



\$10,000 Invested in Air Canada (TSX:AC) in January Is Worth This Much Now

Description

Investors in **Air Canada** ([TSX:AC](#)) were looking forward to a considerable windfall in 2020. The airline stock had a remarkable run the previous year. The stock was ranked seventh in the first-ever TSX 30 list in 2019. Instead, Canada's flag carrier is facing [Bankruptcy 2.0](#) in the second half of this year.

Things are unfolding fast, thanks to COVID-19. The pandemic all but reduced the air travel industry to a pulp. Air Canada is on life support and begging the government to end quarantine requirements.

Had you invested \$10,000 in January 2, 2020 (\$50 per share), your money would be worth \$3,386 (\$16.93 per share) on July 17, 2020. The year-to-date loss to investors is 66.14%, and management expects the business to [return to pre-coronavirus levels](#) in 2023.

Appeal to restart

Air Canada's chief medical officer Jim Chung wrote a letter to the federal government on July 15, 2020, to reiterate the carrier's call to ease the strict four-month-old coronavirus-induced travel restrictions. The extended travel ban is disrupting the country's aviation industry and continues to drag down air transport.

On behalf of the company, Chung suggests that the Canadian government use a "science-based alternative" to the blanket 14-day quarantine requirement. Inbound international and some inter-provincial travelers are suffering from this imposition.

The letter read, "The situation is becoming increasingly urgent." Canada has made virtually no change to its quarantine restrictions since mid-March, despite continuing improvements containing the spread of the virus both in our country and in many others.

Counter-proposal

Air Canada's counter-proposal is for the government to establish a list of "exempt countries." Travelers

from unrestricted countries can enter without the need to isolate upon arrival. The government can shorten, if not waive, the 14-day quarantine for passengers arriving from non-exempt countries. The condition is presentation of a negative COVID-19 test with a validity period of not more than 72 hours.

Canada is imposing penalties on people arriving in the country (by land, sea, or air), including citizens, who violate the mandatory 14-day quarantine. The fine could fetch as high as \$750,000 plus a six-month jail term. Expulsion from the country is possible. The self-isolation requirements also apply to people traveling within the country and between provinces.

The letter also cites the way other G20 countries, such as France, Germany, Italy, Switzerland, and the U.K., are managing re-openings while maintaining vigilance with regards to local infection flare-ups. Hence, Air Canada appeals for the government's consideration.

Domestic demand is picking up after a record day on July 1, 2020. Although the volume is much smaller than usual, Air Canada's managing director of Canada & USA sales, Lisa Pierce, sees it as a bright spot. However, Air Canada derives the bulk of revenue from international flights. Management's call is to replace the quarantine requirements for those countries with low COVID-19 risk from a public health perspective.

Worse than the broader market

The losses of Air Canada investors are worse than the broader market (-65% versus -5.5%). It's more upsetting to the company because federal authorities won't budge. Since June 29, 2020, 26 flights arriving in Canada have had confirmed COVID-19 cases onboard.

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

2025/08/18

Date Created

2020/07/20

Author

cliew

default watermark

default watermark