



Why Air Canada (TSX:AC) Wants a Science-Based Approach to Reopening

Description

Air Canada ([TSX:AC](#)) has been lobbying the government hard ever since the COVID-19 pandemic began. Due to border closures and travel restrictions, the business is still feeling the impacts of the virus, even though the broader market has recovered.

After hopes of a revival, the company revealed this month that it would shut down an additional 30 routes indefinitely. That's *after* reducing capacity by 95% last quarter, with plans to lower capacity by 75% for the next few months.

"Right now, we're closed to business by government decree," Air Canada CEO Calin Rovinescu [told](#) the *Financial Post*. "This is catastrophic territory."

It's important to put the current [crisis](#) into context. Countless exogenous shocks have rocked the airline industry since its founding. While fierce competition has often limited profits, outside events like oil price gyrations, political tensions, and terrorist attacks have consistently roiled airline operators.

The COVID-19 crisis is far worse.

"This is hundreds of times worse than 9/11, SARS, or the global financial crisis — quite frankly combined," Rovinescu warns. "We never got to the level when we were only operating at 5% in any of those circumstances, you know, other than the three days of shutdown post 9/11."

What Air Canada is doing

The biggest issue facing the company is a lack of demand. While much of that is consumer-driven, some of it is simply due to travel restrictions. Airlines have been pushing against those, trying to normalize business and leisure travel again.

"I hate these online meetings. I hate these virtual meetings," Air Canada's CFO said at a recent event. Businesses are "eager to interact" he stressed, noting that digital meetups are "a loss for everybody."

Other company executives joined the lobbying effort. *CTV News* reported in June that “CEO Calin Rovinescu was among more than 130 signatories to an open letter from the travel and tourism industry calling on premiers and Prime Minister Justin Trudeau to loosen travel restrictions and roll out targeted quarantines for passengers returning from higher-risk countries.”

Rovinescu added that he wants to see a “science-based approach” implemented, with targeted easements for certain regions at certain times.

Air Canada is confident that these efforts will bear fruit. “As companies get back into their offices, hopefully post-summer, we see business travel start to come back,” its CFO suggested. “It’ll be slower than leisure, but we do see it coming back.”

Time to buy?

It’s hard to determine what reality Air Canada is living in. Despite the company’s claims, few Canadians wish to see travel restrictions eased.

A survey by Destination Canada in June found that only one-quarter of Quebec citizens want to see U.S. residents enter the country. In British Columbia, the figure was just 6%. All of this was before the recent record-setting case spikes in the U.S.

Canadians don’t even want other Canadians to travel. A Department of Tourism survey found that just 23% of New Brunswickers want to receive tourists from other provinces.

Air Canada needs the travel restrictions to be lifted in order to survive. Despite their wishes, none of the data looks promising.

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