



## Air Canada (TSX:AC) Is Offering Unlimited Flights: Will That Boost its Stock?

### Description

**Air Canada** ([TSX:AC](#)) is doing everything it can to retain consumer loyalty and nudge more people towards flying. The company's resources and liquidity are waning, waiting for government aid, which is yet to come. However, there is some good news on that front, since the government has hinted that it would help the hardest-hit sectors, including tourism and travel.

But Air Canada is seeking more than promises. It (reasonably) wants the government to offer a concrete plan to help the airline industries in the country. Ideally, before the airline has to accept the government's aid, which might come with some strict terms, one of its own measures might pay off and give a little boost to the company's earnings and stocks.

One of the measures that the company employed to boost its abysmal earnings is offering unlimited local flights.

### National vs. international business

Before the crash, about 70% of Air Canada's revenues came from international travel. But that revenue stream has been closed shut (almost), partly by the Canadian government's own travel restrictions and isolation requirements and partly by the uncertainty and fear surrounding international air travel, which hasn't been put to rest yet.

A second wave of the pandemic is already sweeping many countries, and it's unlikely to help with Air Canada's situation. This might be one of the reasons why Air Canada shifted its focus to the local market. One of the ways the company is trying to boost its earnings is by offering an unlimited travel pass to local passengers for a flat fee.

The company took this leaf from **AirAsia's** book, which offered a similar service to its passengers, albeit for a longer duration (a year). But the problem is that for the cost of the unlimited pass to be worth it, people would have to travel a lot and take multiple local flights. And that's something that people are refraining from at the moment.

And even if a small number of people are interested in this unlimited pass, they would be a minority within a minority. Local travel contributes a bit less than a third of the company's income, and boosting a fraction of it won't make a substantial difference.

## The stock

Even if this move has changed [investor perception](#) only marginally, it's not yet reflecting in Air Canada stock. The price is down over 15% from the monthly high of \$19 per share. And even if this was supposed to attract local flyers and regional traffic, it might not be enough to make up for the backlash the airline got for cutting several local routes.

The resurgence of Air Canada stock will require something much more than that. Even government intervention, unless it comes with no strings attached, might not be enough to restore investors' faith in the airline.

## Foolish takeaway

For those who are relatively sure about Air Canada's [eventual recovery](#), it might be a good time to buy. But if you are willing to risk it, the price may go down even further in a few weeks. The government is already warning about a second wave. While the provinces are a bit divided, even small, regional lockdowns can diminish any momentum Air Canada has gained in local demand.

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