

Gibraltar

Flight to quality

Whether it is in finance, tourism, shipping or e-gaming, Gibraltar's new government is pushing hard to ensure it is recognised around the world as a well-regulated, low-tax jurisdiction within the EU. But attracting quality investment and more business is essential if The Rock is to achieve its target of 50 percent GDP growth over the next four years.

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Determined to maintain progress

Writer: Ray Spencer

Ⓞ In sharp contrast to the beleaguered financial state of almost all of the rest of Europe, Gibraltar expects to achieve impressive economic growth with action plans to contend with increasing internal and external issues.

After 15 years in opposition, Gibraltar's Socialist Liberal Alliance came to power exactly a year ago on the promise of a raft of political, parliamentary and business reforms and an economy that would grow by 50 percent in four years.

At the core of its pledges was a commitment to greater openness, transparency and accountability, something that new socialist chief minister Fabian Picardo feels is essential for the territory to maintain progress.

In 2011, Gibraltar introduced a flat 10 percent corporation tax as part of its decade-long reputational shift from a tax haven to an internationally tax-compliant, small onshore EU finance centre.

Picardo felt still more could be done, and has promised ultimately to reduce personal taxes to a similarly low level, and aims to tap new markets for the four main pillars of Gibraltar's economy – tourism, financial services, e-gaming and the port.

The government has put monthly parliament meetings at the centre of democracy. Live radio, TV and internet broadcasts of proceedings are planned, while Picardo faces parliamentary questions each month and answers citizens' questions quarterly via TV, radio and social media. This is progress indeed: as Dr Joseph Garcia, deputy chief minister and Liberal Party

leader, explains, "Gibraltar's parliament used to meet for questions maybe three times a year, if we were lucky."

A tripartite forum bringing together the UK, Spain and Gibraltar, which had enabled considerable progress on cross-border matters, was ended by Spain after its government changed last year, but Picardo is still optimistic that cooperation can be revived.

Indeed, he regularly meets for discussions with the mayor of La Linea, the frontier town that supplies Gibraltar with more than 3,000 of its over 7,000 workers from southern Spain.

Gilbert Licudi is financial services minister – a post previously part of the portfolio of the chief minister – and because both Picardo and Licudi are lawyers, "this means they are sensitive to what our needs are going to be," James Lasry, funds partner at legal firm Hassans points out. Legal changes allowing foreign pensions to be based in Gibraltar and large overseas administrators not resident in Gibraltar to handle major funds transferred to the territory are early advances for the financial services sector, which is still growing, albeit at a slower pace than before.

Gibraltar is already strong in funds, insurance and private client work, but as Licudi says: "the biggest challenge is consolidating what we've achieved so far, and using that as a springboard

to attract further investment." In the UK and further afield, he wants to promote greater awareness of Gibraltar's financial services credentials of strong but fair regulation and easy accessibility to internationally acclaimed legal, banking and administrative professionals. Meanwhile, minister for tourism, public transport and the port Neil Costa is working to bring more cruise liners to the territory, through personal contact with cruise companies and tour operators at international conventions. He stresses that Gibraltar's international partners need to know that both he and his government are available for business 24/7.

It was through consulting local operators that he learnt that a new cruise terminal, which had been proposed by the previous administration, would have "absolutely no impact whatsoever on attracting new cruise calls or passengers." The current government has since put this plan on hold, and has turned its attention to the greater port area.

Effectively a giant service station for ships, Gibraltar's bustling port needs investment to free up refuelling anchorages and provide space for larger liners. There's a strong challenge too from Morocco's rebuilt Tangier port that will soon equal both Gibraltar's attractive tax-free status for cruise ships and its bunkering facility.

The Rock's tourism sector also requires private investment to revolutionise the product. As part of the drive to market Gibraltar more effectively, the tourist board has launched a new, dynamic and interactive website. The aim is to add to current annual visitor figures of 12m by attracting wider, global interest.

The airport, with its large new terminal, is key to tourism, port and finance centre progress; the government wants UK links extended beyond three London airports, Manchester and Birmingham to include Spain, as well as a key European hub.

Another focus is Gibraltar's internet gaming sector, which has grown in 16 years to become the fourth pillar of its economy. Accounting for more than a fifth of GDP, the sector employs a large chunk of the territory's workforce and is a major contributor to corporation tax and national insurance.

But the sector isn't without its challenges. The UK has proposed a 15 percent point of consumption tax which will come into effect from the end of 2013. Gibraltar is campaigning fiercely for the tax to be dropped. As Gibraltar accounts for 60 percent of UK e-gaming bets, the tax "could have very serious consequences for the Gibraltar economy," says Licudi, whose ministerial remit also covers e-gaming. However, not all operators are heavily exposed to the UK market, and those that are have started looking at greater diversification into other world markets.

Picardo remains confident that Gibraltar will achieve its GDP target of £1.65bn by 2015, which means an ambitious annual growth of 10.5 percent. Bruno Callaghan, managing director of large insurance brokerage Callaghan

Insurance, says he would be impressed even if the territory misses its targets: "If Gibraltar can do a steady 4 to 5 percent, then we should be patting ourselves on the back and the IMF may decide to have Gibraltar as a case study."

The Rock aims to improve its green credentials dramatically to become a world-leading carbon neutral jurisdiction, with the government encouraging individuals and businesses to embrace energy saving and alternative energy sources. A decision on how to replace three ageing diesel power stations is expected by the end of March 2013 and by the summer private sector partnership arrangements for renewable energy supply will be unveiled. Dr John Cortes, minister of health and environment, insists that the greening of Gibraltar will "open up new industry, the potential for new investment, and create new job opportunities."

A secure power supply is a necessity for the finance centre and e-business; so too is the quality of communications. Tim Bristow, Gibtelecom chief executive, boasts: "Europe is aiming for 30 percent broadband coverage; we're aiming to have 100 percent coverage within a couple of years."

Dr Garcia is charged with tracking progress on manifesto commitments including a Freedom of Information Act, an anti-corruption and bribery authority, creation of a financial services ombudsman, and an economic forum involving government, business and other representative bodies.

In the meantime, Picardo declares: "We have transformed Gibraltar into one of the most transparent democracies in the world, let alone in Western Europe." «

Gibraltar Day



Links between Gibraltar and the UK have always been strong, and annually around 1,000 people celebrate Gibraltar Day at a mid-October City of London evening reception for the jurisdiction's friends and supporters. Launched in 1999, the event showcases Gibraltar as a sophisticated jurisdiction and provides a platform for Gibraltar's business community to network with UK-based businesses.

Today, the Guildhall occasion, held as near as possible to 21 October – the historically-linked Trafalgar Day – is an opportunity for a state-of-the-nation report on Gibraltar's political and economic progress.

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Cross-border relations

Viewpoints

Given the centuries-old fractious relationship between Spain and Gibraltar, it is perhaps unsurprising that the neighbouring jurisdictions have very different viewpoints on a number of issues, the most important of which are outlined here.

Territorial waters

Gibraltar Under modern international law, British Gibraltar Territorial Waters currently extend up to 3 nautical miles off the territory.

Spain No Spanish waters were ceded to UK as part of the 300-year-old Treaty of Utrecht.

Freedom of movement

Gibraltar Spanish customs searches cause long delays; extra green channels and crossing points will help free up the frontier.

Spain Necessary checks are not politically-inspired; they are a crackdown on cigarette and drug smuggling.

Tripartite talks

Gibraltar The three-way dialogue between Gibraltar, Spain and the UK paves the way for mutual cooperation on common issues.

Spain The forum must have symmetry, and therefore the Campo de Gibraltar must also be represented. If the UK and Gibraltar authorities are present, so must be the Spanish regional authorities.

Economy

Gibraltar Gibraltar offers a competitive low tax rate within the EU. This, together with the fact that there is no tax on dividends, interest and royalties, no VAT and no capital gains tax makes it a very favourable jurisdiction to do business in, and it has become a catalyst for the development of the greater region.

Spain Spain defines The Rock's 10 percent business tax as 'predatory', given that it is significantly below that of most other EU countries – and maintains that, despite recent changes, the territory remains a tax haven.

Building relationships worldwide

Writer: Ray Spencer

G After firmly establishing itself as a compliant financial services centre in the European market, Gibraltar is now starting to make its mark further afield.

Since coming into office a year ago, the new Gibraltar Socialist Liberal Alliance government has made great strides in developing international relations by extending the message of what Gibraltar has to offer to key business development countries, all whilst maintaining close contact with the UK.

The aim is to ensure Gibraltar's opportunities and issues are well understood, both to boost its traditional UK market and also to develop new sources of business.

Gibraltar has already started to make a broad impression in target areas – the BRICS countries of Brazil, Russia, India and China, as well as South Africa, Morocco and the US – ensuring these markets are aware of the business and political situation.

In September this year, minister for employment and inward investment Joe Bossano, a former chief minister and veteran parliamentarian, gave a keynote speech on the world economic crisis and sustainability at the Global Economic Leaders' summit in China, taking the opportunity to meet with Chinese government delegations, financial services companies and industrialists.

A month later, Bossano attended the Commonwealth Ministers' Forum at New Delhi under the theme 'What can the public service do to promote economic growth and development?' Outside the meeting, further firm contacts were made.

Throughout, the idea has been to position The Rock as a safe stepping-stone for foreign enterprises wanting to get into Europe, highlighting Gibraltar's low corporation tax, English common law and EU membership advantages.

Also promoting the territory, chief minister Fabian Picardo last month visited Marrakesh and Casablanca to meet with high-profile business people; the heir to the Saudi Arabian throne also visited The Rock for discussions aboard his super yacht.

To strengthen ties across the Atlantic, there are plans to establish a Gibraltar-American society made up of Gibraltarians who live in the US. Gibraltarian Joe Carseni, long-time resident of New York, has also been appointed the Gibraltar government's representative in the country, charged with developing contacts and promoting his homeland.

But relationships with the territory's nearest neighbour, Spain, remain difficult. When the Rajoy government took power in December 2011, one of its first acts was to put on end to the Tripartite Forum, which was set up in 2004 for Spain, the UK and Gibraltar to jointly consider practical issues affecting The Rock and the neighbouring Spanish area, Campo de Gibraltar.

Since then, vehicles crossing the border into Gibraltar have experienced significant delays as a result of increased customs and police checks, while a fishing dispute has escalated: the Ministry of Defence said the Royal Navy responded to 178 incursions by Spanish state vessels into British Gibraltar Territorial Waters between November 1, 2011 and October 31, 2012, up from 23 in the previous year. Nevertheless, relations between Gibraltar and its neighbouring town La Linea are warm: chief minister Picardo has met several times with the town's mayor Gemma Araujo. A 2009 economic impact

Constant attraction



Are Spain's continued attempts at regaining Gibraltar simply about historic disagreements between two powerful European countries, or could it be that The Rock's obvious wealth-generating prospects have turned it into an Eldorado? The territory, sitting at a chokepoint of the Mediterranean opposite Morocco, is militarily useful, but no longer of high strategic importance, and it's one of the most densely populated land masses worldwide.



Interview David Liddington

A UK Conservative member of parliament for 20 years, he has been minister for Europe responsible for overseas territories since 2010.

Full Q&A
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gibraltar

Q&A Why is Gibraltar important to the UK?

Gibraltar's been British for over 300 years. The Gibraltarian people have made it clear that they wish to remain British. There are strong ties between Gibraltar and the UK, including business links between the City of London and Gibraltar's financial services centre, and Gibraltar's continuing valued contribution to our armed forces and security interests.

Is Gibraltar's status within the EU problematic?

No. Gibraltar's EU status reflects Gibraltar's constitutional relationship with the UK. Gibraltar's constitution dates from 2006 and was approved in a referendum in Gibraltar by over 60 percent of those who voted. As a British Overseas Territory, Gibraltar has its own government, is a separate jurisdiction, and within the EU is a European territory for whose external relations the UK is responsible. Significant parts of EU law do not apply to Gibraltar; however Gibraltar's inclusion in the single market enables access to a market of more than 500m people.

What of the disputes with Spain over the frontier and territorial waters?

The UK and Gibraltar have an

equal interest in a productive relationship with Spain. For the UK, Spain is an important ally in the EU, NATO and Council of Europe. Gibraltar has strong economic ties with Spain, with significant cross-border trade and exchange. Mutual cooperation has the potential to benefit everyone. However, the UK government will not concede on sovereignty or compromise on our responsibilities for Gibraltar. We will continue to oppose any challenge to our sovereignty over British Gibraltar Territorial Waters and take appropriate action to support the free movement of people between Gibraltar and Spain.

Does this situation have a negative effect on trade?

The most important thing is that the UK government continues to work closely with the government of Gibraltar to tackle any issues that could undermine confidence in Gibraltar. As a responsible sovereign, our diplomatic support for Gibraltar is focussed on efforts to resolve our differences with Spain and ensure that tensions do not cause damage to Gibraltar. This includes defending Gibraltar's rights and interests in the EU and other international fora on tax and other issues that could affect Gibraltar's economy.

study by Bournemouth University's Professor John Fletcher for Gibraltar's chamber of commerce suggested Gibraltar accounted for a quarter of jobs in the Campo de Gibraltar area – more now since the recession – and a net £420m trade gain.

"In a sense, we have common interests, because sometimes the problems created by people who live five minutes across the frontier," observes Dr Joseph Garcia, Gibraltar's deputy chief minister and Liberal Party leader. More widely, Gibraltar intends to establish, in cooperation with similar bodies around the world, an international legal studies centre that will explain the territory's bid for decolonisation. Its aim is to coordinate the international legal recognition of Gibraltar's status both among international bodies and academia.

Dr Garcia is convinced the right answer is "a tailor-made solution, which can be chosen by the people, and that can result in decolonisation," adding that the territory's aim is to be decolonised.

Courtesy of the UK, Gibraltar is a special member of the EU with passporting opportunities for various sectors including insurance and financial service, but Britain retains responsibility for the defence of Gibraltar and to act on its behalf on foreign affairs.

To ensure a greater understanding of Gibraltar's viewpoint on a range of economic as well as political issues, Dr Garcia last month met members of the European Commission and European Parliament in Strasbourg. "It is clear that some contacts I have made over the past twenty years have become very relevant to Gibraltar today," Dr Garcia said.

Picardo and Garcia attended all three UK party political conferences, as well as the British Overseas Territories Joint Ministerial Council meeting in London, joining other heads of government to discuss matters of mutual interest and meeting with British government ministers to review the latest developments in the territories. <<

“Persuasive”, “engaging” and “confident” is how observers variously describe Fabian Picardo following his first year in office as Gibraltar’s chief minister, pointing to the youthful enthusiasm he applies to the task of making his government more accessible. Hailing from a working class Gibraltarian family with Genoese ancestry, Picardo has not strayed from his Gibraltar Socialist Labour Party (GSLP) roots. Married with a young son, he seeks to get amongst people whenever he can - walking to meetings across town and maintaining weekly surgeries for constituents - in between supporting and promoting Gibraltar in the UK, Morocco, Spain, the US and several other countries. In what was a close-run 2011 election, Picardo took just 2 percent more of the record number of votes than his predecessor. Oxford University flew the Gibraltar flag to celebrate his victory; Picardo studied jurisprudence at Oriel College from 1990 to 1993. Picardo, who had only led the party for eight months, moved the GSLP from 16 years of opposition to government in part by engaging with the electorate through social media. A fan of modern technology, he provided iPads for ministers and smartphones for key staff, and has been known to email colleagues in the early hours prior to a pre-breakfast meeting. He is energetically pro-business – specialising in commercial law, he joined Gibraltar’s largest legal firm 18 years ago and made partner in 2000. Picardo is widely credited with approaching Gibraltar’s issues with fresh eyes and is strongly patriotic, referring to “British Gibraltar” at every opportunity.

Q&A

Fabian Picardo
Chief minister of Gibraltar

What progress have you made and what are the challenges?

I think that we’ve done all of the important but easy things that we had to do. The main issues have been the democratisation agenda, health, employment, housing and business. We will not have done enough until everyone on our housing list has a home and every unemployed person has a job. We have put down the building blocks to achieve that in the lifetime of this parliament.

How are you achieving your aim of greater democracy through accountability and transparency?

We have transformed Gibraltar into one of the most transparent democracies in the world: we now have monthly meetings of parliament and chief minister’s question time, and I answer constituents’ questions quarterly on television, radio and social media. The planning commission is no longer secretive, its minutes are on the web; we’re even looking at a webcam

transmission of proceedings.

Apart from parliament, our website has details about government spending, unemployment, housing, etc., and a number of government committee meetings are public.

Do you think having a greener Gibraltar will help achieve economic growth?

Greening the economy is a great business opportunity for economic growth. I would be delighted if the government consumed less electricity, thereby reducing demand on our grid. We need a sustainable, secure power supply and at the same time, to attack the demand side and introduce renewable energy.

The government will not generate renewable energy itself, but will buy electricity from renewable sources. We’re already entering into pilot projects. The government wants to finalise a new power station for Gibraltar. We cancelled a €150m project; it would have put electricity prices up 5 percent a year for 20 years. There’s a tempo-

ONE YEAR ON



rary solution to ensure a seamless source of secure energy.

What makes Gibraltar an attractive investment destination?

Gibraltar’s corporate rate of tax is among the most attractive in Europe, not dissimilar to states like Ireland, Malta, Cyprus and Hungary, but our advantage is our common law basis. I’ve done business as an international lawyer in many jurisdictions - some in Europe - that have low taxes and getting caught up in civil law in a dispute was enough to persuade previous clients of mine never to invest in a low-tax civil law jurisdiction again.

We’ve already started work with the BRICS countries, South Africa and other places where traditionally we attract investment to show that Gibraltar can be a stepping stone into Europe, North Africa and generally is a place for international business. Gibraltar has the highest standard of regulation, and it’s the

high value work that is the future for our economy.

Might new companies be deterred by the Spanish government ending the Tripartite Forum?

Gibraltarians have always been clear on their sovereignty, and the business opportunity is there because we are British - not part of Spain - and we are fiscally independent. This is what makes Gibraltar an attractive place to do business.

Both Gibraltar and UK government, and all political parties, remain strongly committed to the trilateral process. In Spain, the opposition socialist party remains strongly committed to the process, but the right-wing Partido Popular government will not attend talks. That doesn’t sound like the process is dead; that sounds like one party, whilst in government, may block that process. These tensions, that are simply transitory, illustrate just how safe a haven Gibraltar is.

What of the UK 15 percent consumption tax threat to e-gaming?

The government is fully behind Gibraltar’s gaming industry. There could be nothing worse than an approach that sees an industry grown in a British territory and destroyed by the UK. We’re saying the UK cannot - if it is to have any legitimacy - encourage a territory to develop an industry for 20 years and then, when it starts to rely on that industry for jobs, ring its death knell by repatriating revenue with a tax.

This could drive gamers to less-than-reputable operators outside the EU’s constraints. William Hague and David Cameron have done an excellent job in Europe in fighting for the freedom to provide services across the board in the Common Market that Britain thought it was joining in 1972, and defending the interests of the City in Europe. However, we are now seeing the Treasury do something to raise a few pennies in revenue that could actually have

a devastating effect on Gibraltar.

What support are you giving to education for Gibraltar’s key industries?

We’ve developed a Future Jobs Strategy where somebody can work within a particular industry and the government pays their salary for 11 months, so that with the commitment of the employer they will have a job at the end of that period. This is the best on-the-job training scheme that I’ve seen deployed in Europe and something we export as a model to get young people into work.

What’s been the most challenging and enjoyable since taking office?

Two things: dealing with the belligerence of our Spanish neighbours and the opportunity to be in contact with some of the least well-off in our society. My biggest challenge is time - for my young family, and to see as many people as possible - and to think and make properly informed decisions.

Going green

Writer: Richard Nield

Gibraltar has, in the past, drawn criticism from environmental groups. Today, as a major international environment forum brings the issue sharply into focus, the new government has strongly committed itself to a carbon-neutral future. But is it possible to improve the jurisdiction's green credentials?

Gibraltar's environment policy has come in for a great deal of criticism in recent years. Air quality and waste disposal have been poor, and the territory's role as a hub for the oil storage industry has resulted in oil spills and air pollution.

A little less than a year ago, however, a new government was elected that has put the environment at the heart of its agenda. "We used to say during the election campaign that every minister will be a minister for the environment," says Dr Joseph Garcia, Gibraltar's deputy chief minister. "It's fair to say that it's very much at the forefront of our decision-making; not just in an informational sense but also in a practical, day-to-day sense." Nowhere does the passion to improve Gibraltar's environment burn more strongly than in Dr John Cortes, Gibraltar's minister of health and environment. Born in Gibraltar, Cortes tells of growing up and noticing changes in the territory's wildlife as the impact of global warming began to become apparent. After a visit to the Arctic Sea, where he saw ice breaking off the Hubbard Glacier in thundering chunks, he determined that he would make the environment his life's work.

A published scientist on climate change, Cortes is committed to ensuring that Gibraltar does its bit not only for the local climate, but for the world as a whole. At the end of October, Gibraltar was host

to an international climate conference, Thinking Green. Speakers including former US vice president and Nobel Peace Prize winner Al Gore and former US government official Juan Verde drew attendees from Europe and across the globe. "Any modern, progressive society must assume responsibility beyond its borders for the earth's resources," said Cortes in his opening speech to the conference.

Cortes admits that his government has a lot to do. "For many years, Gibraltar has lagged behind in such wide-ranging matters of environmental significance as recycling and power generation," he told the conference. "Awareness has been limited and not encouraged, and projects to improve our performance have been put on hold, risking infractions and fines, damaging our international standing, and what's worse, compromising the health of our community." But he is equally convinced that it can succeed in the challenge: "Our people elected the greenest government in our history and possibly the greenest in Europe, based on a manifesto that is at the same time ambitious and realistic in its aim to develop Gibraltar and its economy in consonance with the environment." Some progress has already been made. The government has prioritised green issues in public spending, and has also introduced measures to incentivise investment in green technology, by removing

import duties on low-energy lighting and reducing import duties on hybrid and electric vehicles.

For Cortes, though, this is just the start. His plans range from launching a revised government environmental action plan to introducing pilot schemes for renewable technologies, as well as developing an eco-park to help with the sorting and disposal of waste. And all this, he says, in the next few months. The government also plans to replace polluting power generation from its three diesel plants. This, though, could be more difficult. The use of solar power is only likely to make a small impact in the coming years, while financing a new major power plant is not a simple matter. The government recently scrapped a contract for a new 60MW power station in the territory because it would have involved a hike in electricity prices, and instead has had to settle for a temporary, rented facility (see next page).

Cortes, though, is not easily deterred. He has called for a cross-party, nationwide drive to improve the environment in Gibraltar in order to prevent a continuing slide in the pollution of the territory's land, air and water. "The easy way is to do nothing, to allow ourselves to be convinced that there's no point in doing anything about it," he told the Thinking Green conference. This, though, is just not the minister's way. <<<

How they view it

"Gibraltar is the perfect place to do that switch to being green. We shall hopefully be a paragon for other countries to be able to look at Gibraltar as a beacon of environmental friendliness."

Bruno Callaghan
Managing director
Callaghan Insurance

"I think Gibraltar has the potential to be a green environment given its size, albeit it needs the popular vote of the electorate and the will of government for that to occur."

Charles Simpson
Partner
Triay & Triay

"One of the key focuses of this administration has been environmental policy. I think over a period of time it will be embraced by the population as a whole."

Denis P. Lafferty
Managing director
Saccone & Speed

Reducing emissions

The government has recently announced the awarding of a £4m contract to ship a temporary power station to Gibraltar that will ease on existing power capacity and cut pollution.

The SMW power station will be installed by mid-December at the north-western end of the North Mole as part of a deal signed with US firm Energy International to supply electricity to the territory for the next two years. The plant, which will run on diesel, will be operational in time for the peak winter demand period. It will take the strain off Gibraltar's three power plants, lower emissions, and reduce the risk of power cuts.

Gibraltar's Thinking Green Conference held in October focussed on the concept of a green economy, and drew a crowd of almost 1,000 attendees.



The government's key objectives

- 1 Comply with all local and applicable EU environmental legislation.
- 2 Create a self-sufficient and sustainable environmental management and monitoring strategy.
- 3 Increase public awareness of environmental issues.
- 4 Monitor behaviour to ensure compliance with legislation by individuals and industry.
- 5 Improve air quality and waste management.

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Investment rock

Writer: Jonathan Andrews

G Gibraltar is increasingly gaining awareness by investors as a safe yet dynamic option in the uncertain waters of Europe.

Gibraltar has in the last 20 years seen some of the highest growth rates within the OECD. Part of this can be attributed to its consistent efforts in promoting a business-friendly environment. Gibraltar's small size has also played to its advantage as not only is government readily approachable but, with space at a premium, political and business leaders have focussed on quality of investment rather than quantity.

Kerry Blight, CEO of Credit Suisse Gibraltar and outgoing chairman of the Gibraltar Finance Centre Council agrees: "There has been a flight to quality in Gibraltar since the mid 1990s. We're not about mass business. Gibraltar is about actually adding value and bringing quality business in."

With a low corporate tax rate of 10 percent, sound fiscal management - including a £31 million surplus for the year ending 2012 - a burgeoning financial services industry, tourist, e-gaming and shipping sector, Gibraltar has continued to experience strong growth while the rest of Europe remains stagnated.

"Our reputation, robust regulation, access to the single European market, low - not zero - tax and attractive lifestyle are a powerful combination to bring new business to Gibraltar," says Gilbert Licudi, Gibraltar's minister for financial services.

Indeed, the most recent International Monetary Fund report on Gibraltar's financial industry found it to be above standard and, in many instances, ahead of larger competing financial centres.

Gibraltar's new government is now exploring fresh options with the BRICS (Brazil, Russia, India, China and South Africa) to broaden the territory's investment possibilities. Minister Licudi also visited South Africa earlier this year to sign the territory's 20th tax information exchange agreement.

Its access to the European Economic Area (EEA), and 500 million people, allows Gibraltar's financial sector to 'passport' its services to other EU member states and has been a major key to its success. With its unique location at the crossroads of Africa and Europe, the territory believes it is the ideal stepping-stone for emerging countries to take advantage of business expansion



Why invest in Gibraltar?

1 Business friendly

Low corporate tax rate of 10 percent and no capital gains tax rates.

2 Legal system

Based on British common law and the rules of equity.

3 Lifestyle

An Anglo-Saxon business environment combined with a sunny climate and a Latin lifestyle.

Top sectors to invest in Gibraltar

1 Financial services

Accounting for 19 percent of all jobs in the territory and 20 percent of GDP, Gibraltar is a well-established onshore finance domicile within the EU.

2 Shipping

Strategically placed at the gateway to Europe makes Gibraltar an attractive choice for shipping registries.

3 E-gaming

An established, reputable and well-regulated location for online gaming.

opportunities into Europe.

The Strait of Gibraltar sees over 71,000 vessels pass each year, which has led to the territory becoming the largest bunkering port in the Mediterranean. Combined with a strong legal system based on British common law and the rules of equity, Gibraltar is an attractive register for ships.

Transport links were further increased with the airport expansion in 2011. Daily flights to cities across the UK tap into a growing tourist market in which the government hopes to see numbers reach the airport's new capacity of 1.5 million visitors a year.

"From a business point of view, all the boxes are ticked," says Bruno Callaghan, managing director at Callaghan Insurance. "The advantage of Gibraltar is that we have an Anglo-Saxon working environment and a Latin lifestyle."

Within this distinctive working environment, a strong professional services industry has been carefully nurtured over the past 25 years. This includes top legal firms in shipping, e-gaming and financial services, and a full

"The advantage of Gibraltar is that we have an Anglo-Saxon working environment and a Latin lifestyle."

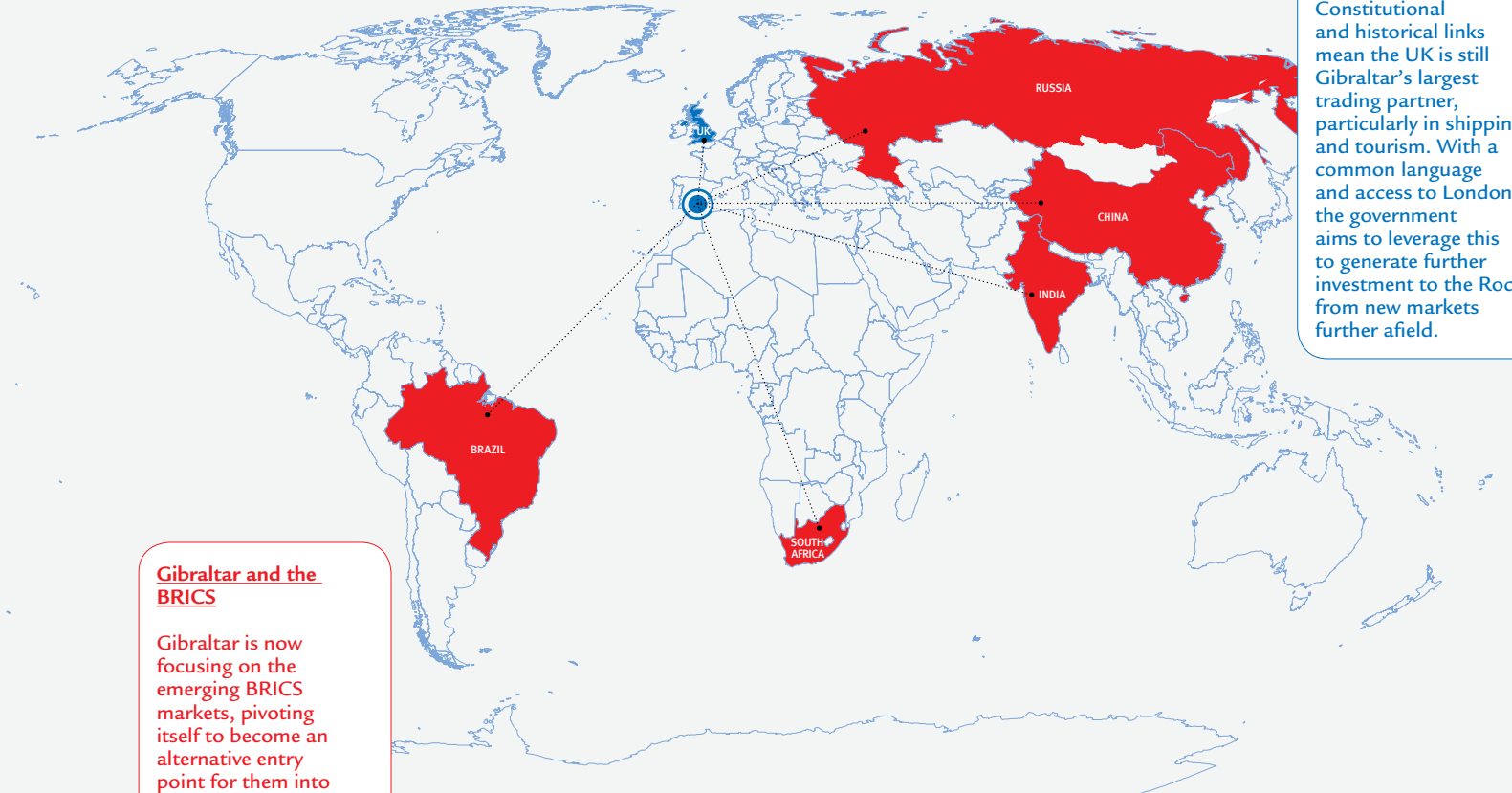
Bruno Callaghan | Managing director, Callaghan Insurance

range of auditing and accounting firms.

"Now Gibraltar has grown, our educational system is starting to kick in and the quality of local applicants at lawyer level, accountant level and professional level has dramatically changed," notes Joseph Triay, partner at Triay and Triay, a top local legal firm.

Over 51 percent of students continue on to tertiary education where they are sent to study in the UK through scholarships and grants provided by the territory's government.

Supporting all these industries is a strong telecommunications presence that is able to tap into the new Europe India Gateway (EIG) submarine cable. The territory's leading telecommunications provider, GibTelecom, aims to have 100 percent broadband coverage, offering speeds of up to 100Mb, within the next couple of years. Lawrence Isola, CEO of Sapphire Networks, a local telecommunications company, says that as more businesses look to set up online, Gibraltar's high quality telecommunications infrastructure means it is the ideal location for them. "Today, the internet has become an essential part of all our businesses and the quality of the communications which now exists here helps improve the offering of 'Gib Inc' - as we like to call it." «



Gibraltar and the BRICS

Gibraltar is now focusing on the emerging BRICS markets, pivoting itself to become an alternative entry point for them into the European single market. It aims to consolidate its position as a leading international finance centre within Europe.

BRICS economies are cited as providing big opportunities for the finance sector in particular. In an early move, veteran parliamentarian and current international investment minister, Joe Bassano, presented the keynote speech at the second Global Economic Leaders Summit in China.

Gibraltar UK trade and investment

Constitutional and historical links mean the UK is still Gibraltar's largest trading partner, particularly in shipping and tourism. With a common language and access to London, the government aims to leverage this to generate further investment to the Rock from new markets further afield.

What makes Gibraltar an attractive investment location?



Lawrence Isola
CEO
Sapphire Networks

Gibraltar is a very credible, established jurisdiction and is part of the EU, and when you look at the world around you, it's looking like a very safe place to be for both businesses or indeed for the

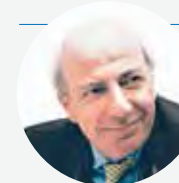
high net worth individuals who choose to become a resident in this wonderful city. It's well managed and I have no doubt that this new government will do a good job taking Gibraltar forward.



Johnnie Gaggero
Chairman
MH Bland

Gibraltar is a VAT-free port and so if a cruise liner calls to Gibraltar and it's registered in the EU, the rest of the cruise is categorised as

VAT-free and that's an immediate tax win for the cruise liner. We are the only port in the area at the moment that can offer that.



Joseph Triay
Senior partner
Triay & Triay

The advantage that Gibraltar has is that it applies English law and procedure, the priorities of debts are well established and the system is an efficient one. Ships are naturally passing through Gibraltar by reason of its geographical location

and also for bunkering so it's a natural port of call. We have got the reputation as a preferred or choice jurisdiction for ship arrests, and English lawyers tend to know that. Because we're small, we know what the market wants and we can deliver it.



George R. Desoisa
Managing director
Gibmaroc Group

You can come and settle here and you've got many advantages to work, and you add to that the fact your family are going to be happy because of the lifestyle, so you've got pretty much

the best of both worlds. You've got a small British jurisdiction with low tax and aspiring to the highest standards.



Q&A

Dr. Joseph Garcia
Deputy chief minister



A parliamentarian since 1999, Dr. Garcia has been leader of the Gibraltar Liberal Party since 1992. He took over his present role following the December 2011 election, and his responsibilities include the supervision of government departments and public administration, as well as planning, political, democratic and civic reform, civil aviation and information. An acclaimed historian, he is the author of Gibraltar, The Making of a People, an authoritative modern history of the jurisdiction.

What is your role in the new government?
My specific portfolio includes keeping track of manifesto commitments to make sure our targets are met. We've delivered more than 120 commitments in our first year, from basic things to more substantial improvements. Some have required legislation, and others will require funding. We promised more openness and transparency and now we've delivered it. We've transformed the way parliament works and put it at the centre of our democracy in a way in which it really wasn't before, either by tradition or convention. In planning we've levelled the playing field; everybody gets an equal chance. Being more open takes more time but it's a matter of principle and something that we believe in.

How important is the environment in terms of project planning?
It's very much at the forefront of our decision-making, not just in an informational sense but also in a practical, day-to-day sense. The government will lead by example. Our aim is a carbon-neutral Gibraltar; the planning commission is very much guided by environmental considerations. As a practical example, we

intend to replace the government's pool of large gas-guzzling cars with more eco-friendly vehicles.

How should the UN treat Gibraltar's status?
The UN says there are 16 remaining colonies defined by international law, of which ten are British; after Bermuda, we're the largest. Of the ways in which colonies can be taken off the list, we have been advocating a tailor-made solution, freely chosen by the people of the colony. We lobby the UN twice annually. It's a long process and probably won't be easy. We're convinced that eventually the UN will have to come to find a status for those that remain. This status has to be tailor-made. Our aim is to be decolonised.

What message would you give about Gibraltar?
When people are thinking about investing, about moving, about retiring, they should look at Gibraltar, because the current instability and economic chaos in other parts of the world has not affected us; we're very stable, with a reliable government and a safe pair of hands.

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going for broke

Writer: Ray Spencer

Gibraltar's growth in, and worldwide influence on, internet gambling has been impressive, but continued expansion may be blunted by UK plans for the sector.

From a standing start, in just 16 years, this British Overseas Territory has licensed 25 international gaming companies and produced revenue that accounts for more than 20 percent of its gross domestic product (GDP). It's one of the main pillars of the economy and arguably the most important in helping to secure the present government's aim of increasing GDP by 50 percent over the next four years. Yet in the last few months, the British government's plan to implement a point of consumption tax on internet betting from the end of next year has proved a major distraction for Gibraltar operators – and the territory's government.

The gaming operators have differing levels of exposure to the UK market – for some it accounts for nearly all of their business – but, if the new tax is imposed, from 2014 “Gibraltar operators would lose out on business, which would mean a fall in revenue in terms of PAYE, gaming tax and corporate tax, and ultimately a fall in the number of employees in Gibraltar,” warns Gilbert Licudi, the minister with responsibility for the sector. “It could have very serious consequences for the Gibraltar economy”, he emphasises. Ministers and operators are united in their opposition to the British move, because they believe there are legal, economic and consumer protection reasons why it is unwise to implement it, stressing that it is contrary to the free movement of goods and services within the EU established by the Treaty of Rome.



Data Centres

The data centre remains one of the largest capital and operating expenses for any e-gaming business. Many Gibraltar gaming companies choose to subcontract the service. Giblecom is the territory's largest data centre provider, while Sapphire Networks operates one and is contemplating adding two more.

More than a tenth of jobs in Gibraltar are in remote gaming. Chief minister Picardo's government has had numerous meetings with UK politicians and government officials, lobbying to prevent the tax.

“In conferences I've been to in London, San Francisco, and Barcelona, Gibraltar is mentioned as the premier jurisdiction in the world”

Gilbert Licudi | Minister for education, financial services, gaming, telecommunications and justice

It's estimated that the proposed 15 percent consumption tax would raise £240m for the UK Treasury in the first year. Companies based in Malta, Isle of Man, Alderney and Gibraltar together account for almost all of the UK's present remote gambling business and The Rock has around 60 percent of that total.

Peter Montegriffo, a lawyer at Hassans who as trade and industry minister under the former government drafted much of Gibraltar's gaming law, says: “It seems to us to be counterintuitive to be introducing what are protectionist and restrictive measures at a time when the UK is focussing more closely on redefining its single market and trading priorities with Europe.”

The industry also believes that by introducing a new internet gaming licensing system with additional costs, some businesses will be driven underground.

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"The reality is that even with modern technology it is very difficult to block customers out of unregulated sites and this will expose them to much lower consumer protection levels," says Montegriffo.

Victor Chandler, the first operator in 1996 to move his business (now BetVictor) from the UK to Gibraltar for on-line gambling, is sanguine about the outcome, but notes: "We have quite a lot of the cards in our favour as far as the legal route is concerned, but you can never determine what's going to happen politically." The Gibraltar Betting and Gaming Association is the sector's representative body, and its deputy chairman, and non-executive director of gaming firm 888, John Anderson admits that the proposed tax could be quite damaging for Gibraltar. But the implication is that it wouldn't be fatal.

Some gaming enterprises might leave The Rock if the UK tax plan proceeds, but the cost of moving has to be taken into account. "I can't say we haven't discussed it - the UK is 50 percent of our business, so it's something we have to think about - but I don't want to leave Gibraltar," says Chandler, adding that the plan has heightened his company's awareness that it has to be international rather than focussing on the UK. "The misconception is that there are more gamblers in China than in the UK, but that is not true. You get big gamblers from every country; we've seen big players from everywhere."

Chandler is, however, sceptical about the potential of the nascent US market, and unlike fellow gaming operator Anderson, who says he believes in America "because they are big spenders. The US is now changing its mind on gambling and it's going to be licensing internet poker."

He's got a couple of US partnerships in the pipeline, but suggests that along with South America, "the holy grail is really the Far East." Potential barriers to diversifying into other European markets include the differing licensing requirements and protectionism in the guise of regulatory requirements in some EU countries, in breach of European Commission (EC) rules.

Last month, the European Parliament pressed the EC to ensure compliance with EU law, and to pursue infringement proceedings against member states that unjustifiably restrict access to their gambling markets. Conservative MEP for South West England and Gibraltar Ashley Fox argues that there must be a common EU

regulatory framework to end ongoing uncertainty and countless - often contradictory - court cases and infringement proceedings that hinder operations across the single market, said to be worth £10bn a year.

In highly-regulated Gibraltar, all gaming firms support regulation and as Anderson explains: "The more transparent you are and the more regulations you have, the more money you make because this business is all about trust."

"We audit quite a number of gaming companies," says Jose Pisharello of accountants Baker Tilly. "They are blue-chip, very well-run organisations which have embraced things like making sure that gaming activities are done properly, that there are good controls against money-laundering and on behavioural aspects; there are procedures and a code of conduct."

The threat of a UK gaming tax is not deterring other firms keen to be among what Anderson calls "the crème de la crème of the online gaming industry", but Gibraltar has tough entry requirements.

Charles Simpson, a partner at law firm Triay and Triay, explains: "They are not looking for quantity but rather quality of the applicants, which distinguishes Gibraltar from, say, Malta in terms of the licensing of the gaming industry and entrants to the market place."

Only two applications have been approved this year, both from the US following Licudi's visit to Nevada earlier this year.

"There are a number of US operators looking to licence in Gibraltar and

others that are coming to commercial arrangements with Gibraltar operators," says Montegriffo, adding that there is a great potential in further developing the connection with the US.

Gaming companies have a lot of intellectual property parked in Gibraltar, and Pisharello believes "there are many opportunities for the gaming companies on the location of head offices and intellectual property, because royalty income on intellectual property is tax-free."

Owning and developing gaming software helps maximise business. Botsphere, a UK-based provider of automated trading solutions, was acquired recently by BetVictor, which used the software alongside four other operators. Chandler said it was a strategic move "to remain a world class, innovative gaming company in control of our future technical development." He's also launching a dedicated smartphone app, developed in-house, along with

a payment system, called IPG - now also used by three other gaming companies - that's been spun off as a separate company.

For its part, Sapphire Networks has expanded its network and increased its line capacity with routings through Spain, London and Amsterdam to meet e-gaming sector demands, its largest market. It's also diversi-

need such a spread of different talents, it's impossible", says Chandler, who is on a large recruitment drive to boost staffing levels to 500 by the end of next year.

BetVictor will then be the second largest employer after the government. He concedes that having offices in Eastern Europe, for example, would be cheaper, but says that he values having his directors nearby and being

able to talk to his staff.

Overall, with tight regulation and "best of breed operators" Gibraltar has "just got to keep on doing all the good things that we're doing," says Anderson, concluding that the more people that come to Gibraltar to see the system, the more the word will be spread that Gibraltar is a top-notch gaming jurisdiction. «

Well regulated and secure

Gibraltar is a white-listed jurisdiction by the UK Gambling Commission because of regulatory controls covering money laundering and safeguards to ensure player protection, including the provision of mediation channels covering player complaints.

John Anderson of 888 insists under-age betting is not a big issue for his company, pointing out that over ten years it has developed its own back office technology that gives "a 360-degree view of a customer, according to predefined permission levels, and immediate, real time access to all customer data".

This "absolutely phenomenal" amount of information is "far better than any bank or insurance company that I know," he says. But he also wants to see information sharing between companies, while Gambling Commissioner Phil Brear wants to encourage sharing at the jurisdiction level, too.

With regard to addiction, Victor Chandler reckons the risks are comparable to other industries: "There's a proportion of people in pubs who are alcoholics. You have to look after your customers and we do: everything's monitored," he says.

Even match fixing can be detected. "When people from eastern Europe start wanting big bets on lower-league tennis, you know something's wrong," he adds. And he maintains: "In Asia now, it's seen as a mark of approval that you operate out of Gibraltar. We are well-regulated and people recognise that fact."

E-gaming in numbers

Gibraltar has proved a winning bet for the online gaming industry, and the benefits go both ways.



"In Asia now, it's seen as a mark of approval that you operate out of Gibraltar. We are well-regulated and people recognise that fact."

Victor Chandler
Chairman
BetVictor



Peter Montegriffo | Partner, Hassans

Q&A

What's wrong with the UK plan to tax internet betting?

The justification is variously that the tax will ensure better consumer protection, create a level playing field and bring operators back to the UK, or raise revenue, and that the UK is doing nothing more or less than other EU countries like France, Italy and Spain. The UK has for many years welcomed internet gaming operators from the EU and white listed territories. The UK is now essentially proposing to introduce new restrictions and also is likely to very significantly endanger consumer protection for UK customers. There are features of the proposed taxation and licensing measures which are not

compatible with EU law and, therefore, open to challenge.

Why is there no EU-wide or global regulation? Gaming in EU member states is often undertaken on a state monopoly basis because it raises public policy and social considerations and therefore has not been addressed in the way that other sectors have in Europe. In the medium to long term, the way ahead is a coherent, harmonised European approach but this is not going to happen overnight.

Is Gibraltar's e-gaming sector threatened by this UK tax?

It would represent an added and very significant

cost, which could have a devastating impact on those companies here that are predominately UK-facing. However, it doesn't have an impact on other markets that we might be able to develop on a parallel basis.

How long before you know the outcome?

A Private Members Bill has been published and further legislation may arise in January. The UK view is that a decision on the tax has already been taken.

What if the UK cannot be persuaded?

We are not, at this stage, proposing any Plan B. Our efforts are exclusively aimed at convincing London to reconsider and we are encouraged by the UK's willingness to remain engaged in dialogue.



"As far as I'm concerned, the crème de la crème of the industry is here and the relationship with the government is great. It's not a confrontational relationship; it's a positive relationship and we try to solve the problems the industry has together. The government listens to us and it's a great backdrop for an industry to work in. They understand what the gaming industry brings to the economy in Gibraltar and they behave accordingly and you couldn't wish for a better environment to work within."

John Anderson,
Non-executive director
888

fied into a new data centre in Europort, which chief executive Lawrence Isola expects will be at capacity next year. A second data centre is contemplated to keep pace with demand.

In the meantime, Gibtelecom, the part state-owned company, claims now to be the territory's largest data centre supplier and has also expanded its network and capacity by becoming a global carrier - albeit one of the world's smallest - as a result of its 4 percent stake in the new Europe India Gateway submarine cable.

In all there are some 2,400 people employed in the Gibraltar gaming businesses, most crossing the border from homes in southern Spain. "We try to recruit people from Gibraltar, as that's cheaper, but when you

Quality remains the watchword

Writer: Ray Spencer

Despite having become a fully tax-compliant and co-operative jurisdiction on exchange of information – a process that has been a decade in the making – many people fail to appreciate that Gibraltar is a strongly regulated, international finance centre with direct access to Europe.



Recognising that reality is ahead of perception, The Rock is next year starting an all-out drive to promote its 'low tax, not no tax' offering to attract quality business, not quantities of business.

This approach of cherry picking who can relocate or establish themselves in the territory has its

spect of insurance companies, banks and mutual funds are identical whether you are in Paris, Rome or Gibraltar."

The journey to becoming a white-listed OECD jurisdiction has transformed the finance centre. Gilbert Licudi, minister of financial services, says he wants to make sure

"We introduced the Markets in Financial Instruments Directive (MiFID) before many others. Gibraltar is now discussing an intergovernmental agreement with the US on FATCA, the same as the UK has done."

Kerry Blight | *Outgoing chairman, Gibraltar Finance Centre Council*



roots in protecting a hard-won reputation for being an on-shore finance centre that can provide an attractive gateway to Europe.

Gibraltar's international finance centre may be small, presently accounting for a fifth of gross domestic product (GDP), but it is keen to grow. From January, three specialists will sell 'Gib Inc' to the main sectors where the jurisdiction has particular strength and appeal – funds, insurance and private client asset management.

Part of the statutory requirements for Gibraltar's Financial Services Commission (FSC) is to at least match UK standards in supervision and, as Marcus Killick, who has run the FSC for a decade points out, within the EU "the requirements in re-

No longer a tax haven

Gibraltar's credentials include independent endorsement for exchange of tax information through agreements with 23 countries so far – including the US, Germany, France and the UK – as well as compliance with EU, OECD and IMF requirements and strong but approachable regulation that also covers e-money institutions. Together, they make the old tax haven tag redundant. However, the jurisdiction remains unofficially black-listed by Spain, Portugal and France; the Rock's 10 percent business tax, significantly lower than in most EU member states, is seen by these countries as "predatory".

Gibraltar's reputation is acknowledged as being a "first-class jurisdiction within Europe that is internationally cooperative on all fronts, particularly in relation to exchange of information on tax matters."

"There has been a criminalisation of tax evasion to a much higher degree, and that has concomitant impacts of suspicious transaction reporting, for example in money laundering", adds Finance Centre director Jimmy Tipping.

Moving on

Credibility comes from passing IMF and OECD scrutiny, but Tipping points out: "It's also not a one-off process. There are boxes that you have to keep ticking in terms of

HIGH NET WORTH ATTRACTION

Savills, the UK global real estate services provider, this year made Gibraltar its 17th European trading jurisdiction because it is increasingly viewed as a "safe haven in the sun for UK High Net Worth Individuals (HNWI) and businesses," according to Charles Weston Baker, the firm's head of international residential. Describing the territory as a "modern, self-sufficient, confident and autonomous EU Finance Centre," Sammy Armstrong, who leads the Gibraltar office, points to the fixed 10 percent corporate tax rate and there being no VAT, capital gains or inheritance tax as being some of the reasons that make Gibraltar "an attractive jurisdiction for HNWI and corporations alike seeking a solid British environment".

trying to make people appreciate that you are no longer what you were 20 years ago." Information is exchanged under the EU Savings Directive. "Together with the information and tax exchange agreements, both EU and non-EU, and the mutual legal assistance legislation, there is no doubt that we are internationally cooperative," he emphasises.

Gibraltar is already well established in the insurance target growth area, where there are 64 managed, captive and direct branch office administrations with total assets of around £7.6bn in life, motor and general business, all benefitting from passporting opportunities throughout Europe.

Involved in Gibraltar insurance administration for 20 years, Penny Hudson, chief executive of R&Q Caledonian, says EU rules raised capitalisation requirements from 400,000 ECU to between €2 - 3m for new entrants into insurance, while the broking side also had to incorporate the Markets in Financial Instruments Directive (MiFID). "We're a very small place

playing in the EU arena. If you set up a captive insurer in Jersey you need £100,000; here, you need £5m, so it's a totally different clientele," she asserts.

Expecting 2013 to "be extremely busy", Hudson adds: "We're looking at the growth of a certain type of client that recognises the need for proper capitalisation, proper compliance, proper foundations and translating those foundations into a proper structure."

More banks

To supplement three mainstream retail banks, three building societies and eight private banks specialising in portfolio-driven wealth management, the aim is "to find a way of bringing more banks to Gibraltar," says Kerry Blight, outgoing chairman of the territory's Finance Centre Council.

A change this year in the way expatriates' pensions are taxed in Gibraltar – a low 2.5% on distributions – has unleashed "an enormous amount of potential" for Qualifying



"There are three very clear financial services sectors from a Gibraltar market point of view: private clients, insurance and funds, and asset management"

James Tipping
Director of the Finance Centre

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Marcus Killick
Chief executive
Financial Services Commission



"The requirements are identical whether you are in Paris, Rome or Gibraltar."

Recognised Overseas Pensions Schemes (QROPS) business, says Emma Perez, chairman of the local Bankers' Association and chief executive of private bank SG Hambros.

"In the Channel Islands, it's been the source of a lot of business. For us, having the structures in place now that could be acceptable to HMRC means that you can leave the administration to the Channel Islands, because they've got the expertise, but the compliance and the whole setting up of the QROPS would be in Gibraltar." As Jose Julio Pisharello, a chartered accountant at Baker Tilly, points out: "There's limited space in Gibraltar. It's a small jurisdiction, a small town and clearly that has also been a factor to consider in how we grow the business."

Financing remains a hindrance to plans for more offices, but Lawrence Isola, a local property manager and entrepreneur, has a project with outline consent that he hopes to start in 2013, because his Europort complex - Gibraltar's largest commercial premises - and adjacent Atlantic Suites are full.

"We've got all the pieces of the jigsaw in the right place - tax advantages, regulation, environment and climate," says Joseph Triay, senior partner at law firm Triay and Triay.

"People that use Gibraltar know that it has made the shift, but the question is how we get that message out to people. We won't grow without getting more entrants."

Part of Gibraltar's success in financial services is down to a consistency of approach. However, the territory still has a long way to come in terms of raising awareness of what it has to offer. "It's a struggle to find anyone with knowledge of Gibraltar in Zurich," says Blight, "Even in the City of London, there still is little knowledge." The three new promotional specialists are a first step, but he's pressing for three more to be appointed.

For his part, Tipping is keen to widen the industry's target market beyond Europe and the UK, and adds that his personal objective over the next two to three years is to see a "significant difference in terms of our profile, our presence and new business achievements and development in the financial services sector." However, over the next 3 years, he anticipates the international information exchange for tax purposes agenda will accelerate dramatically: "EU supervision and monitoring is going to become that much more intensive and intrusive." <<<

Q&A

Gilbert Licudi

Minister for education, financial services, gaming, telecommunications and justice

What is your strategy to attract investment?

We've established certain legislation which will allow us to attract new business to Gibraltar. Gibraltar is an international financial services jurisdiction within Europe that has a lot to offer. We're particularly interested in reputable business that is transparent and that is declared. It cannot just be about talking about tax evasion and fraud and paying lip service to those principles; you have to do it in practice.

Will Gibraltar's international standards influence BRICS countries?

The attraction that we have to the BRICS countries is that we can provide a base within Europe with passporting rights in respect of insurance. Banking will come very soon under the AIFM Directive. There will also be some passporting rights in respect of funds and investment services. For people who want to have access to a single European market, Gibraltar becomes a very attractive proposition.

What more can be done for funds?

This year we passed EIF regulations allowing large funds to be established that use an administrator based outside of Gibraltar. Until we'd passed these new regulations, the administrator had to be based inside Gibraltar, which meant that Gibraltar was simply out of the market for very large funds that wanted to use well-known names from other jurisdictions. We will create a list of approved administrators and other administrators can be approved on a case-by-case basis depending on the fund that wishes to transfer.

What is the biggest challenge?

The biggest is consolidating what we've achieved so far and using that as a springboard in order to attract further investment. For a very long time, Gibraltar simply wasn't on the radar for either investors or people in the legal world, and we need to make sure that Gibraltar is on the map and on everyone's minds.



Raising awareness of the new legislation the territory has in place to attract international companies is just part of minister Licudi's plan to put The Rock on the financial services map.

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TOP THREE LAW FIRMS

1 Hassans

Hassans, the jurisdiction's largest, has 29 partners and over 70 staff with particular expertise in international tax advice.

2 Triay & Triay

Triay & Triay, with strong admiralty and shipping and litigation teams, also has offices in Marbella & Sotogrande.

3 Isolais

Founded in 1892, Isolais is the oldest with 24 partners and associates and particular strengths in funds, gaming, residency and trusts.

Competitive edge

Added insight - Funds

Changes in EU financial services legislation are set to boost Gibraltar's aim of becoming a premier European funds jurisdiction and give it a competitive edge. The Cayman Islands accounts for 80 percent of the world's hedge funds, but from next summer under the EU Alternative Investment Fund Managers (AIFM) Directive, if any want to operate in Europe, they will need an EU partner. Gibraltar is closest in outlook, in culture and in regulatory regime to what they are used to, suggests James Lasry, chairman of the Gibraltar Funds and Investments Association.

Both jurisdictions work under common law, but it is Gibraltar's ability to pre-authorise a funds' launch under its Experienced Investor Fund (EIF) legislation that provides the edge. "You can begin trading from day one; there is no regulatory downtime and we are the only European jurisdiction that allows that," says Lasry. "In the funds world we are the jurisdiction with the fastest time to market within the EU," he assures.



Perspective

James Lasry
Chairman
GFIA

"The AIFM Directive did not bring us into the funds world, but it is the directive that has highlighted our capabilities as opposed to other jurisdictions. From July 2013, the member states have to implement the AIFM into their national legislation and that'll mean that we'll be able to passport Gibraltar hedge and private equity funds."

In addition, Gibraltar has made it possible for the fund administration to be handled outside of the territory. Emma Perez, chief executive of SG Hambros says: "It's all reputation based; if we can manage to bring in some of the key players in international fund administration to administer local funds, that would be great," adding that the growth of the industry would take off. A new advisory panel representing the whole funds sector and covering supervisory and regulatory issues will act as a sounding board and initial point of consultation for the Financial Services Commission (FSC), whose chief executive Marcus Killick says: "There is always going to be competition. It's a case of bringing the business in and then competing on who it's going to be serviced by." <<<

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Setting an example

Writer: Ray Spencer

Full Q&As

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gibraltar

Given a difficult world economic situation, some local businesses have reined in their operations, but others are expanding in Europe and beyond.

After successfully building Gibraltar's top businesses despite a tough economic and political backdrop, these entrepreneurs are now setting an example for the jurisdiction's increasingly ambitious youth by extending their operations in many overseas locations.

It's often thought that Gibraltar's edge when it comes to survival and presence is down to its diverse racial and cultural heritage, which integrates Muslims, Hindus and Jews with the predominantly Christian population, each drawing on the other for strength. A melting pot of British, Portuguese, Moroccan, Spanish, Maltese and Genoese backgrounds has contributed heavily to the jurisdiction's commercial entrepreneurship.

Throughout history, Gibraltarians have had to keep their wits about them to survive within a difficult commercial environment and often hostile political atmosphere that has seen the territory the subject of numerous sieges and blockades. Recognising that there are external factors that are outwith their control, Gibraltarians take the pragmatic view that what they can do, they will do well.

The diversified nature of Gibraltar's economy despite its tiny size is a key factor in attracting good quality people, who see the potential for individual recognition and tend to be charmed by the jurisdiction's advantageous weather and strategic location within the EU.

Some businesses in the territory can trace their roots back more than two centuries, and it is those that had their foundations in the 1900s that have done most to build their operations. Those that have ventured further afield, taking their practical expertise abroad, have managed to produce reported worldwide earnings of more than £2bn a year.

Businesses such as those within the finance and e-gaming sectors derive most of their revenue and profitability from overseas. The jurisdiction's lawyers, too, are achieving a greater presence on the international stage. For a small place, Gibraltar packs a very big punch.

Being able to diversify is another common strand in the success of leading Gibraltar companies, which is not always easy with limited space to expand into.

The leaders of the companies featured here have not only built a secure base of operations on The Rock, but have also made their mark on the world and are continuing to expand to such an extent that most of their trading income is now derived from overseas activity.



George Bassadone
Executive chairman
Bassadone Automotive Group

The company

Supplies half of Gibraltar's car market as well as vehicles for global humanitarian aid organisations and aims for €500m in sales next year.

The chairman

This tireless 59 year old legally-trained executive has been an entrepreneur since joining the business aged 23, and is still driving into new markets.

“Logistics are good through Spanish ports, so Gibraltar is an interesting location for exporters to come here and establish a European office base”

With its origins in 1927, the Group's philosophy is one of continuous improvement through cost reduction, new management procedures and staff motivation. After starting out selling Japanese cars locally, its business now spans 4WD Toyota sales to NGO relief organisations, domestic car sales in Finland, Latvia, Estonia and Lithuania, as well as Ssangyong sales in the UK. Bassadone estimates it will take up to 5 years to grow the brand in the UK – “a nice and challenging situation” – to sales of 20,000 of the Korean-made vehicles a year. The company has also recently landed a competitive US government contract to supply Chrysler vehicles – “we were price sensitive, so well received”, says Bassadone.

The main challenge ahead lies in growing the company's mainline European car distribution to earn market share for the Bassadone brands. Bassadone points out that his target markets have not been too affected by the economic crisis, which will help in his goal to grow company turnover by 50 percent within the next 5 years.

With nine car brands in Gibraltar and 200 staff locally, his satisfaction comes from seeing that “a Gibraltar company can succeed in a competitive global marketplace – a fantastic representation for Gibraltar”.



John Bassadone
Chairman
Gibunco Group

The company

A full-range shipping services enterprise offering bunkering, underwater maintenance and ship agency, with substantial property interests.

The chairman

With 48 years' experience of working in and developing the business, he likes doing things from the bottom up to establish a natural growth.

“We have always assisted successive governments in finding ways that will benefit the development and well-being of Gibraltar”

A relatively young enterprise, Gibunco began ship hull cleaning and underwater repairs in 1965, and has now grown to become one of Gibraltar's largest private sector enterprises. The success of this family-run Group has come mainly through diversifying its Gibraltar interests and internationally, whilst focussing on innovation and excellence.

Gibunco became an international player in the mid 1980s after obtaining exclusive worldwide use of SCAMP patented hull cleaning machines, which gave access to a much larger shipping client base, greatly assisting the later development of its bunkering business beyond Gibraltar.

In the late 1980s, the company became involved in shared ownership property development for Gibraltarians at a time when only 4 percent of the population owned their own homes. Its first projects were rooted in providing locals the opportunity to join the property ladder at competitive prices, and progressed to luxury developments. The Group has had a big impact on the economic and social landscape of Gibraltar and has played a leading role in promoting the jurisdiction on the international stage.



Tim Bristow
CEO
Gibtelecom

The company

Gibraltar's main telecommunications provider in fixed line and mobile and one of the world's smallest global carriers.

The CEO

In his role since 2002, this 56 year old British chartered accountant has a history degree from Leeds University and is an experienced public sector official.

“The excitement for us as we build our global network is that we could also service customers who aren't necessarily based in Gibraltar”

Jointly owned by the government and international telecoms firm Telekom Slovenije, Gibtelecom punches well above its weight: in 2011, it took on a 4 percent holding in the US\$700m Europe India Gateway (EIG) submarine cable project as part of a consortium of 16 telecoms companies.

At a cost of around US\$30m, this investment has provided a route out of Gibraltar that isn't land-based - offering greater security and control over Gibtelecom's destiny given that its land links are via Telefonica and Interoute in Spain. A marketing arm is now selling the leftover submarine cable capacity which is much greater than the Gibraltar market is ever likely to need. So far, it has secured two major deals; with Vodacom of South Africa and most recently with Monaco Telecom. Other deals are in the pipeline.

Gibtelecom's pre-tax annual earnings are estimated at over €10m, and Bristow thinks further expansion may be possible: “it could be that we might join other submarine cable projects close by or in other parts of the world,” he explains, adding that as a small company, Gibtelecom has the entrepreneurial edge against its bigger global competitors.



Denis P. Lafferty
Group managing director
Saccone & Speed

The company

The Saccone & Speed Group, at almost 175 years old, is one of Gibraltar's longest-established companies. It imports and distributes alcohol and tobacco within the territory.

The managing director

With a professional background spanning both the retail and wholesale sectors, Denis Lafferty joined Saccone & Speed in 1993 and became group managing director in 1996.

“There are a lot of hidden depths in Gibraltar that are there for businesses and for people to enjoy”

From its beginnings in 1908 as a supplier of beer and wine to the Royal Navy, the company now imports and distributes wines, spirits, beers, liqueurs, cigars and cigarettes in Gibraltar to a tied estate of hotels, bars and restaurants and also to the many off-licences, convenience stores and supermarkets on The Rock. Since then, the company has diversified into sectors as diverse as food distribution, into health and personal care products and financial services.

“We are a major player in our sector but we consider ourselves very much a family business,” says Lafferty, adding that 30 years of service within the company is not unusual for his staff. The approach he takes to management is “that of a UK PLC. Even though we're a Gibraltarian business, our management style and structure is more focussed,” he adds.

Despite the difficult economic situation, he is optimistic about the company's future. “We've got very good brands, we've got good staff and we look very carefully at all of our costs so we're confident that going forward we will continue to be a healthy profitable business.”

Bustling strait

ⓐ Challenges faced by Gibraltar's shipping sector have prompted government and business initiatives that modernise the territory's 2,000 year-old maritime industry.

ⓐ At the crossroads of the north-south and east-west shipping routes, Gibraltar - which offers services ranging from bunkering to dry-docking, chandlery, crew changes, charts, hull cleaning and underwater surveys - is the ideal one-stop shop for maritime services. However, The Rock is currently in a hard place for the shipping industry. With sluggish global growth, falling freight rates and volumes combined with a backdrop of volatile commodity prices, a wider plan of investment and infrastructural changes for effective port operations is a pressing concern.

But the port's service providers aren't overly concerned. "Shipping will still face difficult times," says John Bassadone, chairman at shipping services company Gibunco Group. "It will take some time to crawl back, although I am hopeful". His optimism is justified, since a supportive government has shown commitment to making improvements.

That said, certain changes need to be made to bring the port up to date.

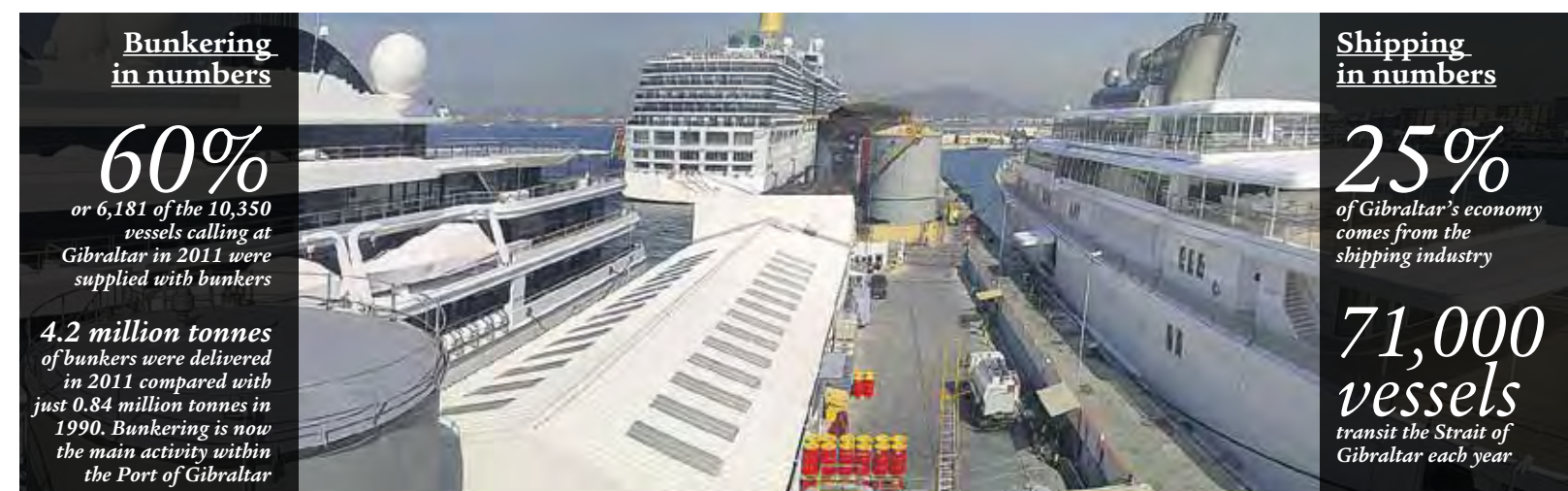
Currently, fuel is stored on ships anchored in the bay or procured from the refinery in La Linea, a city just across the border with Spain, but this cannot go indefinitely, explains Johnnie Gaggero, chairman and managing director of MH Bland, which offers marine and

port agency services. "Gibraltar is a petrol station for ships," he adds. "We have to deal with how and where we store our fuel. We have an environmentally-conscious government on one hand, but on the other it's reliant on the income and we don't have the infrastructure in place to move away from floating fuel storage." Lack of space is a known issue and solutions are being considered. To handle congestion, the Vessel Traffic Service (VTS) aids traffic control among the competing cruise ships, yachts and tankers, says Paul Imossi, director of shipping and marine services company Smith Imossi, and chairman of the Ports Operators Association. He adds, however, that further investment is needed and that he would like to see the Port Authority have its own budget with money generated from shipping re-invested in the industry.

Top or bottom bunk

There are a finite number of slots for anchoring in the bay and little scope for growth, according to Harry Murphy, director of Gib Oil, which services marine, aviation and land-based customers and is the authorised distributor for Shell lubricants.

The eastern anchorage is unsuitable for year-round operations and plans to open it up for



Source: Gibraltar Port Authority

bunkering were scrapped, though Murphy notes that its use could be possible for eight months of the year under certain conditions. For now, the area is used to free up slots in the case of bunker disputes.

Still, facility improvements have made it easier to supply yachts. Gib Oil can organise one invoice for yacht owners who don't want to engage numerous agents for fuel and lubricant, waste-oil removal and other services.

Ship agent Euroship Supplies also courts the

Ministry of Defence and local shipyard and bunkering companies. Economic realities, explains chairman George Desoisa, have pushed the Group to be prudent credit providers.

Arrested developments

Admiralty is another area where Gibraltar receives recognition. English law applies and priorities of debt are well established. Joseph Triay, partner at law firm Triay and Triay, says the jurisdiction has preferred status for ship arrests because a private treaty sale means a ship can be sold to a pre-arranged buyer in a matter of days.

He adds that for ship registration, Gibraltar is regulated like any British port and has the advantage of being in the European Union.

EU cruise boost

One of the few VAT-free jurisdictions in the EU, for now, Gibraltar is the only port in the area offering cruise liners a tax break, but Morocco is gearing up. It is revamping Tangier Med port for cruise, yacht and ferry traffic. Though this will surely mean competition, MH Bland's Gaggero is sanguine. "Morocco and the Maghreb is an opportunity for Gibraltar. We provide a service and product that can be sold to North Africa: a combined finance centre, shipping hub, airport for cargo and industrial and free zones," he says. <<

Green opportunities



Gib Oil has invested in providing biodiesel at its yacht terminal and is looking for more political support to make the scheme cost-effective for customers. So far, the company has installed a multi-product high volume pump on the road side and replaced the existing two-product pump, which had petrol and diesel, with a three-product pump including an additional tank for biodiesel. For now, bio-components are more expensive, at about 5p per litre, and government-backed incentives would help market the alternative fuel. "It's important because it is the way of the future and we need to start looking at these things at an early stage," says director Harry Murphy.

"Gibraltar is entering an exciting period of development... with new trade, consolidation and improvement in port operations."



Roy Stanbrook
CEO and Captain of the Port

Roy Stanbrook is CEO and Captain of the Port at Gibraltar Port Authority. Previously, he worked for the Port of London Authority.

How has the economic crisis affected the shipping and bunkering sectors?

Shipping tends to lag the world financial markets by 18 months to two years, so even though we have seen slight reductions in the quantities of fuel taken, the actual numbers of ships that are calling for bunkers has remained. Fuel quantities are down because people don't want to invest too much when the prices are quite volatile, so they'll take what they need and not more, but at the moment everything seems to be holding quite well. Cruise numbers are particularly buoyant.

What actions are you taking to mitigate environmental impact?

All ports under UK jurisdiction require an oil spill contingency plan and we are undertaking a fundamental review. It needs updating to fit in with more recent maritime and environmental legislation, particularly the EU Water Framework Directive and various other pieces of legislation. As part of this, I have just joined EcoPorts, which oversees a framework of remedial actions to ensure operations are environmentally friendly.

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More visitor appeal

Tourism&culture

With around 12 million tourism arrivals annually, Gibraltar now aims to build on its appeal by extending its cultural, maritime and military heritage offerings, as well as the Upper Rock Nature Reserve, to boost its total number of visitors – and the spend each trip. An increase in airline and cruise ship passengers and more specialist festivals and weekend events are planned alongside an extensive upgrade of existing attractions.

Writer: Ray Spencer

For more information, visit the revamped interactive tourism website at www.visitgibraltar.gi

Stepping up
 Nobody seems to know how many paces make up the 18th century-built Mediterranean Steps. Providing the fastest route between two military defence points, the newly renovated steps wind up 246m from Jews' Gate to O'Hara's Battery. The challenging 1.5km walk ends 426m above sea level and takes about two hours.



Jazzing it up
 The 1st international 3-day free Jazz Festival, held in June at Casemates Square, combined star performances and music workshops and was commemorated by a special Gibraltar 75p postage stamp.



Historic tourism
 The Moorish Castle played a prominent part in the Arab conquest of the Iberian Peninsula and is believed to date from the 8th century, before being rebuilt six centuries later.

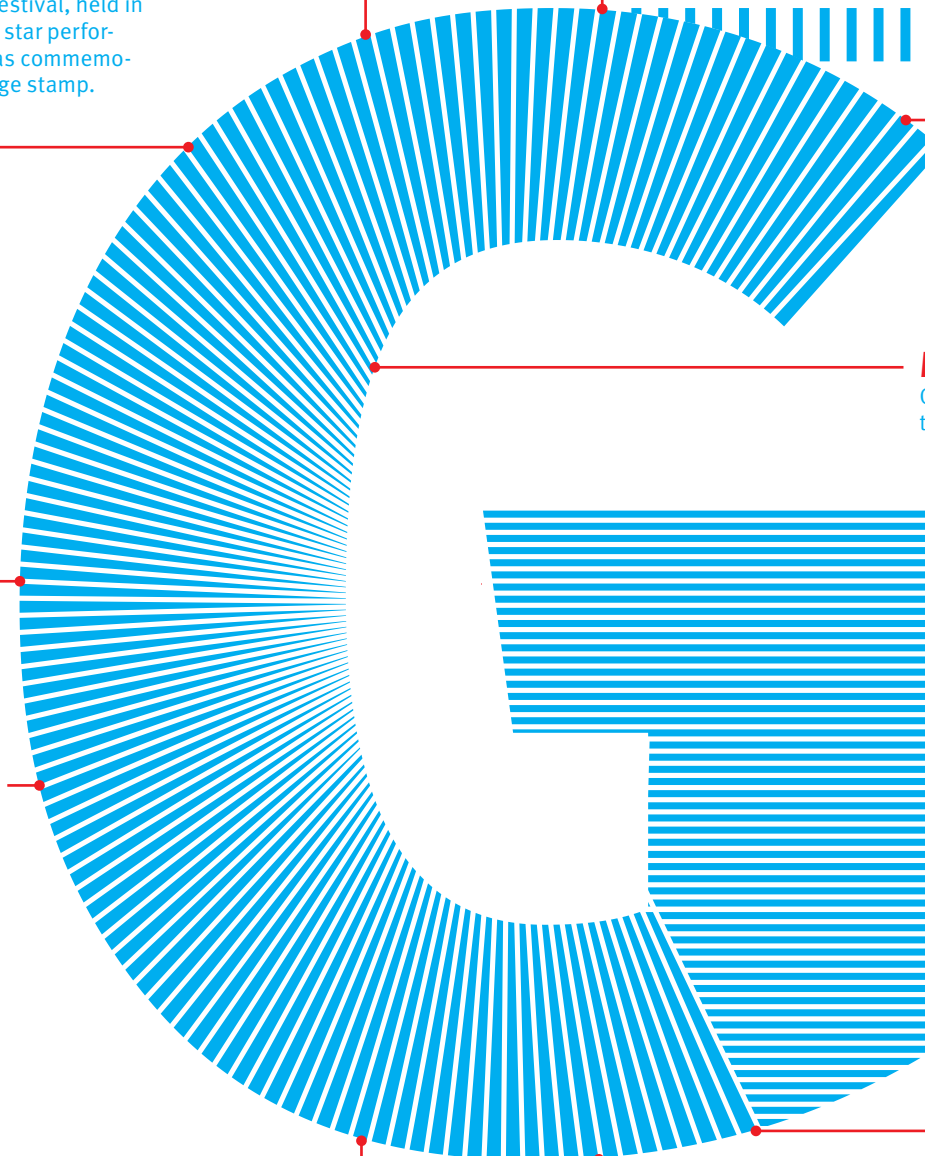
Going up
 Swiss-built in 1966 for MH Bland, the cable cars take 6 minutes to reach the Top Station, which is 412m above sea level with views of two continents and three countries, offering access to the Ape's Den, St Michael's Cave and other Upper Rock Nature Reserve attractions.



Shopping spree
 One of Europe's few remaining VAT-free havens, pedestrianised Main Street and surrounding pathways provide visitors with special priced items - alcohol, tobacco, perfume, beauty products, jewellery and luxury goods - as well as familiar High Street names for more general retail therapy.



Hands on Pickle
 The latest historical attraction, the 73 ft-long HMS Pickle twin-mast schooner, is a replica of the ship that brought bittersweet news to Britain from the 1805 Battle of Trafalgar of Nelson's victory and death. It's both a static museum and occasional working ship at Ocean Village Marina.



Down below
 With stalactites and stalagmites, St Michael's Cave at 300m above sea level is one of Gibraltar's most important assets. Plans are afoot to increase its accessible area and special events capacity in the largest natural chamber, Cathedral Cave, which is renowned for its acoustic properties. A guide is required to visit a lower cave and small lagoon.



Monkey business
 Over 300 Barbary macaques – known as Gibraltar apes - live on The Rock, the only place in Europe where such primates roam freely. Traditionally found in the Atlas Mountains of Algeria and Morocco, legend has it that these tailless monkeys arrived through a secret passage beneath the Straits of Gibraltar. To reverse a sharp decline in numbers during the Second World War, four Moroccan monkeys were imported by Winston Churchill to maintain morale because of the popular belief that Gibraltar will remain British so long as the apes inhabit The Rock.



Dolphins ahoy
 Seen most days in the Bay of Gibraltar, three main types of dolphin - common, striped and bottlenose - swim in groups of up to 200, reaching speeds in excess of 35mph. Often accompanying sperm whales, the mammals can be watched from specially adapted tour boats.



ibraltar

Getting hitched
 Gibraltar law allows non-residents to marry without statutory residential requirements - as John Lennon, Sean Connery and Lawrence Harvey found. Apart from church and registry office ceremonies, weddings are permitted in eight other Rock locations with the beach, City Hall and St Michael's Cave also proposed.



Checkmate
 Gibraltar's annual Chess Festival has established itself as the most prestigious open tournament in the world, according to The Sunday Times, attracting 57 Grand Masters and 240 players.





Q&A

Neil Costa
Minister for tourism, public transport
and the port

A parliamentarian for five years, former lawyer Neil Costa is keen to revive and revamp the Gibraltar brand to ensure tourism remains a key pillar of The Rock's economy.

What have been the key areas of action? We are working hard to establish sustainable air connections to different parts of the world and to increasing the number of cruise liners calling at

source tourist market and will always be, irrespective of current endeavours to tap into Russian and other European markets. We hold four meetings per year of the United Kingdom Gibraltar Tourism Association, which brings together representatives of our important tourism partners in the UK, and I hold bilateral meetings with all of the UK-based members in advance.

“My main aim is to convert tourism into Gibraltar’s principal engine of economic growth.”

Gibraltar. It is only through continuous personal contacts, meetings and hospitality that Gibraltar can hope to attract new business opportunities to our vital tourism industry.

How important is the UK to Gibraltar’s success? The UK continues to be our main

the times and must remain relevant and imaginative. We are devising new marketing ideas and strategies that we are confident will more effectively market Gibraltar. The truth is that Gibraltar is much more than what is imagined. Gibraltar is a very small community and we need to pull together for Gibraltar’s benefit.

Links to the world



Gibraltar’s new, €80m international terminal, more than five times larger than the original 1959 building and capable of handling 1m passengers annually and six aircraft movements an hour, is the modern gateway to The Rock for three airlines – BA, easyJet and Monarch. The government is adding new UK routes, including Manchester and Birmingham, beyond the three London airports, and plans to establish air links to other parts of Europe.

Part of the new air terminal is dedicated to private flights - mostly for business use connected with the finance centre, but also for high net worth individuals accessing super yachts moored at the two main marinas, Ocean Village and Queensway Quay.

On the ground, each day thousands of vehicles, from cars to coaches and commercial vehicles, cross the land frontier into Gibraltar from La Linea de la Concepcion in Spain.

In the meantime, the number of cruise liners calling at Gibraltar port will rise from 175 currently - carrying 328,000 passengers - to at least 187 next year. Although there’s a drive to increase passenger numbers substantially, the government has, for the moment, halted plans for a second cruise terminal.



Surprising Gibraltar One of the ancient Pillars of Hercules, this spectacular rock monolith has a captivating history. Despite common misconceptions, there’s a lot more to Gibraltar than British bobbies and fish and chips.



It’s the end

Europa Point, at Gibraltar’s southern tip, is often thought to be the closest point between Europe and North Africa, although at 14 miles, it is beaten by Tarifa, further west in Spain, which is just 8 miles from Morocco. With panoramic views across the Strait to the Rif Mountains, and its striking Trinity Lighthouse, Europa Point has recently been beautified; the area of flat land also houses the Roman Catholic shrine of Our Lady of Europe and the impressive Ibrahim-al-Ibrahim Mosque, a gift from King Fahd of Saudi Arabia.



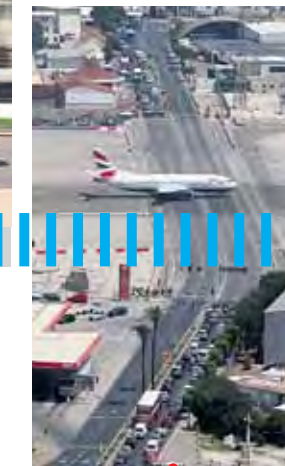
Neanderthal outpost

Neanderthal man – or in this case, woman - survived in Gibraltar until 25,000 years ago, some 5,000 years later than previously thought. A female skull at the foot of The Rock’s steep north face in 1848 was one of the earliest discoveries of Neanderthals, although it was only properly recognised after a similar male skullcap and partial skeleton found eight years later in northern Germany was examined. Today, excavations have spread to other caves in the territory, and nine out of 200 caves have evidence of Neanderthal inhabitation.



Motor power

Motor insurance business written by Gibraltar-based firms is nearly 2½ times greater than through Lloyds of London. Such is the growth in that sector of the finance centre that firms based in the jurisdiction accounted for 15 percent of the UK market in 2011, compared with 10 percent a year earlier. Today, Gibraltar’s UK motor insurance business, at over £2.4bn, is 56 percent greater than in 2010, according to figures from accountants Ernst & Young. The Gibraltar insurance business is also judged to be significantly more profitable than its UK counterpart, owing to lower operating costs and canny underwriting. Admiral Insurance, which moved to Gibraltar a decade ago, and Acromas are said to be the star performers among 25 motor insurers locally.



Give way

The only international airport in the world with a main road crossing its runway is in Gibraltar. Barriers stop pedestrians and vehicles when aircraft take off or land. The short 1,829m runway with sea at both ends is next to The Rock and adjacent to the Spanish frontier, which runs parallel.



Roadway

There are 32 miles of underground roads in Gibraltar - some two-lane to handle 4-ton lorries - and only 23 miles on the surface, which is surprising given The Rock’s main ridge area is only 1½ miles by 1 mile.

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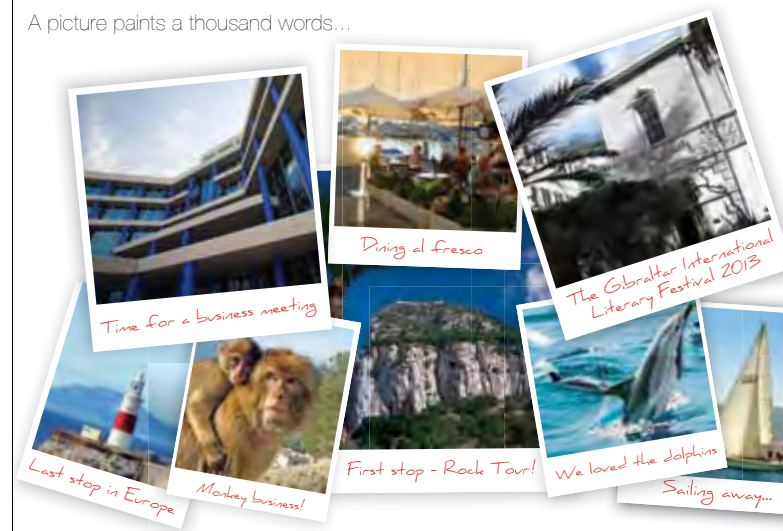
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MH Bland's cable car provides spectacular views and helps reduce traffic in the Upper Rock Nature Reserve, but the operator believes it can do still more in the future to improve transport issues with a hop on, hop off road system embracing all transport interests.



There are opportunities to strengthen Gibraltar's position in the luxury shipping business. No import duty for vessels over 18m long, an attractive registry enabling the Red Ensign to be flown, and access to VAT-free fuel combine to make Gibraltar a magnet for super yachts at Ocean Village Marina.



Future growth lies southwards too. An ideal stepping stone to trade with the African continent, the waterway between North Africa and Gibraltar is one of the busiest in the world, with almost 100,000 ships transiting the Mediterranean every year.

Future With an initial £1m investment, the government is upgrading and refurbishing tourist facilities on the Upper Rock, with a further £3m promised by 2015. From sprucing up the top of The Rock to broadening the use of its harbour and marinas, there are many ideas to introduce still more people to the charms of Gibraltar.

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