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The Rt. Hon. Rachel Reeves MP,  
Chancellor of the Exchequer.

29<sup>th</sup> August, 2024

Dear Chancellor,

Increasing full expensing allowance for short-term rented plant in construction brings a net benefit to the Exchequer of £26M whilst increasing capacity for both the National Infrastructure Pipeline and housebuilding.

The Construction Equipment Association (CEA) represents plant manufacturers and retailers in the UK. In 2022, this sector had £15Bn of UK revenue, contributing >£2.5Bn GVA and directly employing >44,000 workers.<sup>1</sup>

The Construction Plant-hire Association (CPA) represents companies that purchase plant and then rent those pieces of equipment out to a construction site whilst the Hire Association Europe (HAE) promotes safe good practice and decarbonisation in the industry. Such rentals could vary from a small machine to dig a garden pond over a weekend to a large 40 ton excavator, rented to build critical infrastructure such as Hinkley Point C, for 3 years.

The UK has £7.35Bn worth of construction plant sales per annum<sup>2</sup>. The plant-hire sector is worth £5Bn<sup>3</sup> to the UK economy with I.R.O 50,000<sup>4</sup> new pieces of construction plant purchased every year, therefore, **68% of plant retails in the UK are to rental companies.**<sup>5</sup>

If a machine is rented with someone to operate it, it is currently eligible for full expensing relief as it provides a service, but if someone else consumes the benefits of that asset (i.e.: it is rented without an operator), it is not eligible due to the restriction on assets for `leasing`. Changing this would address a clear anomaly whilst simplifying the tax system for the industry.

This would be a targeted benefit aimed at incentivising investment in new plant and machinery, with the construction industry a major beneficiary due to the way in which new assets are purchased and operated. The full expensing rules would prohibit the benefits being extended to non-qualifying assets such as cars. Legislation would be required to guarantee assets are only used in the UK and to avoid double claims. HMRC is already working on drafting this.

UK Market for Construction Plant <sup>6</sup>					
	2022	2023	2024	23/24 VAR	23/24 VAR %
<b>Backhoe Loader</b>	720	630	620	-10	-2%
<b>Telescopic Handler</b>	10927	12000	10500	-1,500	-14%
<b>Mini Excavator</b>	23071	21200	18250	-2,950	-16%
<b>Tracked Excavator</b>	7174	5650	5100	-550	-11%
<b>Wheeled Excavator</b>	448	435	430	-5	-1%
<b>Wheeled Loading Shovel</b>	1635	1800	1650	-150	-9%
<b>TOTAL</b>	<b>45997</b>	<b>43738</b>	<b>38574</b>	<b>-5,165</b>	<b>-13%</b>

<sup>1</sup> Construction Equipment Association Report, 2023

<sup>2</sup> ONS, Annual Business Survey, 2021 results (Release date 18 may, 2023).

<sup>3</sup> Industry estimate, 2023

<sup>4</sup> CPA and CEA joint estimate, 2023

<sup>5</sup> Construction Equipment Association Report, 2023

<sup>6</sup> Internal Industry Figures. 2024 forecast

Forecasts show the UK market for construction plant decreasing by 13% over 2024. The three largest reductions are across the three model groups most popular with construction plant rental companies. (The table overleaf does not include access, compaction or skid-steer loaders which are mainly imported.)

A poll of CPA members in September and October last year showed 86% of members would be more inclined to invest in plant if full expensing allowance was available.<sup>7</sup> Taking 2023 numbers with 5% growth against the current outlook for 2024, there is significant upside as it recovers to 2022 levels. HAE members also confirm that the extension of full expensing would unlock significant new investment, significantly in cleaner, greener machines with reduced emissions and a lower carbon footprint.

<b>UK Market for Construction Plant `23 +5% v FC</b>					
	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>23/24 VAR</b>	<b>23/24 VAR %</b>
<b>Backhoe Loader</b>	720	630	662	42	6%
<b>Telescopic Handler</b>	10927	12000	12600	2,100	17%
<b>Mini Excavator</b>	23071	21200	22260	4,010	18%
<b>Tracked Excavator</b>	7174	5650	5933	833	14%
<b>Wheeled Excavator</b>	448	435	457	27	6%
<b>Wheeled Loading Shovel</b>	1635	1800	1890	240	13%
<b>TOTAL</b>	<b>45997</b>	<b>43738</b>	<b>45825</b>	<b>7,251</b>	<b>16%</b>

The machinery and equipment manufacturing sector (£3.2Bn) is responsible for 20% of manufacturing value-added<sup>8</sup> but since 2008, this sector has recorded poorer performance than the UK economy and UK manufacturing as a whole, showing it has yet to recover.<sup>9</sup>

43%<sup>10</sup> of construction machines sold in the UK are manufactured here. Taking the average tax revenue of £8,300<sup>11</sup> then the increased 3,154 new machines sold due to full expensing applying to rented plant would create an additional £26M to the Exchequer.

Furthermore, the machinery and equipment sector accounts for 6.1%<sup>12</sup> of the UK's manufacturing employment, despite a 21% decrease<sup>13</sup> in jobs since 2011: the biggest decrease amongst the UK's international competitors.<sup>14</sup> This would drive further employment, productivity and industrial development.

Lastly, by not incentivising the 86% of rental companies that would invest in newer machines, the risk is that rental fleets would be run longer and become older therefore not adopting the latest and greenest technology, impacting on the Government's ambitious carbon and emission reduction goals for the construction sector. Assets purchased for hire have an immediate impact on the UK fleet, displacing older equipment. By virtue of the circular nature of the hire business, this equipment will be used by multiple end customers over the lifecycle of the machine.

We would be delighted to work collaboratively with your officials to share the data needed to formally cost this measure.

Yours faithfully,



Viki Bell  
Operations Director,  
Construction Equipment Association



Mark Bradshaw  
Public Affairs Manager  
Hire Association Europe



Chris Cassley  
Policy Manager,  
Construction Plant-Hire Association

<sup>7</sup> Construction Plant-Hire Association Autumn Statement Submission

<sup>8</sup> ONS, Annual Business Survey, 2021 results (Release date 18 May, 2023).

<sup>9</sup> OECD Data Explorer, Annual value added and its components by economic activity (accessed in December 2023).

<sup>10</sup> ONS, Annual Business Survey, 2021 results (Release date 18 May, 2023).

<sup>11</sup> Oxford Economics (NB: excludes catalytic impact).

<sup>12</sup> ONS, Business register and employment survey.

<sup>13</sup> Ibid.

<sup>14</sup> OECD Data Explorer, Annual employment detailed economic activity, domestic concept (accessed December 2023).