

The Good Hire Guide

Introduction

The aim of this guide is to provide a brief insight into the hiring of fork lift trucks, the options available and some of the pitfalls to look out for.

Different words or terms may be used for different types of hire contract. These are explained below.

Short-Term Hire or Casual Hire

There are many reasons why a business may need to hire a fork lift truck on a short-term or casual basis. For example:

- To meet a known seasonal demand
- To meet a surge in demand
- To replace a truck being repaired
- To move equipment as part of a reorganisation
- To trial new working practices
- To try new types of equipment prior to purchase

For this type of hire the contract may be for just a day, a few weeks or months, or in some cases open-ended. This is a very flexible form of hire that can be set up and extended at short notice.

The trucks provided are normally part of a hire fleet, so by their nature they are unlikely to be new or designed for your specific task.

With short-term hire it would be normal for the supplier to be responsible for maintenance and repair, the Thorough Examination of the equipment, and for replacement should that become necessary. However, that will depend on the contract terms. See the section on Contract Terms below.

Although it is possible to hire a truck with an operator, it is normal for the user to provide the operator. Operators must be trained to the appropriate standards and to the specific needs of the application (please refer to [Step 3](#) in the FLTA's online [Safer Site Programme](#)).

Long-Term Hire

This is quite simply a longer version of the short-term contract. By signing up to a longer period of hire it is possible to ensure reduced rates and better long-term availability of the equipment.

Terms of hire may be variable and these should be discussed in detail to avoid any potential misunderstanding. Again, see the Contract Terms section below.

Contract Hire

This is sometimes called long-term rental, but should not be confused with long-term hire.

With contract hire there is an agreement for the provision of specific equipment. This may be just for 12 months or so, but a contract period of three or five years is more normal. The supplier may finance the agreement, but it is more likely that this will be arranged through a finance house or bank, with the supplier acting as intermediary.

The user of the equipment pays a fixed monthly or quarterly rental. The equipment remains the property of the organisation financing the arrangement. It is common practice for the supplier (the fork lift truck company) to be given first option to purchase the equipment at the end of the contract; this is normal and appropriate, and should not cause concern.

Maintenance and repair is normally included within the agreed price, but there are likely to be some exclusions. With contract hire the responsibility for Thorough Examination will rest with the user unless other arrangements have been agreed. See the section on Contract Terms.

A concern that often arises is the condition of the equipment at the end of the contract and the responsibility for the costs that will arise. This needs to be dealt with fairly; for the sake of the user and the supplier. See the section on Fair Wear and Tear below.

Other Terms

The three categories of hire described above are the most common. However, other terms may be used by different suppliers. Some examples are given below, but are not considered further:

- Hire purchase or lease purchase – a form of finance resulting in ownership by the user
- “Purchase and hire back” or “buy-back and re-rent” – a hybrid scheme involving the purchase of the user’s existing trucks
- Stand-by rental – a form of guaranteed casual hire
- “Flexihire” or flexible-rental – a flexible form of long-term rental

Contract Terms

It is really important that you have a proper contract or formal agreement detailing the terms and conditions of hire. This applies to all forms of hire. Most manufacturers of fork lift trucks will have their own contracts, as will finance houses that operate in the materials handling sector.

The FLTA provides suitable example contracts for use by its Members. All FLTA Members are required to comply with a strict Code of Practice, which covers key aspects of their contractual obligations. The FLTA [Code of Practice](#) is available to download from the FLTA website.

The contract should make the following clear:

1. The service level that will be provided, to include:
 - The frequency of routine maintenance – either based on running hours or time periods
 - The target response time for dealing with breakdowns
 - Whether or not a replacement truck will be provided during periods of repair or extended maintenance, and any restrictions that may apply

2. What is, or more importantly, what is *not* covered by repairs included in the hire charge. The following items are often excluded and therefore charged to the user, and the service life of each can depend heavily on how the truck is used by the operator:
 - Tyres
 - Punctures
 - Forks
 - Chains
 - Fuel
 - Battery charging for electric trucks
 - Abuse and misuse
3. Who is responsible for the Thorough Examination of the truck. It is the owner/user who is responsible. For the purpose of hire this is clarified as follows:
 - For short-term hire (periods up to 12 months) the hire company is responsible
 - For long-term or contract hire (periods of 12 months or more) the user is responsible. Thorough Examinations can be included within the contract. However, they are separate from maintenance and their inclusion, or not, within the contract must be made clear.
4. If the contract is to work, the user also has obligations. These will include the following:
 - Only using the truck for the purpose for which it is designed
 - Only using the truck at the agreed intensity of operation, unless changes are agreed in writing
 - Only allowing the truck to be driven by an operator who has been trained to operate that specific type of truck and the requirement of that specific application (additional training should be sourced, if need be, prior to delivery of the equipment)
 - Allowing reasonable access to representatives of the hire company for the purpose of routine maintenance, inspection and, where appropriate, Thorough Examination
 - Looking after the truck as though it were their own, and paying for any damages not considered fair wear and tear

Fair Wear and Tear

Disputes over what is fair wear and tear and what is excessive wear or damage can spoil what has been a good working relationship between the owner and the hirer of the equipment. It does not have to become a problem if some simple steps are followed by both parties throughout the period of hire and particularly towards the end.

In recognition of this, and to assist our Members and their valued customers, the FLTA has produced a special booklet:



Fair Wear & Tear?

Guidelines for the return condition of equipment

FLTA Booklet
Ref: 0127

Available from the FLTA Store at: www.fork-truck.org.uk/

Safer Site Programme

This booklet provides guidance on avoiding the problem, with lists of dos and don'ts, and an idea of the costs of getting it wrong. It provides many illustrated examples of what is and what is not acceptable. It also provides guidance on what to do if there is an end-of-contract dispute.

The booklet is only available through Full Members of the FLTA. If you have a hire contract with one of our Members you could ask them for a copy.

As a means of providing more helpful information now, and as an introduction to this important booklet, you can view four key pages [here](#).

To Buy or To Hire: That Is the Question!

With casual hire, or even long-term hire, you will be hiring to meet a specific, often unexpected or unbudgeted requirement.

On the other hand, whether to buy outright or opt for contract hire will be a policy decision. In order to get this right you will need to consider the advantages and disadvantages of each. How you view many of the factors involved will depend on how your business works. It can be quite complicated, and you may want to look at the questions and answers below, and also at the table of advantages and disadvantages for both hiring and purchasing:

Purchase	Advantages	Disadvantages
	You own the truck and can do what you want with it, when you want.	You are responsible for all maintenance and repairs.
	It is an asset that can be shown on your balance sheet.	The asset will depreciate over time.
	You may be able to claim capital allowances against any purchase.	There will be a large up-front cost, possibly affecting cash flow.
		You will have to deal with unexpected costs as they arise and with any associated operational delays. This may involve hiring in replacement equipment.
		Reduced flexibility over time.

Safer Site Programme

Hire	Advantages	Disadvantages
	No capital investment.	The truck is not owned and so cannot be modified without supplier consent.
	Ability to budget for fixed monthly costs with no unexpected repair costs.	Will not be included on balance Sheet.
	Improves cash flow.	May have to pay for repairs at end of contract – but see section on fair wear and tear.
	No need to worry about the disposal of equipment at the end of the contract, with ability to start new contract with new equipment.	
	Service and maintenance is the responsibility of the supplier, usually with guaranteed service levels.	
	Contract will usually include replacement in the event of breakdown, allowing for business continuity.	
	Can be offset against tax.	
	May give access to supplier's fleet management system with enhanced operational data.	
	Legal compliance and peace of mind (assuming you hire from an FLTA Member company).	

Is Hiring Tax Efficient?

Yes, it is 100% allowable against taxable profits. Importantly, you can claim the full amount of each year's hire payments. With outright purchase you could only claim capital allowances on a figure that diminishes every year.

But Isn't a Fork Truck an Asset?

Yes... but a depreciating one! Perhaps the single biggest reason for hiring – as opposed to buying – is that you conserve working capital which can usually be used much more effectively in running your business.

What about Cash-Flow?

Hiring helps with cash-flow and by taking an asset off your balance sheet makes a marked improvement in your ratio of return on capital employed.

What's more, instead of settling for the cheapest compromise when acquiring a truck, you can choose the best model for your needs – because the equipment is paying for itself while you're using it.

We Have Cash in the Bank – Why Should We Hire?

Money invested in depreciating plant involves a loss of interest. This is true whether the cash comes from your own capital funds or borrowed from an outside source.

Where money is borrowed, the loss is direct and immediately identifiable. If you employ your own money, you will lose the interest which would have been accrued had the money been invested elsewhere in a more profitable way.

How Can Hire Companies Make a Profit Then?

Simply because they are professionals in their business, just as you are in yours. The company supplying the trucks is a specialist operator who knows how to get maximum utilisation from its machines and support services.

Most truck users are unable to match this cost-efficiency.

Instead of seeing a truck as an overhead, the hirer sees it as a profit earner which transforms it into a productive asset.

Is Hire Always Better?

The rapid growth in hire when compared to outright purchase would suggest that it is frequently the best option. However, every business is different and the final decision is best taken in conjunction with your own financial experts or advisors.

How Do I Choose a Hire Company?

There is no shortage of companies prepared to hire you a fork lift truck. As in any other business, however, not all will give you the quality of equipment, service and straight business dealing you deserve.

What Sort of Things Should I Be Looking For?

The best, most ethical companies will adhere to an approved contract, will follow a code of practice and ideally be part of a trade association which polices the activities of its members on your behalf.

Checklist

Before selecting a hire company, make sure they can meet this 12 point criteria for customer care by:

- 1. Ensuring your trucks are delivered in a safe and serviceable condition**
- 2. Checking that the truck is right for your specific application**
- 3. Ensuring that only competent engineers are employed to service and repair your truck at regular intervals as per an agreed contract**
- 4. Carrying out health and safety requirements with due regard to legal regulations**
- 5. Dealing promptly with all your queries and complaints**
- 6. Using an approved contract from a reputable funder**
- 7. Fairly representing all facts relating to the hire contract**
- 8. Having public and product liability insurance of at least £2,000,000**
- 9. Making the above insurance document available for inspection**
- 10. Making up-to-date records available for inspection by an industry watchdog such as the FLTA**
- 11. Abiding by a Code of Practice* made available for your scrutiny**
- 12. Being part of a respected and authoritative trade body which polices its members and will represent your interests**

*The FLTA [Code of Practice](#) is available to read or download on the FLTA website.

Where Can I Get Advice?

The largest and most respected organisation in this sector is the Fork Lift Truck Association (FLTA). It has an agreed Code of Practice and in order to join, companies must annually meet the following requirements:

- Operate a fleet of an appreciable size
- Been operating in the fork truck hire industry for at least two years
- Have adequate workshop facilities to provide regular and comprehensive service support through competent engineers
- Use only an approved contract
- Prove it is fully capable of meeting all health and safety and legal requirements
- Operate a routine maintenance plan
- Be sponsored as suitable by two independent referees
- Make its records available for inspection by an FLTA official

If you would like a list of FLTA Members in your area, please visit the FLTA website at fork-truck.org.uk/ where you can conduct an online search.