DELTA PROMISES IT WILL LIMIT SEAT CAPACITY NEXT YEAR

News / Airlines

Delta Air Lines Inc. expects to **cap its seating-capacity** increase at 2 percent next year, reaffirming a commitment to limit growth as U.S. carriers struggle to raise fares because of weak foreign currencies and competitors' rapid expansion.

Seating capacity in 2016 will be flat to up 2 percent, with any additions focused on growth markets including the U.S., the U.K., Mexico and the Caribbean, Delta said in a presentation in advance of a meeting with investors in New York on Thursday. It expects to reduce seating for the Brazil, Japan and the Middle East markets. When Delta promised on Oct. 14 to keep capacity growth at 2 percent or less in 2016, the shares surged to the highest since January.

Keeping the supply of seats in check will help Atlanta-based Delta regain pricing power. A benchmark gauge of U.S. airline stocks is pointing toward its first annual decline since 2011, partly because of investors' concerns that some carriers are piling on seats and losing the ability to prop up fares.

Jet fuel will cost an estimated $1.45 a gallon next year, Delta said. At that level, the airline expects

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to see fuel savings of almost $3 billion. The carrier projects that its costs for each seat flown a mile, an industry standard, will increase by 2 percent or less next year, excluding fuel.

The airline also said it expects to begin paying cash taxes in early 2018. A reorganization of its trans-Atlantic business is expected to lower its tax expense, the carrier said.

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