

# Brexit and the impact on British Businesses in Tourism

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European holidays make up a significant part of the UK economy. Whether it is ski chalet holidays in the French Alps, adventure holidays, sailing and windsurfing in the Mediterranean, or a relaxing summer holiday in one of many European destinations, holidaymakers from the UK tend to book with British companies and are looked after by UK nationals working in the foreign resorts.

Industry surveys suggest that at least 25,000<sup>i</sup> UK citizens work in the European Single Market on a temporary basis each year supporting the seasonal travel industry. This sector contributes £16.5 billion<sup>ii</sup> directly to the UK economy and generates more than £1 billion<sup>iii</sup> in taxes for the UK treasury.

The activity holiday sector (skiing, watersports, etc) is particularly vulnerable. The sector is responsible for an estimated £9 billion<sup>iv</sup> of direct expenditure in the UK and is very reliant on existing EU and Single Market rules. A “no-deal” Brexit puts all of this at risk.

## Background

- In 2016, over 32 million holidays were taken by UK residents in Europe (Spain, France and Italy being the most popular destinations)<sup>v</sup>, representing an estimated £16.5 billion of expenditure in the UK alone and directly contributing £5.6 billion to the UK economy<sup>vi</sup> in gross value added<sup>vii</sup>.
- Much of this outbound tourism / holiday market is serviced by UK citizens posted and working abroad for their UK-based employers. This happens because:
  - 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 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,
  - 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<sup>viii</sup>), under the terms of the EU’s “Posted Workers Directive” (PWD)<sup>ix</sup>. Prior to the PWD similar arrangements were in place under bilateral agreements on social security with many other EU nations<sup>x xi</sup>,
  - it is often less costly to recruit UK nationals given the disparity in social security costs in certain European countries<sup>xii</sup>.

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).

- Industry surveys suggest that at least 25,000<sup>i</sup> UK citizens work in the European Single Market on a temporary basis each year to support the seasonal travel industry and that this sector is responsible for £16.5 billion<sup>ii</sup> of direct expenditure in the UK and generates around £1 billion<sup>iii</sup> in taxes for the UK treasury.
  - A recent survey suggests that the majority of posted workers<sup>xiii</sup> (c. 60%) are sent to France, with Greece (c.20%) and Spain (c.10%) being the next most popular destinations.<sup>xiv</sup> No definitive information is available for EU mobile workers.

## The Issues

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<sup>xv</sup>, then we see the following outcomes:

- Many companies will see their business models undermined due to challenges with staff employment and cost increases to the extent that they may no longer be able to operate.
- Most / all of these **25,000 UK jobs could be lost** together with a majority of the **£16.5 billion** direct financial contribution to the UK economy. 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. Additional fully-UK based roles in these businesses would also be lost.
- This 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., water sports, 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.
  - airports and associated infrastructure
- 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)
- Where businesses are able to continue operating, the cost of the holidays they supply, already c.15-20% higher than a year ago due to the fall in the value of the pound, would increase significantly due to increased staff and complexity-related costs.

- Overseas, areas and resorts where UK visitors represent a significant proportion of the total number <sup>xvi</sup> 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<sup>xvii</sup>. 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<sup>xviii</sup>.

It should be noted that 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.<sup>xix</sup>

### Possible Solutions

1. Establish a 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.

**AND**

2. Retain the "Posted Workers Directive" or equivalent legislation to enable workers posted abroad temporarily to remain in the social security system of their home nation.

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- <sup>i</sup> Ref MPI survey Sept 2017: 20,000 posted workers and an estimated 5,000 EU mobile workers on local contracts
- <sup>ii</sup> 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.
- <sup>iii</sup> 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 2 gives the proportion of the outbound travel market that are holidays to the EU which are booked through UK companies
- <sup>iv</sup> 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 suggests that direct expenditure was more than £9Bn.
- <sup>v</sup> Ref ONS Travel Trends 2016
- <sup>vi</sup> 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.
- <sup>vii</sup> 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.
- <sup>viii</sup> Such as minimum rates of pay, maximum work periods, minimum rest periods
- <sup>ix</sup> Approved in 1994
- <sup>x</sup> Such as the 1956 France-UK Convention on Social Security <http://treaties.fco.gov.uk/docs/pdf/1958/TS0044.pdf>
- <sup>xi</sup> 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.
- <sup>xii</sup> 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).
- <sup>xiii</sup> EU mobile citizens are those who are employed abroad under local contracts rather than being “posted workers”
- <sup>xiv</sup> Based on MPI survey Sept 2017, note though that this survey had a ski industry bias
- <sup>xv</sup> 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
- <sup>xvi</sup> Such as the ski resorts of Val d’Isere, Meribel, Morzine and for the summer season operators many resorts in France, Spain and Italy
- <sup>xvii</sup> Ref Ski Weekends survey Sept 2017
- <sup>xviii</sup> 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/>
- <sup>xix</sup> 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 is endorsed by **ABTA – The Travel Association**, and the following UK travel businesses:

- **Al Fresco Holidays (Tour Operator - France, Spain, Italy, Netherlands)**
- **AliKats Mountain Holidays (Ski Chalet Operator - France)**
- **Allez Alps (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)**
- **Club Vass Active Holidays Ltd (Tour Operator - Greece)**
- **Consensio Chalets (Ski Tour Operator - France)**
- **Drift Riding Ltd (Mountain bike rental & sales, France)**
- **Esplora Ltd (Tour Operator - Italy)**
- **Eurocamp (Outbound Tour Operator - France, Spain, Italy, Netherlands, Germany, Croatia & Switzerland)**
- **European Pubs Ltd (Bar, Restaurant Operator - France)**
- **Footprint Holidays Ltd (Travel Agent - Europe-wide)**
- **Fish & Pips (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, Regaldiver, Explore) (Tour Operator - Europe-wide)**
- **Ice and Fire Ski (Ski Chalet Operator - France)**
- **Le Chardon Service Company (Val d’Isère)**
- **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)**
- **Project Ski (Ski Chalet Operator - France)**

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- ***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)***
- ***Ski Amis Ltd (Ski Tour operator - France)***
- ***Ski Club Freshtracks (Ski Tour Operator - France, Austria, 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)***
- ***Ski World (Ski Tour operator - Austria, France, Switzerland)***
- ***Stanford Skiing (Ski Chalet operator - France)***
- ***The Chalet Company (Ski Chalet operator - France)***
- ***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)***
- ***Wildwind Holidays (Sailing and health/yoga styled holidays - Greece)***
- ***YSE Ltd (Ski Chalet operator - France)***
- ***Zenith Holidays (Ski Tour Operator - France)***