

Delta in talks for Japan Airlines stake

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Delta Air Lines is in discussions to take an equity stake in Japan Airlines, aiming to secure a strategic partnership between the two carriers and tip the balance of power among the world's global aviation alliances.

A deal would mark the latest in a series of bold moves by Delta, which since its emergence from bankruptcy protection in 2007 has cemented a joint venture with Air France-KLM and merged with Northwest Airlines to create the world's largest carrier. For JAL, the investment would infuse several hundred millions of dollars of cash in a company burdened by mounting losses and ¥721bn (\$8bn) in net debts.

People familiar with the matter described the discussions as preliminary, yet active, with both sides aiming to reach an agreement in a few weeks.

Any strategic relationship that emerges from Delta's investment would deal a stinging blow to American Airlines, British Airways and other members of the Oneworld alliance. JAL's defection from Oneworld would give Delta, Air France-KLM and fellow SkyTeam members a powerful Asian ally just as Japan inches closer to granting foreign carriers more access to its international airports.

People familiar with Oneworld's thinking said their members will not let JAL go without a fight, and it is likely they will counter with an investment offer of their own should the carrier's discussions with Delta gain momentum.

US and Japanese officials met this month to negotiate a bilateral "Open Skies" accord, which is viewed as a prerequisite to winning regulatory approval for trans-Pacific joint ventures between each country's airlines.

Delta's investment would raise the stakes at a time when many airlines are hoping merely to conserve enough cash to survive.

JAL is in the fourth year of a restructuring plan during which it has sold non-core assets and shed both jobs and unprofitable routes. The efforts have failed to stem losses. JAL posted a net loss of ¥99bn in its first quarter, and in June secured ¥100bn in emergency funding from a group of existing creditors after the Japanese government agreed to guarantee new loans.

All Nippon Airways, Japan's other national carrier, was expected to seek a venture with fellow Star Alliance members such as United Airlines and Lufthansa once its government reached an agreement with the US, people familiar with the plans said.

JAL and Delta declined to comment.

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