

Delta latest airline to raise funds through loyalty program

September 14 2020



In this July 22, 2020 photo, a ticketing agent for Delta Airlines hands a boarding pass to a passenger as he checks in for a flight in the main terminal of Denver International Airport in Denver. Delta Air Lines will use its frequent flyer program to back up \$6.5 billion in funding as the pandemic continues to buffet air travel. (AP Photo/David Zalubowski, File)

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billion in funding as the pandemic continues to buffet air travel.

A sharp drop in travel has left the airlines with tens of thousands more employees than they need to operate the vastly reduced number of flights. This spring, the airlines began receiving \$25 billion in federal grants and loans to keep workers on their payrolls for six months. With that money ending Sept. 30, the three biggest U.S. carriers are expected to furlough or lay off about 40,000 workers.

Delta is only the latest to leverage its frequent flyer program to raise capital. United Airlines and American Airlines did the same in June.

Airline executives do not expect airline traffic to return to normal for some time, and that is raising pressure on lawmakers to step in and prevent mass job losses.

Last week a couple hundred flight attendants and pilots rallied on Capitol Hill and began a social media campaign asking Congress for \$25 billion in additional federal funds to prevent the furloughs next month. But the prospects for a big deal suffered a blow Thursday, when Senate Democrats blocked a scaled-back Republican plan. While the GOP bill had no money for transportation, its failure could make major coronavirus relief before the November election less likely.

On Monday, Delta said the bonds and term loans linked to the funds will be secured by its SkyMiles program. SkyMiles IP plans to lend the net proceeds from the bonds and term loan to Delta, based in Atlanta, after depositing a portion of the proceeds in a reserve account.

Shares of Delta Air Lines Inc. climbed slightly in premarket trading.

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Citation: Delta latest airline to raise funds through loyalty program (2020, September 14)
retrieved 20 April 2024 from
<https://techxplore.com/news/2020-09-delta-latest-airlines-funds-loyalty.html>

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