



Air Canada (TSX:AC) Stock: Will it Ever Recover?

Description

Is **Air Canada** ([TSX:AC](#)) holding the country hostage by cancelling 30 domestic routes and closing eight stations at regional airports? I don't want to believe that is the intention. However, elected officials are expressing disappointment, because it impedes economic development.

Displeasure at the top

Prime Minister Justin Trudeau was among the first to express disappointment at Air Canada's decision to suspend flights. He is hoping the country's largest airline will reconsider and restore services, as the economy goes through the process of recovery.

Air Canada cites persistent [weak travel demand](#) due to the COVID-19 pandemic as the reason for the move. Trudeau concedes that service in more distant regions is less profitable, but the flag carrier should still serve people in less-populated places.

The suspensions couldn't come at the worst time. Quebec Liberal leader Dominique Anglade said, "You have workers that cannot travel to those regions." He adds, "From a healthcare perspective, you have patients that cannot go and get treated."

Meanwhile, Quebec premier François Legault is open to give a subsidy to any charter company that will provide regular service. Air travel is an essential service to the affected regions.

Unspoken message

Air Canada rebuts the complaints by saying people do not fully understand air travel economics. The action was inevitable, said a spokesperson. Regional flights are only profitable when they connect to the bigger domestic and international networks, bringing travelers elsewhere. The business can't survive on local traffic alone.

An expert said that perhaps it is Air Canada's way of showing displeasure that no federal bailout came

to the airline industry. Management might be trying to send the message. Only a few weeks ago, Air Canada's CEO Calin Rovinescu was begging the government to lift travel bans, so the company could at least do a little business.

Playing hardball

North Bay & District Chamber of Commerce president & CEO Peter Chirico gave a stern warning to Air Canada. He said, "If there is no service, please do not expect us to support your future requests to the Federal Government."

Chirico sympathizes with the [plight of Air Canada](#) and the airline industry in general. However, suspending the routes will create a barrier for future growth and hurt local business communities.

Slow recovery

Air Canada can't afford to play hardball or lock horns when its future is also at stake. It will need federal government support some time as business resumes. But the bottom line is that travel demand will not return quickly. Management expects to return to normal operations by 2023.

The second-quarter 2020 earnings results will be out on July 31, 2020. Air Canada obtained fresh funds to cover the \$1 billion losses in the first quarter. It received a credit rating downgrade while shares are in a slump. Investors are losing by 64.5% year to date.

Will the company ever recover and fly high again? It's too soon to make a prediction. Air Canada could still reinstate the cancelled routes and not abandon the smaller communities. The government might give in to the pressure and decide to extend a bailout.

CATEGORY

1. Coronavirus
2. Investing

TICKERS GLOBAL

1. TSX:AC (Air Canada)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Sharewise
6. Yahoo CA

Category

1. Coronavirus

2. Investing

Date

2025/08/16

Date Created

2020/07/10

Author

cliew

default watermark

default watermark