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EDITORS' PICK

# With Saudi Arabia's Big Order For Boeing 787s, The Widebody Makes A Tentative Comeback

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As part of its plans to expand tourism, the Saudi government intends to build a mammoth airport in the capital Riyadh over 22 square miles with six runways, including the terminal shown here in an illustration. FOSTER+PARTNERS

**Y**ou can't accuse Saudi Crown Prince Mohammad bin Salman of reluctance to spend money as he tries to diversify his nation's economy away from oil. Under his rule, the kingdom plans to invest \$500 billion in a city consisting of [two parallel 100-mile-long skyscrapers](#), luxury resorts are popping up around the country and now the kingdom is launching a new internationally focused airline to further its goal of becoming a tourist attraction. Boeing BA -5.9% is benefitting to the tune of tens of billions of dollars.

Riyadh Air, [launched Sunday](#), is buying 39 Boeing 787-9 Dreamliners, each with a list price of \$292 million, with options for 33 more. It's unclear why the kingdom decided to establish a new airline rather than expand flag carrier Saudi Arabian Airlines (Saudia), which, in a puzzling development, is also ordering 39 Dreamliners, an unspecified mix of 787-9s and the larger

787-10 (list: \$338 million), plus options for 10 more. Altogether it's the fifth-largest order by value that Boeing has ever received, and a welcome increase to its backlog for the big twin-aisle jets that fly international routes after the pandemic froze that market.

Saudia's mediocre reputation with foreign travelers may have played a role in the creation of Riyadh Air, observers say. "It was probably just easier to think in terms of creating a new brand and a new business culture," says Richard Aboulafia, a managing director at AeroDynamic Advisory.

Saudi Arabia is following the playbook of neighbors Qatar and Dubai, which leveraged their geographic crossroads position to grow Qatar Airways and Emirates into long-haul giants, shuttling passengers through their home countries between Asia, Africa and the West. The kingdom plans for Riyadh Air to fly to 100 destinations by 2030, contributing to the goal of attracting 100 million foreign visitors annually by then.

Another airline also recently ordered widebodies with an eye on the same market. After it was acquired by the deep-pocketed Tata Group, Air India last month [placed a record provisional order for 470 planes](#). With the widebodies on tap — 40 Airbus A350s, 20 Boeing 787s and 10 Boeing 777Xs — the new owners aim to win back

Indians who have been flying the Gulf airlines internationally. That followed an order for 100 787s by United Airlines in the fall.

It's unclear whether these deals represent a comeback for lucrative widebody sales, Boeing's strong point versus Airbus, or just a few one-offs by well-funded newcomers with big ambitions.

International travel has soared in recent months, following earlier recoveries in many domestic markets. It's up 104% in January versus a year ago, with the number of kilometers traveled internationally by paying passengers reaching 77% of January 2019 levels, according to the [International Air Travel Association](#). That resurgence has led some airlines to reactivate big, fuel-hog four-engine planes, including A380s and 747s, that they'd retired during the coronavirus lockdowns.

More widebody orders are likely coming, says Addison Schonland, an aviation consultant with the firm AirInsight, who points to a number of factors. Airlines are under pressure to replace old, greenhouse gas-spewing planes with more fuel-efficient ones, and those that ordered planes are having to wait longer to get them due to supply chain issues that have slowed production lines at Boeing and Airbus. There's also quality problems at the American giant that have twice halted 787 deliveries.

For airlines that see a need for new planes in the next few years, “they just have to get their stuff together and put it in an order,” says Schonland.

Indian low-cost carrier Indigo is reportedly negotiating an order that could rival Air India's, while Schonland thinks Delta could add to its existing orders for Airbus widebodies, as rumored in the fall. “If China comes back, that's going to push up demand,” he says.

Analyst Robert Springarn of Melius Research believes it's “the early innings of a widebody upcycle,” writing in a research note last month that Boeing and Airbus widebody deliveries could rise 112% over the next few years compared with 2022, led by a 287% increase in 787 deliveries to 120.

Aboulafia isn't convinced, noting that in the case of the 787, much of that delivery increase will be to clear out the large number of aircraft Boeing has built but was blocked from delivering to customers due to production flaws. Meanwhile, longer-range new single-aisle planes like the Airbus A321 are giving airlines cheaper options on international routes.

“Is there anybody out there who's really screaming for widebody capacity right now who is not already in the order book?” Aboulafia says. “I don't see it.”

He warns that the intention of Air India and the Saudis to compete with the Gulf airlines could end up fueling the same kind of long-haul overcapacity that the rapid expansion of the Gulf carriers contributed to in the last decade. That could be avoided if the Saudis actually succeed in turning their country into a tourist destination, drawing more travelers to the region rather than competing for the same ones. But that requires huge changes by the conservative kingdom. “This is a country that recently introduced the exciting concept of allowing women drivers,” Aboulafia says. “It’s another big leap to allowing mass tourism and having a beer while flying.”

The competition could lead to price wars that extend to Turkish Airways, which has also carved out a healthy business as a regional superconnector, and spark innovation that benefits travelers, Linus Bauer, managing director of Dubai-based Bauer Aviation Advisory, told *Forbes* by email.

For Riyadh Air, copious state funding is no guarantee of success. Take Etihad: [the emirate of Abu Dhabi has lost billions](#) on its attempt to create a world-leading airline like Dubai’s Emirates. Riyadh Air CEO Tony Douglas knows that as well as anyone — the Saudis poached him from Etihad.

Aboulafia says starting the airline with 787s, the

smallest widebody available, is a smart move that should give it flexibility as it grows. Nonetheless, “there’s a lot of risk.”

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