
BREXIT BRIEFING: ELECTION SPECIAL!

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ELECTION RESULT: IMPACTS ON THE ECONOMY AND TRAVEL INDUSTRY

With the biggest victory from the Conservatives since 1987, there was some relief from the business community, as reported in the media such as The Times over the weekend, that some certainty has returned to the economy.

The new Tory Government has a majority of 80 with major wins in the northern Labour heartlands.

However, The Guardian argues that the UK is still a very divided nation.

The first past-the-post electoral system meant that Mr Johnson's Conservative party polled 44% of the votes and took 56% of the seats.

Parties that wanted to leave the European union polled 47% of the vote, while parties supporting a second referendum polled 51%.

Boris Johnson's priority now is to set the legislative wheels in motion to push through the Withdrawal Agreement by 31 January 2020. A much easier task, with a commanding majority and no effective opposition in the Commons.

This will mean that on 1 February, the UK will automatically go into a 'transition period' until December 2020.

The transition period means that the UK will still be in the EU's economic zone - the single market and the customs union, including following EU rules and regulations.

As a result, the travel industry can look forward to a 'Brexit-free' 'peaks' period post-Christmas and uninterrupted 2020 summer and shoulder seasons.

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MARKETS

The Times reported that markets surged on Friday after the election, with the majority providing a certainty for investors. The FTSE All-Share index had fallen by 2.5% since Johnson took office on 24 July, but jumped on Friday by 1.5%, which along with the rise in sterling, demonstrated growing investor confidence in the UK.

EXCHANGE RATES

The election result saw the pound rise to its highest level for nearly three years on Friday but fell again to €1.19835 ahead of the new week as currency markets took profits.

The sterling jumped to a 19-month high up 2.3% at \$1.347 against the dollar.

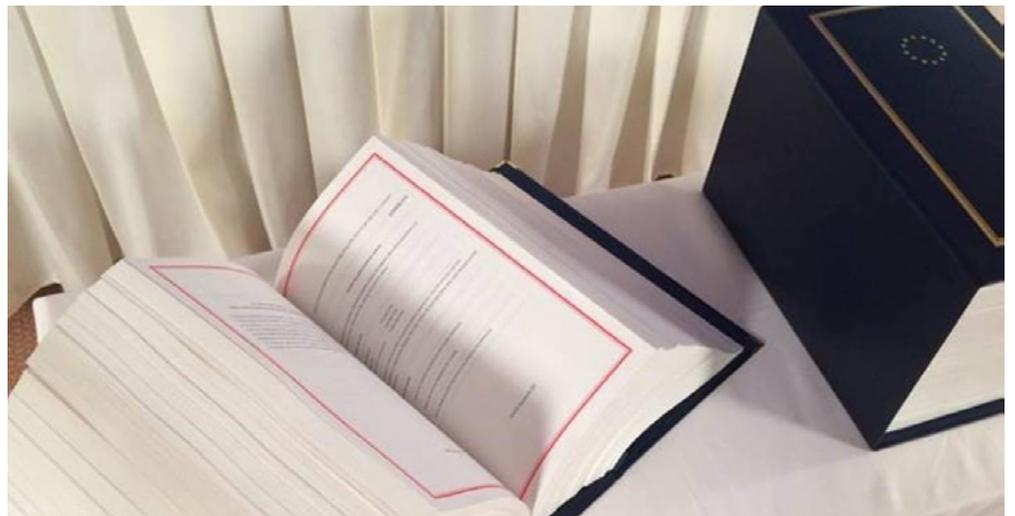
“My view on the pound: I think it can probably rally further on continued short-covering and optimism” says Marshall Gittler, ACLS Global, as reported on [exchangerates.org.uk](https://www.exchangerates.org.uk). *“But eventually reality will sink in and people will realise that this is only the end of the beginning for Brexit, not the beginning of the end. That’s intensely GBP-negative.”*

“The big lie here is the idea that with his new majority, Johnson can pass the Withdrawal Agreement, leave the EU on 31 January and that’s the end of Brexit.”

Rob Stross, chief marketing officer of peer-to-peer travel money provider WeSwap, said: *“With this election result, the pound gained in value dramatically, meaning holidaymakers will get more foreign currency per pound than yesterday.”*

“However, Brexit is still looming and has caused huge fluctuations in value, so holidaymakers should look at planning ahead to get the best deal rather than wait until the day before they travel.”

Picture of the recently concluded Canada-EU agreement courtesy of [Exchangerates.org.uk](https://www.exchangerates.org.uk)



SHAKE-UP OF GOVERNMENT DEPARTMENTS

It has been widely reported that Johnson will abolish the Brexit department (DExEU) on 31 January and send its best staff to join the EU negotiating team in the Cabinet Office and International trade department. It is also expected that a new department for borders and immigration will be separate from the Home Office to improve security and the operation of the visa system.

NEXT STEPS FOR BREXIT: NEGOTIATIONS ON TRADE AND FUTURE RELATIONSHIP

Whilst uncertainty around Brexit withdrawal has ended. Brexit is far from 'done' and the formality of leaving the EU is only the start of the Brexit process. Boris Johnson is yet to agree the details of the terms under which the UK will trade with the EU. On this he has neither defined his goal nor negotiated a deal to reach it, says The Guardian.

The new Government is set to meet on Tuesday 17 December and the Queen's Speech is scheduled for Thursday.

The earliest possible date for the second reading of the withdrawal bill is Friday or Monday 23 December.

It is anticipated that some amendments will be put forward about unfettered trade across the Irish Sea and the transition period extension decision.

Currently the Commons has to approve an extension request by 1 July 2020.

The government has 30 sitting days after 'exit' day to make a statement on what it wants in the next round of negotiations. It is expected that Johnson will put forward an outline of negotiation objectives rather than a detailed plan.

"There is now little doubt that the UK will formally leave the European Union at 11pm on January 31," says Oliver Wright from The Times. "Top of Mr Johnson's agenda, will be devising a negotiating strategy for the future relationship he wants with the EU."

"He has only a year in which to get an agreement and he will want to avoid the disruption of Brexit without a free-trade deal that could push the country into recession and call into question the affordability of his other spending commitments."

So far, Boris Johnson is adamant that there will be no extension to the transition period, yet, it took Canada eight years to conclude its trade agreements with the EU – an agreement Johnson is keen to emulate.

Travel insider, 'Remainer' and Sunvil founder Noel Josephides voiced his concerns to TTG:

"I hope the prime minister sheds his hard-line stance towards Europe and remembers half the country voted to remain three years ago, and that millions of people now look to him to become a true statesman and to adopt a sensible and co-operative stance towards our European friends."

The Times believes this is possible. *"If Mr Johnson negotiates just a bare bones agreement there will still be widespread disruption to existing trade between the EU and UK."*

"Some companies are likely to go out of business. There will inevitably be economic disruption as businesses adapt to the new trading relationship."

"Some in Europe believe that despite calls for a hard Brexit from the Tory right Mr Johnson will use his larger than expected majority to seek something softer and less disruptive."

Institute of Directors, Director General Jonathan Geldart said *"For directors, 'Get Brexit Done' will only have meaning once the details of our long-term future relationship with the EU are clear. On the domestic front, we must now see progress on the challenges that have been holding the economy back, from skills to infrastructure"*.

He added directors were waiting for clarity on the Tories' plans for immigration and large-scale infrastructure projects.

TRAVEL TRADE

TTG reported that UK travel leaders have urged the new government not to overlook the country's inbound and outbound travel sectors and the value they deliver to the economy.

ABTA, The Travel Trade Association, was reported as advising the next government that it has an important role to play in providing the structures to enable the travel sector to prosper, whether that is establishing a flexible future trading relationship with the EU, working with ABTA members to achieve climate change goals, or providing a taxation regime that allows the industry to thrive and make a positive social and financial contribution to the UK.

“Abta will represent the needs of our industry, and follow up on our priorities with the new government to build confidence in travel further.”

UKInbound chief executive Joss Croft sounded a cautiously positive tone, welcoming the new government and stressing key priorities such as continued access to employees from all over the world and calling for additional time to allow British businesses to prepare for Brexit.

INFRASTRUCTURE

Two immediate decisions have to be made on infrastructure: the HS2 high-speed rail project and the third runway at Heathrow. The Times reports that Johnson has raised doubts about both. Downing Street has ordered a review of HS2, which would link London with Birmingham and northern cities. Business groups in the north have said the project must go ahead but many Tory supporters favour cancellation.

Johnson once said he would lie down in front of the bulldozers to stop a third runway at Heathrow and has taken to saying that it will only go ahead if it meets strict environmental standards. Any decision not to proceed would be regarded as a step backwards for the ambition of building a *“global Britain”* beyond Brexit.

EUROPE SEEKS TO FORCE AN EXTENSION ON TRANSITION

The EU has broadly welcomed the election of a majority government in the UK in alleviating uncertainty. The EU Parliament also has to ratify the withdrawal agreement, which Charles Michel, the European Council president has said it will do in time for the 31 January deadline.

However, The Guardian has reported that EU leaders believe that the 11-month transition period, in which the UK has to negotiate the details of a new relationship with Europe, is overly ambitious, and is seeking to force an extension as Johnson currently is refusing to countenance any delay. If a relationship is not agreed within that times, the UK could still ‘crash out’ of the EU.

Emmanuel Macron, the French president, has warned Boris Johnson that the UK must remain ‘loyal’ to EU standards after Brexit for British companies to maintain access to the EU market.

In line with German sentiment, Macron has said that continued regulatory harmonisation must be maintained to ensure that the flow of trade is protected, as they don't want the UK to be an ‘unfair’ competitor.