We have a clear mandate - to build an efficient, commercially sustainable airline that effectively serves the people and the economy.

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Blue skies of recovery

Recovery on the horizon

Gulf Air is flying through the storm clouds with the blue skies of recovery on the horizon.

It has unveiled a three-year growth strategy to rebuild a sustainable and dynamic national airline.

The carrier, which is losing $500 million a year has emerged from a three-month structural review with a blueprint for drastic reorganisation.

Its recovery plan has already been backed by the government, the Shura Council and parliament, said chairman Talal Al Zain, who is also chief executive of Mumtalakat, the government holding company which owns the airline.

"We have a clear mandate - to build an efficient, commercially sustainable and dynamic airline that effectively serves the people and the economy of Bahrain and represents the country on the world stage," he said.

"If we let it be where it is and take no action, we will keep losing $500 million every year – money that the government could well spend on other things.

"The choice was simple – we would either have to close down or restructure, albeit with some painful decisions. We have opted for the latter."

Gulf Air has to deliver a product that its customers need and want, said Mr Al Zain.

"The airline will become more efficient as we align its cost base with this new strategy, maximising investment into areas of the business that will offer the best returns whilst reducing cost in those that do not," he said.

At the moment Gulf Air relies on significant government support and is spending far more than it earns.

"This is clearly unsustainable and the funds could be invested into other important areas of the national economy," said chief executive Samer Majali, who took over in July.

Mr Al Zain

Mr Majali

He said the new strategy best reflected the needs and demands of customers.

"Without them we don't have a business. Consequently, this strategy will create more value for money, re-align the network to reflect customer demand as well as redesign the product to deliver more customer value on a consistent basis," he said.

For the first time, Gulf Air will focus specifically on Bahrain, serving the country with higher frequency, non-stop services to more destinations, across three continents.

"We will also provide better services to some of the world's leading financial markets, helping to support Bahrain's significant financial services sector," he said.

"This will be re-aligned to reflect our customers' needs and aspirations as we envisage expanding operations into over 20 new destinations in the Middle East, Africa, Asia and Europe."

Mr Majali said the move would consolidate and expand the airline's existing position as the carrier with the largest number of Middle East connections through its efficient Bahrain hub.

"We will also suspend up to 15 other routes and close a number of overseas stations that are not profitable and no longer reflect customer needs," he said.

"This will include the airline's current operations to Shanghai in China and Hyderabad and Bangalore in India."

Mr Majali said Gulf Air would also aim to reduce fleet costs and minimise expenditure that no longer adds customer value.

The fleet composition will focus primarily on narrow-body aircraft and regional jets, including a number of long-range narrow-body aircraft, which will connect Bahrain to key financial centres in Europe and Asia.

The strategic plan will entail a substantial increase in the current requirement for narrow-body aircraft beyond the 15 ordered A320s, three of which have already been delivered, while reducing the requirement for wide-body aircraft.

"We are engaging our aircraft manufacturing partners in order to align our current order book with our new strategy," said Mr Majali.

"We are also considering the introduction of regional jet aircraft on the short range routes from Bahrain as early as next year and exploring the possibility of selling five of our A340s and the disposal of certain other aircraft that have become surplus to requirements."

Mr Majali said the first phase would be undertaken over the next six to 12 months and would focus on re-aligning the existing network to match market demand.

"Phase 2 will be undertaken in the second and third years and will focus on growing into new markets where there is identified growth potential, supported by the introduction of a compelling new range of products and services," he said.

Meanwhile, Mr Majali said if their customers were their number one priority, then their employees were their most important asset.

"This programme will require some tough decisions as we look to address what remains a challenging marketplace," he said.

"We will be reviewing all cost elements that do not provide equivalent or greater value and within that context we will be looking to significantly re-size our workforce over this three year period.

"This will be done through natural attrition, retirements, the ending of contracts and other associated measures.

"Some redundancies may be inevitable, in which case we will aim to redeploy individuals elsewhere within the company, but our priority will always be on retaining the best and most productive talent, safeguarding the jobs of Bahraini nationals and expats who continue to work hard for Gulf Air's long term success and future."

He said the programme would take approximately three years to complete.