. “The Rock is an important operations base in 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 in the middle of the town, the Rock is like a time machine.

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-deep 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 a part of Europe for nearly eight centuries, beginning from 711 to 1492, although the Spanish recaptured 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 163 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.

The Gateway to Quality

The Gibraltar Yacht Registry

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An independent supplement produced by The Report Company
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.

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.