

AIR TRANSPORT

service between Muscat and Salalah, using a Boeing 737-300 wet-leased from Ansett Worldwide Aviation Services. The same year the airline launched international services, initially to Dubai.

Until 1993, OAS, a publicly quoted company in which the Oman Government holds a 33% stake and private investors the rest, had focused on flying oil support services between the Omani oil fields. These flights, for the Petroleum Development Company of Oman, were operated by Fokker F27s and a de Havilland Canada Twin Otter.

Two years after scheduled services began, the 737 was replaced by two (later three) Airbus A320s, again on wet lease, this time from Region Air of Singapore. The network has gradually expanded to include 15 destinations in the Gulf, Kuwait and the Indian subcontinent. By 1997, its passenger traffic had doubled, from 260,00 in 1994, to over 510,000.

VIRTUAL REVAMP

With traffic expanding beyond 500,000, OAS decided that its airline division needed revamping from its "virtual" status into an operational unit. Early last year, the OAS board, headed by chairman Majid bin Said bin Salim Al Rawahi, approved a plan for the company's division into four separate business units – cargo, catering, ground handling and the airline, dubbed Oman Air "Wings of Oman". At the same time, Clive Raymond, an ex-British Airways manager and, more recently, marketing director of Nice Airport, was recruited as general manager to spearhead the airline's metamorphosis from "virtual" to "reality".

"The first job was to re-engineer the airline into a simple hierarchical structure," says Raymond. His next task, just completed, was to phase out the wet-lease operations and to turn the airline into a fully licensed operator in its own right. Ex-Hunting Cargo Airlines operations manager George Gilson was recruited to head operations and the process to turn Oman Air's "private charter airline" air operator's

certificate (AOC) to a "scheduled carrier" status was begun.

"The Region Air leases had gradually been becoming 'damp' as more of our own pilots began flying the A320s," he says. Put simply, it was a case of weaning the airline from its reliance on Region Air's crews, aircraft and AOC, and putting its own systems and procedures in place.

In reality, it was a long and intricate process, complicated by the decision to replace A320s on the regional network with ATR 42s and on longer sectors with A310s. "To have gone from wet to dry lease and to have integrated two new types within 12 months is a remarkable achievement," says Raymond.

The underlying driver behind the airline's strategy is profitability – meaning, says Raymond, "we cannot permit ourselves the occasional extravagances of our neighbours". In 1997, the airline's revenue grew by 15%, to 45.6 million rial (\$72.6 million), with the 4.1 million rial (\$6.5 million) operating profit representing a solid 9% return.

Plans to restructure the fleet were finalised last year with deals for two ex-Swissair A310-300s on dry lease from International Lease Finance, and an order for up to six new ATR 42-500s. The two firmly ordered ATRs were introduced in January and used to launch a high-frequency "business shuttle" between Muscat and Dubai, Abu Dhabi and Doha. Oman Air hopes to complete the circle and gain access to Bahrain.

The airline plans to use its four ATR options to upgrade the oil-industry support fleet and phase out its ageing F27s and Twin Otter. The ATRs are fully "quick-change" capable and should begin operating regional night-time cargo services as all-freighters through Dubai in the middle of the year.

The airline's traffic is growing at about 8% a year and is expected to pass 600,000 this year. Once the cashflow and loads are built on its new shuttle services, Raymond says, frequencies will be increased, with a move to a bigger aircraft

planned in the longer term.

The new regional type would be a jet, rather than a 70-seat turboprop such as the ATR 72 or Dash 8-Q400, says Raymond, with the British Aerospace Avro RJ85 or secondhand BAe 146s the most likely candidates. The introduction of a small jet would also permit longer regional sectors to be operated.

Two 199-seat (two-class) A310s will enter service during April on interim leases, paving the way for the return of the last of the wet-leased A320s. The switch to the larger wide-bodied aircraft came after the airline completed its cost sums. "The A310s provide 11% more capacity at a lower cost per seat. They enable us to reduce frequency and increase load factors, as well as providing more cargo capacity," he says.

The two interim A310s will be replaced by younger, longer-range examples this year, giving Oman Air more flexibility to extend its network, while discussions are under way for a third aircraft. The definitive A310 lease deals have three-to-five year terms. Raymond says the airline is planning "a migration to a 250-seater within this timeframe". Front runners for this requirement are the Airbus A330-200 or Boeing 767-300, says Raymond, which could be introduced in 2002/3.

NETWORK EXPANSION

Extensions of the network are being considered, with services to southern Europe and points in East Africa. If a European network is developed, destinations will be restricted to secondary cities such as Milan, Munich, Lyon and Düsseldorf. The airline has ties with Royal Jordanian and Swissair, codesharing on their services from Muscat to Amman and Zürich, respectively. As the network expands, Raymond says, the airline would seek to be a partner a European carrier.

Oman Air is clear in its intent to complement its neighbours, rather than to go head to head. Although there is no dialogue with Qatar Airways, prospects for links with Gulf Air and Emirates look good. "Neither airline is a problem – they are opportunities. We will work with and around them, identifying, creating and exploiting niche markets," says Raymond. He adds that Oman Air is "anxious to be Emirates' 'baby brother'".

Raymond believes that, once the shuttle network has been established, codeshare deals should "fall into place" with Emirates in Dubai and in Abu Dhabi and Bahrain with Gulf Air. There is talk that Oman Air could take over Emirates' entire Dubai-Muscat operation.

Oman Air still faces challenges as it begins its new life as a fully integrated and licensed airline. With his work completed, Raymond is poised to depart, but he is confident that the groundwork has been laid for steady growth in tandem with the Gulf. Its development will be aided by the stated mission to work in harmony, rather than in conflict, with the region's established giants. □



The wet-leased A320s are being phased out as widebody A310s arrive