



**GAMBIA COMPETITION & CONSUMER PROTECTION COMMISSION**

**Leveling the Field for Development**

# **THE GAMBIA TOURISM MARKET STUDY**

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## **ACCRONYMS**

ASSET- Association of Small Enterprises in Tourism

GDP- Gross Domestic Product

GTB- The Gambia Tourism Board

GTOs- Ground Tour Operators.

ITOs- International Tour Operators

MOTC - Ministry of Tourism and Culture

SMTEs- Small and Medium-sized Tourist Enterprises

TDA- Tourism Development Area

WTC- World Tourism Council

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## EXECUTIVE SUMMARY

Tourism, a key sector in the socio-economic development of The Gambia, has been operating formally since 1968. The industry is under the purview of the Ministry of Tourism and Culture, which carries out its role and responsibility through the Gambia Tourism Board, created in 2011.

The Commission is empowered by section 15(k) of the Competition Act 2007 to carry out research on the effectiveness of competition in each sector of the economy in The Gambia. The primary purpose of the study was to determine whether anti-competitive practices existed in the country's tourism industry. The study was informed through the review of relevant documents obtained from the Ministry of Tourism and Culture, and the Gambia Tourism Board; responses to questionnaires administered to key players in the industry; interviews conducted with service providers and stakeholders; and visits to hotels and establishments in various parts of the country catering to tourists.

The study found that anti-competitive practices go on in the industry in the form of exclusivity contracts by a tour operator (TUI), and some hotels, and providers of accommodation for tourists, which is a contravention of Section 30 and 31 of the Competition Act 2007. The study also learned that The Gambia, as a tour operator-driven destination, depends solely on tour operators, especially foreign-based ones, to bring tourists to the country, which gives them immense power and control over the local accommodation providers, such that they are forced into exclusivity contracts which are not favourable to them.

Not only are the exclusivity contracts TUI has with leading hotels ensuring that they monopolize the market share, but they create a barrier to entry for prospective competitors, and squeeze out smaller tour operators. Newcomers will eventually withdraw from the market and prospective new entrants will not think of coming. In the long-run, the two will be able to create enough market power to control and dictate key elements of the market, and abuse their dominance. Undeniably, the exclusivity agreements between them and the hotels are preventing, restricting and distorting competition in the supply of tourists to the industry.

In light of this finding, the Commission should promptly bring to bear the power invested on it by the Act to ensure that the industry operates in a fair and competitive environment, so that the vision outlined for it in the country's national development blueprint, Vision 2020 becomes a reality.

The country has been engaged in the industry long before Senegal and Cape Verde, its growth and development cannot however; cannot be matched with that of these two countries, in terms of volume of tourists, and requisite infrastructure and facilities. The industry contributed about 20% of the country's Gross Domestic Product and created total employment, directly and indirectly, for 122,800 people in 2013.

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The Ministry of Tourism and Culture, and the Gambia Tourism Board are equally urged to do whatever they can to make the industry more qualitative, economically vibrant, and financially beneficial to all involved in it, and enable it realize the Vision 2020 goal outlined for it.

## **INTRODUCTION**

Tourism in The Gambia has been under the purview of The Gambia Tourism Authority since 2001, a role accorded to it by The Gambia Tourism Authority Act 2001. Its responsibility was to develop, promote and regulate the tourism industry. In 2006, a Ten Year Master Plan was elaborated outlining the nation's long-term development programme for the sector. In 2011, Government restructured and renamed the Authority, The Gambia Tourism Board (GTB). In 2012, a Business Plan was elaborated replacing the Master Plan, setting out how Gambian tourism could be made more attractive, financial viable and beneficial to the country and all those involved in it.

The Gambia is one of the first countries in Africa to establish a tourism industry, as early as 1968, three years after gaining independence from Great Britain. The industry owes its beginning to Mr. Bertil Harding, a Swedish national, who brought in the first group of tourists to the country from Scandinavia. In its early days, tourism was centered on Banjul whose pristine beaches afforded tourists an undisturbed relaxation under the sun. A handful of hotels provided the accommodation, entertainment and recreational facilities for tourists.

With its formalization as a national development enterprise with the setting up of the Tourism Bureau by Government in 1971, the face of tourism changed dramatically. With an increasing interest in the country as a holiday destination, the source of supply of tourists opened up resulting in the expansion of the industry to the immediate environs of the Kombos, namely, Bakau and Fajara, which had the required physical space and provided the social and cultural environment that tourists were attracted to.

The tourism business here hinges on two main players: (1) accommodation and service providers, and (2) tour operators. Hotels, motels, lodges and guest houses are the main providers of accommodation for tourists, the majority of which are concentrated in the Senegambia area, the heart of the tourism and hospitality business.

Designation of the whole length of the country's Atlantic coast the Tourism Development Area (TDA), provided prospective investors in the business the physical space and basic infrastructure needed to put up the appropriate structures and facilities to accommodate tourists and serve their recreational and entertainment needs. The TDA today has about 87 accommodation providers made up of hotels, motels, lodges and guest houses, which include luxurious, world standard ones, which provide a host of entertainment and recreational outlets for tourists.

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The growth in the number of service providers, which include tour operators, and Small and Medium-sized Tourist Enterprises (SMTEs), has been exponential, since the industry became a key economic activity. More and more people are engaging in the provision of one kind of service or another, ranging from selling of fruits and vegetables to mementos of various sorts, to taking tourists on individual and small group country tours, among other activities. Tourism hinges on the provision of comfortable and affordable accommodation for the tourists, both in urban and rural settings.

Key players in the tourism business are the Government, through the Ministry of Tourism and Culture (MOTC) and the GTB, 19 international tour operators, 5 ground tour operators, and 87 hotel owners and providers of accommodation, recreational and entertainment facilities. The industry contributes about 20% of the country's GDP and created total employment, directly and indirectly, for 122,800 in 2013 according to the World Travel and Tourism Council.

Although The Gambia established the tourism industry earlier than neighboring countries Senegal and Cape Verde, it lags behind these countries in terms of volume of tourists (see table 3), tourist infrastructural development and services, but in the magnitude of the economic benefits accruing from the industry the Gambia benefits more than Senegal. Several factors account for lagging in tourist numbers and infrastructural development, key among them being the lack of meaningful competition and low level of investment in the development of the necessary infrastructure to spur the industry.

However, in 2012, on the basis of the enterprise's total contribution to Gross Domestic Product (GDP) of 20.3%, The Gambia was ranked 32<sup>nd</sup> out of 181 countries by World Tourism Council (WTC), while Senegal was ranked 70<sup>th</sup>. In terms of direct contribution to employment of 6.9%, The Gambia was ranked 35<sup>th</sup> and 39<sup>th</sup> with 17.7% total contribution to employment, compared to Senegal which was ranked 72<sup>nd</sup> and 82<sup>nd</sup>, respectively. Compared to Cape Verde, The Gambia lags behind in every respect. In 2011, Cape Verde was ranked 11<sup>th</sup> based on the contribution of travel and tourism to GDP (43%) compared to The Gambia which was ranked 63<sup>rd</sup>. On the basis of total contribution to employment in the same year, Cape Verde was ranked 14<sup>th</sup> with 38.7%, while The Gambia was ranked 67<sup>th</sup>.

## **PURPOSE OF THE STUDY**

The Commission is empowered by section 15(k) of the Competition Act 2007 to carry out research on the effectiveness of competition in each sector of the economy in The Gambia.

The study was prompted by a letter from the MOTC in March 2012, pointing to suspected anti-competitive behavior in the industry, namely, the existence of exclusivity contracts between some players, which was impacting negatively on the sector.

In spite of the fact that the Commission had advised the Ministry to look into the exclusivity contracts between the said culprits, and have them expunged where found, the practice was reported to be continued. The Commission, therefore, undertook the study, in collaboration

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with the GTB, to confirm whether this was the case or not, and if so, to use the power vested in it to eradicate the practice.

The study was also necessitated by the want of a better and deeper understanding of the tourism industry by the Commission, with a view to determining how its competitiveness could enhance the realization of the country's Vision 2020 goal of making the country "*a tourist paradise and a major tourist destination through product innovation, quality improvement, improvement of investment returns and diversification of The Gambia's tourism product*", and how far along the road the country has come in realizing this goal.

## **STUDY METHODOLOGY AND LIMITATIONS**

The study used three methods to obtain the needed quantitative and qualitative data. The GTB, the MTC, the Association of Small Enterprises in Tourism (ASSET), and the Hotel Association furnished relevant documents to inform the study. These included the Tourism Master Plan, the Tourism Policy 1996-2000, and the GTB Business Plan 2012. Tourist statistics for the period under review were supplied by the GTB and the hotels included in the study.

Four sets of questionnaires were designed specifically for and given to the GTB, ASSET, tour operators, and accommodation providers, respectively, to complete and return to the Commission for analysis. A total of thirty-three completed questionnaires were analyzed.

Interviews were conducted with thirty-two (32) proprietors of hotels, lodges, and guesthouses, six (6) tour operators, and key personnel of the MOTC, GTB and ASSET. Visits to tourism facilities upcountry provided additional insight into the scope of and challenges the industry was facing.

The study was limited to operations of the industry in the five-year period, 2007 to 2012, and looked at present practices and trends in the industry, focusing on the distribution channel or relationships between the key players. It did not attempt to analyze the economic benefits of the sector to the country and those involved in it, in terms of employment and revenue-generation.

## **MARKET DEFINITION**

Market studies are defined by the product and the geographical space in which the product is marketed or serves. In this case, the relevant product market of the study is the tourism industry, and the country constitutes its geographic market.

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## FINDINGS

### Competition Issues:

- TUI is engaged in Exclusivity, either through their local agents/representatives or directly, which is hurting the industry's growth and development by preventing market penetration by its competitors from the Dutch market. This is a result of competition for the limited quality beds in the destination.

### Other Findings:

- The industry is heavily reliant on tour operators to bring tourists to the destination. There are two types of tour operators, International Tour Operators (ITOs), Ground Tour Operators (Category A & B)
- Government in collaboration with ITOs usually do the marketing of The Gambia to potential tourists as a preferred destination, promote the kinds of facilities, services and attractions that the industry offers, and charter the aircrafts that transport the tourists to and from this destination. They determine, arrange and offer the tourists the destination package they choose, which includes travel, accommodation, and related services. They play an intermediary role between the tourists and the hotels, transportation companies, and other service providers.
- GTOs are usually small or medium tourist enterprises (SMTEs) mainly engage in the transportation of tourists to various parts of the country on field trips, and the provision of recreational and entertainment services, such as camping, river excursions, fishing, bird-watching, and cultural shows. Category A operators are agents or representatives of ITOs, and Category B are Independent Excursion Providers.
- Benefits from the tourism sector appear to be skewed in favor of tour operators, particularly ITOs than hotels/SMTEs who provide most of the essential services to the industry.
- Tour operators and accommodation providers normally have verbal or written contracts provision of accommodation, determination of prices, and terms and conditions of the relationship between them.
- ITOs immense bargaining power forces hotels/SMTEs to reduce their prices, sometimes to the extent of them incurring losses, reducing their ability to renovate their facilities and maintain the quality of services required for them to compete internationally.

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- Based on the compilation of the 5 GTOs, Gambia Tours was the leading ground tour operator accounting for 71% of the tourists that come to the country thus enjoys a monopoly situation as defined by section 31 of the Competition Act 2007.
  - The industry has been on a roller coaster for one reason or the other. The number of tourists that came to the country during the period under review ranged from a high of **173,868 in 2012 to a low of 91,099 in 2010.** (See table 2 Annexes)
  - Tourist facilities located outside the urban area and the TDA, specifically, which make up the cultural heartland of the country, are largely underdeveloped and not well promoted compared to the urban areas, in spite of their huge potential for eco-tourism.
  - Generally, tourist enterprises, especially SMTEs, are not satisfied with the services rendered by the GTB which are considered not commensurate with the license fees that have been levied on them, taking into account the seasonality of the industry. Some SMTEs are struggling to stay in business because of the burden of weighty license fees.
  - There are inadequate quality rooms and facilities in the industry to cater to the needs of high spending clientele.
  - Certain Tour Operators, such as Gambia Tours and Gambia Experience own or have shares in hotels, which might lead to preferential treatment in allocation of tourists to hotels.
  - A leading tour operator pulled out from an arrangement it had with a hotel because the latter accepted to provide services to a competitor.
  - Some hotels operate shops in their premises selling souvenirs and other items, for which they are not licensed to operate.
  - Most SMTEs do not have proper guidance, exposure, experience and training on market trends and niches etc. Some do not have knowledge about the GTB Trade Fair, and up to date information about the industry.
  - Some hotels are alleged of going to extreme lengths to prevent guests using the services of SMTEs, which are mainly taking them on country tours, and selling of locally-made mementoes.
  - Ground handling agents who are licensed as Category A tour operators complained that they are treated less favorably than the Independent Excursion Providers licensed as Category B tour operators. It is their claim that they bring tourists to the Gambia but

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they are not allowed to leave their premises to advertise their services. They have stated that Category B tour operators who do not bring tourists to The Gambia are allowed to leave their premises to advertise the services they offer by giving out leaflets to tourists. They have also complained that the lower price charged by Category B tour operators undercuts their profits because of their exorbitant overhead. The Tourism Regulations, 2011 is deficient because it does not state whether solicitation is legal or illegal or whether only Category B tour operators should have the right of solicitation. The regulation only states the requirements that must be met before a person is issued with Category A and class B tour operator licenses and the duties of tour operators.

- The tourism industry, especially in the Senegambia area, is still plagued by the “bumster” menace of young, unemployed men relentlessly pursuing tourists in a bid to get something from them, by fair or foul means. Compounding this situation is the high incidence of prostitution and sexual exploitation by pedophiles of under-aged boys and girls selling fruits and other items in the TDA.

#### **DISCUSSION OF COMPETITION ISSUES:**

The term exclusivity is a contractual (verbal or written) arrangement by which a Tour Operator requires a hotel/SMTE not to sell its product or service to competing Tour operator. This is often done in an attempt to make or maintain a dominant position by suppressing competition.

The exclusivity contracts which TUI has with major hotels ensure that they monopolize the market share, create a barrier to entry for prospective new entrants, and squeeze out smaller tour operators. The practice is anti-competitive and in contravention of Section 30 and 31 of the Competition Act 2007. It forces newcomers to the industry to withdraw from the market, and discourages prospective new entrants. In the long-run, TUI has created enough market power to control and dictate key elements in the Dutch market, and abuse their dominance. There is ample evidence that TUI is still twisting the arms of hotels with regard to exclusivity deals. Undeniably, the exclusivity agreements between them and the hotels are preventing, restricting and distorting competition in the supply of tourists to the industry.

The dependency of most hotels and SMTEs on tour operators for the supply of tourists puts them in a precarious situation, their survival being in their hands. Knowing this, ITOs force them into exclusive contracts to eliminate competition. Because they have the wherewithal to charter flights, promote and deliver tourists to the hotels, ITOs control the hotels' distribution mix, and determine which, if any, tour operator can deal with the hotels/SMTEs they have exclusivity contracts with.

In the words of one hotelier, “the existence of exclusivity defeats the aggressive marketing by the Gambia Tourism Board”. Another added, “Exclusivity is akin to putting all your eggs in one basket, and this is very risky for any destination”.

TUI supply 62% percent of the tourists in the Dutch market, which is a monopoly situation under Section 31(1) (a)-(b) of the Competition Act 2007. The exclusivity agreements are an exploitation of its monopoly situation. It is only TUI that gets the maximum benefit from these restrictive vertical restraints. The hotels/SMTEs derive very little or no benefit from these agreements.

**Table 1: Market share in the dutch market**

NAME	2011	2012
TUI (GAMBIA TOURS)	71%	62%
SUN DUE (AFRICAN ADV.	29%	11%
CORENDON (DISCOVERY TOURS)	-	27%

**\*CORENDON entered the market in 2012.**

It was learned that some tour operators go to the extent of curtailing the profit margins and profitability of the hotels and service providers they deal with. Since most hotels/SMTEs do not have the final say on prices charged for their rooms and services, the tour operators at times mark up the price agreed with hotels and SMTEs for accommodation by up to 100%, rendering them unduly expensive and less competitive, both locally and globally. The effect of this on the industry is diminishing returns to hotels/SMTEs, which puts their viability in the balance, jeopardizes the competitiveness of the industry on the global stage, and compromises the economic benefits for the country.

Generally, the stronger the competitive position of the hotel/SMTEs, the fewer problems it encounters with the ITOs. The best way to be competitive is to be unique, innovative and creative in the way of doing business. The lack of innovation and creativity by hotels and SMTEs has made them very insecure and vulnerable to tour operators such that they accept unfavorable terms and conditions offered to them just not to lose their patronage. Unless a hotel/SMTE takes the risk of saying “No” to an unfavorable contract, it will not increase its power in the distribution mix.

Dealing with more tour operators will be far more beneficial for hotels/SMTEs as it diversifies their source of supply of tourists. It is vital for hotels and SMTEs to have a diverse clientele in their dealings with tour operators. By contracting the majority of their capacity to one or two tour operators, they drag themselves further into dependency on these tour operators, who will continue to dictate terms and conditions of their relationship.

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On the issue of tour operators and hotel misinforming tourists and giving them negative and alarming information about the country to deter them leaving their hotels, the harm that this is doing or can do to the industry's image and future cannot be underestimated. SMTEs, such as sellers of handicrafts and other small items, feel the effect more so than any other as it deprives them of the little income they were used to generating from tourist visits to their stalls. Not only are these tactics used by some tour operators and hotels to keep their clients away from the SMTEs operating nearby, tarnishing the image of the destination, but it affects the level of satisfaction of repeat tourists, as staying within the confines of the hotel for the duration of their stay dampens their enthusiasm about revisiting the country under such conditions. Satisfied tourists are the best advertisement for the vitality of the industry.

## **CONCLUSION**

The main problems of the Gambian tourism industry are market access, and anti-competitive behavior. The Gambia as a developing country is finding it difficult to find the expertise and financial capability to have direct access to tourist markets, and this puts the entire sector at the mercy of tour operators who engage in anti-competitive practices to maximize their market share and exploit the industry to their advantage. The dominant position enjoyed by TUI in the Dutch market has a stranglehold on the industry which must be promptly loosened. The industry should be less dependent on foreign-based tour operators if it should thrive.

The majority of actors in the tourism industry are not deriving the maximum benefits from an enterprise that is everywhere a financially viable business, especially in developing economies such as that of The Gambia, because of practices that are anti-competitive and inhibiting growth and development of the industry.

All anti-competitive practices in this sector must be curbed. This calls for the concerted, relentless and uncompromising effort of the competition watchdog, the Competition Commission, the MOTC and the GTB Tourism Board and the Ministry of Tourism. The Commission is convinced that a playing field devoid of anti-competitive practices, which could be assured by a strong collaboration between all stakeholders, will foster the necessary growth and development of the enterprise, such that The Gambia would become the tourist paradise and a major tourist destination that Vision 2020 envisions. A level playing field in the industry will enable businesses to be more innovative and to strive to offer top-quality services to maximize their tourist volumes, and strengthen their global competitiveness. There is the likelihood that other tour operators are involved in anti-competitive practices, which only a thorough investigation can unearth.

The problems and challenges that plague the country's tourism industry, if not duly addressed, will harm the industry's prospects. Serious conflicts of interest in the tourism industry are impeding the growth and development of the industry to the country's detriment. If measures are not promptly taken to strengthen the bargaining power of hotels/SMTEs, they will remain at the mercy of unscrupulous tour operators, and

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competitiveness in the industry will be zero, which will reflect negatively on the quality of services offered and the range of products that this destination can provide to attract the right caliber of tourists.

Hotels and SMTEs need to collaborate and co-operate more closely and purposefully with each other to assure a very strong association, which will set the terms and conditions for the contracts with tour operators, and not vice-versa. They should take advantage of information technology to expand their distribution mix and enhance their position in the distribution channel.

Achieving the goal outlined for the sector by 2020 calls for putting in place the right infrastructure, a stimulating and competitive environment, and a combination of attractive and unique products, among other things. The current tourism regulations are viewed as deficient in that they do not cover issues pertaining to what is allowable by operators and what is not. The main criterion for licensing for accommodation is on the number of rooms rather than on the star-rating or the amount of revenue generated.

## **RECOMMENDATIONS**

- Tourism stakeholders in collaboration with GCCPC should form a technical committee to look into the recommendations and findings of the report and identify solutions.
- The MOTC, as the government institution charged with overseeing the industry, acting through GTB, should engage all stakeholders in the industry, especially the Hotels Association, and ASSET, to explore ways of making the industry more qualitative, economically vibrant, and financially beneficial to all involved in it, to foster the realization of the vision outlined for it in the Vision 2020 blueprint.

## ANNEXES

**Table 2: Number of tourist arrivals and growth rate (2008-2012)**

Year	Number of arrivals	Growth
2008	146,759	3%
2009	141,569	-4%
2010	9,1099	-36%
2011	106,393	17%
2012	173,868	63%

**Source:** Gambia Tourism Board

**Table 3: Number of Tourists for The Gambia, Senegal and Cape Verde, (2008-2011)**

Year	Gambia	Senegal	Cape Verde
2008	146,759	867,000	285,000
2009	141,569	810,000	287,000
2010	9,1099	900,000	336,000
2011	106,393	1,001,000	428,000

**Source:** World Tourism Organization, Yearbook of Tourism Statistics, Compendium of Tourism Statistics and data files and GTB

**Table 4: Ground Tour Operators average market share (2010-2012)**

Ground tour operator	Average market share
Gambia tours	71%
West African tours	6%
African adventure	18%
Discovery tours	4%
Ailkamba tours	1%

**Source:** Questionnaires submitted by GTOs

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