



American provides Gulf Air's transatlantic feed, but a link with oneworld is not yet on the agenda

\$49.6 million (BD18.67 million) in non-operating revenue. That included the net proceeds from the sale of six Boeing 767s.

Despite the move into profit, with the airline's operating margin at less than 1%, it clearly has distance to go to provide satisfactory levels of return.

Walter Van West, Gulf Air's vice-president of finance, strategy and information technology, says the airline will report a second successive year for the black in 1998, but concedes that its financial performance has not progressed as far as he would have liked, largely because of yields that continue to fall. "We have consolidated our financial position and reduced debts to a little over \$600 million," he says.

Van West acknowledges that Gulf Air has felt the impact of the new carriers, but does not expect them to impose any major damage on the airline in the near term. "Traffic within the Gulf is a growing business, about in line with the

world growth rate [5%]. Gulf Air has a bigger network with its four regional hubs," he says.

Fallout from Emirates' expansion has taken its toll on Gulf Air, but in Van West's view, Qatar Airways has become a greater headache. "Emirates' growth is not coming from Gulf Air [business], but it is more as a result of the growth of Dubai as a trading and tourist centre. But there is no doubt that Qatar Airways is taking away traffic – predominantly long haul – from us." Nevertheless, the new airline does not endanger Gulf Air's future, he adds. Despite Qatar Airways' suggestions that it is about to become its home country's flag carrier, Gulf Air says it understands that the Qatar Government has no intention of jumping the Gulf Air ship in favour of its own airline.

Although it is undertaking significant expansion, Muscat-based Oman Air says it has no intention of confronting either Emirates or Gulf Air, and is interested in codesharing with

either when and wherever possible. Gulf Air confirms that it is examining how best to work with Oman Air and Van West says that the two parties have discovered certain synergies, which could lead to co-operation on regional routes.

In 1994, Gulf Air began direct services between Bahrain and New York using Airbus A340-300s, but this route was at the limit of the airliner's range and sometimes required technical stops westbound. A deal with Cyprus Airways led to a stop at Larnaca, but Gulf Air then suspended the US flights.

The airline has recently expanded its links with oneworld partner American Airlines, but says it is too early to draw any conclusions about an alliance involvement. Having initially carried the "AA" code on its London-to-Gulf services, Gulf Air recently revived its presence in the US market with a codeshare deal on American's flights between London and New York Kennedy, Chicago and Miami.