



Uh Oh! Air Canada (TSX:AC) Is Still in Hot Water

Description

Rebuilding and transformation are the priorities of **Air Canada** ([TSX:AC](#)) moving into the third quarter of 2020. The cash burn problem is out of the way after securing \$5.5 billion in fresh funds from a series of financing deals. Canada's flag carrier can still obtain additional funds because it has unencumbered assets to offer as collateral.

Air Canada has ongoing initiatives to reduce costs, and employee reduction is among them. The company is earmarking \$1.1 billion for the Cost Transformation Program and capacity and network rationalization as per its Managing Director and Treasurer Pierre Houle.

However, the airline company is [far from taking off](#). There are obstacles it has to overcome before we could see a semblance of normalcy. Management is also becoming impatient with the extension of border closures.

IATA recommendations

According to research findings, quarantine has effectively shut down passenger demand for air travel. The International Air Transport Association (IATA) is now urging governments to adopt a variety of alternative measures to minimize the risk of importing coronavirus via infected passengers.

IATA proposes a framework consisting of measures to prevent sick people from travelling and to mitigating transmission risks should a passenger discover they are COVID-19 infected after arrival.

The association contends that imposing quarantine measures on arriving travellers keeps countries in isolation, and the travel and tourism sector is in lockdown.

IATA Director General Alexandre de Juniac says there are policy alternatives that can reduce the risk of importing coronavirus infections while still allowing passenger travel. You can only jump start national economies with the resumption of travel and tourism.

New transparent process

Air Canada CEO Calvin Rovinescu is pleading with the government to loosen travel restrictions and [allow airlines to fly again](#). The company wants to conduct a reasonable amount of business. He adds the rules are already disproportionate given that the pandemic is easing in many regions.

Starting July 1, 2020, Air Canada is ending its onboard seat distancing policies. The company will instead offer a “new transparent process.” Travellers have flexible rebooking alternatives on flights where economy class is full or near capacity.

A passenger will receive e-mail notifications before check-in plus a separate announcement at the departure gates. If you’re not comfortable flying on with an increased number of passengers, you can transfer to an alternate flight within three days of the original booking at no extra charge.

Notorious image

Air Canada is now notorious for the non-payment of customer refunds for cancelled flights. The airline still has about \$2.6 billion from advance ticket sales. It was able to return \$1 billion to customers with more expensive refundable tickets.

Customer complaints are mounting that Air Canada is outpacing more than 80 carriers in terms of refund demands. The company has a long-standing policy of not allowing refunds for non-refundable tickets. It can’t afford to extend goodwill gestures because it needs to preserve cash.

Count a thousand days

Air Canada is in a precarious state. The airline is highly dependent on international flights. The outlook for air travel is grim, and will not return quickly to pre-COVID-19 levels. Count 1,095 days or more before you can invest in Air Canada again.

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