HAJJ MARKET STUDY

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LIST OF ACRONYMS/ABBREVIATIONS

CBG – Central Bank of The Gambia

GCAA – Gambia Civil Aviation Authority

GIA – Gambia international Airlines

GCC – Gambia Competition Commission

BTA – Banjul Travel Agency

CT – Continental Travels

FHD – Fahad Travel Agency

SSFHC – Social Security and Housing Finance Corporation

GT – Globe Travels

OT – Olympic Travels

INTRODUCTION

The Hajj can be considered an industry of special interest as it is a "business affected with a public interest." The Hajj, the pilgrimage to the Muslim Holy Land of Mecca, plays a very crucial role in the religious life of the Gambian population which is over 90% Muslim. Because Islam requires its followers to perform this pilgrimage at least once in a lifetime if economic and physical conditions permit, every able-bodied adult Gambian Muslim aspires to going on the Hajj someday.

Gambian Muslims who make the annual pilgrimage do so either with their own resources or with the help of family, relatives, friends and benefactors. In recent years, hundreds of pilgrims have made it to Mecca through the benevolence of the President, and through the sponsorship of businesses and institutions such as GAMCEL, Trust Bank, and SSHFC, to name a few**.** The numbers of Hajj pilgrims have ranged from as high as 2,083 in the early days of organized pilgrimages when the highest number of pilgrims was recorded to as low as 1, o29 in the era of centralization (see Tables 1 and 2).

Organized group Hajj packages were introduced in The Gambia by the then national airline, Gambia Airways. The package comprised returned air travel and ground transportation to and from Saudi Arabia; accommodation and sustenance for the pilgrims for the duration of the pilgrimage. The increased demand by prospective pilgrims, which the then sole provider could not alone cope with; the declared government policy of private sector lead development as well as policy agreements with development partners, brought about the establishment of a handful of companies offering competitive and attractive Hajj packages. These operators included Continental Travels, King Fahd Travels, Globe Travels, Banjul Travel Agency and Olympic Travels, all of which have, as a result of government policy shifts, been excluded or barred from providing these services.

However, as the numbers grew, and in response to escalating world fuel prices and domestic macro-economic policy effects, the cost of Hajj packages rose sharply. The services provided by some operators, including the GIA, began to experience a number of problems which included late flights, overbooking, poor accommodation and uncertainties about arrangements and even cancellation of flights. As a result of the growing problems that intending and returning pilgrims faced, the incessant complaints about increasing costs, deteriorating and unsatisfactory quality of services, not getting value for money, and other logistical difficulties, Government decided to intervene in 2008 by stopping all operators from carrying out Hajj-related activities and giving exclusive rights to the Gambia International Airlines (GIA), a government-owned airline, to provide the necessary services for the annual pilgrimage. This action was supposedly taken by government in the hope that going forward, Hajj operations will be better organized and all hitches, including price escalations, that frustrated pilgrims at home and in Saudi Arabia, eliminated.

PURPOSE AND OBJECTIVES OF THE STUDY

The purpose of the study is threefold:

1. To determine what effect limiting Hajj operations to a sole provider had on costs, quality of services and meeting the pilgrims quota allocated by the Saudi Arabian authorities to The Gambia;
2. To determine whether competition can help address the challenges of Hajj operations; and
3. To identify and propose measures that could be put in place to spur competition and bring about efficiency gains in Hajj operations.

MARKET DEFINITION

The relevant market is a defined set of products or services which could compete with other products and a defined geographical area within which competition occurs. The relevant market combines the product market and the geographic market. In this study the relevant product market is the entire Hajj package and geographical market is The Gambia.

STUDY METHODOLGY

The study covers a 12-year period, 2000 to 2012. This period, on the one hand, marked the most competitive time in the history of Hajj operations as well as the time when the Hajj was at its peak, and, on the other, the time when restrictions on Hajj operations were imposed by government.

Data for the study was obtained through the review of documentation obtained from relevant sources, analysis of statistics furnished by the current and erstwhile Hajj operators, personal interviews with selected stakeholders and information provided in a questionnaire completed by the Gambia International Airlines (GIA), on the subject.

The study was conducted over a period of one year, commencing July 2012. Eight persons were interviewed as well as two institutions presently involved in Hajj operations.

LIMITATIONS OF THE STUDY

The study is limited in scope, covering 8 years before and 4 years after the Government gave GIA de-facto monopoly or exclusive rights over the conduct of Hajj operations.

Some relevant and useful data on the number of pilgrims that were served by GIA in 2001, 2003, 2004 and 2005 could not be provided. These were the years that the Hajj involved competition among travel agencies providing such services. Such information would have enabled the study determine the trend in the industry for that period.

One of the leading travel agencies involved in Hajj operations, Continental Travels, was not forthcoming with information on its activities during the period covered by the study, though it was evident from information gathered through interviews that it had a large customer base.

KEY PLAYERS IN HAJJ OPERATIONS

The study revealed that during the 12-year period, Hajj operations were relatively competitive with more options and lower prices for consumers. Some of the service providers maintained consistency and showed ability to deliver at different levels and capacities. Banjul Travels were the biggest operator, chartering their own air carriers to transport pilgrims to and from the Holy Land. Other private operators who did not have the capacity or financial capability to charter their own flights engaged in seat blocking.

Hajj operations in The Gambia are presently dependent on the collective effort of the following institutions:

GAMBIA INTERNATIONAL AIRLINES (GIA): GIA is the national air carrier of The Gambia. Although incorporated as an airline, it does not operate an aircraft. It mainly handles passengers on the ground, deals with cargo, and acts as a ticketing agent for other international carriers. GIA's activities in Hajj operations have been netting about 60% of its total turnover since it was given exclusive rights to provide these services.

HAJJ COMMISSION: In its quest to enhance Hajj operations, the government created the Hajj Commission under the portfolio of the Ministry of Interior and Religious Affairs, to coordinate the Hajj operations here as well as in Saudi Arabia. The Commission operates as an ad hoc committee which meets when the pilgrimage to Saudi Arabia is impending. The Amir-ul Hajj is charged with exercise of the Commission's supervisory role in Saudi Arabia and assuring the pilgrims' welfare. Another responsibility is the vetting and approval of guides (Khadims) proposed by operators to chaperon their clients.

THE CENTRAL BANK OF THE GAMBIA (CBG): The Central Bank's main task is to facilitate the availability of foreign currency for pilgrims through the commercial banking system, and ensure the timely fulfilment of all financial obligations to the Saudi Arabian Government so that pilgrims are assured of making the pilgrimage.

GAMBIA CIVIL AVIATION AUTHORITY (GCAA): GCAA is charged with the regulation of the technical operations of the Hajj. One of its fundamental roles is to ensure that the aircraft chartered by the Hajj operator is airworthy and fulfils the technical requirements of the Saudi Arabian Civil Aviation Authority. It also participates in the yearly Hajj operations coordination meetings for Africa. The Director General of Civil Aviation is also a member of the Hajj Commission, and serves as its technical adviser. GCCA publishes the Hajj regulations for all operators.

1. QUALITY OF SERVICES

The quality of services provided to pilgrims has deteriorated since the government restricted Hajj operations to the Gambia International Airlines. This is evident on a number of fronts.

Even though GIA does undertake an annual provincial tour to promote the Hajj, it is believed that private operators had better networking to ensure intending pilgrims especially the Sarahules in the rural towns and communities are captured through their regular marketing visits (see table 2)

The Ziyara (religious visits/excursion) hitherto organized by the private operators have significantly declined in both numbers and frequency with the advent of the monopoly. The private operators hired buses and took pilgrims to other sites worth visiting to add value to the Hajj package.

With regard to proximity to the Hajj activities, the study found that before 2008 pilgrims were provided accommodation that was closer to the Kaaba. Daily contact between the pilgrims and the operators was easier prior to 2008. It is reported that the guides engaged by private operators lived near or together with the pilgrims. Staying with or close to pilgrims made it easier for Hajj operators to cater to the needs of their pilgrims. These are just examples of the quality of services that pilgrims enjoyed in the era of competition.

Accommodation, flight delays and poor services are the main problems encountered in the Hajj industry.

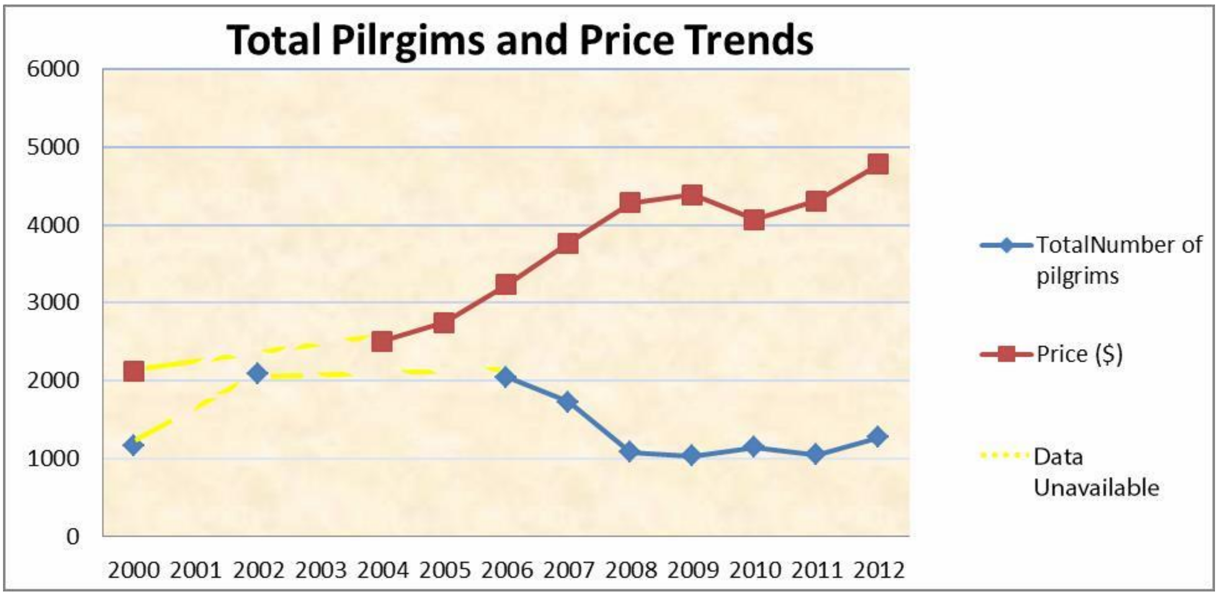
2. COST OF HAJJ PACKAGE

The government determines the annual cost of the Hajj package in consultation with the operators. It shoulders the responsibility of providing medication for pilgrims during the Hajj in an effort to reduce the cost of the Hajj package.

Table 1: Number of Gambian pilgrims, Pilgrims Quota Allocation, Hajj Prices and Exchange Rates between 2000 and 2012

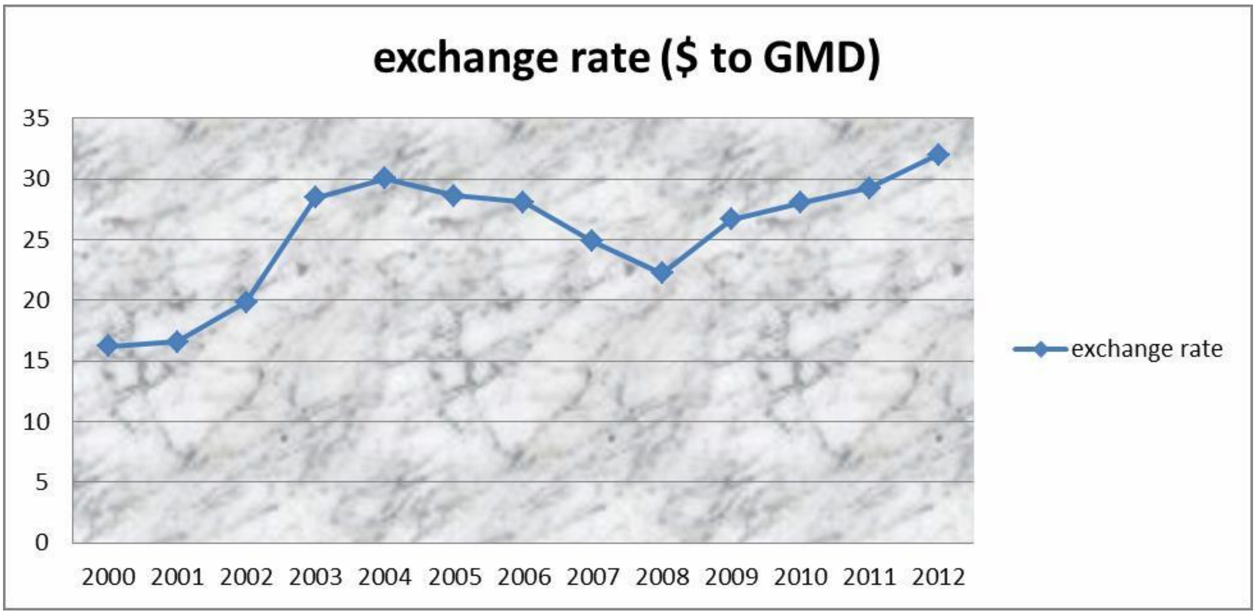
Years	Total Number of pilgrim	Number of pilgrims allocated	Total Price/pilgrim($)	%Change (Price)	Exchange rate ($ to GMD)	% Change (Exchange rate)
2000	1170	1297	*2126*	-	16.2	-
2001	-	1336	-	-	16.55	2
2002	*2083*	1376	-	-	19.86	20
2003	-	1418	-	-	28.47	43.3
2004	-	1461	2,505	-	30.04	5.5
2005	-	1504	2,744	9.5	28.58	-4.8
2006	2042	1547	3,231	17.7	28.07	-1.7
2007	1725	1591	3,762	16.4	24.84	-11.5
2008	1082	1636	4,284	13.8	22.22	-10.5
2009	*1029*	1682	4382	2.2	26.65	19.9
2010	1147	1728	4062	-7.3	28.01	5.1
2011	1049	1776	4303	5.9	29.22	4.3
2012	1,273	1830	*4774*	10.9	31.98	9.4

Figure 1: Total Pilgrims and Price Trends



***Graph clearly shows that the total number of pilgrims are decreasing whilst the cost of Hajj packages are increasing.**

Figure 2: US Dollar Exchange Rate in The Gambia between 2000 and 2012



Our research shows that while the cost of Hajj packages has been increasing, the quality of service provided to pilgrims has been on the decline. This is a clear symptom of an uncompetitive market. In a competitive market, when quality deteriorates, consumers easily shift to other alternatives, thus motivating firms to offer high quality services. The cost of a Hajj package has been steadily increasing throughout the years covered by the study.

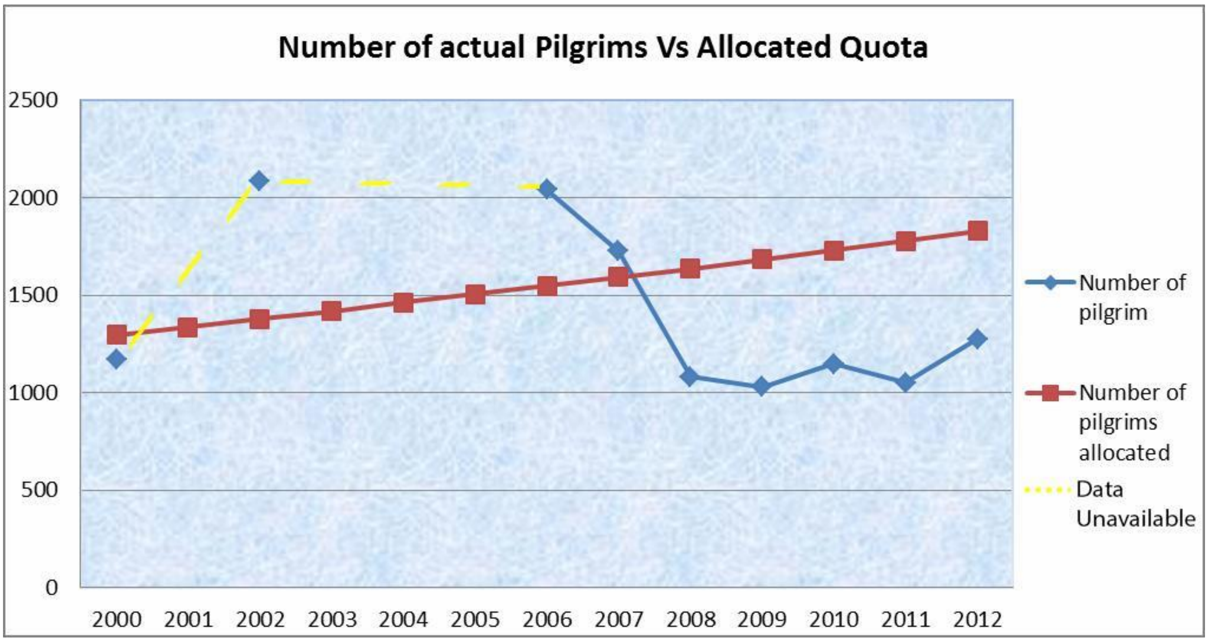
Though the country's Muslim population has been on the increase, the number of pilgrims has not increased correspondingly. This could be explained by several factors, but the hike in the price of the Hajj package in recent years is believed to be one of the most important contributing factors.

Prior to the decision to restrict Hajj operations in 2008, the country had been meeting its Hajj quota allocated by the Saudi Arabian Government, and even exceeded it in 2002 and 2006. In 2002, 2,083 pilgrims went on the Hajj from the country. This figure is 810 more than the highest number registered after GIA assumed total responsibility 6 years later (see Table 2).

Records show that Banjul Travel Agency, a major Hajj operator prior to the Government restriction, had an average of 523 pilgrims in its 6 years of providing such services. Fahd Travels had an average of 181 pilgrims in the 7 years it operated Hajj. Together, they had a combined yearly average of about 700 pilgrims.

The figure of 2,083 in 2002 nearly doubled the yearly average of 1,124 when Hajj services were restricted to a sole provider. In the years of competition, the country's quota was almost exhausted. The yearly average was 1,492 compared to 1,124 in the four years that GIA has been in control.

Figure 3: Number of Actual Pilgrims Vs Allocated Quota between 2000 and 2012



Graph shows the number of pilgrims decreasing drastically vis-a-vis our pilgrim quota

COMPETITION ISSUES

Effects on service quality: There is a connection between market concentration and service quality, thus making it very important for most sectors to be open to competition, so that consumers can realize the full benefits of competition. It is evident from the interviews and the questionnaire responses that the quality of service was much better when Hajj operations were decentralized, as competitors went the extra mile to provide quality services to enhance their goodwill, maintain their customers, and attract new ones. Goodwill is of little significance to a firm that faces no competition.

Because there is no competitor, GIA does not have any incentive to provide quality service to its clients. If the sector is made competitive, firms will be compelled to improve their services to avoid losing customers to competitors. The monopoly of GIA can lead it to be easily tempted to save costs on activities that would be needed to provide higher quality and ensure on-time service. Hajj is a huge investment for most Gambians. Thus, it is very important that the service quality be commensurate with the cost to pilgrims. The Commission believes that without competition in this sector, the quality of service will not improve, and consumers will continue to be deprived of the range of services that other pilgrims expect and enjoy when on the Hajj.

Lower costs and reduced fares (Forced efficiency): Competition generally leads to more efficiency in firms. This means reduced overheads to maximize profits. If the market is competitive, operators will be forced to cut unnecessary expenses, so will charge reduced fares and stay competitive, which will benefit consumers. In terms of efficiency, competition will give GIA an incentive to invest in delay prevention, since cost of delays is greater when consumers have additional options. If this sector is made competitive, GIA will cut unnecessary expenses to maintain its customers for fear of being undercut by competitors.

Encourage investments and innovations: In this era of globalization and competition, creativity and innovation are key factors for the survival and success of any firm. Lack of competition in this sector has stagnated development and innovation, to the extent that the country has, on an annual average, been short filling its allocated quota by 500 pilgrims (see Table 2) since the centralization. Presently, there is no motivation whatsoever for GIA to spend money on improving the quality of its service. With competition in this sector, operators will be more creative and innovative in their operations and services to be a step ahead of competitors, and ensure that old customers are maintained and new ones attracted. It should be noted that firms' incentives to provide quality vary directly with different levels of market concentration. So, unless this market is opened up for competition, the resources would not be fully exploited to give consumers the best possible quality of services at the best possible prices.

STUDY FINDINGS

The study revealed that some Gambians are still going on the Hajj using other channels other than the GIA. In 2012, pilgrims not doing business with GIA were required to pay over $700 to GIA for the Saudi Arabian visa, while pilgrims travelling with GIA paid only $150. The difference represents rent or deadweight costs to those pilgrims. Despite the huge visa fees, many pilgrims opted for the private arrangements. This indicates that there is still room for competition in this sector.

Centralization of the Hajj has sent former operators out of business resulting in lost jobs and redundancies. Orientation for the Hajj was more effective when competition was the order of the day. Since the assigning of Hajj operations to GIA, Ziyara in Saudi Arabia have all but ceased.

GIA has expressed its inability to cost Hajj at commercial price as its operations are subsidised or guaranteed by government, enabling it to afford ACMI (Aircraft, Crew, Maintenance and Insurance), unlike private operators who use their personal assets and have unlimited liability. The company normally acquires Hajj flights on Wet Leases by using the full charter or ACMI model. Pre-financing is the backbone of Hajj operations and most countries usually sign long-term contracts of up to 10 years, unlike The Gambia.

Since 2009, there has been consistency in flights selected for Hajj. Ethiopian Airlines has been used as carrier for Hajj operations. Prior to this, airlines from countries like Togo, Nigeria, Greece, Britain etc. were engaged to transport pilgrims.

Table 2: Comparison between Gambia's Number of Pilgrims per Hajj Operator and Quota Allocation (1,000 pilgrims per million)

Year	GIA	BTA	CT	FHD	Others	Quota	Total
2000	-	611	N/A	250	309	1,297	1,170
2001	-	-	N/A	200	-	1,336	N/A
2002	-	-	N/A	189	-	1,376	2,083
2003	-	-	N/A	180	-	1,418	N/A
2004	-	620	N/A	199	-	1,461	N/A
2005	-	406	N/A	80	-	1,504	N/A
2006	1,404	468	N/A	170	-	1,547	2,042
2007	1,344	391	N/A	-	-	1,591	1735
2008	-	644	N/A	-	438	1,636	1082
2009	1,029	-	-	-	-	1,682	1029
2010	1,147	-	-	-	-	1,728	1147
2011	1,049	-	-	-	-	1,776	1049
2012	1,273	-	-	-	-	1,830	1,273

Source: GIA, Banjul Travels, Fahd and GCAA

CONCLUSION

Hajj operations in The Gambia have a national dimension as the majority of the population are Muslims. Because of the complexity of the enterprise, the future of Hajj operators and operations must remain a concern to the institutions charged with its regulation, namely, GCAA, GCC, the Hajj Commission, and other stakeholders. The past experience and track record of private Hajj operators must always be reviewed to guard against a situation where incompetent ones are weeded out and precluded from providing Hajj packages. However, centralization is not the solution. What is required is a mix of competition and regulation to ensure that pilgrims get value for money. It is important to open up the sector, so consumers can enjoy the full benefits of competition.

On the basis of the study's findings, the Commission believes that the reason for Government intervening in the Hajj sector was to ensure reliable air-lifting services to and from Saudi Arabia. However, the Commission believes that with competition, this problem will be solved and consumers will benefit from the best possible service package.

The main issue that has to be looked at by regulators is the quality, financial capability and experience of firms that want to enter this sector, and if the environment is conducive, it will attract investors. The government can easily achieve its policy objectives through a mix of competition and regulation. Moreover, this should be an immense opportunity for Public-Private Partnership which is in line with the objective of the PAGE. Public-Private Partnership is lacking in various sectors, and, in this case, it will lead to more capital, increased efficiency, expertise and innovation from the private sector and maximization of the potential of this industry. In addition, it will demand both parties sharing operational risk, which is very vital, given the sensitivity and complexity of Hajj operations.

RECOMMENDATIONS

In the light of the findings of the study, and guided by competition wisdom and experience, the Commission strongly believes that Hajj operations must be reformed, and thus recommends the re-introduction of competition in this enterprise. As a means of averting the problems that have bedevilled Hajj operations in the country in recent years**,** three options are proposed for consideration by Government.

Option 1

The Government, using services of the National Hajj Commission, will charter through open competitive bidding, the aircraft for the Hajj with technical support from GCAA .It will then assign GIA the responsibility to sell on behalf of government, blocked seats to private operators. In order to promote competition, the Hajj Commission will allocate quota on each flight to the respective Hajj operators including GIA. The Government will pay the requisite guarantee to the Saudi Arabian authorities for the Hajj and determine the cost of each seat on the flight. The private operators need some form of undertaking (bank bond/ insurance) to be given to the government as guarantee. The guarantee should be informed by the GCAA rules governing the carriage of pilgrims by air, 2011 attached to this report. Once the flight is chartered, accommodation, food and other arrangements will be the responsibility of the respective Hajj operators. The price of the total Hajj package will be determined by the operators. This option assures the availability of transportation of pilgrims to and from Saudi Arabia. Intending pilgrims will be able to choose which operator to go with depending on the range of services offered. Competitors will be compelled to improve the quality of the services and lower the cost of the package they provide to attract more clients. In the view of the Commission, this option will assure ***reliable transportation*** and ***quality service*** to pilgrims at the ***best possible price***.

Option 2

The Government to take the responsibility of paying the guarantee to the Saudi Arabian Government, and the cost of the deposit will be divided proportionately according to number of pilgrims each operator has. Each operator would be required to provide a bank/insurance bond as a form of guarantee to the government. The guarantee should be informed by the GCAA rules governing the carriage of pilgrims by air, 2011 attached to this report .The operators will individually or jointly charter their own flight to ease their financial burden. Secondly, they will also be responsible for arranging accommodation, food and other requisite services for the pilgrims. The operators will set their own prices and decide on the type of services to give their customers. Government’s role would be to monitor the operations and pricing of the Hajj package. However, this option requires the number of operators to be limited to only those that have the experience and financial capability to handle the needed operations. This option will require the Hajj Commission to develop criteria for prospective Hajj operators by which to ensure they have the capacity and can deliver excellent service to the pilgrims. This option will reduce government expenditure on Hajj operations, and will enable prices to be fairly determined by market forces.

Option 3

Operators will be responsible for aircraft charter, paying of royalties/deposits, and making accommodation arrangements. Under this option, operators will be required to prove to Government (Hajj Commission, GCAA) that they have the financial capability/expertise to pay for the charter of aircraft and payment of royalties/deposits to the Saudi authorities in line with the Hajj Regulations of GCAA. Operators will also be responsible for logistical arrangements in Saudi Arabia. Government will stand ready to assist private operators with the required foreign currency preferably through the CBG. Hajj price and package will be independently determined by operators guided by market forces.

PROPOSED ROLE OF GAMBIA COMPETITION COMMISSION

It is proposed that the Gambia Competition Commission works closely with the Hajj Commission as an adviser, in order to monitor and ensure that competition rules are observed and adhered to. The Commission believes this would create a level playing field in Hajj operations.

OTHER WAYS OF ENHANCING HAJJ OPERATIONS

The Hajj operations can be enhanced and made less problematic for both intending pilgrims and service providers if the Ministry of Interior and Religious Affairs and the Hajj Commission could develop a website to provide appropriate information to pilgrims, their families, sponsors, stakeholders, and related government officials. The website should include:

- Search engine for information about individual operators and also information about pilgrims, their current location and status.
- Hajj rules and guidelines, and detailed information about Hajj procedures in Saudi Arabia.
- A forum whereby stakeholders can share Hajj experiences and offer advice and to prospective pilgrims.
- A medium for sending and receiving messages between individual pilgrims, their friends and families back home without having to travel to a Hajj office.

Rather than having the Hajj Commission on an ad hoc basis, Hajj affairs should be institutionalized and formalized. Ways of reducing the number of days spent in Saudi Arabia to the barest minimum so as to reduce cost should be explored.

Annual Hajj seminars should be organized at national and regional levels to sensitize prospective pilgrims about the requirements of Hajj.

A Hajj centre should be established in each regional seat of administration where prospective pilgrims could come for orientation and education on Hajj procedures and requirements.

At the completion of the Hajj, pilgrims should fill in evaluation forms which will be submitted to the Hajj Commission to enable it assess how satisfactory the operations were and what areas needed improvement.

Scheduling of flights to and from Saudi Arabia should be done transparently and no operator should have an unfair advantage of always transporting its pilgrims first.

ATTACHMENTS

REGULATORY FRAMEWORK

GCAA Rules governing the carriage of pilgrims by air, 2011

The GCAA Hajj regulation sets out the technical and operational standards to be fulfilled by Hajj operators and airlines. The requirements are to:

a) Send written applications indicating the intention to operate for Hajj to the Secretary, National Hajj Commission to Religious Affairs Ministry.
b) Indicate the capability to generate minimum sales of 100 passengers.
c) Submission of a six months bank guaranty (starting 1st July) for the pre-financing of all Hajj costs relating to flight, accommodation and incidental expenses which will commensurate with their approved quota allocation by the Hajj Commission.
d) Provide an undertaking to Government accepting joint responsibilities and share expenses with other participating which will commensurate with the quota you applied for and being allocated by the Hajj commission. The bank guarantee should have a validity of six months starting from 1st July.
e) Provide an undertaking to Government that any hardship experienced by prospective pilgrims, due to operators' failure in meeting its financial obligations, will result in prosecution for cost recovery and compensation to the aggrieved pilgrim(s).
f) All application is to reach the office of the commission before 5th of July at the Department of Religious Affairs.

REGULATORY FRAMEWORK (SAUDI ARABIA)

Saudi Arabia's Regulatory Framework covers the following:

- Flight scheduling and Slot Allocation Procedures.
- Technical measures and conditions governing air operations applied on all flights.
- Technical conditions and requirements pertaining to air safety and standards which regulate air operation and applied on all flights.
- Important PCA (Presidency of Civil Aviation) requirements.
- Additional technical conditions applicable to air carriers operating only hajj charter flights.
- General terms and conditions.
- Penalties for violation.