

Rising forces

Rapid growth in Gulf air transport has spawned new carriers and put pressure on others. Max Kingsley-Jones reports



The region's four airlines operate from hubs in Abu Dhabi, Bahrain, Doha, Dubai and Muscat

THE DEVELOPING air transport market in the Gulf has been one of the 1990s' most fascinating stories as well as one of the most difficult to unravel – for observers outside the region and some within.

Gulf Air, the region's oldest carrier, has found itself at the centre of much of the controversy, suffering financial woes as internal battles raged between its four joint owners – Bahrain, Oman, Qatar and the emirate of Abu Dhabi. By late 1996, a break-up seemed inevitable, with suggestions that Abu Dhabi was to take control.

In the event, the carrier's structure did not alter, and after much wrangling, its fortunes have turned around, thanks to a capital injection from the four shareholders and an operational downsizing. Gulf Air remains under serious pressure, however, from internal politics and the growing clan of pretenders to its throne. These include the now well-established Dubai-based Emirates, which is poised to steal the mantle of being the region's largest carrier, as well as recent start-ups Qatar Airways and, to a lesser extent, Oman Air.

Rumours continue to circulate in the region that Gulf Air's ownership will ultimately be restructured, perhaps with Abu Dhabi and Bahrain taking control. The prospect of Oman and Qatar giving up their stakes has been raised before, but with their own airlines still relatively immature, they may feel that they have too much to lose. There has also been speculation that Abu Dhabi could launch its own independent carrier.

The Gulf's four airlines' combined passenger traffic has averaged growth levels of around 10% since the early 1990s. Annual traffic passed the 10 million passenger mark last year.

Much of that growth has been due to the rapid expansion of Emirates and its Dubai base. The airline is undeterred by the potential threats from local rivals. "The cake is big enough for everybody – Qatar Airways and Gulf Air don't worry us," it says.

Gulf Air, while conceding that it has been hurt by the market's dilution, takes a fairly bullish view, pointing out that it has a "bigger network with its four regional hubs", than its rivals. Qatar Airways has begun to make its presence felt, but has set a clear limit on its expansion ambitions. Oman Air says it is happy to go after market niches, and is keen to work alongside its "big brothers".

While there is intense competition on long-haul routes, because of the Gulf states' open skies policies, the intra-Gulf market has been rigid until recently. This attitude to intra-regional air services has begun to thaw, with Qatar Airways building a short-haul network from Doha to rival Gulf Air's dominant position, while Oman Air has launched the Gulf's first true regional turboprop shuttle flights between the key cities. The creation of a new short-haul turboprop operator to serve Bahrain is also in the offing.

The region's leading engineering organisation, Gulf Aircraft Maintenance (GAMCO) is also undertaking significant expansion, as it widens its role and helps shareholder Gulf Air with its recovery.

Airport development in the region is running in parallel with the airlines. Expansion of both Dubai and Abu Dhabi is underway, and plans are well advanced for the development of Bahrain, Muscat and Doha. □