Construction Plant-hire Association
Comprehensive Spending Review 2025 - Submission

The Construction Plant-hire Association (CPA represents over 1,900 companies who collectively, are responsible for 85% of the construction plant hired in the UK. As a sector, the plant-hire industry is worth approximately £14bn to the UK economy, with the UK the largest, and most professional, plant-rental sector in Europe. The sector supports upwards of 191,000 jobs, for every £100 spent by the plant-hire sector, £218 is generated. Workers in plant-hire are 25% more productive than the UK average[i].

Our members are at the forefront of new innovations and cutting-edge technologies in construction – all of which are vital for driving economic growth.

This document is our formal submission to the 2025 Comprehensive Spending Review.

Executive Summary

Our submission covers the following key areas:

- Reducing government duplication of effort and resource in key areas such as net zero and decarbonisation policy, while also providing appropriate resource across government
- Enhancing digitalisation of government services
- Ongoing development of the industrial strategy, and the creation of the National Infrastructure & Service Transformation Authority (NISTA)
- Infrastructure delivery at both national and local level, and planning reform
- Ongoing reform of the skills landscape and the delivery mechanisms of Skills England

We would welcome the opportunity to discuss our submission further.

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<u>Introduction</u>

Despite the challenges of recent years, the UK's plant-hire industry has continued to respond and evolve against the challenges and opportunities that they have faced. Our members continue to provide the best, most professional service possible for customers and clients. In a period of economic uncertainty, the spending review provides an opportunity to review and outline in more detail where the government should prioritise its resources.

Our members recognise the continued pressures the UK's public finances face, and we are keen to engage further with the government in promoting greater efficiency and productivity across government.

The current fiscal landscape and challenges facing business post Budget

One of the government's five missions for the country is to 'Secure the highest sustained growth in the G7'. We welcome this ambition for the UK economy and are willing to support the government in achieving this aim, however, current government policies put this at risk.

The Autumn Budget placed an unfair burden on business, with our members now facing rising National Insurance contributions, coupled with uncertainty on the changes to inheritance tax and Business Property Relief (BPR). Put simply, these combined measures will lead to companies questioning future investment decisions in new equipment and increasing headcount, will lead to pay rises for current staff being deferred, and for family businesses, question their entire future in the plant-hire sector given what the changes to BPR will mean.

Initial research from Family Business UK on the impact changes to BPR will have on family businesses sees:

- Investment to decrease by an average of 17% - with more than half of firms expecting to reduce investment by more than 20%
- Turnover is expected to reduce by 7% on average
- Employment is expected to decrease on average, by 10%
- An expected Gross Value Added loss of £9.4bn
- Tax revenue will be nullified – while the Treasury predicts the BPR changes will raise £1.4bn between 2026 – 2030 in tax revenue, the BPR report predicts the reduction in economic activity will result in a net fiscal loss of £1.2bn across the same period[ii].

Addressing the challenges in the public finances cannot and should not come by putting at risk the very businesses that create the wealth needed to finance the public sector. Long-term stability in the business tax regime is needed. This means creating a business environment that encourages entrepreneurs and does not punish them with short-term, poorly thought through changes to the tax system. The government's current policies undermine efforts to create long-term sustainable growth with an inherent contradiction between planning reform and infrastructure investment, against increased business taxes and further employment costs on business. This sends at best, mixed messages to the business community.

Construction as a sector, given its price pressures, narrow profit margins, and heightened exposure to wider trends in the economy, is uniquely placed to deliver growth but also suffer disproportionately during an economic downturn.

The announcement by the Chancellor at the end of January on her vision for growth, throws the sector and our members' role, into focus. The CPA wants the Spending Review to support these efforts.

Main submission points

Reducing government duplication of effort and resource in key areas such as net zero and decarbonisation policy, while also providing appropriate resource across government

We recognise the need for government departments to make efficiency savings of 5% over the course of the Spending Review period. This reflects the challenges facing the public finances. However, we believe with regards net zero policy towards the Non-Road Mobile Machine (NRMM) community, we have seen duplication of effort and resource, hampering effective dialogue and engagement with industry, and unless there is clear ministerial direction, this will continue for the near future.

Net zero and decarbonisation is a key area of focus for our members, and we have been keen to engage with the present and previous governments, in how the NRMM sector can meet the 2050 target. However, all too often, different government departments have taken charge of various aspects of the issue and created confusion and uncertainty. This has led to a waste of resource and time at departmental level. The lack of response towards the publication of the Low Carbon Fuels Strategy is an example. This ultimately, must be seen as a missed opportunity given the amount of time the sector took to respond, and the lack of response from both this and the previous government.

The December 2023 NRMM decarbonisation options consultation encompassed the work of the Department for Energy, Security and Net Zero, the Department for Transport and the Department for Environment, Food and Rural Affairs. It did not include the Department for Business and Trade. While we recognise the clear need for cross departmental working in government, it has been our experience that all too often, various aspects of what is a highly complex challenge and issue, has been passed off to different departments, with little or no thought given to who the main government body is in charge and who is ultimately responsible for policy.

Moving forwards following the consultation, NRMM decarbonisation policy should be the responsibility of one government department, with clear lines of communication to industry and within government. Failure to do so will waste further resources, cause business uncertainty, and undermine efforts to reach net zero.

Construction machinery is exceptionally difficult to decarbonise, government must not underestimate the complexity and case-specific nature of solutions. Public sector staff, especially procurement for major projects, should be sufficiently resourced and trained to understand feasible solutions and check that they are delivered on site. Major public projects should also budget for low carbon solutions, which cost more, to improve uptake and help establish those markets. DESNZ are also considering an off-road machinery strategy. This will be a delicate piece of work, considering technical aspects and tax incentives that will define the future of this broad and specialist sector. It is essential that budget cuts do not cause this strategy to be rushed or published without due attention and industry consultation.

While the Treasury has acknowledged the benefits that extending the Full Expensing Allowance will bring to the hire industry and efforts to decarbonise (through investment in non-diesel-powered construction plant alternatives), the current policy position remains that until fiscal conditions allow, our members remain excluded from claiming it. The CSR should recognise, account for, and put in place, a realistic timetable for the Treasury, which allows the NRMM plant-hire industry to prepare for when Full Expensing will be extended.

Enhancing digitalisation of government services

The recent announcement on the creation of a GOV.UK Wallett and App is a welcome step towards reducing waste and bureaucracy. This mirrors the trends we have seen in plant-hire, where digitalisation in operations is increasingly becoming the norm in how companies operate.

We would encourage the government and supporting agencies such as the DVSA and Construction Industry Training Board (CITB), to explore other areas where digitalisation of services can be introduced to keep up to date with emerging technology and how it can be applied in a cost-effective way. Other countries are already doing this, and it is the next practical step as technology for the provision of government services, develops.

Ongoing development of the industrial strategy, and the creation of the National Infrastructure & Service Transformation Authority (NISTA)

The government's plans for its industrial strategy should create a pro-business environment that sees government departments working both together, and with, industry. It should look to develop the policy solutions needed to fulfil the criteria of the strategy, while also acknowledging the challenges companies face and the support they will need to overcome them.

Barriers to growth and the right investment climate will only be created when government works as one, reduces duplication of effort and sets the regulatory and policy framework that encourages entrepreneurship, not punish it. Our members want to work with government and play their role in its industrial strategy, however, government needs to understand how business works. We need to see a greater degree of understanding and consideration when making policy. The complete lack of consultation on changes to Business Property Relief shows there is work to be done.

Construction should be at the forefront of the industrial strategy. It is encouraging that the Chief Secretary to the Treasury will be leading the work of the newly created National Infrastructure and Service Transformation Authority (NISTA), but moving forwards, it is vital this new body is properly funded and adds value in its work. All too often the different sectors that make up the wider construction industry, are misunderstood by policymakers. If NISTA is to be a success and the industrial strategy fulfils its criteria of overcoming barriers to growth and boost investment, then construction needs to be at the heat of this debate.

Under the previous government, the contracting system inherent in construction, was misunderstood. As a trade association, we had to write to both the then Chancellor and the Secretary of State for Business, to explain how construction equipment was procured and then utilised. The government should resist the urge to just engage with national housebuilders and conclude it has consulted with construction – this only forms a fraction of what constitutes the modern industry. It is vital that government departments and policymakers incorporate and recognise the wider construction industry and the sectors that support it. Failure to do so will mean a lost opportunity and a poor return for the government.

The government departments that work with construction in delivering the industrial strategy and NISTA, should be properly resourced if the ambitions of the strategy are to be realised. Investment in time and resource in creating the delivery mechanisms needed might be an upfront cost now, but the prize is a growing, sustainable economy in the longer term.

Infrastructure delivery at both national and local level, and planning reform

The government's ambitious plans for 1.5m new homes over the course of this Parliament, alongside the Chancellor's announcement on the third runway at Heathrow and the development of the Lower Thames Crossing (amongst other infrastructure projects) have highlighted the core role construction will play in realising these ambitions. However, announcing these schemes is the easy part, the government's spending review must make sure that the departments tasked with working on the delivery of these projects, are properly resourced and receive the adequate funding.

It is essential that the government works with industry in fully understanding the challenges that HS2 has faced and why budgets have overrun. While we recognise there have been some external factors beyond the control of government that have impacted on the project, many of these delays have been self-inflicted. The government must show it is ready to overcome objections for major projects like these and be very clear in why they are needed and what benefits they will bring. It will require resilience on the part of government to acknowledge that the benefits will not be felt immediately, but in the medium to long-term.

HS2 was long in the planning but constant government indecision and poor communication led to construction questioning the government's commitment to the overall project. Our members have and will continue to play their role in fulfilling the government's plans, but like the rest of construction, they need confidence the government is committed. Construction is not a tap that can be turned on and off.

As an example, the government must be realistic about how much the Heathrow third runway will cost and make sure it is resourced adequately, within a realistic timescale. Failure to do so will undermine confidence in the UK construction sector and would be a missed opportunity to showcase our world class companies.

The same lessons should be applied to the approach the government are taking with the Lower Thames Crossing (LTC) and attracting private finance. To date, upwards of £800m has already been spent on the development and planning work around the project. Construction must see more detail from government on how it is going to approach the project before fully committing. The planning and route have already been set out, with the business case and impact, well-rehearsed. A piecemeal approach that tries to appease objections while looking to cut costs in the short term will ultimately work for no one. If the government is going to back the proposal, like with Heathrow, it must do so by working at a local and national level with the newly created devolved regions and mayors when they come into effect. Learning from previous private finance initiatives and their cost to the Treasury is vital for the credibility of schemes like the LTC.

The Spending Review must also make provision for planning departments at local and national level, to be adequately resourced if decisions are to be made in a timely manner. Over the course of the last two decades, planning departments and specialist roles within them, have been hollowed out, leading to a backlog in applications and decisions.

Proper funding will provide applicants, and the communities impacted through developments, some degree of certainty towards the decision-making process and what it means. For all sides, an ongoing delay leads to uncertainty and anxiety towards the future. This is unfair, leading to investment and business plans put on hold, while also undermining the positive contribution new developments can bring to a region and its infrastructure.

Reform of the skills landscape and the delivery mechanisms of Skills England

The Spending Review must make adequate provision for the development of the skills landscape and the delivery mechanisms of Skills England. This is essential if the government's infrastructure ambitions and overcoming the barriers to growth, are to be realised.

The construction industry continues to face a major skills shortage. The Construction Products Association estimates that over the last five years, the industry has lost on average, 70,000 workers a year. They estimate that apprenticeship starts have averaged 31,000 per year, with a dropout rate of 40%. This has resulted in net loss of 50,000 from the available workforce[iii]. In addition, the labour pool is getting older, with the industry losing experienced workers each year either through retirement or alternative employment in different sectors.

Data recently released by the CITB suggests the industry requires an additional 50,300 construction workers per year up, until 2028, to meet project demands. Failure to address the skills shortage will result in delay and rising costs for the government's ambitious infrastructure agenda.

To ensure we have the capacity to meet the UK's housing and infrastructure needs, the government must increase apprenticeship funding, reduce bureaucracy by simplifying the funding rules and streamline development processes, while championing construction specifically as a long-term career choice. The newly formed Skills England must work alongside the construction industry to address current skills gaps and support recruitment activities. This means joined up thinking between both the Department for Education and the Department for Business and Trade in ensuring the CITB is meeting its obligations and helping create the construction workforce we need.

In addition, Government needs to ensure there is flexibility between national and regional skills funding, for example with skills bootcamps to support housing and infrastructure needs. Many of our members are already taking responsibility for training the operators and plant mechanics of the future, however we need to see a joined-up approach from government that does not waste resource and undermine national efforts to improve the skills landscape. Flexibility is needed on the part of policymakers to ensure funding is adequate, while also working with industry in the delivery of training. The final settlement in the Spending Review must recognise this.

Conclusion

CPA members have consistently demonstrated their resilience, their commitment, and their belief in the UK as country to build, grow and maintain their businesses. They do this every day by supporting a wide range of industries and construction sectors, showing their professionalism, and dedication to their work. Our members, working with our world class equipment manufacturers, act as a critical global hub for expertise, knowledge, innovation, and development. They are ready to work with the government in realising its ambition for our future housing and infrastructure needs.

The Spending Review, while finding value and savings, should not undermine the plant-hire industry and lead to an erosion of trust between the sector and government.

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[i] Oxford Economics / Construction Plant-hire Association – The Economic Impact of the UK Construction Plant-hire Sector – November 2024

[ii] Taxing Family Business Futures – January 2025 FBUK_BPR_HR.pdf

[iii] UK construction's demographic timebomb – Construction Index – October 2024