

BREXIT IMPACTS ON BRITISH TOURISM

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Abstract:

The paper examines current debates on the impacts of Brexit on tourism in Britain. Brexit is a source of much concern and anxiety for British government, industry and tourists alike. The paper outlines and analyses some of the major impacts expected from the United Kingdom's departure from the European Union on the British inbound, outbound and domestic tourism. The methodology used is content analysis of secondary data in the form of government and industry surveys and reports and media articles on the expected and projected short and long-term impacts of Brexit. Results argue that although reducing EU-based regulations could have some positive implications for the British tourism industry, major areas of concern exist. Reduced access to EU programmes and funding is likely to impact domestic tourism heavily and limit participation and collaboration in international projects. Withdrawal of the UK from EU travel agreements is expected to have major consequences especially in terms of freedom of movement and security. As UK British hospitality and catering industries employ a considerable amount of EU nationals, a potential staff shortage is likely to impact service quality. Britain's tourism destination image is also likely to be negatively impacted requiring increased marketing efforts.

Keywords: Brexit, outbound tourism, inbound tourism, domestic tourism, European Union.

JEL Classification: L83, Q01, R10.

1. Introduction

The article explores some of the major impacts Brexit is having and is likely to have on inbound, outbound and domestic British tourism. Britain's departure from the European Union (EU) is viewed with great anxiety. Although the referendum is followed by a couple of years of uncertainty and a long process of negotiation needs to take place between United Kingdom (UK) and European Union (EU), the imminent separation has already produced tangible and intangible impacts on tourism. Complex discussions are underway on the short and long-term impacts of Brexit. The article summarises some of the main debates around the Brexit impacts. The paper explores Brexit impacts on access to visitors, costs to consumers, staff skills, business regulations, funding, perceptions of the UK as a Destination, types of tourism and trends (such as visiting friends and relations – VFR; business tourism).

2. Areas of impact from Brexit on UK tourism

Lack of agreement exists on how Brexit is likely to impact British inbound, outbound and domestic tourism in the short and long term. Travel associations ABTA and Tourism Alliance both conducted pre-referendum and post-referendum research to identify the biggest areas of impact as well as the feelings and opinions of industry members and experts. Mass-media and social media also started collecting opinions and perceptions. Some argue that Brexit is likely to cause major disruptions to the British tourism industry. Others argue we live in a globalised society facilitating global services, making use of global supply chains, and a highly mobile population. Any gaps in work force or business as a result of Britain's departure from the EU will be simply filled by other regions of the world.

Most Brexit debates focus around what EU rules and regulations will have to be renegotiated or replaced and how these are likely to impact on customers and businesses. ABTA identifies four areas of impact and outline the most visible potential impacts (Table no. 1).

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Table 1. Summary of impacts according to ABTA

Impact areas	Impact categories
Consumer impacts	Roaming fees
	Package Travel Directive
	Freedom of movement – visa restrictions
	European Health Insurance Card
	Consumer Rights Directive
	Passenger rights
Impacts on tourism, hospitality, aviation, and events industry employment	Service quality
	Skills shortage
Impacts on investment and currency	Unstable pound
	High risk investment factor
Impacts on business and consumer confidence	Negative impacts on business confidence
	Higher production costs leading to higher selling prices
	Negative impacts on consumer spending

Source: ABTA (2016)

The Tourism Alliance on the other hand argues that there are nine main areas of impact:

- “Introduction of tariffs and custom charges;
- Introduction of non-tariff barriers;
- Divergence from European Union on regulations and standards;
- Reduced access to EU programmes;
- Tightening of UK immigration policy for EU nationals;
- Withdrawal of the UK from EU travel agreements;
- Changes to border controls;
- Divergence from EU on consumer protection;
- Restrictions on UK nationals working in the EU” (Janson, 2016a).

Research conducted between 25th August and 5th September 2016 on 61 Tourism Alliance members and associated businesses on these nine areas of impact on UK tourism seem to suggest that one of the biggest issues of concern is changes to border controls (Table no. 2).

Table 2. Tourism Alliance’s main areas of impact of Brexit on tourism survey results

	Very negative impact	Some negative impact	No impact	Some positive impact	Very positive impact
Introduction of tariffs and custom charges	32.79%	32.79%	34.43%	0.00%	0.00%
Introduction of non-tariff barriers	27.87%	31.15%	36.07%	3.28%	1.64%
Divergence from European Union (EU) on regulations and standards	22.95%	31.15%	19.67%	18.03%	8.20%
Reduced access to EU programmes	40.98%	34.43%	24.59%	0.00%	0.00%

	Very negative impact	Some negative impact	No impact	Some positive impact	Very positive impact
Tightening of UK immigration policy for EU nationals	27.87%	45.90%	21.31%	1.64%	3.28%
Withdrawal of the UK from EU travel agreements	37.70%	36.07%	21.31%	3.28%	1.64%
Changes to border controls	42.62%	21.31%	31.15%	1.64%	3.28%
Divergence from EU on consumer protection	22.95%	32.79%	32.79%	8.20%	3.28%
Restrictions on UK nationals working in the EU	26.23%	24.59%	47.54%	1.64%	0.00%

Source: Janson (2016a) / Tourism Alliance survey - <http://www.tourismalliance.com>

42.62% of respondents argue that changes to border controls are likely to have very negative impacts on tourism (Janson, 2016a). Visas, a new security policy, border controls, intelligence sharing, and the role of European courts in Britain's security are going to be high on the Brexit negotiation agenda. The likelihood of having UK visas for EU residents, and vice versa - EU travel visas for UK travellers, is a big area of concern for tourism. Having to apply for a UK visa might discourage EU nationals from visiting the UK. This would be a major blow for inbound tourism to the UK. Morris (2016a) argues that out of the top 10 nationalities visiting Britain, eight of them are members of the European Union (Figure no. 1). 67% of the UK's 36.1 million total number of visitors are from EU states; each visitor to the UK spending on average £611 per visit in 2015 alone (Morris, 2016a).

Country of residence	Visits (000s)	Visits Rank	Nights (000s)	Nights Rank	Spend (£m)	Spend Rank
France	4,171	1	22,540	2	£1,493	2
USA	3,266	2	27,239	1	£3,010	1
Germany	3,249	3	18,742	3	£1,378	3
Irish Republic	2,632	4	9,875	8	£934	6
Spain	2,197	5	17,098	4	£999	5
Netherlands	1,897	6	8,370	10	£676	8
Italy	1,794	7	13,094	7	£890	7
Poland	1,707	8	13,865	6	£438	15
Belgium	1,175	9	3,940	17	£371	18
Australia	1,043	10	14,245	5	£1,113	4
Switzerland	872	11	4,478	13	£516	11
Sweden	850	12	3,914	19	£510	12
Norway	771	13	3,552	20	£426	17
Denmark	758	14	3,514	21	£356	19
Canada	708	15	6,837	12	£506	13
Romania	693	16	6,876	11	£215	27
Czech Republic	465	17	3,987	16	£140	36
India	422	18	9,224	9	£433	16
Portugal	392	19	3,028	22	£174	31
United Arab Emirates	347	20	4,107	14	£487	14
Hungary	328	21	1,620	38	£68	46
Brazil	324	22	2,786	25	£256	24
Austria	277	23	1,734	36	£164	33
Lithuania	271	24	1,768	35	£55	50
China	270	25	3,929	18	£586	9

Figure 1. Top 25 markets by volume of visits (2015)

Source: <https://www.visitbritain.org/inbound-tourism-trends>

Another issue of concern is the immigrant workforce. 45.90% of respondents identified the tightening of UK immigration policy for EU nationals as having some negative impacts on inbound and domestic tourism in Britain. Even with an open immigration policy the unemployment rate in the UK has been steadily dropping and demand for qualified tourism, hospitality, events and aviation staff has been increasing as the industry has been experiencing a nation-wide post-Olympic boom. Tourism Alliance (2016) argues that there is already a staff shortage in the sector with 10,000 jobs needing qualified staff. The British hospitality and catering industries rely heavily on EU workforce therefore an increased tightening of immigration policy for EU nationals could lead to staff shortages and poor service quality (Tourism Alliance, 2016).

Calder (2016) writes “many of the people working in UK tourism are from the EU, in particular Eastern Europe. If travel and hospitality businesses are unable easily to employ staff from such countries, they will not have such a big pool of talent from which to recruit, and may have to raise wages. While higher pay will be popular among workers in a traditionally low-paid industry, it will push up prices for tourists”. Higher prices may impact on inbound tourism by reducing it. In addition, more than a quarter of inbound arrivals and £5bn per year are attributed to the VFR market – “visiting friends and relations” of EU nationals working and living in the UK (Calder, 2016). A decline in immigration is likely to lead to a loss in income to accommodation, travel, attractions, food and drink sectors, taxes, etc. as a result of fewer Europeans having to visit their loved ones living in Britain.

On the other hand, Tourism Alliance’s results also revealed that a big majority (47.54%) believe that any restrictions on UK nationals living and working in the EU will have no impact whatsoever on tourism (Janson, 2016a). That may not be necessarily the case as Brexit is likely to impact second-home tourism and second-home owners. Palmer (2016) argues that UK holiday-home owners will be faced with a number of issues: needing a visa to enter the country, having difficulties securing a mortgage from EU banks, having to pay higher taxes, having to buy expensive health care, more expensive flights to visit the second homes. Not to mention that any fluctuations in the value of the pound would impact on the value of the property.

Access to European Union funds is another issue of concern with more than 40% of Tourism Alliance interviewees stressing very negative impacts (Janson, 2016a). European Union funding has been used in the development and promotional efforts of many British tourism destinations, attractions, museums, organisations and programmes. Leaving the European Union means less available funds for tourism sectors. Dana Andrew (2016) warned that “The UK leaving the EU would remove funding sources for museums working internationally”. The UK would not be able to access programmes such as Creative Europe, for example. Creative Europe is the only EU programme dedicated to funding European Union projects focused on cultural co-operation. “Creative Europe is the European Union's programme to support the cultural, creative and audio-visual sectors. From 2014-2020, €1.46 billion is available to support European projects with the potential to travel, reach new audiences and encourage skill sharing and development” (Creative Europe Desk UK, 2016). In today’s global society, reaching a global audience and knowledge sharing are vital. The UK has been very successful in accessing these funds. According to Andrew (2016) “The UK has a fantastic track record when it comes to successfully applying for EU funding. For Creative Europe’s Culture Co-operation Projects, UK-based organisations are involved in just over 50 per cent of successful applications, accounting for some €6.5 million of funding for projects with UK-based lead partners. With 48 organisations from across the UK benefitting from funding, this makes the UK the best networked and most involved of all EU countries”.

The withdrawal of the UK from EU travel agreements is also perceived in a negative light by more than 70% of Tourism Alliance respondents (Janson, 2016a). In the short term, ABTA argues “the European Health Insurance Card is still valid and Air Passenger Rights remain in place”, the same for EU flight compensation regulations, and duty free; essentially “holidaymakers will not see immediate changes until the UK has negotiating the conditions of its trade deals with the EU” (Morris, 2016b). However, these are up for renegotiation. If a favourable deal is not made with the EU the repercussions are likely to be negative.

From a business perspective, inbound, outbound and domestic tourism are negatively impacted. Most businesses working in tourism, hospitality, events and aviation were openly ‘remain’. Morris (2016b) summarises the opinions of a number of businesses post-vote:

- The aviation industry will be heavily hit if the UK is no longer part of the Common Aviation Area. EasyJet is heavily lobbying for UK to remain in the single EU aviation market. The company is anxious and warns ticket prices will go up. Ryanair confirmed similar plans to increase prices as a result of increased costs due to Brexit. Monarch warns in the long term even relatively small issues such as exchange rates, access to health services abroad, Roaming and mobile charges will impact consumer confidence heavily.
- Tourism, events and hospitality intermediaries and suppliers such as Snowsport Industries of Great Britain (SIGB) also identified higher prices as the biggest issue driving prices up and in turn putting visitors off. Costs will rise as a result of increased import prices and taxes, as well as added bureaucracy.

Business travel is also likely to be affected. Investments are expected to decline as foreign investors will approach the situation with caution (Tourism Alliance, 2016). As a result fewer business trips are likely to take place. In addition, it is not just tangible impacts that need to be considered but also intangible. Uncertainty, anger, negative destination images are just some of the issues circulated in the press, mass-media, and social media immediately after the vote results were revealed. The impacts of Brexit on Britain’s destination image require further analysis and increased marketing efforts may be required.

3. Short and long-term impacts perceptions

Tourism Alliance’s research on 61 interviewees revealed that perceptions of the positive or negative short-term impacts of Brexit on inbound tourism were evenly matched (Janson, 2016a) (Table no. 3). Brexit had a favourable short term impact on British tourism. Immediately after the referendum the pound collapsed making it cheaper to travel to or within the UK for UE travellers. As a result more EU travellers booked trips to the UK: “A survey of over 500 tourism businesses shows a rise in tourism bookings and investment resulting from the Referendum” (Janson, 2016b). A weaker pound is likely to encourage inbound and domestic tourism but discourage outbound tourism as overseas travel becomes more expensive: “In the short term Britain’s tourism industry looks set to benefit from the weak pound as staycations increase and international tourists make the most of the exchange rate” (Chapman, 2016).

Table 3. Perceptions on the long and short term impacts of Brexit

	Inbound		Domestic	
	Positive	Negative	Positive	Negative
Short-term	34%	32%	37%	33%
Long-term	18%	52%	16%	48%

Source: Janson (2016a) / Tourism Alliance - <http://www.tourismalliance.com>

In the long term, however, it is generally perceived that Brexit will have negative impacts on inbound tourism as EU travellers have to submit to visa regulations, higher costs, and the rest of the impacts on customers as outlined by ABTA (2016) (Table no. 1 and Table 3). In terms of domestic tourism, the general opinion is that although in the short term some negative impacts might be perceived, the full negative impacts will become evident once the Brexit process has terminated and prices and service quality adjust to post-EU Britain (Table no. 3).

4. ‘Managing’ impacts

The Brexit agenda was constructed around escaping ‘evil’ EU legislations and no longer being under the ‘control’ of the EU influence; in other words the ‘freedom’ of setting UK rules and regulations. Yet, a successful Brexit is defined by many as ‘keeping the good, managing the bad’. Tourism Alliance research has argued successful impact management should focus on:

- clarifying UKs position in relation to EU funding: ideally the UK could both contribute and benefit from shared financial and know-how resources;
- consolidating the roles of EU workers while at the same time discouraging mass immigration;
- increasing promotional activities overseas to minimise negative destination images caused by the referendum and maintain or increase number of visitors;
- clarifying “what deal the UK wants with Europe so business can plan” (Janson, 2016a).

According to the Tourism Alliance’s research on 61 respondents, the four most important EU regulations or directives which should be prioritised at the negotiation table are: freedom of movement, VAT rules, package travel directive, working time directive (Janson, 2016a). Agreement on what exactly these mean or how they would look like in a post-EU Britain does not exist. Some experts prioritise tourist numbers while others prioritise tourism businesses. From a tourist number perspective, introducing travel visas for tourists or non-participation in the European Health Insurance Card scheme directly and negatively impacts inbound and outbound tourism; but it impacts domestic tourism positively encouraging Britons to take their holiday in the UK.

Regardless, Post-EU Britain will still function in a globalised world, where a major business partner will be the European Union. Therefore, debates around the long-term impacts go beyond the pound value fluctuations, the price of holidays or the ease with which travellers can cross borders, it is about building long-term relationships with EU-based business partners and navigating new UK legislations and regulations, as well as managing old EU legislations and regulations.

5. Conclusions

In conclusion, this paper looked at the impacts of Brexit on outbound, inbound and domestic tourism in the short and long-term. An agreement on these impacts does not exist. Uncertainty and anticipation are words that best describe the current state of mind of British and EU tourism entities. The immediate effect of Brexit has been an increase in inbound and domestic tourism as a weak pound meant EU nationals could have more value for money and UK tourists less. However, in the long term, both sides appear to lose, together with tourism, hospitality, events and aviation industry on both sides of the Channel.

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