



A CRISIS LOOMING

Brexit and the British outbound tourism industry

Foreword

UK outbound travel is a significant part of the UK economy which is often overlooked. According to the Office for National Statistics, in 2017 there were **72.8 million outbound trips** from the UK¹.

Expenditure in the UK by residents engaged in outbound travel contributes **£34.3 billion a year** to the UK economy, with a direct contribution of **£2.4 billion** to the Exchequer². UK Jobs provided by the outbound travel industry exceed those in notable manufacturing industries such as food and electrical equipment³.

The EU is the main destination with **75% of the 53 million leisure and business trips** to a European country⁴. Changes in our relationship with the EU will have significant effects on the outbound travel industry.

A cliff edge or no-deal departure from the EU will have disastrous consequences for the outbound travel industry. A poorly negotiated Brexit that fails to take into account the importance of the seamless transition of staff, resources and finances for the outbound travel industry will certainly mean a loss of jobs, of competitiveness of UK travel companies and an increase in holiday prices for the travelling public.

More specifically, if the next stage of negotiations fails to take account of it, there will be changes to secondment rules which will substantially increase the cost to British travel companies of employing UK nationals in Europe, possibly rendering it effectively unworkable. This will put at risk the jobs of **25,000** UK nationals working in the EU supporting the seasonal holiday industry, the **£16.5 billion** the industry contributes to the UK economy and the **£1 billion contribution** it makes to the Exchequer.

The loss of jobs amongst those seconded to work in the EU will be predominantly amongst young people in the UK. The companies most likely to cease trading are the small and medium sized companies which are the mainstay of UK travel businesses. The door will be left wide open to the European based multi-nationals dominating the package travel market, changing the holiday experiences and choices of millions of Britons.

Here we review the importance of outbound travel to the UK economy and its regions and look at the reasons for the growth of overseas holidays. We explain how the frictionless secondment of UK staff to the EU has been a factor in this growth. We draw on recent research showing the effect the uncertainty around the issue of secondment has already had on holiday prices, jobs and training opportunities and warn of the severe consequences of a hard or poorly negotiated Brexit.

¹ Office for National Statistics (ONS), Travel Trends 2017

² The Economic Value of Outbound Travel to the UK Economy June 2015. Report for ABTA by CEBR

³ Ibid

⁴ Office for National Statistics, Travel Trends 2016



“After 14 years, I have made the painful decision to close two of our venues: Jacks Bar and Evolution in Meribel, as our business model is no longer viable under any forms of Brexit outlined to date.”

- Charles Owen,
MD of European Pubs Ltd

Summary of key figures



The value of outbound travel to the UK economy

- **72.8 million** outbound trips from the UK in 2017
- **240% growth** in outbound tourism (1980-2015)
- **£34.3 billion contribution** by outbound travel to the UK economy and **£2.4 billion UK tax revenues**
- **75%** of the 53 million leisure and business are to the EU
- **214,000 jobs** directly sustained by the industry



The European holiday sector and the importance of secondment

- **£16.5 billion contribution** to UK GDP from holidays to Europe
- **£1 billion** direct contribution to the UK Exchequer
- **25,000 jobs** working in the EU supporting the seasonal holiday industry
- **£9 billion** direct expenditure in the UK by the outbound activity holiday sector (£3 billion value of UK ski market to economy)



The holiday sector

- **64%** of visits abroad are holidays
- **75%** of these holidays are to Europe
- **180% increase** in flight routes across Europe since 1990s and many fares 40% lower
- **46.6 million holidays abroad** in 2017 (+4% on 2016 whilst business visits 5% down)



The survey: 'The Impact of Brexit on British Outbound Travel Businesses'

- **134 companies**, over **£470 million** in turnover, **87%** of respondents are CEOs, MDs or Owners
- **89%** of respondents had a turnover of **less than £5 million** and employ less than 50 people
- **60%** of the companies surveyed run apprenticeships or training in UK and/or in EU
- **64%** of posted workers are 18-24 and 23% are 25-34 (87% are under 34 years)

The Brexit effect

- **66%** have changed their accommodation contracts by reducing the number of contracts, shortening them, and introducing break clauses in anticipation of consequences of Brexit
- **7% reduction** in UK workers posted to EU already occurred
- **58% increase** in cost base predicted with a hard, poorly negotiated or no-deal Brexit
- **31% increase** in holiday prices would follow

Expenditure in the UK by residents engaged in outbound travel contributes **£34.3 billion a year** to the UK economy. Changes in our relationship with the EU will have significant effects on this industry.

The value of outbound travel to the UK economy

The growth and size of the UK's outbound travel industry is one of the success stories of our membership of the EU. The freedom to operate has facilitated travel and been a major contributor to its growth and expansion. Commercial activities powered by the UK public's desire to travel abroad outstrip the entire UK farming and fishing industry⁵.

Much attention is paid to the UK as a tourist destination and between 1980 and 2015 inbound visits to the UK grew 190%. However, the growth in outbound tourism over the same period was 240%⁶.

The contribution of outbound travel overall to the UK economy is valued at **£34.3 billion** (a 20% increase on 2010 levels) with a direct contribution of **£2.4 billion** to the UK Exchequer. It directly sustains more than **214,000 jobs** (an increase of 14% since 2009)⁷.

It is important to remember that UK outbound tourism provides employment and income to all nations and regions in the UK.

Whilst the largest single contributions to the economy are London and the South East, the aggregate employment contribution (full-time equivalent) in the North West for example in 2014 was estimated to be **63,000 jobs**⁸.

Regional expenditure on outbound travel in Yorkshire and the Humber in 2014 amounted to **£787 million** and in the South West of England to just over **£1 billion**⁹.

⁵ To The Economic Value of Outbound Travel to the UK Economy June 2015 Report for ABTA by CEBR

⁶ Tourism: statistics and policy, House of Commons briefing paper 06022 30th June 2016

⁷ The Economic Value of Outbound Travel to the UK Economy June 2015. Report for ABTA by CEBR

⁸ Ibid

⁹ Ibid

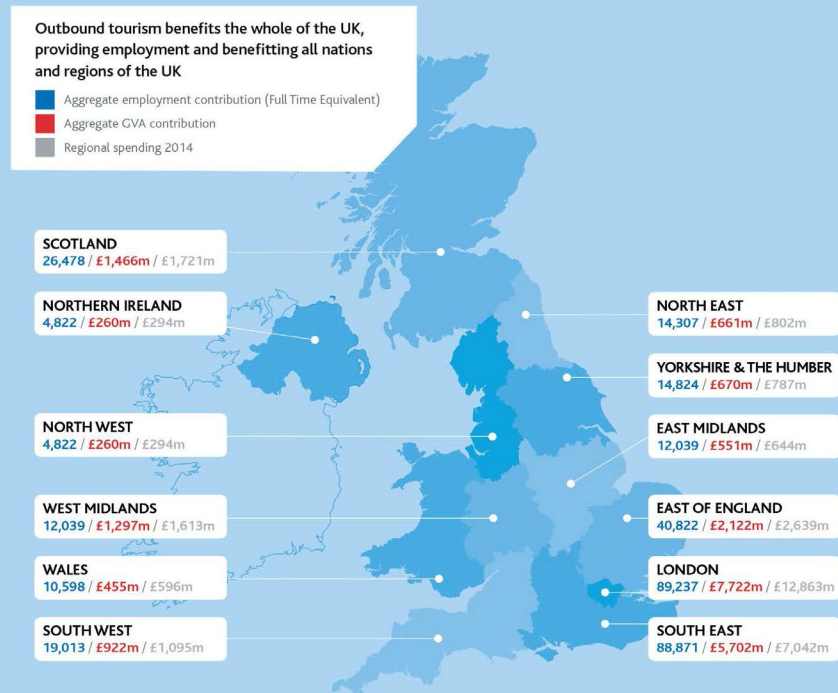
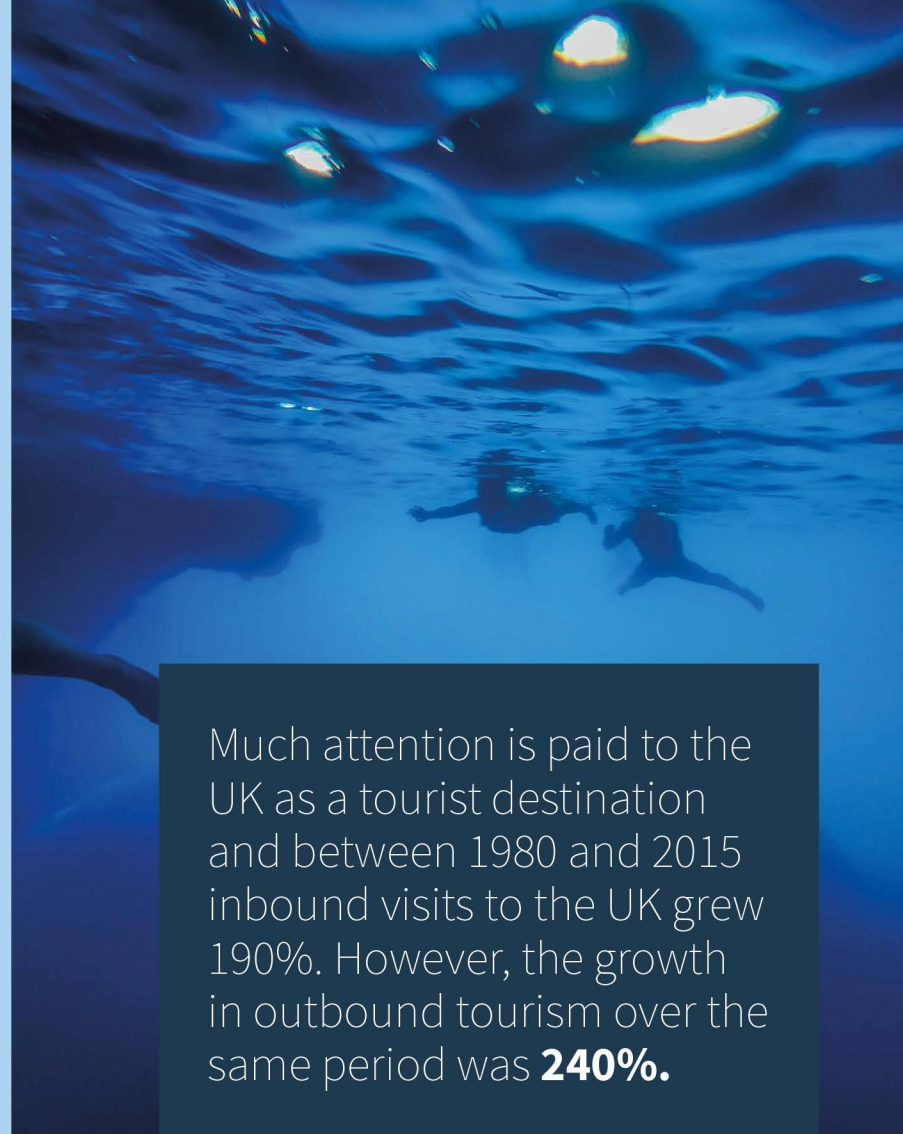


Illustration kindly reproduced from ABTA report, *Travelling Together: The Value of Outbound Tourism 2017*

The holiday sector

The Centre for Economics and Business Research (CEBR) estimates that 64% of visits abroad are holidays¹⁰. Rising prosperity and falling flight prices have contributed to the boom in overseas holidays.

Since the deregulation of European skies in the 1990s, there has been a **180% increase** in routes across the continent and a substantial drop in prices - fares have reduced by **over 40%** for lower cost flights within Europe¹¹. This has been a huge stimulus for growth for holiday companies. These industries are intertwined.

In 2017 there were **46.6 million holiday visits abroad** by UK residents - 4% more than in 2016. Business visits in 2017 were down 5% on 2016. To appreciate the growth of overseas holidays, there were only 29.1 million holiday visits abroad in 1997¹².

Growth of overseas holidays between 2010 and 2014 was 7%, outstripping travel for business which only grew 3%¹³.

Europe remains the biggest single destination for holidays. In 2016, **holidays to Europe** by UK residents accounted for an estimated **£16.5 billion** contribution to UK GDP. The Exchequer benefitted to the tune of an estimated **£1 billion**¹⁴. This is equivalent to over 10% of our current net membership fees for the EU.

By making travel easy, holiday companies have been key to this growth by ensuring accessible information, delivering high service levels and streamlining operations to keeping prices low.

'Having everything taken care of' is the main reason people book a package holiday, with 'best value for the price' and 'convenience' being the other main reasons according to a recent survey by ABTA¹⁵.

¹⁰ T Ibid. Figure relates to 2014

¹¹ Making a success of Brexit for travel and tourism ABTA 2017

¹² Travel Trends 2017 ONS

¹³ Ibid

¹⁴ Brexit and British Outbound Tourism SBIT Dec 2017

¹⁵ Holiday habits Report 2017 ABTA

The Centre for Economics and Business Research (CEBR) estimates that **64% of visits abroad are holidays**. In 2016, holidays to Europe by UK residents accounted for an estimated £16.5 billion of expenditure in the UK alone.





The European holiday sector and the importance of secondment

For many companies, a key element of their operational efficiency is the ability membership of the EU has given them to quickly and seamlessly second UK staff to the EU (and around the EU) to cover peaks in holiday demand. There has been little or no bureaucracy involved and as UK social security charges are lower than in the EU, holiday companies have been able to keep cost bases low.

These cost efficiencies have helped keep prices low for the travelling consumer thereby stimulating growth.

The outbound activity holiday sector (walking, camping, skiing, sailing etc.) has also grown over recent years and is particularly dependant on the ability to second UK staff to Europe. This sector is responsible for an estimated **£9 billion** of direct expenditure in the UK¹⁶. The UK ski market is worth around **£3 billion a year** alone¹⁷.

Previous industry surveys have indicated that at least **25,000** UK citizens work in the EU supporting the outbound tourism industry.

These staff are crucially important not just in making UK businesses cost efficient but also by facilitating travel for the holidaymaker. In a recent survey of UK skiers booked through intermediaries (tour operators, travel agents etc) **69%** said that a resort representative was either important or that they would not travel without one¹⁸. These staff have hitherto been for the most part UK staff delivering culturally compatible service levels.

¹⁶ Brexit and British Outbound Tourism SBIT Dec 2017

¹⁷ Travelling Together – The value of UK outbound Tourism. Figures taken from Duplure/Ski Weekends UK ski market 2017.

¹⁸ The British ski holiday market - LHM Conseil January 2018

There are several advantages to frictionless secondment of UK staff:

- The employee continues to pay UK social security contributions – **no loss of revenue to HMRC**
- The employee has no foreign tax returns to complete – **tax income stays in the UK**
- The employer continues to pay UK social charges which are lower than Europe - **keeping costs to the holidaymaker low**
- UK companies can cost **efficiently expand and contract operations** in line with peak demand with little or no bureaucracy or time delays
- The expertise developed by seconded overseas staff is repatriated and many continue their careers in **UK travel and hospitality** in general

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Case study

Amanda is a UK citizen seconded to a resort by a UK based tour operator as a Rep. Here is a typical Saturday i.e. holiday transfer day:

0530

Contacted coach company to re-arrange coach arrivals at airport as flights with 200 guests delayed

0700

Met first guests at airport. 23 Newcastle guests' luggage delayed so reorganised coach transfers and checked drivers' hours whilst resolving the luggage issue

0800

Escorted coaches to resort and facilitated check-in. Booked 9 children into the company's Kid's Club

0930

Started hotel visits. Checked delayed luggage had arrived at correct hotels

1400

Mrs X called as child ill. Took them to medical centre and translated. Explained EHIC (the free European Health Insurance Card) and liaised with insurers with her

1600

Arranged wheelchairs at airport for departing guests with medical conditions



Secondment of staff: what are the benefits?

- No requirement for a drawn-out, admin-heavy visa application process, - **no barriers or red tape for the employee or employer**
- A UK national currently seconded can continue to make NI contributions to the UK government uninterrupted – **no reduction in income for the Exchequer**
- Seconded UK nationals are **not required to complete a tax return for the host country**
- UK social security contributions are smaller, which means **lower holiday prices**
- Culturally compatible **high service levels** to large numbers of holidaymakers
- Ease of travel and familiarity help **increase travel**



The Survey

In May and June LHM Conseil undertook a survey of British travel businesses. The findings from **The Impact of Brexit on British Outbound Travel Businesses** were released in June 2018. They show how outbound travel has already been affected by Brexit as, typically, travel companies plan their programmes 12–18 months ahead.

The outbound tourism industry reflected in this survey is typically of the size and make up of businesses in the UK in general. At the start of 2017, small businesses accounted for 99.3% of all private sector businesses and 99.9% were small or medium sized businesses²⁰.

The types of holidays represented by the companies in the survey was extremely varied. They include those providing beach holidays, activity, winter ski, winter beach, summer mountains, camping, and touring holidays.

Beach/summer operators, employment/training agencies and travel agents represent **£183 million combined turnover** and chalet operators represent **£276 million turnover**.



134 companies representing over £470 million in turnover



87% of respondents are CEOs, MDs or Owners

<£1,000,000

52% of the companies in the survey have a turnover of less than £1 million

<£5,000,000

89% of respondents had a turnover of less than £5 million and employ less than 50 people

²⁰ From Department of Business, Energy and Industrial Strategy statistical release 'Business Population Estimates for the UK and Regions 2017' published November 2017. Small business is defined as a business with 0-49 employees, a medium-sized business is one with 50-249 employees, and a large business is one with 250 or more employees. Small and medium-sized enterprises (SMEs) are defined as businesses with 0-249 employees

1. Loss of market share and competitiveness

The British outbound holiday companies in the survey have, for many years, been committing to long leases on their accommodation (villas, apartments, hotels, chalets etc.). This delivers value to their holidaying customers by guaranteeing capacity of accommodation and importantly keeps prices lower as they can negotiate more effectively on longer leases. For many companies, securing and preserving these contracts has also kept their Dutch, French or Russian competitors out.

The survey showed that uncertainty around the Brexit negotiations and the need to plan in advance has already forced many UK outbound travel businesses to alter their accommodation contracts.

66% have changed their accommodation contracts in anticipation of leaving the EU and reduced the number of contracts they have, (reducing the size of their programmes) committed to shorter leases and/or introduced break clauses subject to the terms of Brexit.

These changes reduce buying power, increase costs for holidaymakers and indicate a loss of competitiveness for smaller UK companies leaving the way open for the large European based multi-nationals.



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The Survey

2. Increasing holiday costs and prices

Those surveyed reported operating costs were **10% higher** than in the 2016/17 season and they are already seeing increases of a further 13% filtering through for this summer and the coming winter. Selling prices are increasing as a result between **5% - 11%**.

This is not simply the exchange rate but regulatory and operational costs largely to do with the loss of negotiating power and delays in operational planning due to uncertainty regarding staff secondment beginning to make their mark.

88% indicated that seconding UK employees is more cost effective than employing EU nationals or UK staff on EU contracts. They also felt that UK staff are more adept at both customer service and making holidaymakers feel welcome.

When asked their predictions for cost increases in the case of a hard Brexit, with no agreement for frictionless secondment, the survey revealed they are anticipating substantial increases. The costs associated with employing EU nationals instead of workers from the UK would push their costs up **58%** compared to the referendum year.

Most companies in the survey anticipated having to pass on a significant part of these increases in costs, and expected holiday prices to rise **31%** above pre-referendum levels.

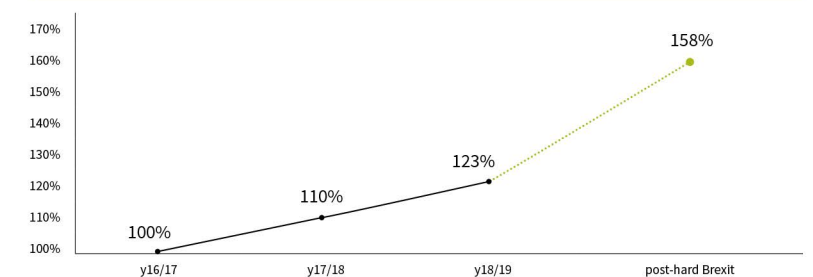
This presupposes that these companies are, or become, able to employ EU nationals instead of UK workers. There are regulatory, cost and operational barriers to this not least of which is the need to establish a 'substantial operating base' in the EU post Brexit for this to be possible.

For many smaller businesses, these cost increases and the feasibility of establishing a base in the EU may well cause them to cease trading thereby reducing choice for the holidaymaker and again leaving the door open for the large multi-nationals already based in the EU.

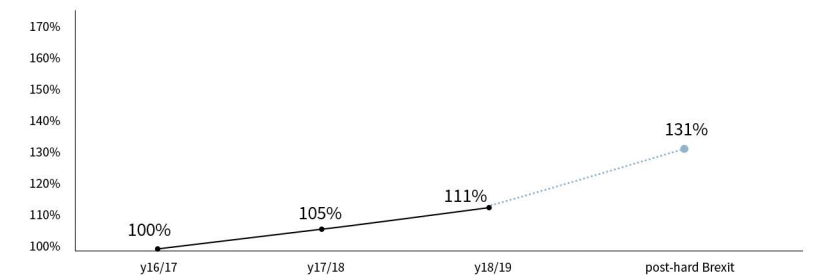
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Overall holiday operating costs



Holiday selling prices



The Survey

3. Job cuts and training opportunities lost

It is easier and faster for UK companies to second staff from the UK to cope with the rapid increases in capacity at peak demand. The UK's unique 'gap year' culture probably accounts for many of these roles (64%) being filled by workers aged 18-24 years.

For many in this age group these are first jobs providing excellent work experience, developing transferrable skills, raising cultural awareness and language skills. They are the training grounds not just for the holiday industry but for the hospitality sector in general.



The survey showed that...



The number of workers seconded to the EU has already decreased by 7%

Over 7870 people are employed by respondents to the survey

76% of them (5985) seconded to EU on a seasonal basis

78% of roles that are seconded roles are customer facing

56% of permanent or UK staff have worked overseas (ski 62%)

60% of the companies surveyed are running apprenticeships or training in UK and/or in EU

64% of posted workers are 18-24 and 23% are 25-34 (87% are under 34 years)

“We are starting to outsource our food production and transport services, rather than employ UK staff. We have also moved our head office to France from the UK.”

- LHM survey respondent

The Survey



“We train our resort teams of often young people from different social backgrounds in high standards of customer service. They are responsible for looking after our guests and their travel arrangements, ensuring they have the best possible experience with us which is good for business.”

We must not lose these jobs and the training and experience these people in the hospitality sector bring back in to the UK economy. We therefore need the government to urgently address the issue of visa-free movement for our staff in Europe.”

- Paul Carter, CEO of Hotelplan, which operates Inghams, Ski Total and Esprit Ski



The survey methodology and scope

The survey was conducted online.

Fieldwork: 25th May - 13th June 2018

The 134 respondents were recruited through multiple channels in order to ensure representativity by using ABTA, AITO, SBIT and LHM databases as well as direct research into independent and smaller companies.

The sample is made up of a mix of companies including tour operators and travel agents offering flight packages, land-only operators offering non-flight packages, catered accommodation-only companies, British incoming service providers (ski schools, physiotherapists, airport transfers, ski shops, cooks, child care) as well as training / employment agencies employing posted UK staff under the Posted Workers Directive as well as through local contracts.

For further notes and to obtain the full report please contact:

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www.lhm-conseil.fr

Who are SBIT?

SBIT (Seasonal Businesses in Travel) is a unique and diverse group of over 200 outbound British travel and service companies operating throughout the summer and winter holiday seasons.

Our Aim

Our aim is to protect British jobs, to continue to deliver value and choice to British holidaymakers and to preserve the significant contribution the SMEs in the outbound holiday sector contribute to the economies of both the UK and the EU.

How?

- By raising awareness of how the ability to seamlessly second UK staff to the EU during peak holiday periods is critical to the survival and growth of British travel businesses and underpins the value and choice offered to UK holidaymakers over the last 40 years.
- By lobbying governments in the UK and the EU to ensure that negotiated agreements preserve secondment rights with as little friction as possible thereby protecting the jobs of the estimated 25,000 UK citizens currently employed in the EU supporting this industry.

www.sbit.org.uk

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