



Air Canada (TSX:AC) Is Bringing Back Vacation Flights!

Description

After months of having most of its vacation routes suspended, **Air Canada** ([TSX:AC](#)) is moving to bring them back.

In May 2020, Air Canada took popular southern vacation spots off its travel list to comply with a federal government demand. Since then, international flight availability has varied. Exceptions were made for business travel. Pleasure travel was less tolerated.

Because of the travel bans, several southern destinations have been suspended since the start of the pandemic. They include popular spots in Mexico, Jamaica, and the Bahamas. This May — if everything goes according to plan — Canadians will be able to visit them again. In this article, I'll explore Air Canada's decision to re-open "sun destination flights" and what it means for the company.

What are the destinations?

According to [reporting by the CBC](#), Air Canada is re-opening the following routes starting on May 3:

- Toronto to Mexico City
- Toronto to Kingston, Jamaica
- Toronto to Bridgetown, Barbados

Toronto is the primary hub for international travel in and out of Canada. Many international flights from smaller cities have a stopover in Toronto. So, opening routes from Toronto to popular southern destinations makes them available not only to Torontonians, but to the rest of Canada as well.

A sign of recovery?

For travelers, Air Canada's move to re-open "sun destination flights" is an unambiguous win. Throughout the COVID-19 pandemic, travel rules have varied, but international flights have not been widely available. For those hoping to take vacations in 2021, there are glimmers of hope that they will

be able to do so starting in May.

This move may also be good news for investors.

In 2020, Air Canada stock tanked, thanks to the COVID-19 pandemic and the travel restrictions that came with it. Air travel ground to a halt, as politicians struggled to contain the spread of the virus. In March, Air Canada and several other airlines announced the suspension of several international routes. In the ensuing months, more suspensions followed. That predictably led to Air Canada's revenue collapsing. In 2020, total revenue was 70% less than the year before. In some individual quarters, the decline was worse than that. COVID-19 didn't really hit Canada in a big way until March. Air Canada was operating normally until then. The damage later in the year was much worse than the full-year results suggest.

The return of vacation destinations indicates that the government's approach to travel is softening. During the first year of the pandemic, ["pleasure" travel](#) was considered unacceptable, while business travel was permitted in select circumstances. If vacation travel is being allowed once more, that may indicate that air travel is going to increase. This is necessary for Air Canada to become profitable again. Airlines have high fixed costs — such as interest expenses — which make it impossible to turn profits when revenue is depressed. In Air Canada's case, the interest expense alone is \$656 million a year.

As vacation travel picks up, Air Canada's revenue should rise along with it. That may eventually allow the company to put the worst episode in its history behind it.

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andrewbutton

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