



EQUIPMENT LEASING
ASSOCIATION LIMITED
Limited by Guarantee

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Budgets file

22nd March 1984

Dear Sir

Enclosed is a copy of a Press Release setting out the Equipment Leasing Association's reactions to last week's Budget.

If you have any queries on the issues raised in the Press Release please let me know.

Yours faithfully

J. B. Damer

J B Damer
Director-Secretary



PRESS RELEASE

21 March 1984

LEASING BUSINESS TO GROW SHARPLY IN 1984/85

Britain's leasing industry expects an increase in new business in the next twelve months, following the changes to capital allowances announced in the Budget. "The value of new plant and equipment leased in the UK during 1984 should rise to more than £3 billion compared with the £2,894 million of business written in 1983", said Tony Mitchener, chairman of the Equipment Leasing Association, whose 63 member companies account for over 80 per cent of the domestic leasing market.

"I would expect to see this higher volume of business continuing until March 1985 and then declining because the first year capital allowances will disappear in April 1986. The only allowances which will remain will be the 25 per cent annual writing-down allowances. Thereafter the industry should start to grow again slowly from a somewhat lower level than at present". The Association remains confident of the continued viability of leasing as a competitively priced form of fixed rate finance, particularly for medium to long term contracts.

Mr Mitchener predicted that as the market adjusts to the new environment "the nature, structure and term" of lease contracts would be certain to change. "We shall see a still more pronounced trend towards longer term leasing transactions which by last year were already accounting for 45 per cent of new business written". At the shorter end of the market the leasing of motor vehicles, which has adjusted well to 25 per cent writing-down allowances, and sales aid leasing, (particularly computers and office equipment), should be less affected by the changes in allowances.

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The Association does not believe that a high level of first year allowances is essential to leasing. "Leasing flourishes in other countries without a generous system of accelerated depreciation".

Some aspects of the Budget changes, such as the effect on existing leasing commitments, require clarification and the issue of accounting for leasing also needs to be re-examined.

Considering the wider effects of the Budget, the Association says the changes in allowances may have an adverse effect on capital intensive industries, such as shipping and certain manufacturing companies. It expresses particular concern for start-up projects by large and small companies alike, that have not yet reached the stage of generating profits.

END

Issued on behalf of the Equipment Leasing Association by Charles Barker City. (Contact Keith Payne: 01-236 3011)

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