

Storied British Brands Stumble in Dire Omen for Brexit Future

2019-05-22 14:42:00.411 GMT

By Joe Mayes

(Bloomberg) -- From British Steel Ltd. and Thomas Cook Group Plc to Jamie Oliver's U.K. restaurant business, some of Britain's best-known brands are on the ropes at the very moment Brexit, intended to make the country more competitive, reaches a crescendo.

British Steel, a national champion once owned by the government, collapsed on Wednesday while debt-laden Thomas Cook Group, whose founder organized the first round-the-world tour in 1872 and which invented the package holiday in Victorian England, saw its shares plummet to their lowest in more than seven years on Monday. On Tuesday, celebrity chef Oliver's U.K. restaurant business slid into insolvency.

The meltdown at three household names adds to the retail crash that has already led to thousand of job losses in the country and highlights the weakness of parts of U.K. Plc as it prepares for life outside the European Union. While the British jobless rate is at a 44-year low, these corporate struggles come as the Brexit process looks set to stumble along for months, if not years, adding further uncertainty to the economic outlook. Although British Steel and Thomas Cook each cite Brexit as contributing to their troubles, their decline also stems from years of structural upheaval, said Garry White, chief markets commentator at Charles Stanley, a U.K. brokerage.

"Thomas Cook and the steel industry have been suffering for some time," White said. "Brexit is potentially going to push a few struggling businesses over the edge, but it's a push to blame it for their demise."

Brexit Uncertainty

While the full force of Brexit has yet to be felt in the U.K., the uncertainty surrounding the manner in which the country will exit the bloc is being factored into future investment decisions. British Steel blamed that uncertainty for running into a cash crunch. The company has also struggled with competition from cheap imports, plus high energy and labor

costs.

British Steel, whose precursor traces its history to the days after World War II, is one of only two major U.K. steel producers. Its products have been used in buildings including The Shard skyscraper in London, Hudson Yards in New York and Petronas Towers in Kuala Lumpur.

It has two giant blast furnaces in Scunthorpe in North Lincolnshire, which voted by 66% to leave the EU. British Steel's collapse puts 5,000 jobs at risk.

Holiday Bookings

Thomas Cook, the U.K.'s oldest travel group, has been under pressure since a freak north European heatwave last summer depressed holiday bookings. The company, founded in 1841, is also having to contend with consumers increasingly arranging their own accommodation and flights instead of using full-service travel operators.

The group has also said that customers are reluctant to book holidays because of Brexit. It says it still has ample resources to operate its business.

As for Oliver, his restaurants are the latest victims of a shakeout that's spread to Britain's casual-dining business after hitting similar businesses in the U.S. like Applebee's, TGI Friday's and Ruby Tuesday. U.K. chains such as Byron Hamburgers, Gaucho, Carluccio's, Prezzo and Strada have all restructured over the past few years.

"The current business environment is probably its toughest for a number of years now," said Suren Thiru, head of economics at the British Chambers of Commerce. "We're seeing some of the fallout from that."

To contact the reporter on this story:

Joe Mayes in London at jmayes9@bloomberg.net

To contact the editors responsible for this story:

Rebecca Penty at rpenty@bloomberg.net

Vidya Root, Paul Sillitoe