



Air Canada (TSX:AC) Stock: Will it Go Bankrupt or to the Moon?

Description

Are there enough reasons for investors to bet on **Air Canada** ([TSX:AC](#)) in 2021? Canada's dominant carrier has agreed in principle to certain conditions in exchange for a [potential federal bailout](#). Restarting the sector is the top priority, although any financial assistance will have strings attached.

The government wants commitments from airline companies to refund passengers for flight cancellations during the pandemic, restore and retain regional routes, and protect jobs. However, Jerry Dias, national president of Unifor, argues that it's a loan to the industry, not a bailout. Most of the 16,000 Unifor members are on layoff.

While talks of a possible airline bailout are ongoing, the woes of Air Canada remain. Bouncing back from COVID-19's devastation is [uncertain](#), if not difficult, to establish. Also, the airline company has a new man at the helm. Michael Rousseau, Air Canada's former CFO, replaced Calin Rovinescu as CEO on February 15, 2021.

No quick fix

All parties in the ongoing negotiations are out to preserve Canada's airline industry. However, it appears crafting an airline bailout plan will take time. Aside from the billions of refunds owed to passengers, restoring regional routes is a massive consideration of the deal, says Federal Transportation Minister Omar Alghabra.

On June 30, 2020, Air Canada suspended all flights on 30 routes. It includes those from Regina to Winnipeg, North Bay to Toronto, and Saint John to Halifax. The latest news is that a new triangle route between Regina, Montreal, and Saskatoon will begin on June 25, 2021, until September 21, 2021.

Regina Airport Authority president and CEO James Bogusz has confirmed the new flight under Air Canada's summer service plan. It would be the first flight between the two locations in Regina Airport's history. The triangle route is a non-stop flight from Regina and Montreal, and a stop in Saskatoon on its return flight.

Bogusz thinks the triangle route is a winner and a great summer service opportunity for Air Canada. He adds the airline company appears to be open to a little more risk by trying something new. Meanwhile, a participant in the talks is not keen on a bailout. WestJet desires a plan to restart air travel safely more than financial assistance.

Shaky ground

Air Canada could lose its competitiveness the more extended negotiating parties arrive at a definitive agreement. The new CEO has to deal with several standout issues. Prominent of them are border closures, flight suspensions, testing regimes, and strict quarantine orders.

All of them, at the national and provincial levels, brought Air Canada to its knees. Thus, the chances of returning to a semblance of normalcy are still low. Its share price rose to \$29.80 on March 15, 2021, on news that a federal bailout is near. As of March 19, 2021, the airline stock finished lower at \$27.68. Still, it was 128% higher than it was a year ago.

Unless a sector-specific financial relief is in place, Air Canada stands on shaky ground. Will the stock soar to the moon, or will the company go bankrupt? Maybe we'll know the fate of the beleaguered airline company by the second quarter of 2021.

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