

Dots on a Map Podcast

“Delta Partnerships Explained”

Episode 1 Show Notes

Intro

- This is the first podcast in a series exploring *Section 1* of the PWA. This episode explores the basics of scope including codeshares, joint ventures and how Delta uses these agreements to improve their bottom line

What is scope?

- Scope language in the PWA details the types of flying that must be conducted by Delta Air Lines seniority list pilots and the Delta-branded flying that may be conducted without seniority list pilots

What is an airline code?

- IATA requires all airline to register a code – Delta’s code is “DL”
- IATA airline designators are used to identify an airline for commercial purposes in reservations, timetables, tickets, tariffs, air waybills and in telecommunications
- When we see a DL code on a flight, it should be operated on a Delta aircraft by Delta employees; however, this is where “codeshares” come into play

What is a “codeshare”?

- Codeshares are aviation business arrangements in which two or more airlines share a code on the same flight
- This is the most important definition in our Scope agreement in the PWA (*Section 1. E.*)
 - Determines if Delta pilots are flying Delta flights
 - Allows Delta to access markets down range
- SkyTeam is a codeshare alliance; Delta gets a “finder’s fee” or “revenue share” if a Delta passenger books a flight through Delta but flies on a partner airline on a down range leg

Codeshares vs Joint Ventures

- A codeshare agreement is a very basic revenue sharing scheme that allows Delta to access down range markets that would not be profitable for Delta to fly its own aircraft, and allows passengers to purchase their entire flight on one site even if the final destination isn’t served by Delta
- A Joint Venture is a more involved relationship between two or more partner airlines where airlines act as a single business entity
 - Must apply for anti-trust immunity from their home governments

JV Benefits

- Antitrust immunity takes away the competitive provisions of normal airline business
- Airlines in a JV can act together as one for determining fares, routes, slots, frequencies
- Creates a marriage of access (Codeshare) and revenue (JV)
- Homogenize schedules so as not to compete

Production Balance and PWA Protections

- PWA provisions protect the pilot group from Delta unloading passengers onto a partner carrier
- 12-month look back on production
 - Delta is not allowed to shrink the amount of flying on Delta airplanes, preventing Delta from giving all Delta flying to a partner carrier and collecting the profits

- Future contract language should include **equitable growth** provisions
 - Delta is gaining revenue streams and access to global markets
 - Delta should grow the top-end pilots' jobs

Advantage of JVs for Delta

- Access to market share without the risk
- Realizing revenue sooner in new markets

Advantage of JVs for Delta Pilots

- JVs allow Delta to potentially earn higher profits, so pilots may benefit from higher profit sharing
- However, the Delta pilots want to see equitable growth and more widebody pilot jobs

Equity Stakes

- Equity stakes in other airlines allows Delta to influence how partner airlines operate
- An equity stake may come with a seat on the Board of Directors, for example
- Access (Codeshare) + Revenue (JV) + Influence (Equity Stakes)

Where does the money go?

- As a pilot, do I benefit directly?
 - The SEC requires that Delta reports their earnings from these partnerships
 - Reported as non-operating income, but part of profit sharing
- These partnerships are in their infancy and Delta has not realized the profit and/or loss potential

On the next episode of “Dots on a Map,” we’ll discuss ongoing JV negotiations – stay tuned! To listen, search “Dots on a Map” on Apple Podcasts, Google Play Music, and Overcast. Dots on a Map is a Delta MEC podcast series about scope topics. Every episode is also available on [DALscope.org](https://www.dalscope.org).