



Air Canada (TSX:AC) Stock: More Bad News

Description

“When it rains, it pours” is the apt description for the [misfortunes](#) of **Air Canada** ([TSX:AC](#)) in 2020. If COVID-19 isn’t enough, the bad news keeps coming in rapid succession. The latest is unflattering, if not tarnishing the image of Canada’s flag carrier. The airline company is the target of refund complaints.

Second-highest number of complaints in the U.S.

The U.S. Department of Transportation reports that Air Canada had the second-highest number of complaints about refunds in May 2020. The department says that out of 10,415 refund complaints lodged against non-U.S. airlines for the said month, 1,705 are against Air Canada.

The figure outpaces all 80-plus foreign carriers in the category as well as more than 45 flight agencies. Whether domestic or international, only United Airlines received more refund complaints (3,215) than Air Canada.

So far, the airline, along with other carriers, is refusing to reimburse customers whose flights were cancelled due to the coronavirus outbreak. In the U.S. and the European Union, the requirement is for airlines to refund passengers.

Customers filing complaints to the U.S. regulator might get their money back. It has been two months in a row that Air Canada was among the airlines with the most refund complaints. There were 969 (13% of total) similar complaints in April. Instead of refunds, Air Canada is offering vouchers or flight credits to passengers.

However, an April 3, 2020, enforcement notice in the U.S. states that airlines should refund passengers promptly when scheduled flights are cancelled or significantly delayed. Air Canada argues the said notice is for guidance only and doesn’t have the effect of law.

Restrictions extended

Air Canada's woes are compounding. Instead of lifting travel restrictions in August, the government is extending border closures until September 30, 2020. At present, the country is accessible by air for Canadian citizens and a few exemptions.

Meanwhile, Air Canada will introduce testing stations at airports. Its COVID-19 testing program is voluntary for arriving passengers. The airline company also hopes it can help convince the government to ease the ban on most international arrivals. Since March 2020, the restrictions are weighing heavily on the business.

Air Canada is like a passenger with a boarding pass but stuck in the airport for months because the flight schedule is unknown. The company reported a \$1.55 billion operating loss in Q2 2020, although cargo revenue increased by 53%. Four Boeing 777s and three Airbus A333s are operating as freighters.

Grim developments

Investors are getting [anxious](#), because the stock is losing 63.4% year to date. Management expects a daily cash burn of \$15 million to \$17 million in Q3 2020. Its capacity would be approximately 80% lower than in Q3 2019.

Air Canada and its shareholders are in a bind. The outlook for the rest of the year isn't encouraging. The International Air Transport Association estimates Canadian airline revenues to shrink by \$14.6 billion this year, or a 43% drop from last year.

Likewise, fighting back against refund complaints is not helping any. Gabor Lukacs, the founder of Air Passenger Rights, says weak earnings do not relieve companies of obligations to issue consumer refunds. As mentioned earlier, the misfortunes of Air Canada won't stop.

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