BREXIT

AND BRITISH OUTBOUND TOURISM

Industry Impact Assessment

Who we are

SBIT is an association of more than 100 British owned businesses in the travel industry. Our members range from very small businesses to large tour operators. Our members cover activities in all the different holiday types including summer and winter sun, watersports, skiing, camping, and other activity-based holidays. Our members also include British companies that provide services to holiday makers or tour operators such as transportation, entertainment, bars and restaurants. The majority of our members are independent.

Our objectives are to:

- Increase awareness of the potential impact of Brexit on the UK outbound travel industry
- Lobby UK and European governments to allow UK citizens to continue to be able to work in Europe for UK companies on a temporary basis to meet the seasonal demands of the tourism industry post-Brexit

Brexit and British Outbound Tourism

In the absence of industry impact studies by the Government, this report aims to bring together some of the data relating to the size of and value to the UK economy of the outbound travel industry and the possible impact Brexit will have on this sector. In particular it will focus on the threat to jobs in the outbound tourism industry and to those UK nationals employed seasonally in the EU.

Outbound Travel

UK outbound travel is a significant part of the UK economy, providing jobs, stimulating growth and supporting business. It is closely intertwined and interconnected with the UK's aviation industry which has grown to become the third biggest in the world as part of the European Common Aviation Area.

Outbound travel contributes £34.4 billion[ii] to the domestic economy and over £2.3 billion[vi] to the UK Exchequer.

According to ABTA, the UK has one of the most developed outbound travel markets in the world with 75% of the 70 million trips abroad (more than 53 million) to destinations in the EU.

Outbound travel companies employ UK nationals both in the UK and to work in EU resort destinations on a seasonal basis looking after their customers whilst on their travels.

The size of the outbound travel industry is significant in terms of both employment and financial contribution to the UK economy. Recent research shows 214,000 people are directly employed in outbound travel supporting 435,000 jobs in the wider economy[ii].

Outbound travel companies typically plan their programmes 12 – 14 months in advance, especially those that are flight inclusive. Deadlines are therefore looming now.

Outbound Tourism

In 2016, over 32 million holidays were taken by UK residents in Europe (Spain, France and Italy being the most popular destinations)[i], representing an estimated £16.5 billion of expenditure in the UK alone and directly contributing £5.6 billion to the UK economy[ii] in gross value added[iii].

The UK's outbound tourism industry is highly efficient at moving large numbers of holidaymakers to their predominantly European destinations. Whether it is beach holidays in Spain or Greece, ski chalet holidays in the French Alps, adventure holidays, or sailing and windsurfing in the Mediterranean, holidaymakers from the UK tend to book with British companies.

Outbound tourism companies are also very good at looking after holidaymakers when they arrive in resort. These roles are often performed by UK nationals working in the foreign resorts on a seasonal basis. This has been an essential element of the holiday package offering, ensuring both efficiency in dealing with large numbers of holidaymakers and, highly knowledgeable, culturally compatible service levels. Both have helped the significant growth of the outbound holiday industry over past years.

Industry surveys suggest that at least 25,000[iv] UK citizens work in the EU on a temporary basis each year supporting the outbound seasonal holiday industry. This sector contributes £16.5 billion[v] directly to the UK economy and generates more than £1 billion[vi] in taxes for the UK treasury.

The outbound activity holiday sector (skiing, watersports, etc) makes particular use of seasonally employed UK citizens in its holiday programmes. The sector is responsible for an estimated £9 billion[vii] of direct expenditure in the UK and is very reliant on existing EU and Single Market rules.

Taking UK nationals to work in the EU servicing holidays brings the following advantages to the outbound travel sector and its consumers:

- A common language and culture makes the UK workers most able to effectively service and support British clients abroad
- It is easier and faster for UK businesses to recruit staff from within the UK especially as a rapid increase in capacity is often needed and the unique UK "gap-year" culture provides an ample number of willing candidates for these seasonal roles
- While the UK is within the Single Market, UK businesses can operate and its citizens can live and work anywhere in Europe without the need for visas or work permits – frictionless travel keeps costs low and holiday prices competitive contributing to volume
- As the work carried out overseas is temporary, UK workers can retain their UK "social insurance" rights (while subject to core rights in the host nation[viii]), under the terms of the EU's "Posted Workers Directive" (PWD)[ix]. Prior to the PWD similar arrangements were in place under bilateral agreements on social security with many other EU nations[x][xi]
- It is often less costly to recruit UK nationals given the disparity in social security costs in certain European countries[xiii]
- These jobs are often first jobs and provide excellent work experience, develop transferrable skills, raise cultural awareness, develop language skills and help establish broad networks. They are the training grounds not simply for the holiday industry but the hospitality sector in general

Note that some UK based businesses also employ staff in other EU nations under "local" contracts (usually because these staff are living for long periods in the host nation or because they do not qualify as posted workers due to the nature of their employment / status of the employer).

- A recent survey suggests that the majority of posted workers[xiii] (c.60%) are sent to France, with Greece (c.20%) and Spain (c.10%) being the next most popular destinations[xiv]. No definitive information is available for EU mobile workers.

The impact of Brexit

If, post-Brexit, the freedom of movement of labour is lost and UK citizens are unable to work in Europe, or if they need to go through a lengthy, uncertain and costly visa / work permit process[xv], then we foresee the following outcomes:

- Many companies will see their business models and operating efficiency undermined due to challenges with staff employment in the EU and significant cost increases which will have to be passed on to holidaymakers
- These possible cost increases, when combined with the fall in the value of the pound, will push holiday prices even higher and risk pricing many out of the market as consumers will not be able to afford their holidays
- Most of the 25,000 UK jobs could be either replaced by EU citizens or lost altogether. Either way, this will result in a decrease in contribution to the UK economy and also tax revenue
- Loss of experience and expertise in the holiday and hospitality sectors to which many of those with seasonal service and operational experience move on to
- A reduction in the number of holidays offered will immediately affect the local supporting businesses in the UK and the host nations:
    - Travel agencies, tour operators and other reservation service providers
    - Local property owners (villa, hotel, chalet, apartment rentals, campsites)
    - For the sports industries: equipment sale, hire and servicing businesses, instructors and schools (e.g., watersports, ski and snowboard)
    - Local businesses (e.g. coach and taxi operators, maintenance workers, bakeries, butchers, laundries, supermarkets and wholesalers, wine suppliers, restaurants, bars, retail shops)
    - For the camping industry: manufacturers and suppliers such as mobile home manufacturers, gas suppliers, equipment suppliers

- This will also immediately affect tax revenues in the UK and in the host nations (including professional & property taxes, tourist taxes, airport taxes in host nations)
- Overseas, areas and resorts where UK visitors represent a significant proportion of the total number[xvi] could suffer serious financial disruption and, for the ski industry in particular, **even issues of viability** as:
    - The ski industry requires a high fixed cost, non-transferrable infrastructure and a lower number of UK skiers would lead to a large reduction in revenue
    - At least 20% of the UK ski market stays in catered chalets which are currently almost exclusively staffed by British workers posted to Europe. In France alone, this accounts for c.350,000 travellers and brings in £580 million of combined income for tour operators and, just as importantly, host destinations[xvii]. Tens of thousands of UK skiers also stay in locally-managed hotels and apartments which are also marketed by UK businesses and supported by UK personnel, e.g. resort representatives
    - An increase in resort prices to cover this reduction would deter skiers from other markets, causing a vicious cycle of decline
- Without the Posted Workers Directive, companies still able to employ UK citizens would need to rely on the pre-EU bilateral agreements between the UK and other EU nations. However, these are more limited in coverage than the current EU legislation, for instance only allowing posted workers to remain in the home country's social security system for up to 6 months while EU legislation enables "multi-state" workers to remain in the home state for up to 5 years or sometimes even longer[xviii].

It should be noted that it is also unclear whether businesses established by UK citizens in Europe will be able to continue post-Brexit. At best, businesses will incur additional restructuring costs to able to continue operating[xix].

What is needed?

- Agree a transitional agreement with the EU that will continue Single Market freedom of labour movement after March 2019
- Establish longer term practicable, 'fast-tracked' work permit/visa process which will permit UK citizens to be able to work in Europe on a temporary basis to meet the seasonal demands of the tourism industry post-Brexit
- Retain the ability of workers posted abroad temporarily to remain in the social security system of their home nation

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Footnotes

i Ref ONS Travel Trends 2016
ii Based on Centre for Economics and Business Research (Cebr): "Driving Growth – The Economic Value of Outbound Travel" dated June 2015, Total expenditure within the UK by residents engaged in outbound travel was £34.4 billion and directly contributed £11.7 billion to the UK economy in gross value added (GVA) and 64% of all trips abroad were made for holiday purposes (excluding visits to family and friends), also ONS travel trends: in 2016, 75% of UK residents' visits abroad were to EU countries.
iii Gross value added measures the contribution to the UK economy of an individual producer, industry, sector or region. That is, the value of what is produced less the value of the intermediate goods and services used as inputs to produce it.
iv Ref MPI survey Sept 2017: 20,000 posted workers and an estimated 5,000 EU mobile workers on local contracts
v This figure is derived from the Cebr survey "Driving Growth – The Economic Value of Outbound Travel", June 2015. Which suggested that total expenditure within the UK by residents engaged in all outbound travel was £34.4 billion with 64% of trips abroad were made for holiday purposes (excluding visits to family and friends), also from ONS travel trends: in 2016, 75% of UK residents' visits abroad were to EU countries.
vi This figure is derived from the Cebr survey "Driving Growth – The Economic Value of Outbound Travel", June 2015. Cebr estimates suggest that the outbound travel sector contributed £2.35 billion to the UK Exchequer in 2014, 0.5% of the aggregate HMRC tax take. The analysis referred to in footnote[ii] gives the proportion of the outbound travel market that are holidays to the EU which are booked through UK companies
vii This is taken from a survey of SBIT members which estimates the revenue for tour operators in this sector being more than £4.6 Bn. The Cebr survey "Driving Growth – The Economic Value of Outbound Travel", June 2015. Cebr estimates that 53% of the expenditure in the UK derived from outgoing tourism is on tour operators. These figures taken together suggest that direct expenditure was more than £9Bn.
viii Such as minimum rates of pay, maximum work periods, minimum rest periods
ix Approved in 1994
x Such as the 1956 France-UK Convention on Social Security http://treaties.fco.gov.uk/docs/pdf/1958/TS0044.pdf
xi During their short stay, the typical "seasonaire" does not make any demands on the host state in terms of health or welfare so the retention of UK taxation is justified. Remaining in the home country social security system also usually benefits the employee as his/her social security record in the UK is unbroken, there are no gaps in future state benefits such as state pension, family/child or unemployment benefits and benefits continue to accrue in the country where the employee ultimately intends to return.
xii Particularly in France, where the burden of social charges is higher than anywhere else in Europe, both for the employee (c.20%) and the employer (c. 45%) and without any floor or cap/ceiling. Compare with Austria (c. 18% employee, 21.5% employer) vs. UK (max.12% employee, max.13.8% employer).
xiii EU mobile citizens are those who are employed abroad under local contracts rather than being "posted workers"
xiv Based on MPI survey Sept 2017, note though that this survey had a ski industry bias
xv Employers are usually required to justify employing someone who is not a citizen of the host nation, workers often have to prove their professional qualifications and attend interviews in the host nation as part of the visa / work permit application process and there are administrative fees and additional form-filling
xvi Such as the ski resorts of Val d'Isere, Meribel, Morzine and for the summer season operators many resorts in France, Spain and Italy
xvii Ref Ski Weekends survey Sept 2017
xviii On 24th October 2017, the European Council reached agreement on changes to the 1996 Posted Workers Directive, these have yet to come into law but look likely to reduce the 5-year posting to 12-18 months. See http://www.consilium.europa.eu/en/press/press-releases/2017/10/24/posting-of-workers-council-reaches-agreement/
xix The right for UK citizens to own and run businesses in Europe (one of a set of rights often referred to as "vested" or "acquired" rights) are not protected by existing treaties.

Appendix

This document is endorsed by the following UK travel businesses:

3Sixty Transfers (Transport company - France)
Al Fresco Holidays (Tour Operator - France, Italy, Netherlands, Spain)
AliKats Mountain Holidays (Ski Chalet Operator - France)
Allez Alps (Ski Chalet Operator - France)
Alpine 365 (Ski Chalet Operator - France)
Alpine Elements Ltd (Tour Operator - Austria, France)
Barometer / SARL Kayrob (Bar/Restaurant - French Alps)
British Chartered Physiotherapists - "Ski Physio" (Physiotherapists - France)
Bura Travel (Tour Operator - France, Portugal)
Club Vass Active Holidays Ltd (Tour Operator - Greece)
Consensio Chalets (Ski Tour Operator - France)
Cool Bus (Transport company - France)
Drift Riding Ltd (Mountain Bike Rental & Sales, France)
Esplora Ltd (Tour Operator - Italy)
Eurocamp (Outbound Tour Operator - Croatia, France, Germany, Italy, Netherlands, Spain, Switzerland)
European Pubs Ltd (Bar, Restaurant Operator - France)
Footprint Holidays Ltd (Travel Agent - Europe-wide)
Fish & Pips (Ski Chalet Operator - France)
Flexiski (Ski Chalet Operator and Travel Agent - world-wide)
Go Ski Méribel (Ski Chalet Operator - France)
Healthy Options Holidays Ltd (Tour Operator - Greece)
Hip Hideouts (Tour Operator - France)
Host Savoie Ltd (Ski Chalet Operator - France)
Hotelplan (Inghams, Ski Total, Esprit, Santa's Lapland, Inntravel, Regaldive, Explore) (Tour Operator - Europe-wide)
Ice and Fire Ski (Ski Chalet Operator - France)
Kaluma Travel Limited (Ski Tour Operator - Austria, France)
Le Chardon Service Company (Ski Chalet Operator - France)
Le Ski Ltd (Ski Tour Operator - France)
Mark Warner Ltd (Tour Operator - Europe-wide)
Méribel Ski Chalets (Ski Chalet Operator - France)
Meriski (Ski Chalet Operator - France)
Mountain Heaven (Ski Chalet Operator - France)
Mountainsun France Limited & Dolomitesun Limited (Ski Chalet Operator - France, Italy)
MPI Brokers (Insurance provider for Tour Operators & associated businesses)
Neilson Active Holidays (Ski Tour Operator - Andorra, Austria, Italy, France, Spain)
Orchards Cookery Ltd (Cookery School specialising in Training and Recruiting Chalet Cooks – UK)
Oxygene (Ski & Snowboard School - France)
Powder White (Ski Chalet Operator - France)
Project Ski (Ski Chalet Operator - France)
Purple Ski Ltd (Ski & Transport Operator - France)
Scott Dunn (Tour Operator - Austria, France & Spain)
Simply Morzine Ltd & Simply Salema (Chalet & Villa Operator, Transport Operator winter & summer - France, Portugal)
Skibound Ltd (Ski Tour operator - Austria, France, Italy)
Skivo2 (Ski Chalet Operator with ski coaching - France)
Ski Amis Ltd (Ski Tour Operator - France)
Ski Bonjour Ltd (Ski Chalet Operator - France)
Ski Club Freshtracks (Ski Tour Operator - Austria, France, Italy)
Ski Cuisine (Ski Chalet Operator - France)
Ski Famille (Ski Chalet Operator - France)
Ski Magic (Ski Chalet Operator - France)
Ski Morzine Ltd & Chalet Management Ltd (Tour & Chalet Operator - France)
Ski Val (Ski Chalet Tour Operator - Austria, France)
Ski Verbier (Ski Chalet Operator - Switzerland)
Ski Weekends (Ski Tour Operator - France)
Skiworld (Ski Tour Operator - Austria, France, Switzerland)
Stanford Skiing (Ski Chalet operator - France)
The Alpine Generation (Ski Chalet Operator - France)
The Chalet Company (Ski Chalet Operator - France)
The Oxford Ski Company and Oxford Private Travel (Travel Agent)
The White Valley Company (Ski Chalet Operator - France)
TTP Enterprises (Live Music Touring Agents - Austria, Italy, France, Switzerland)
Venture Ski (Accommodation, Spa, Restaurant, Creche, Bar - France)
White Mountain Chalets (Ski Chalet Operator - France)
Wildwind Holidays (Sailing and health/yoga styled holidays - Greece)
YSE Ltd (Ski Chalet Operator - France)
Zenith Holidays (Ski Tour Operator - France)

Brexit and key dates for British seasonal businesses in tourism

Ski holidays

All holiday companies plan operations 12–18 months in advance. This means that the deadlines for the 2018-2019 ski programmes of holiday companies are in fact upon us. The referendum result has already had an impact on British ski companies with decisions being made to cut risk and the number of holidays on sale for 2017-2018 has been reduced by at least two of the largest tour companies.

Over the next 18 months there are several key dates for decisions by the ski industry which will have long term lasting effects on the size of the industry and its employment of UK citizens in the EU.

Here is a timetable of the key dates and possible implications for jobs in this sector.

DATE	ACTIVITY	IMPACT TO DATE
SEPTEMBER 2016	Planning for 2017-18 ski season capacity and programmes finalised	The chalet programmes of just the largest ski tour operators were reduced by ~10%*. This is equates to a reduction in capacity of in excess of 8000 holidays from these operators alone
DATE	**ACTIVITY**	**IMPACT IF THERE IS NO FUTURE EU DEAL AGREED**
SEPTEMBER 2017	Planning for 2018-19 ski season finalised. This includes confirming accommodation contracts (chalet, hotel and apartment capacity), flights (capacity both charter and scheduled), number of employees relative to this	Largest operators considering a further reduction of at least 10% ** which could be a reduction in excess of a further 9000 holidays. Uncertainty regarding flights (capacity and routes), accommodation contracts and status of UK staff working in the EU servicing these holidays
DECEMBER 2017	**Sales Launch for 2018-19 ski season**	
JANUARY 2018		Unable to guarantee availability / service to holidaymakers for holidays after 29th March 2019. Uncertainty affecting business and consumer confidence. Unable to make operational plans for customer transition times/logistics through immigration or guarantee status of staff employed in the EU. Impacts the final 4 weeks of the winter season but these holidays should be on sale in Jan 2018
APRIL 2018	2017-2018 ski season ends Recruiting starts for 2018-19 ski season	Uncertainty as to duration of and nature of contracts for staff working on seasonal basis in EU for 2018-19. Only be offered to cover the period up to 29th March 2019?

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