A spectacular landmark for passing ships? A UK Royal Navy base? Or an outcrop of southern Spain? The British Overseas Territory of Gibraltar has been all three of these at one time or another. However, its pivotal position on a major sea route has given it a far more modern role as Europe’s number one bunkering port and a favourite stopping off point for an almost unending procession of superyachts.

But its importance internationally has been highlighted extraordinarily as it looks set to become entwined in the negotiations between the UK, the European Union and now Spain over Britain’s exit from the EU.

Strategically perched on the route that links the Mediterranean, the Atlantic and the Caribbean and overlooking the Strait of Gibraltar, the Rock is a vibrant and dynamic port city with a bulging infrastructure that belies its tiny 6.7 square kilometre size and population of 32,000. Gibraltar shares a 1.2km-long land border with Spain and lies 14km north of the African coast of Morocco.

The numbers and volumes of projects in Gibraltar in the last 12 months have exceeded every previous year. It is generally acknowledged in the region that the main reasons for this current upsurge in activity are greater global appreciation of its pretty
and unique location, a dynamic and interdependent shipping sector and the hands-on stewardship of Commodore Bob Sanguinetti, the CEO and Captain of the Gibraltar Port Authority (GPA).

Many of the sector’s companies are involved in Gibraltar’s primary industry – bunkering – which is also the factor that has helped forge one of its biggest success stories – the exponential growth of Peninsular Petroleum, the bunker supply and resale company founded by John Bassadone, son of the founder and joint owner of Gibunco. The younger Bassadone was a junior trader in London when he started the company in 1996 with 75,000 tonnes of bunkered fuel oil from the Gibraltar refinery. Since then he has overseesen average annual growth of 22%. Peninsula now supplies 1.31 million metric tonnes of fuel and has a network of 20 global offices including such global maritime hubs as Singapore, Shanghai, ARA, Houston, Hong Kong and Tokyo (See ‘How I Work’ article on John Bassadone on p52).

Another local sector that has continued to prosper despite the global downturn is ship repair. Among recent contracts at Gibraltar repair specialist Gibdock last year were scrubber retrofits for five Vroon Offshore Services-operated offshore support vessels and, backed by a favourable post-Brexit exchange rate, repairs to a range of German-owned general cargo ships, container ships, reefers and bulk carriers. “We are maintaining a strong ferry and ro-ro business, have started new cargo ships, container ships, reefers and bulk carriers. "We are strongly committed to the programme so we can develop a succession plan to foster the ship repair technicians and managers of the future,” added Mr Beards.

Like Gibraltar’s repair market, there are exciting changes planned at Gibraltar’s Ship and Yacht Registries. The number of ships registered at the Ship Registry in the last 14 months was 290 – a 2% increase on the previous year. The Yacht Registry, meanwhile, has through a near-revolution with almost 900 superyachts on its books. For owners and operators, one of the Registry’s unique selling propositions (USPs) is its almost blemish-free white-listed record at its books. For owners and operators, one of the Registry’s unique selling propositions (USPs) is its almost blemish-free white-listed record at the Paris MoU and the US Coast Guard inspection regimes – and 18 months ago it was also elevated to the Tokyo MoU white list.

On a more political note, Britain’s decision to leave the EU could have a profound impact on the Registry. Richard Montado, Maritime Administrator at the Gibraltar Maritime Administration (GMA), the government body that runs it, said: “Brexit has had a similar psychological impact on the Registry to the UK Registry. It looks as if one-third of the fleet who have registered here for domestic taxation advantages could be looking to flag out.”

More encouragingly, the Gibraltar government has provisionally approved the formation of a new ‘post-Brexit’ Registry, as Mr Montado describes it. “The idea is to operate the Registry 24/7 and in different time zones. We also aim to increase the size of the Registry and maintain our same high standards. We’re looking to offer products to Far East owners and also owners in the US where we are recognised as a white-listed, high performing flag,” he said.

Two other structural improvements that will appeal to ship owners and managers is a recent decision to move the two Registries online – a project that is due to be completed in the autumn of this year. It means that all registering and other services offered by the Registries such as seafarers’ certificates will be computerised. On the new Registries, owners will be able to register ships while they are still being constructed.
One of the advantages of registering in Gibraltar is that everything is close by. You can walk to the post office or the hospital and when you are fed up with going local you can go across the border to Spain. Most of our customers live in Gibraltar and as a region it feels very safe. Education is paid for by the Government, buses are free, there is no inheritance tax or VAT and in 2011 corporation tax fell from 30% to 10%. If somebody gets mugged here it is headline news,” said Jens Sorensen, Managing Director of ships’ registrations provider Sorek Group.

From registering to refuelling. The number of bunkering visits by commercial vessels to Gibraltar hit record levels in 2016-2017. The number of superyachts visiting to refuel has also risen to unprecedented levels matched by newly opened and expanded anchorages in Gibraltar’s Mid-Harbour Marina, the Ocean Village Marina and Marina Bay giving visiting vessels up to 90m-long some 600m of berthing facilities. Albert Isola, Gibraltar’s Minister of Commerce, said it was “fantastic to be doing that well in the current economic climate”. Many yachts were staying longer after refuelling and enjoying Gibraltar’s hotels and restaurants and such tourist attractions as cable car rides, scenic tours of the Rock as well as exploring its intriguing underground cave network.

And more vessel visits means more potential business for the Gibraltar Port Authority (GPA), the Gibraltar Tourist Board and the region’s ship and port agencies. There were 25 local ship agencies at the last count. One of the larger ones is INCARGO, part of the INCARGO Group. Its director George Dyke said the agency has handled 60 to 65 ships a month in 2016-2017. “Bunkering dictates 90% of the shipping business in Gibraltar plus the support services — husbandry, crew changes, storage and minor repairs. That’s why I would like to see permanent bunkering storage in Gibraltar. We also have more anchorage space than the Port of Algeciras [which lies the other side of the Bay of Gibraltar], so theoretically we should be doing our bunkering more effectively. We bunkered 3.8m tonnes last year, though during our peak period in 2007-2009 we reached 4.5m tonnes,” he said.

INCARGO handled more cruise ships — notably from the Royal Caribbean Group, Celebrity Cruises and Thomson Cruises — than in previous years and 238 cruise liners were scheduled to call in 2017, said Mr Dyke. Two new cruise liner berths are also planned for the port. Although it had all the right service facilities, Gibraltar needed more accommodation for the crews of longer-staying ships, said Mr Dyke. Although a Holiday Express hotel is opening in 2017, Mr Dyke said the region needed more beds “to compete with Algeciras where you can stay for €70-a-night while it is much more expensive here.”

The Algeciras question was raised by Ian Penfold, Director of Gibraltar’s largest port agency, MH Bland, which was founded in 1810. Mr Penfold, who was a member of the Government-led marketing groups who recently visited Singapore and Hong Kong, said the initiative had attracted a lot of new business to Gibraltar. “We have had to do it as we have been getting so much competition from Algeciras which runs its own marketing trips,” he said. MH Bland handles an average of 140 to 150 ships a month and is aiming to top 200. It has also expanded its agency and support services to 13 overseas offices — the latest will be in Casablanca this spring. Because of the recent surge in superyacht visits, the company plans to open a separate department to service the sector.

One reason for the Gibraltar shipping sector’s recent buoyancy has been the weakening pound, said Alex Lavarello, Director of port agency Turner Shipping. “The devaluation of the pound against the Euro virtually gave us a 20% advantage overnight, allowing for more flexible trading and making Gibraltar feel less hemmed in,” he said. Another cause for optimism was a new flight service from Tangiers airport which has brought Chinese businesspeople to the region for the first time, said Mr Lavarello.

He said globalisation and the rise of the internet had prompted the number of local shipping agencies to grow from 10 to 12 around 15 years ago to “a lot more now — approximately 25 — and means that eventually all agents will have to work together or diversify”.

“Gibraltar is giving out a lot of licences. However a bunker call is something that is very easy to do and any agent can do it. It is when something goes wrong that an agent is worth his money as we’ve seen time and time again. The biggest issue is when agents...
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set up business in Gibraltar and then set up another agency in Algeciras where getting a licence is cheaper,” he said.

Gibraltar was in a position to react quickly to Brexit and “shipping may be the pillar to support the Gibraltar economy like it did once before,” he said. The only real snag was the colony’s relationship with Spain, which has periodically contested ownership of the colony with the UK. “The solution could be to move to ‘joint sovereignty’” said Mr Lavarello.

Danny Gabay, Director of logistics service provider Redwood International, said the buoyant bunkering market and the increase in visiting ships had created a brisker trade in the delivery and collection of spare parts in 2016-2017. Another “cash booster” was the increased activity of the shipyard and the demand for spare parts for ship repairs. “Whenever a ship stays in the yard for a month or so we get a lot of orders for spares coming in and going out,” he said.

Mr Gabay said the number of systematic checks at Gibraltar’s border with Spain, which is outside the EU’s Customs Union but inside the Schengen area (the European area of passport-free, unrestricted borders between 26 member countries) on the Spanish side, was increasing due to an upgraded system that was introduced in March this year. He said it involved “more red tape and hold-ups” but he did not believe Brexit would have a negative effect on his own company’s business activities. “The problem will be the movement of people, not goods, and on the positive side we are no longer seeing the seven-hour queues that used to build up at the border,” he said. “At the moment it is easier to procure parts and supplies from Spain than anywhere else as it is next door,” Karl Alecio, Redwood’s Operations Manager, observed.

One person who will help to oversee Gibraltar’s transition to a post-Brexit future is its Minister for Commerce, Albert Isola. Mr Isola, who was until recently the region’s Minister for Shipping, said: ‘Although it is brutally competitive in the bunkering sector and equally so in the superyachts sector, if we raise the bar in terms of the quality we deliver we will see more business coming through – as we have seen in the past two years.”

He said the Government’s decision to allow future ships to be put on the Registry during construction was “an innovative way of providing security during a time of economic uncertainty when a shipyard could go bust while a ship is still halfway built.” He said that by registering and putting a mortgage on the vessel, it became the owner’s asset and they could “pull it out of the yard and finish it somewhere else”.

Apart from improving the blending of bunkering fuel and reducing the sulphur content, another commercial innovation was to introduce land storage for bunkering. “We have gone out publicly and had expressions of interest and engaged with a number of companies,” he said. “It is a necessary investment for the long-term future of the sector here which we can deliver in a relatively short time. A proper land-based bunkering facility will enable us to meet our standards much more easily than we would with floating storage.”

An area Mr Isola would like to expand is shipmanagement. “One of the areas we think we should be much better at is shipmanagement – we think we are ideally located for companies to have their shipmanagement based in Gibraltar, particularly with the volume of shipping that is coming through the Strait of Gibraltar,” he said.
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In the three years since he took over as CEO and Captain of the Gibraltar Port Authority (GPA), Commodore Bob Sanguinetti has overseen a revival of the shipping sector, helped to foster a series of key port improvements and important infrastructure projects and launched an aggressive marketing campaign.

Born and bred in Gibraltar, Commodore Sanguinetti served in the Royal Navy for 30 years, commanding several Royal Navy warships and rising to the rank of Commodore. After working at the UK Government’s Ministry of Defence, Cdre Sanguinetti was Head of Intelligence at the UK’s London-based National Operations Headquarters before taking up his current post at the GPA.

In 2016-2017 he has helped to plan, foster and oversee a series of upgraded bunkering projects, new facilities for cruise ships and superyachts and the GPA's move to a new and impressive headquarters. The major items on his 2016-2017 agenda have been the extension of a former bunkering jetty into new berths for superyachts and small coastal craft plus a new range of concierge services for crew members as well as ship repairs and general husbandry such as water supply and slops discharge facilities. One of Cdre Sanguinetti's key strategies behind this is to encourage longer stays in Gibraltar. "We have introduced a more comprehensive package for visiting ships and their crews, one of the key reasons for this being to encourage ships to stay longer when they refuel in Gibraltar. Some superyachts have even stayed for several weeks recently,” said Cdre Sanguinetti.

Another major project is a new state-of-the-art Vessel Traffic Service (VTS) which will be based in a purpose-built four-storey tower on a limestone promontory on the side of the Rock and give the VTS team a bird's eye view of the movements of ships in the Strait of Gibraltar. The project will be launched in the autumn and will replace Gibraltar's existing VTS system which has been in service since 2011. The web-based information management system will include infra-red CCTV cameras to give the VTS team sharper monitoring and control of ship activities. The size of the VTS team has also been increased from five to 10 operators by the GPA in the past five years.

"The new VTS system will enable the flow of information across Gibraltar's stakeholders to be far more fluid than it has been in the past. In addition to increased functionality, the contract includes a maintenance package, together with software updates and upgrades over the next five years and future-proofing for the planned introduction of e-Navigation," said Cdre Sanguinetti.

The new Mid-Harbour Marina which was completed in 2016 has 500 metres of deepwater berthing facilities for superyachts with a minimum depth of six metres and deeper in most areas. Responding to rising demand from superyachts, extra berths have also been added to the marinas at Marina Bay and Ocean Village, the glamorous apartment complex overlooking the Bay of Gibraltar with capacity for yachts up to 90m-long.

Cdre Sanguinetti's efforts to invigorate the Gibraltar shipping sector have included a series of marketing trips headed by Albert Isola, the Minister for Commerce, to study overseas shipping sectors and attract potential new business to Gibraltar. So far the groups of up to 12 people including members of leading companies and Gibraltar's maritime trade bodies, have visited Hong Kong and Singapore with a third trip to China scheduled in the near future. "It’s an aggressive marketing campaign supported by the Government with direct engagement with ship owners to better understand their needs. The campaign will continue throughout 2017 to ensure that the Port of Gibraltar continues to provide the best possible support to the shipping community," said Cdre Sanguinetti.
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Despite the slump in the global shipping market, there has been an upsurge in the number of ships bunkering in Gibraltar with more than 245m gt of vessel calls in 2016 consolidating Gibraltar's reputation as the largest bunkering port in the Mediterranean. In the past 14 months visits by commercial ships have increased while the number of yachts and superyachts berthing in Gibraltar has hit an all-time peak. As the tourist attractions of Gibraltar reach a wider global audience, the number of cruise liner calls have been increasing.

A project that has been discussed for several years by Gibraltar’s main stakeholders is the need for a permanent land-based marine fuels and bunkering facility, particularly with the recent upsurge in the bunkering of ships and superyachts. The Government recently invited proposals for the design and construction of the facility which will have a minimum storage capacity of 225,000m². Two other developments by Gibraltar’s Peninsular Petroleum and Macoil will add more capacity to the Rock’s existing floating bunker infrastructure.

The go-ahead for another important fuel-related project was given by the Government in 2016 after it signed an agreement with Shell subsidiary Gasnor for the building of a regasification unit to receive, store and regasify liquid naturalised gas (LNG). The LNG will be used in a new dual-fuel gas-fired power station which is being built in the Port and is due to open at the end of this year. A purpose-built jetty will allow an LNG carrier to berth alongside and discharge the gas. Cdre Sanguinetti said the project was a ‘significant milestone’ that offered refuelling ships a green alternative to conventional HFO.

Future initiatives include increased accommodation, eating-places and facilities for ships’ crews including the building of a new Holiday Inn which is due to open in 2018 and the introduction of rigorous training programmes run by the GPA with two specialist companies, Oil Spill Response Ltd (OSRL) and the Resolve Marine Group, to strengthen the Port’s crisis and emergency response levels and ‘make sure we are ready to deal with a major crisis if it occurs’, said Cdre Sanguinetti.

Official Government figures show that the Gibraltar maritime sector contributes between 5% and 10% to the region’s GBP. “The Port finished 2016 and started 2017 very strongly with an estimated 25% increase in output,” said Cdre Sanguinetti. So despite a few gloomy predictions about the effects of Brexit and sovereignty issues about its shared border with Spain, the Commodore’s efforts to consolidate and modernise Gibraltar’s maritime sector have met their targets.
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The day the world’s largest superyacht was arrested in Gibraltar

One of Gibraltar’s biggest talking points of 2017 has been the arrest of the world’s largest superyacht, the Russian-owned and Philippe Starck-designed superyacht known simply as A.

The 143m-long Bermuda-registered vessel which has three masts taller than the UK’s Big Ben arrived in the Bay of Gibraltar in February for refuelling before starting her final sea trials. The futuristic-looking superyacht was promptly arrested – launching a flurry of emails and phone calls between lawyers in London and Gibraltar.

Guy Stagnetto QC, a partner at Gibraltar’s TSN Barristers & Solicitors, said: “As usual with these things time is of the essence and we had to move very quickly following her arrival at dawn for refuelling. As is evident from the Court papers and the press reports, Nobiskrug shipyard, the vessel’s builder, arrested the yacht as part of a dispute over a final construction invoice and other claims totalling €15.3m.”

Inevitably while the legal arrest paperwork was drafted, Gibraltar’s Admiralty Marshal, Liam Yeats, the court officer responsible for ship arrests, was put on notice of an impending arrest.

Mr Yeats then sent his bailiff to serve notice on the €350m vessel and take custody of its papers. The operation involves close cooperation between various bodies including the Gibraltar Port Authority. “One normally puts ship keepers onboard the vessel to make sure there are no problems with the crew and ensure vessels do not abscond. This would have been one of the more unusual assignments for ship keepers” said Mr Stagnetto. There were 18 ship arrests in Gibraltar in 2016 and this was undoubtedly a more glamorous version of the average ship arrest which can involve having to clamber up a ladder on the side of a vessel and dealing with a crew who may not have been paid.

The A stayed in the Bay of Gibraltar for six days and was then released following a series of court hearings which were widely reported in the international press. The interest from the world media was obvious from the numerous daily attempts by them to obtain information about the arrest and the proceedings. “Certainly the incident reaffirmed Gibraltar in the wider press as a key destination for ship arrests,” added Mr Stagnetto (pictured).

The Gibraltar law firm Hassans applied for the ship’s release. Hassans, which is Gibraltar’s largest law firm, has extensive experience of dealing with maritime claims including the arrest of superyachts. Anne Rose, a Senior Associate at Hassans, represented the A’s owner Valla Yachts Ltd. Lewis Baglietto QC, a Partner at Hassans, represented Hill Dickinson as the escrow [money held by a third party on behalf of transacting parties] agent under the yacht’s construction agreement.

“As usual with these things time is of the essence and we had to move very quickly following her arrival at dawn for refuelling”

Guy Stagnetto,
TSN Lawyer
If you ask John Bassadone, the Founder and Managing Director of Peninsula Petroleum, the secret of his company’s success, he will probably say ‘people’.

A Gibraltarian by birth, Mr Bassadone started Peninsula in 1996 with two employees. He was working as a junior trader in London when “the opportunity came up to get a 75,000-tonnes-a-year bunkering contract from the Gibraltar refinery. I started small with a small office in Gibraltar and took on a friend of mine who had just left university,” he said.

Peninsula’s first customer was P&O Cruises which was “quite a big call.” It was then that Mr Bassadone created his business philosophy of always giving clients ‘added value’.

At the time, he deliberately kept his fuel prices competitive which meant Peninsula Petroleum “grew quite quickly and our clients started to divert more product to us.” He realised that instead of relying on third parties or intermediaries to provide extra oil volumes, his company needed to launch its own global network. He opened a new office and started setting up a network of offices in hub countries so that Peninsula could access markets directly.

The first office was in Athens. Two years later, in 2006, Peninsula opened an office in Singapore, the largest bunkering port in the world. More offices were opened in Shanghai, Dubai, Geneva, Montevideo in Uruguay, Tokyo, and Norway.

“By 2010 we had set up a strong platform with a good customer base,” said Mr Bassadone. His next aim was to set up new physical supply locations. “We looked at places where we were doing a lot of reselling that didn’t have any physical presence and then turning them into physical supply locations,” he said.

The first ones were set up in Houston, Panama, New Orleans, Algeciras and ARA (Amsterdam, Rotterdam and Antwerp), the world’s second largest bunkering group.

“In the last four years we have become a fully integrated company. We have basically gone up the supply chain both globally and here in Gibraltar as well and have turned what is known in the industry as physical light into physical heavy,” he said.