

Saudia, startup Riyadh Air announce big Boeing 787 order

March 14 2023, by John BIERS



The factory floor at Boeing's North Charleston, South Carolina, manufacturing facility for the 787 Dreamliner.

Two Saudi airlines will purchase 78 Boeing 787 Dreamliner planes under agreements announced Tuesday in a giant order that underlines Saudi

Arabia's goal to remake itself as a global aviation hub.

The order by state-owned carrier Saudia and brand new startup Riyadh Air—a deal which could reach as many as 121 planes with options—constitutes the fifth largest by commercial value in Boeing's history.

The contracts are part of "a blueprint for economic and social reform that is opening Saudi Arabia up to the world," said Reema bint Bandar Al-Saud, the kingdom's ambassador to the United States.

The announcements come just two days after the Saudi Arabia Public Investment Fund launched Riyadh Air. Jeddah-based Saudia, also known as Saudi Arabian Airlines, dates to 1945 when it received its first jet, a gift from US President Franklin Roosevelt.

Crown Prince Mohammed bin Salman sees aviation as a key component of his "Vision 2030" reform agenda to remake the petroleum-centered country, eyeing a more than tripling of annual traffic to 330 million passengers by the end of the decade.

While Boeing did not provide an estimate of the order's total value, the White House said it could reach \$37 billion.

The Biden administration hailed the announcement, which comes on the heels of a massive Boeing order announced last month by Air India that together will support over one million US jobs in the 44 states across the aviation supply chain.

US Secretary of State Anthony Blinken praised the agreement, noting it follows "years of discussions, including engagement by US officials."

The announcement also suggests an improvement in relations between

Washington and Riyadh after Biden last year spoke of "consequences" following disappointment with a decision by Saudi Arabia to cut oil production.

"As we've said many times, this is a strategic partnership, it has been for eight decades and like any partnership or friendship, it has had and does have ups and downs," said US National Security Council spokesman John Kirby.

"We're looking forward here in trying to make sure that this strategic partnership really does in every way possible support our national security interests there in the region and around the world."

The deal was also touted by Republican Senator Lindsey Graham of South Carolina, where the wide-body 787 is assembled.

The announcement "solidifies Boeing's presence in Charleston for years to come, and validates the quality of the South Carolina workforce," Graham said in a statement.



The Boeing announcement underlines Saudi Arabia's ambitions for growth in Riyadh.

Vision for Riyadh

Under the particulars, Riyadh Air agreed to purchase 39 Dreamliners, with options for 33 more jets, while Saudia will buy 39 Dreamliners with options for 10 more.

Riyadh Air characterized the announced deal as essential in the new airline's quest to connect Saudi Arabia to more than 100 destinations by 2030.

"Our stated commitment is to create a world-class airline and this

partnership with Boeing in building the fleet is the next step in achieving the aspirations of Saudi Arabia as a global transportation hub," Riyadh Air Chairman Yasir Al-Rumayyan said in a statement.

The company also hopes to turn Saudi capital Riyadh into a regional travel hub to rival Dubai and Doha.

Saudi officials in November 2022 announced plans for a giant new airport in Riyadh, with a hoped-for doubling of the city's population.

Analysts have questioned the feasibility of this aspiration, with some describing the regional market as already "saturated."

Yet the Saudi strategy hinges partly on tapping the domestic market in a country with a population of around 35 million, which officials see as a major advantage for national carriers over rivals Emirates and Qatar Airways.

Saudia currently operates more than 50 Boeing jets in its long-haul network, Boeing said.

The announcements did not specify a date for delivery of the jets.

Faced with increasing orders in a growing travel market, Boeing, like European rival Airbus, has struggled to quickly lift production, citing supply chain problems.

Boeing's chief executive, Dave Calhoun, told CNBC on Tuesday that "things are getting better" regarding the supply chain, although investors shouldn't expect "any massive improvements."

Besides Boeing, the Saudi contracts also benefit General Electric, which builds engines for the Dreamliner.

Shares of Boeing rose 1.9 percent to \$207.15, while General Electric advanced 2.5 percent to \$91.16.

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