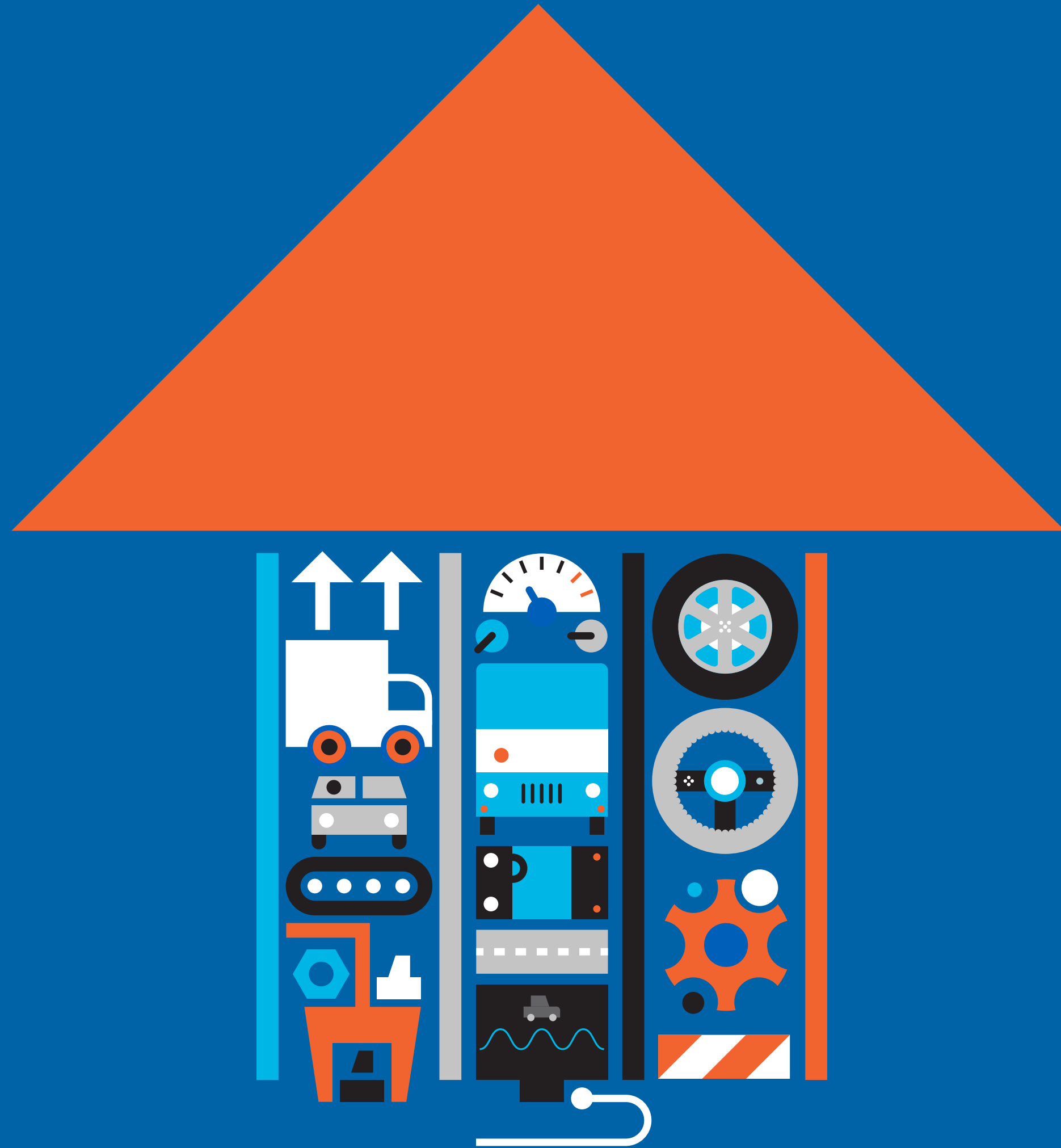




# **COMPETITIVE EDGE: DRIVING LONG-TERM UK AUTOMOTIVE GROWTH**





**Mike Hawes**

Chief Executive  
The Society of Motor Manufacturers  
and Traders (SMMT)

**T**he UK's new Modern Industrial Strategy is a watershed moment that comes at a time of considerable global uncertainty.

Our ambition to transition to zero emission mobility, one that is shared with government, will see car and van increasingly decarbonised to 2035 and HGVs thereafter. But the path to that ambition is paved with obstacles. Tariffs and trade protectionism have fundamentally altered the global trading environment, economic uncertainty stifles growth and consumer affordability, and thus demand is constrained.

However, UK Automotive's role as a key driver of net zero and economic success remains certain. Our sector directly contributes more than £25 billion in value to the economy and more than £44 billion worth of exports annually, while employing nearly 800,000 people. We inspire innovation, with 23 R&D and nine design centres, mastering the technologies of the future. And we are driving the zero emission transition, having put more than a million zero emission vehicles on the road in the past five years despite a reticent market.

Furthermore, the wider halo effect of automotive – supporting the nation's advanced manufacturing capabilities and engineering skills – cannot be understated.

Confidence is returning. Our automotive business leaders survey shows that half of all businesses surveyed have secured or are seeking new investment in the UK, despite a globally volatile and economically challenging environment.

We must, therefore, re-create a competitive edge that delivers growth, employment and the critical capabilities that will shape the next generation of mobility. Government has taken several positive steps in the last 12 months, but the time now is for giant leaps.

The return to a long-term Industrial Strategy, with automotive rightly recognised within the government's eight growth-leading sectors, is significant. Automotive sits at the core of the Advanced Manufacturing Sector Plan but now needs rapid action to close the gap with international competitors.

Energy cost relief is the headline-grabbing measure and its delivery will be the acid test of the Strategy. Government has already made minor reforms to the Zero Emission Vehicle Mandate to help manufacturers meet the requirements and we must assess the market closely, as consumer demand remains low without incentives. And critical trade agreements with the United States and India, and a reinvigorated relationship with the European Union, offer new hope on the global stage for our export-led manufacturers who want to grow at home and abroad.

The new Industrial Strategy must be the foundation on which the growth of UK automotive is built. We want to return the UK to the top 15 global auto manufacturing locations and deliver a £50 billion boost to our nation's economy. With the right enablers in place, this can be a reality given our capabilities, our heritage, our innovation and our people.

The new industrial strategy – and the forthcoming trade strategy – must be implemented in full and at pace. They are purposefully and rightly long term. They must be supported across government and they must build confidence, enhance investor relations, and create the conditions for us to compete. Do this, and the automotive sector will repay that investment in full, delivering the economic, social and environmental benefits the UK deserves.

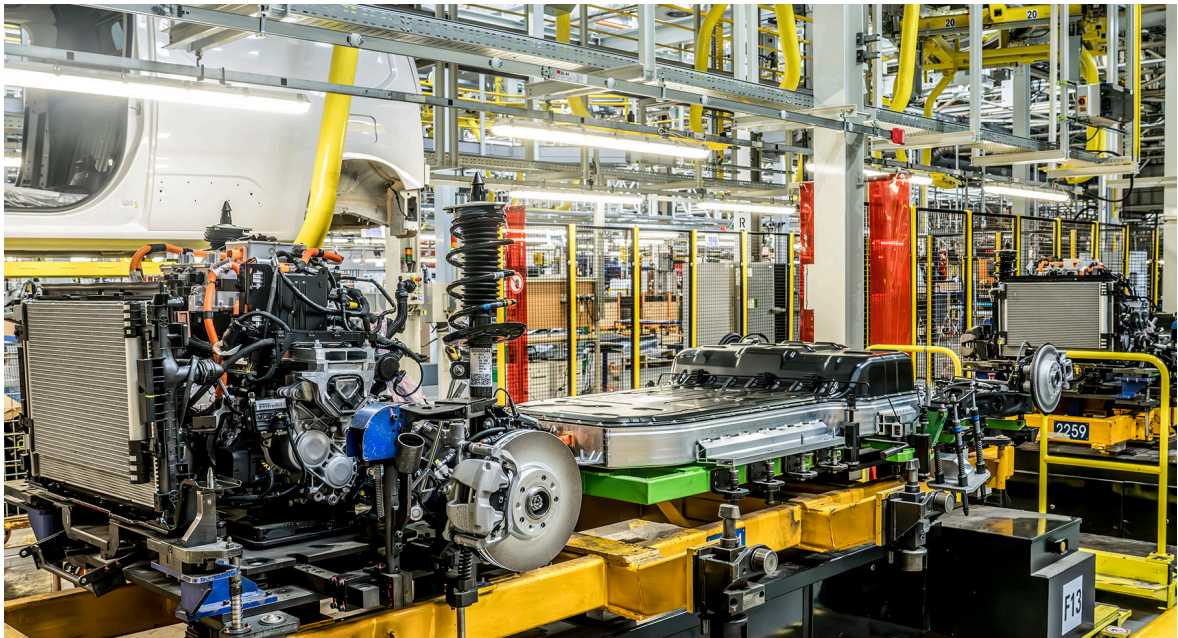
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# SUMMARY OF RECOMMENDATIONS

 <p><b>Set a joint challenge to return the UK to the top 15 global automotive manufacturing locations as an early indicator of successful implementation of industrial strategy by 2030.</b></p>	 <p><b>01</b></p> <p>Ensure the UK's competitiveness prospectus and role of the Office for Investment to promote the UK's offer is geared to support new and existing automotive investors, allied to an annual review and benchmarking of global investment incentives for advanced manufacturing.</p>	 <p><b>02</b></p> <p>Introduce transformative new support to supercharge the market, including:</p> <ul style="list-style-type: none"><li>a. A major purchase incentive scheme for consumers for the duration of the Zero Emissions Vehicle Mandate, such as a headline VAT cut on new ZEVs.</li><li>b. Maintenance and extension of support for the harder to decarbonise van and heavy duty vehicle (HDV) segments.</li></ul>	 <p><b>03</b></p> <p>Publish a clear roadmap for bus, coach and HDV decarbonisation co-developed with industry, including support for efficient operations through the transition, accessible infrastructure, targeted long-term incentives, and supportive regulation which considers the role of multiple technologies.</p>	 <p><b>04</b></p> <p>Ensure everyone has a 'right to charge' by mandating delivery of public charging and refuelling infrastructure across the UK with binding targets, leading to a significant uplift in and reliability of all types of public chargers for all vehicle sizes.</p>	 <p><b>05</b></p> <p>Reduce the policy cost of energy, enable access to equivalent energy intensive relief, and increase energy efficiency and decarbonisation programmes to support international competitiveness - delivering immediate relief for auto manufacturing and benefits for consumers while driving for Clean Power 2030.</p>
 <p><b>06</b></p> <p>Deliver step-change Supply Chain funding to de-risk private investment into competitiveness-building activities – leveraging capital expenditure and grants, R&amp;D and skills with easy-to-access finance – to inject immediate support into the UK supplier base.</p>	 <p><b>07</b></p> <p>Deliver on the promise to allow 50% of the Apprenticeship Levy to be spent on non-apprentice training, so automotive businesses that are transforming their production capabilities can simultaneously transition the skillsets of their workforce.</p>	 <p><b>08</b></p> <p>Maximise and develop the EU-UK economic relationship to protect and grow the European automotive sector, including Rules of Origin for electrified vehicles and batteries, UK accession to the PEM Convention, and enhanced co-operation on mutually beneficial regulation.</p>	 <p><b>09</b></p> <p>Deliver on the foundations of the UK-US Economic Prosperity Deal to maximise automotive exports within the existing quota and advocate for growth and new opportunities year on year between our dynamic and innovative auto markets.</p>	 <p><b>10</b></p> <p>Deliver trade agreements with new and existing trading partners which place automotive at the core, increasing export opportunities and developing market access in new and existing destinations.</p>	<p>Editor's note: SMMT's UK Automotive Business Leaders Barometer was a survey of CEOs and MDs undertaken between April and May 2025, with more than 50 respondents representing businesses with a combined £79 billion turnover and 87,000-strong workforce – representing 98% of UK vehicle production. 35% of respondents were vehicle manufacturers, 40% supply chain businesses and 25% other auto companies (eg distributors, aftermarket, converters and finance businesses).</p>




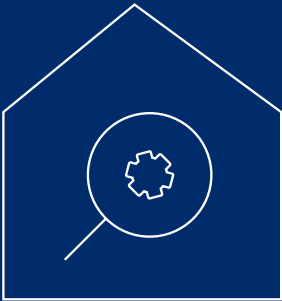




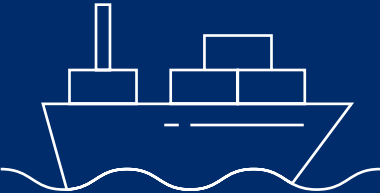


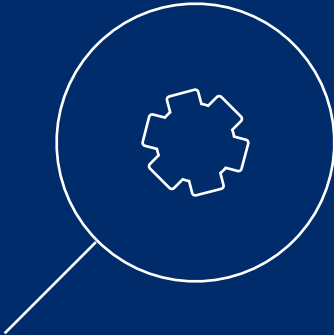

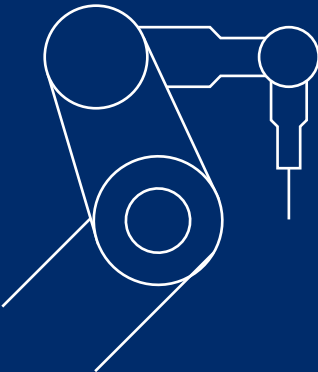
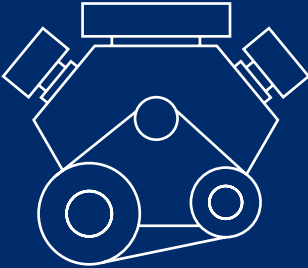
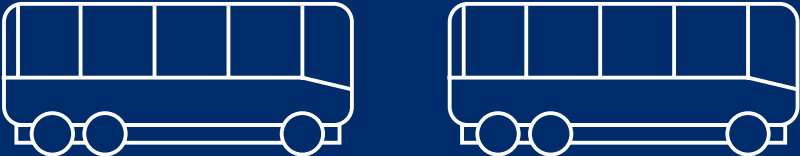


## THE £50 BILLION PRIZE

SMMT's latest research suggests that with the right market and industrial conditions in place, there is a £50 billion prize to be won on the road to 2035, with clear potential economic benefits – and environmental leadership – as a top global automotive manufacturing hub.

- Incentivised stronger UK production and market versus base outlooks, adding volumes worth an extra £50 billion between 2026-2035
- UK production and assembly boosted to almost 10 million light vehicles (adds £21.5 billion)
- New car market reaching almost 22 million units (adds £28.5 billion)
- This includes more than 15 million new zero emission cars on the road and ensuring a fair transition, with the incentivised market delivering some three-quarters of a million more EVs than would otherwise be registered
- By 2035 half of all cars in use could be zero emission, cutting total CO<sub>2</sub> emissions by 55% compared with today and saving 175Mt CO<sub>2</sub>

This assumes supportive enabling conditions and no disruption to supply or economic shocks, chargepoint rollout keeping pace with uptake and robust consumer demand for ZEVs for manufacturers to meet regulatory requirements.

# UK AUTOMOTIVE AT A GLANCE

<div>Turned over</div> <div>£92bn</div>	<div></div> <div>Exported products worth £44 billion, accounting for 13.4% of the UK's total export goods</div>	<div>796,000</div> <div>People employed across wider UK Auto</div>	<div></div> <div>23 R&amp;D centres</div>	<div></div> <div>125,649</div> <div>Commercial vehicles built in 2024</div> <div></div>
<div></div> <div>Private sector investment £8 billion</div>	<div></div> <div>41,964,268</div> <div>Vehicles on UK roads in 2024</div>	<div>603,565</div> <div>Cars (not vehicles) exported in 2024</div> <div></div>	<div>9 Design centres</div> <div></div>	<div>5</div> <div>Commercial vehicle manufacturers</div> <div></div>
<div></div> <div>£5bn</div> <div>Invested in R&amp;D</div>	<div>4 Mainstream</div> <div>car manufacturers</div> <div></div>	<div></div> <div>Cars built in 2024</div> <div>779,584</div>	<div></div> <div>10</div> <div>Engine manufacturers</div>	<div>7 Bus and coach manufacturers</div> <div></div>
<div>Added</div> <div>£25bn</div> <div>in value to the UK economy</div>	<div></div> <div>7 Major premium and sports car manufacturers</div> <div>60+ Specialist car manufacturers</div>	<div>2,500+</div> <div>Suppliers</div> <div></div>	<div>1,589,751</div> <div>Engines built in the UK 2024</div>	<div>351,834</div> <div>LCVs registered 2024</div>



# UK COMPETITIVENESS IN AN AGE OF UNCERTAINTY

## A CHALLENGING YEAR IN THE REARVIEW MIRROR

The last year has been defined by growing headwinds and constrained markets. Geopolitics looms large over the global economy, new trade barriers have risen in an unwelcome call back to history and rising costs threaten the UK's competitiveness. Unsurprisingly, industry leaders have seen confidence levels fall and operating conditions decline in the last 12 months:

- 69% of survey respondents observed that UK economic conditions have deteriorated, despite the UK performing marginally better than the state of the global auto industry.
- 84% said the global trade environment has worsened, 31% significantly so. No respondent saw an improvement.
- Nearly half of all businesses saw profits fall, while 88% said labour costs had risen, driven by tax and NIC rises equivalent to an extra cost of £1,000 per employee.

## A GLIMMER OF HOPE ON THE ROAD AHEAD?

Looking ahead, industry leaders foresee a fragile economic environment to persist but expect the situation to improve over the next 12 months. Although most scores remain net negative, revenues, exports and orders are expected to grow, offering a glimmer of hope.

- Compared with the last 12 months, all KPIs are expected to improve except for employment costs, which two-thirds expect to rise further.
- High hope is also given that the global trade environment will settle, leading to improvements in the state of the automotive sector globally.
- UK innovation and R&D spend has risen from £4 billion per annum to £5 billion in response to rapid technological change.

“The industrial strategy must include specific policies and support mechanisms which directly address the immediate threats to the competitiveness of the UK automotive industry.”

Managing Director of a Tier 1 supplier

## UK AUTOMOTIVE BUSINESS LEADERS BAROMETER

### PERFORMANCE LAST 12 MONTHS

No leader has seen an improvement in the global trade environment.

87% have seen a rise in business employment costs.

UK industry is seen as being in a better state than the global industry although the majority say both have worsened.



### PERFORMANCE OUTLOOK NEXT 12 MONTHS

A larger proportion expect conditions to improve but overall, for all measures, the majority expect to see either no change or a deterioration.

Employment costs are expected to worsen most.



### BUSINESS SETTING

Net change in perception of business conditions

Confidence is fragile, but fewer leaders are expecting the industry to worsen.

CONFIDENCE IN UK COMPETITIVENESS  
HOLDS THE MIDDLE GROUND, BUT FRAGILE

The UK continues to be an island facing a storm, and business leaders’ confidence in the UK automotive sector remains surprisingly strong – due in part to the industry’s resilience through EU withdrawal, the Covid pandemic and ongoing geopolitical challenges, from the war in Ukraine to rising protectionism.

The UK is seen as on par with key competitors, including the EU, Japan and the US, but lagging behind China and India as the Asia-Pacific regions undergo rapid, competitive growth year on year. Confidence is fragile, however. Industry leaders believe the UK’s competitiveness is likely to deteriorate over the next five years without decisive action – especially against a resurgent United States behind a rising tariff wall and Asian auto sectors going from strength to strength. Global competition is intensifying, as those with an automotive sector seek to protect their interests while many of those without seek to land or grow their own domestic footprint given the halo effect associated with healthy advanced manufacturing capabilities – innovation, economic growth, quality employment, societal advancement and environmental rewards.

THE MULTI-BILLION POUND QUESTION  
– TO INVEST OR NOT TO INVEST?

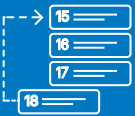
After a successful 2023, with almost £20 billion of investment announced for British automotive and battery manufacturing industries to invigorate the net zero transition, activity has retreated to £3.6 billion announced in 2024 and £2.7 billion in the first part of 2025. Uncertainty holds sway over many pending decisions and the dual challenge of realising those earlier investments against the backdrop of restricted economic growth.

The UK state’s culture of intervention has traditionally been extremely cautious while other nations have moved to turbocharge industry – from the EU’s NextGenerationEU programme with its Recovery and Resilience Facility and Industrial Action Plan for automotive, to the former US administration’s Inflation Reduction Act – to leverage private capital. However, investment remains on the table by necessity if the promise of decarbonised road transport is to be delivered.

On the positive side, half of respondents in 2025 said they had recently secured investment or

planned to invest here in the UK – with one in five securing private investment in the UK and nearly a third chasing investment. A greater proportion of respondents are actively pitching in the EU27 and USA for new investment they expect to capture in the next 12 months.

Signs of concern still sit beneath the headlines, with a quarter of leaders stating they have no plans to invest in the UK in the foreseeable future due to current uncertainty, and a further one in 10 stating there is a risk of disinvestment under current circumstances. Respondents in the UK reported greater difficulties securing investment, or that investment was not being made, due to market uncertainty – a level almost twice that in the EU (27.1% versus 15%). Where investment was considered, nearly 90% were targeting people and skills, and 95% product and digitalisation to maximise existing capabilities. Of surveyed leaders, 70% intended to invest in enhancing existing facilities, but only 58% in new facilities – suggesting lower confidence or investor certainty in large-scale investments and decision-making at this time. Critical action is therefore needed to turn strategy into long term growth and success, driving the UK as a global automotive manufacturing hub delivering zero emission mobility to consumers at home and abroad.

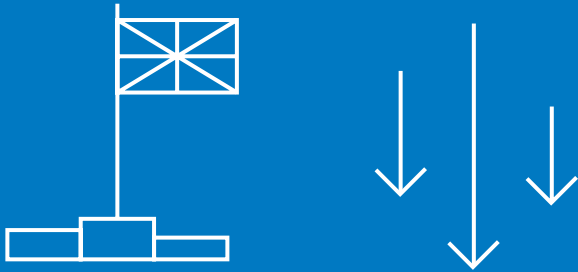


Set a joint challenge to return the UK to the top 15 global automotive manufacturing locations as an early indicator of successful implementation of industrial strategy by 2030.

RECOMMENDATIONS



01 Ensure the UK’s competitiveness prospectus and role of the Office for Investment to promote the UK’s offer is geared to support new and existing investors in the automotive sector, allied to an annual review and benchmarking of global investment incentives for advanced manufacturing.



UK COMPETITIVENESS

The UK is holding its own for now but competitiveness is **expected to fall**.  
Current UK average competitiveness is 2.56 out of 5, **expected to dip** to 2.41 over the next five years.

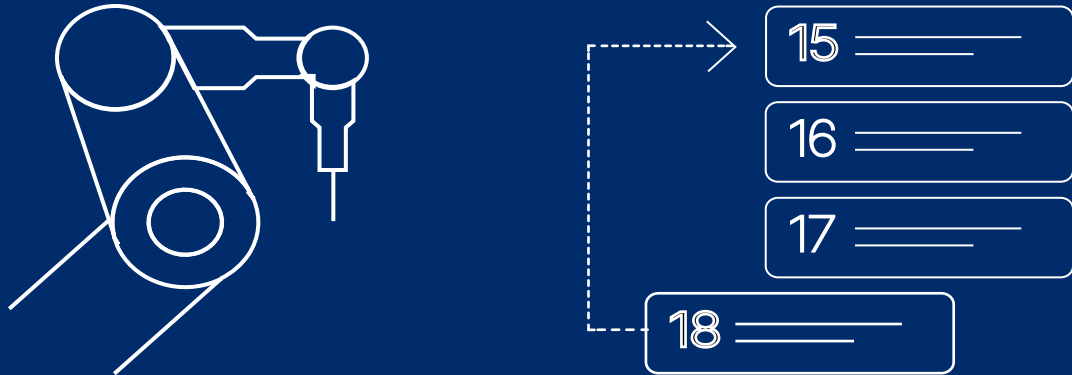


CURRENT INVESTMENT  
ACTIVITY

Almost a quarter of respondents from UK automotive businesses have recently **secured investment** in the UK.

TARGETING TOP 15  
GLOBAL AUTOMOTIVE  
MANUFACTURING  
LOCATION

UK currently 18th with **905,233 vehicles** produced in 2024  
Challenge to government and industry to return the UK to the **Top 15 global automotive manufacturing** locations, as an early indicator of successful implementation of industrial strategy **by 2030**.





# 01 UNLOCK THE MARKET, SECURE THE FUTURE

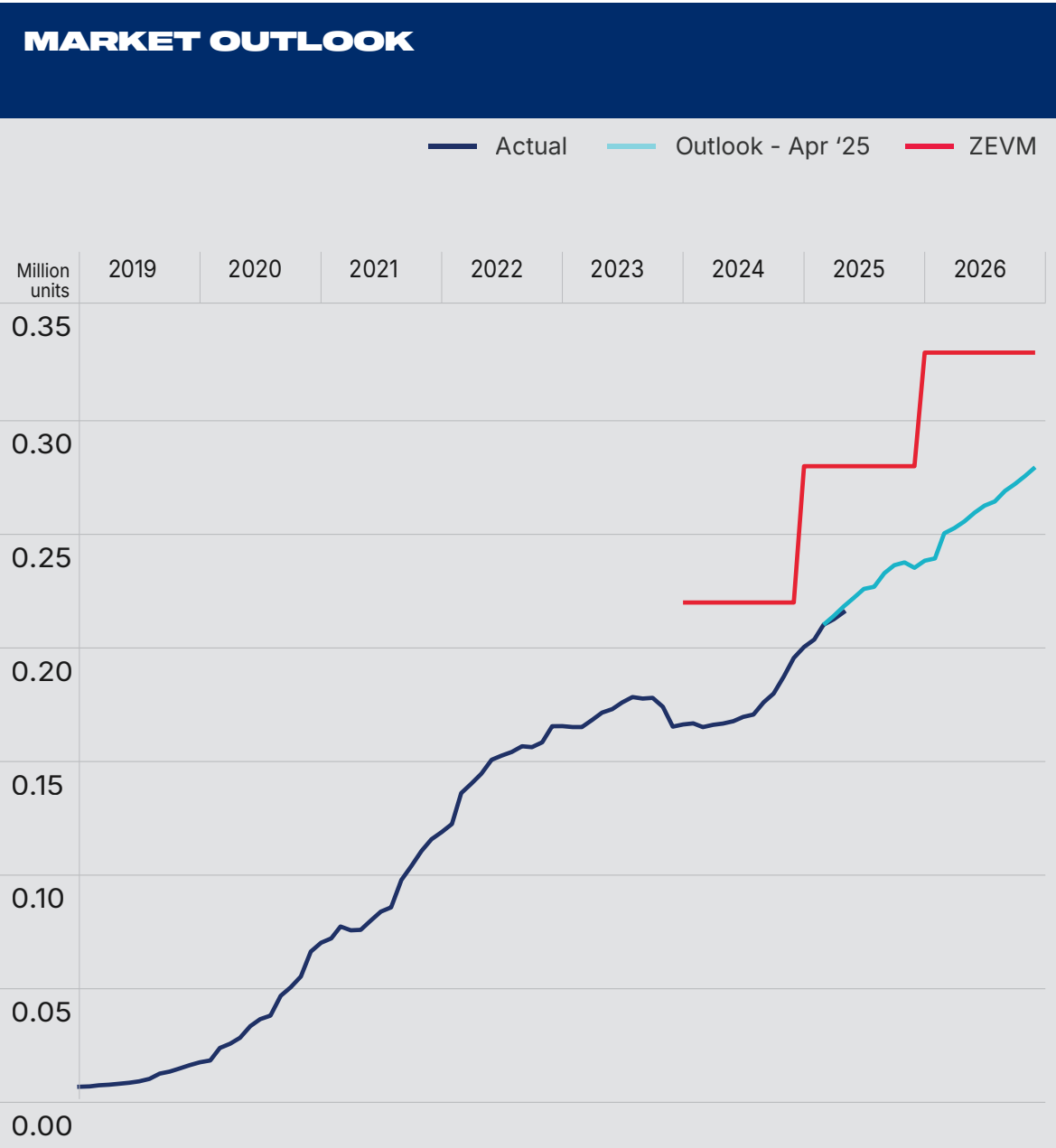
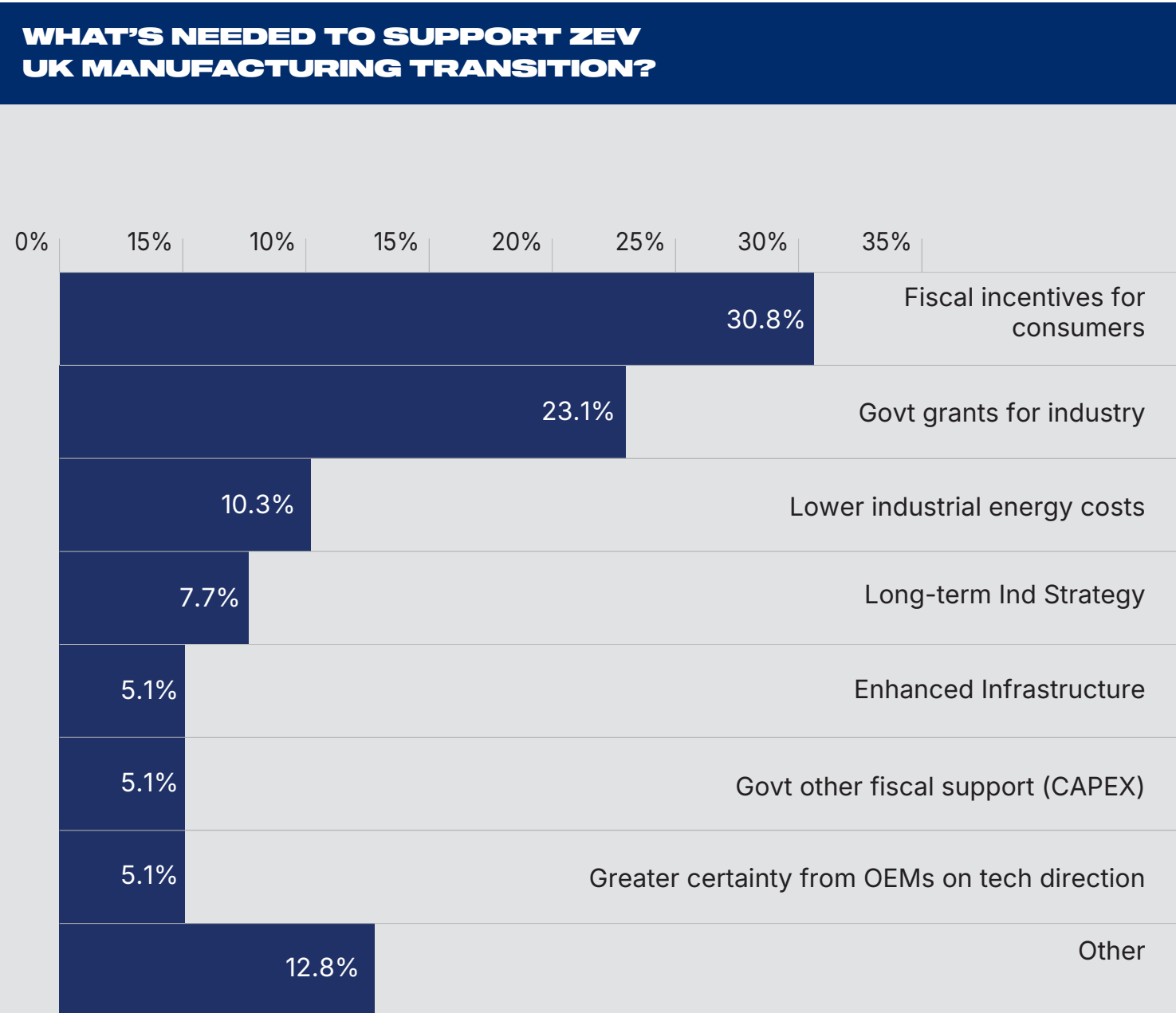
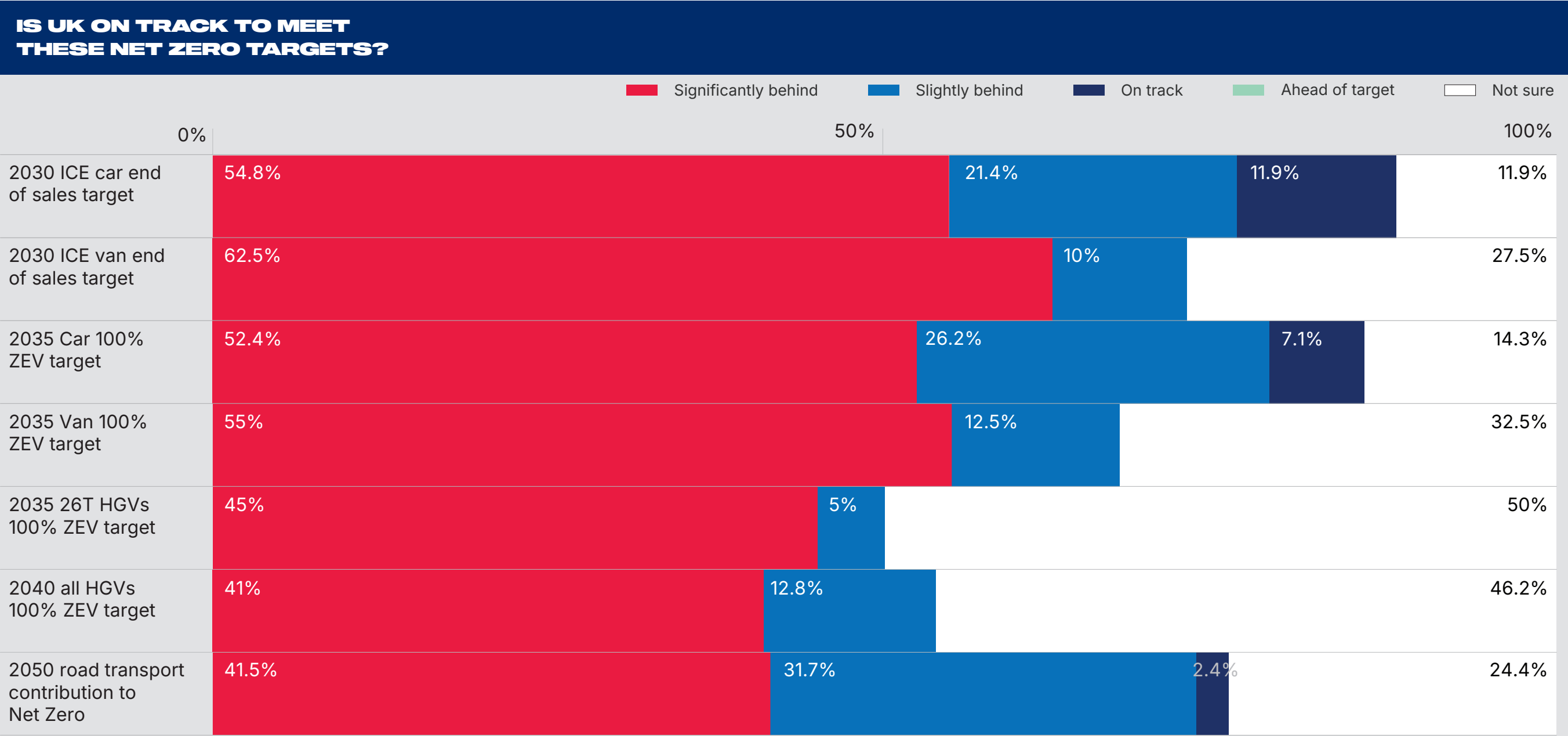
The UK has set some of the world’s most ambitious decarbonisation targets to meet its net zero commitments, placing the greatest burden and expectations on the automotive sector. However, organic market demand has not kept pace with this ambition. The tension between swift decarbonisation versus capturing the economic and industrial opportunities net zero offers has only risen.

Sustainability and decarbonisation are built into the sector’s future, with billions invested in zero emission vehicles – but a delicate balance remains between the UK’s industrial interests, a decarbonised market and the consumer journey. To date, more than £6.5 billion in product discounting on new cars has had to be leveraged to push the overall market towards mandated targets in 2024 and the first half of 2025. Recent changes to soften the cost of compliance in 2025 have been widely welcomed by industry but confidence in the market remains severely depressed and the level of discounting unsustainable. Globally, other markets, including the EU and USA, are revisiting the viability of the timelines previously envisioned in the face of multiple headwinds, and placing increased focus on support for domestic and international competitiveness and manufacturing.

More than three quarters (76%) of respondents said the UK is behind the required track to meet 2030 new car ambitions, with a similar number (79%) believing the UK is behind on 2035 targets. There is even greater concern about meeting 2030 van targets (including 63% who said significantly behind) and huge uncertainty on the future of heavy duty vehicle decarbonisation.

Nearly a third of leaders (29%) and more than 35% of OEM leaders cited fiscal support for consumers as the single most important measure to support the UK’s ZEV manufacturing transition, with many others stating its necessity as part of a multi-faceted approach including industrial support.

A healthy market is a pre-requisite for a strong industrial base. Recent policymaking has favoured regulatory levers and market intervention over industrial and domestic economic activity and broken this fundamental link. Initial changes have been roundly welcomed as a first step. Support for the market is now essential – and the industry’s leading call to enable the transition to zero emission mobility.



“Not a single respondent to our automotive leaders survey believes the UK is ahead of current net zero targets; most believe we are significantly behind.”

## RECOMMENDATIONS

- 02** Introduce transformative new support to supercharge the market, including:
- a. A major purchase incentive scheme for consumers for the duration of the mandate such as a headline VAT cut on new ZEVs
  - b. Maintaining and extending support for harder-to-decarbonise market segments, including vans and heavy duty vehicles.

- 03** Publish a clear roadmap for bus, coach and HDV decarbonisation co-developed with industry, including support for efficient operations through the transition, accessible infrastructure, targeted long term incentives, and supportive regulation which considers the role of multiple technologies.

- 04** Ensure everyone has a ‘right to charge’ by mandating delivery of public charging and refuelling infrastructure across the UK with binding targets, leading to a significant uplift in and reliability of all types of public chargers for all vehicle sizes across the whole UK.

# 02 INVEST 2035: AN INDUSTRIAL STRATEGY FOR AUTOMOTIVE

With the publication of the Industrial Strategy, now is the time to double down on the growth-driving sectors identified to deliver success for the UK economy. UK Automotive is key to the Advanced Manufacturing pillar.

The halo effect of a strong automotive sector cannot be underestimated – creating value, anchoring supply chains and delivering a world class engineering and manufacturing base across all UK regions and nations. Industry welcomes the initial commitments made by government in the Advanced Manufacturing Plan, which must be implemented at pace. This includes £2 billion over five years through the new future Automotive Transformation Fund to support zero emission vehicle manufacturing and accelerated battery manufacturing. New energy and decarbonisation measures must also immediately ease the burden on businesses to strengthen international competitiveness and attract investment, alongside additional CAM funding to support commercial deployment. Positive delivery can cement a leading role for the UK in zero emission mobility and emerging technologies.

The automotive sector benefits from policy stability and certainty, reflected by its high ranking by industry leaders. Alongside trade factors, leading issues include support for capital investment, a continued focus on R&D and innovation, and, unsurprisingly, energy and infrastructure. The measures included in the new 10-year strategy are a positive start. Four primary industrial challenges emerge, which the strategy must now build on.

### ELECTRIFYING THE FUTURE

Energy remains the single most challenging cost facing UK automotive manufacturers, and it affects the sector's international competitiveness and ability to attract new and continued investment in manufacturing sites and new models for existing production lines. Alongside labour, energy is the highest input cost in automotive and the Climate Change Committee's Seventh Carbon Budget sets a clear steer of expectation of an electric driven future.

Manufacturers have made great strides to improve energy use, deliver onsite renewables and decarbonise production. As the transition to net zero accelerates and electrification in both production and consumer use increases, electricity demand from the sector is expected to rise. Yet the UK still has the highest energy prices compared with core competitors.

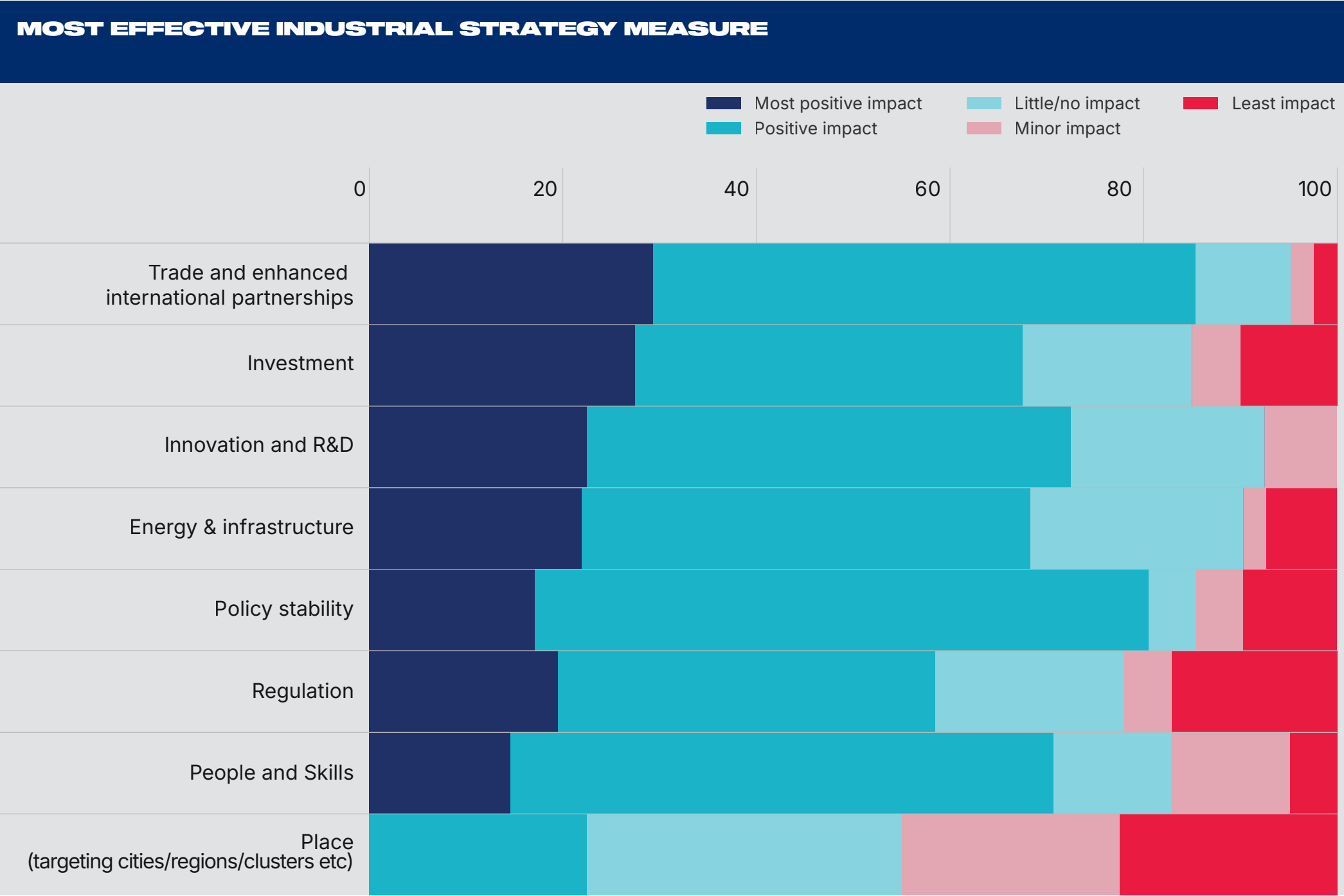
The Department for Energy Security and Net Zero's own energy data shows that the UK pays the highest price for electricity in Europe – 112% above the average. Average UK energy taxes are more than six times higher than those in the EU at 6.2p/KWh versus 1p/KWh. On electricity, UK businesses face taxes of 23% where European competitors face an average of only 8%. This structural deficit undermines the UK's ability to compete for investment at this moment of critical change. We welcome changes in the Industrial Strategy, but more needs to happen to close the gap.

While government's Clean Power by 2030 action plan seeks to address elements of these in-built disadvantages, the energy offer in the Industrial Strategy must deliver immediate impact and extend through to 2029 to sustain the UK's competitive manufacturing footprint until it can fully benefit from a decarbonised grid in the long term. The energy offer for business to date has been insufficient to significantly shift investor perceptions of the UK and greater intervention is still needed.

### A RESILIENT SUPPLY CHAIN AND AFTERMARKET TRANSFORMED FOR THE NEXT CENTURY

The transition to zero emission mobility has placed significant pressure on the supply chain as it seeks to service all technologies during the transition while also investing in the future. Half (49%) of automotive business leaders said the supply chain is significantly behind and could be a barrier to the overall ZEV transition if not addressed. No respondent believed the supply chain is on track and only a third (35%) thought it moving in the right direction. This flows through to the aftermarket and service sector, which must support multiple powertrain technologies across the historic and future UK vehicle parc.

Automotive transformation funding must continue to serve a dual purpose: offering step-change support for industry to meet government mandated targets and signalling the UK's commitment to net zero to international investors. High priority areas include access to or localisation of critical minerals processing and recycling, battery and associated componentry, and power electronics, all of which underpin future vehicle and powertrain manufacturing and assembly. This will foster resilient local economic activity and enhance supply chain security, increasing UK value add in support of exports. It will also make requirements for zero tariff treatment more easily achievable while improving utilisation of the UK's free trade agreements. SMMT sees the need for additional, targeted step-change funding to de-risk private investment into competitiveness-building activities, through the levers of CAPEX, R&D and skills that provide easy access to finance. Such steps would help inject urgency and consequential impact into the UK supplier base.





CREATING COMPETITIVE REGULATORY AND FISCAL FRAMEWORKS TO GENERATE A ZERO EMISSION FUTURE

Regulation is an often overlooked matter of competitiveness, impacting both manufacturing – through direct regulation and confidence in investment – and the market, by influencing the ease, cost and ability to bring goods into the UK. Government’s Industrial Strategy and growth mission must deliver a holistic approach to regulation, taxation and fiscal policy across all departments and agencies. Automotive thrives when operating in an internationally competitive business environment with a clear regulatory roadmap. This requires focused and adequate support for the industrial transition that balances any friction between the need for decarbonisation and the pace at which industry can sustainably transform – in favour of long-term competitiveness and economic growth, considering the same factors as those scrutinised by potential investors.

This is especially true when considering policy action within the UK’s direct competency that affects the cost base and perceptions of Britain as a place to do business. Recent examples include adverse tax changes that disincentivise or reduce new vehicle markets – such as Employee Car Ownership Schemes or reclassifying Double-Cab Pick-ups – or deter customers from switching to zero emission vehicles, such as the VED Expensive Car Supplement applied to electric vehicles.

Future regulatory frameworks must also be constructed with this in mind. Consideration should be given, not only to the domestic market but to coherence with key export markets. The foundations of this lie in even greater international co-operation – for example, in areas such as connected and automated vehicles, the circular economy, critical minerals policy and regulation. Government should seek to streamline regulation and reduce the cost and administrative burden on businesses wherever possible.

ADVANCING MANUFACTURING WITH ADVANCED EDUCATION AND SKILLS

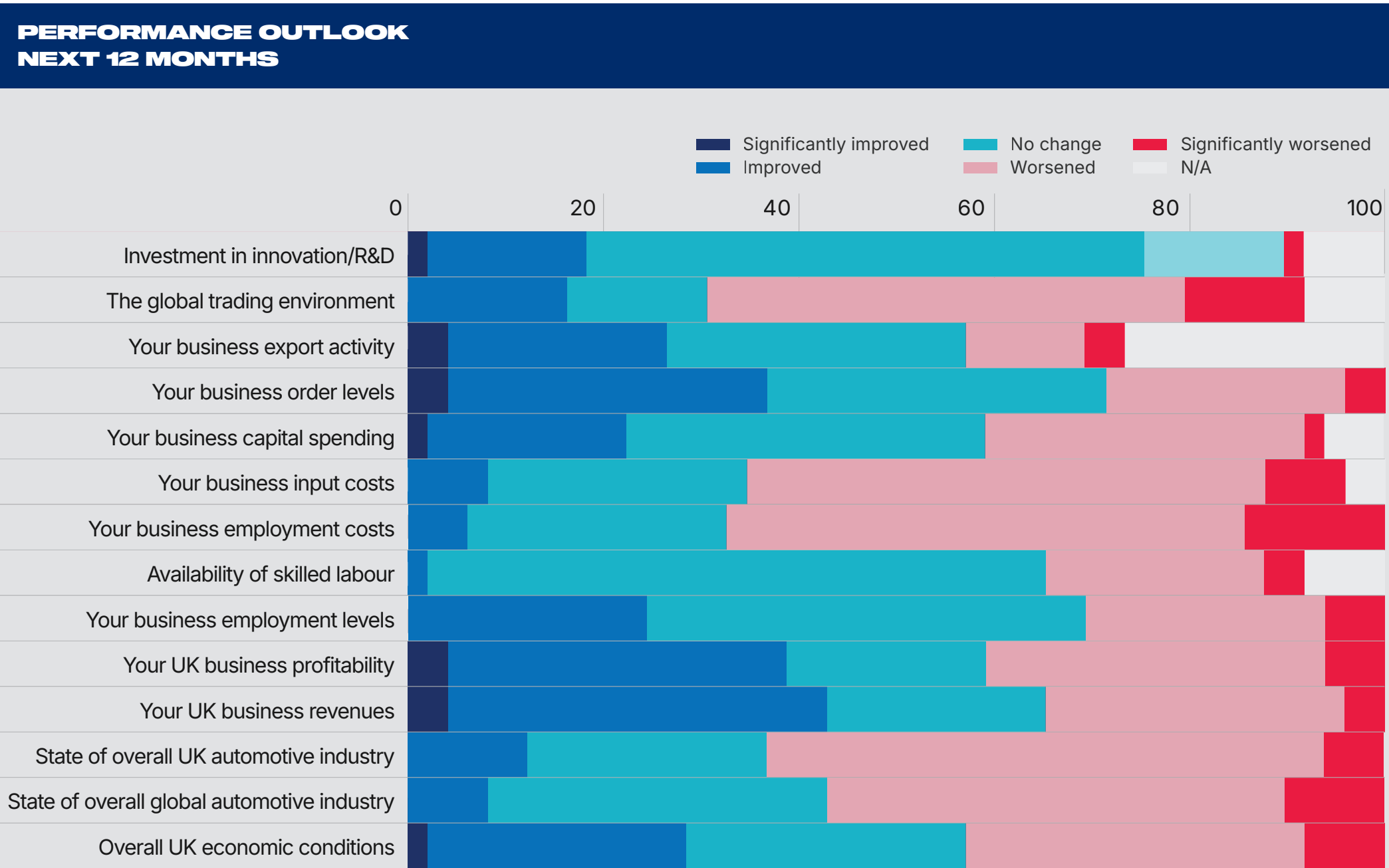
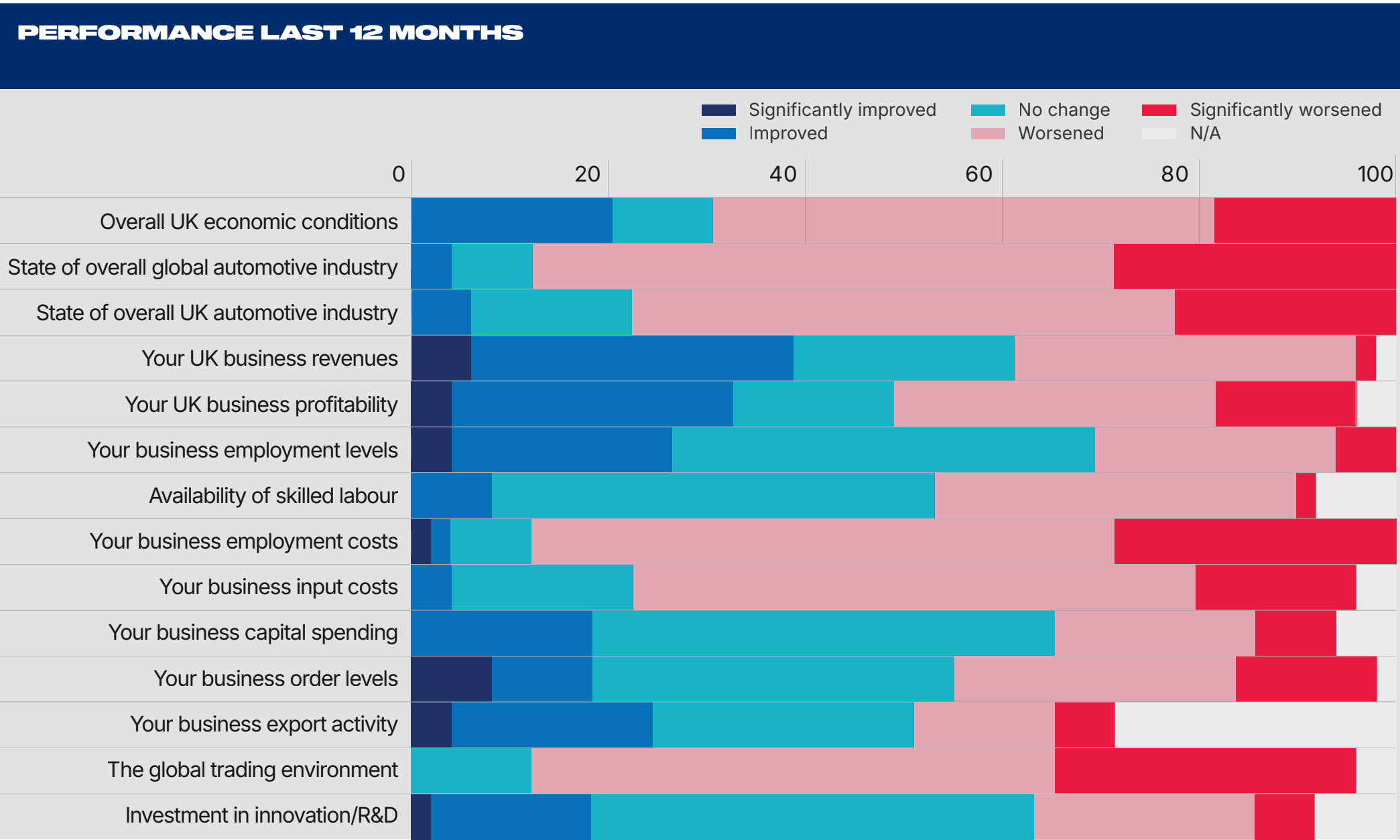
Almost 200,000 people work directly in UK automotive manufacturing. From changing employment rights and the increased costs of employment to the availability of skills and labour, automotive leaders cite a deteriorating

outlook over the next 12 months. This demands urgent attention to ensure our industry has the ability to create sustainable jobs with the skills necessary to deliver on the full potential of our growth-driving sector.

With production shifting dramatically towards electric vehicles over the next decade, Britain needs a new generation of engineers, designers and fabricators, as well skills in areas such as data analysis and software design to deliver the transition to electrification, decarbonisation and digitalisation. The UK automotive industry is recognised for its highly skilled workforce – a trait referenced as a key competitiveness criterion for investment, placing labour and skills as a top priority for international investors. The auto sector has found that the highly complex, and increasingly expensive, skills and employment landscape to be a significant contributing factor preventing business investment in the workforce. This challenge could be addressed through central government support in partnership with the industry

On upskilling and reskilling, it is critical to establish nationally consistent information about training opportunities, modular delivery to mitigate business costs and disruption to production, and quality assured short-course qualifications through Skills England and nationally. Employers across the value chain, and especially SMEs, need confidence that training will meet their business requirements, as well as continuing to ensure access to global talent and business mobility within the growth agenda. The Growth and Skills Levy must consistently evolve to match the needs of our sector, including higher level courses – twenty-first century advanced manufacturing needs advanced education and skills.

In summary, the automotive sector needs government to ensure a holistic approach to regulation and fiscal policy, across all departments and agencies, to foster an internationally competitive business environment that supports zero emission mobility and ensures decarbonisation does not mean deindustrialisation.



“Green energy is required, at low cost... Be bold, invest in big projects, and the returns will come.”

Managing Director of a Tier 1 supplier

RECOMMENDATIONS

- 05

Reduce the policy cost of energy, enable access to equivalent energy intensive relief, and increase energy efficiency and decarbonisation programmes to support international competitiveness – delivering immediate relief for auto manufacturing and benefits for consumers while driving for Clean Power 2030.
- 06

Deliver step-change supply chain funding to de-risk private investment into competitiveness building activities – leveraging capital expenditure and grants, R&D, and skills with easy to access finance – to inject immediate impact in the UK supplier base.
- 07

Fulfil the commitment to allow 50% of the apprenticeship levy to be spent on non-apprentice training, so automotive businesses that are transforming their production capabilities can simultaneously transition the skillsets of their workforce.

# 03 REDEFINING TRADE FOR A TITAN OF UK EXPORTS

The world has changed. The UK is a trading giant, typified by UK Automotive as a £108 billion trading hub, exporting more than 80% of vehicles manufactured here, and a domestic market driven primarily by imports. As a trade intensive nation, we cannot stand still as the waters change around our island. Automotive exports account for 13.4% of all UK manufactured goods exports and are therefore critical to the British economy.

Typically a pragmatic champion of free and fair international trade, the UK is now pursuing a more proactive approach – in partnership with business – to navigate a turbulent and febrile global environment.

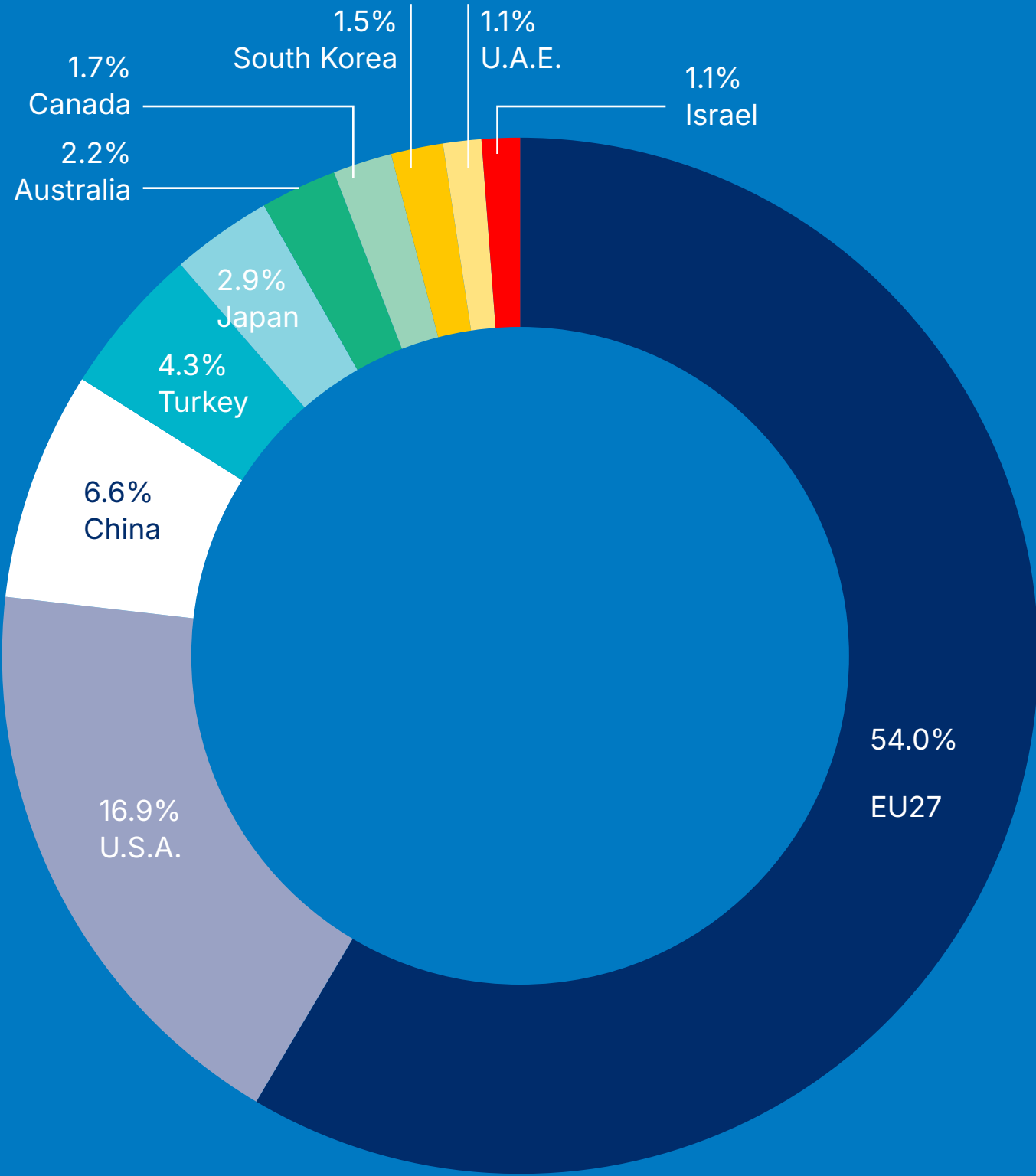
TRADING PLACES

As one of the UK’s leading goods exporters, the health of the UK’s domestic automotive sector is tied closely to trade with the rest of the world, and especially our three largest markets – the EU, USA and China. As an open trading nation, the UK is well positioned to capitalise but is also acutely exposed to systemic international shocks. We must continue to seek growth and diversification opportunities in the medium to long term – negotiating favourable terms for auto exports in new and existing deals, removing tariffs on the basis of workable origin requirements and agreeing on growth-enabling

quotas exclusively where less burdensome alternatives are not achievable, increasing market access and reducing non-tariff barriers to trade. Achieving a positive outcome in negotiations with the Gulf Cooperation Council, South Korea and Turkey, coupled with renewed efforts to address tariff barriers with Canada, could open new export opportunities for UK-built vehicles and parts. Beyond tariffs, developing regulatory co-operation in areas such as emission standards and homologation with prime trading partners such as Australia must also be prioritised.

The United States’ new trade posture has global ramifications, and the specific focus on defending automotive from global disruptions places our sector in the spotlight. The EU is doubling down on its ‘competitiveness compass’ and defending its interests on state subsidisation. China – the market which British auto leaders see as the hardest for the UK to compete with – is investing heavily in electrified vehicles and batteries, and growing its export exponentially. The UK government has thus far adopted a different, more open approach toward China than other nations and markets across trade and economic relations. The UK’s new trade strategy, in both principles and in action, must guide business.

UK CAR EXPORTS



TOP EXPORT DESTINATIONS FOR UK CARS

	EU27	326,031	54.0%
	U.S.A.	101,870	16.9%
	China	40,036	6.6%
	Turkey	26,046	4.3%
	Japan	17,218	2.9%
	Australia	13,079	2.2%
	Canada	10,194	1.7%
	South Korea	9,260	1.5%
	U.A.E.	6,669	1.1%
	Israel	6,650	1.1%

603,565  
Cars manufactured  
for export in 2024

Nearly 8  
out of 10  
Cars made in the UK are exported

The UK exports to more than  
140 markets  
worldwide



SWITCHING EUROPEAN HEADWINDS FOR WARMER TRADEWINDS?

With nearly a third of automotive leaders seeing the EU relationship reset as part of the antidote to international trade disruption, greater emphasis must be given to the next chapter of EU-UK relations. UK Automotive sits within the heart of an integrated and highly successful European value chain and at the core of our shared ambitions on economic growth, international competitiveness and net zero. Building on the momentum of a successful EU-UK Summit, we should seize the opportunity to immediately resolve shared challenges within our collective gift and commit to avoiding tariffs on bilateral trade of automotive products on a permanent basis. This includes:

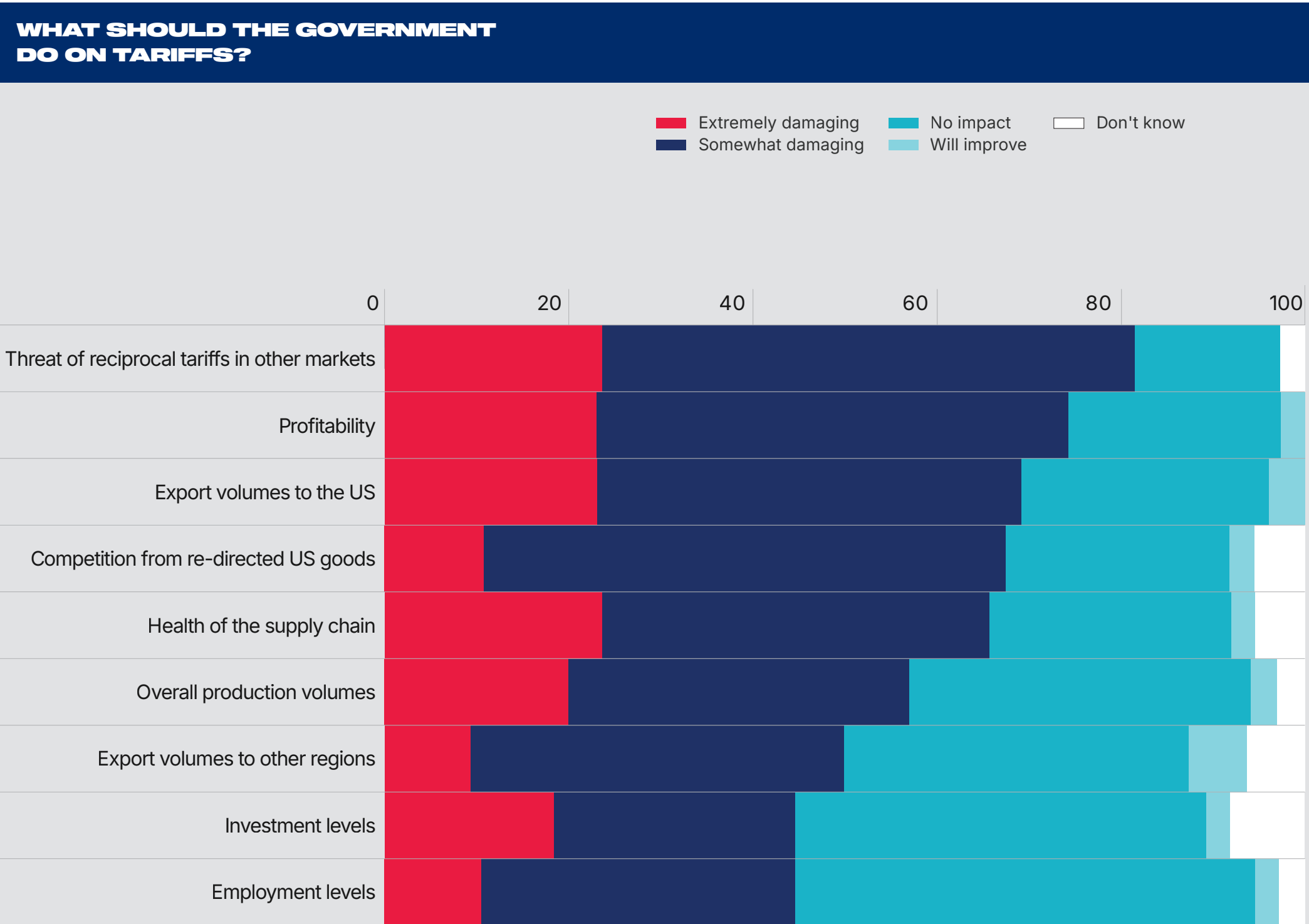
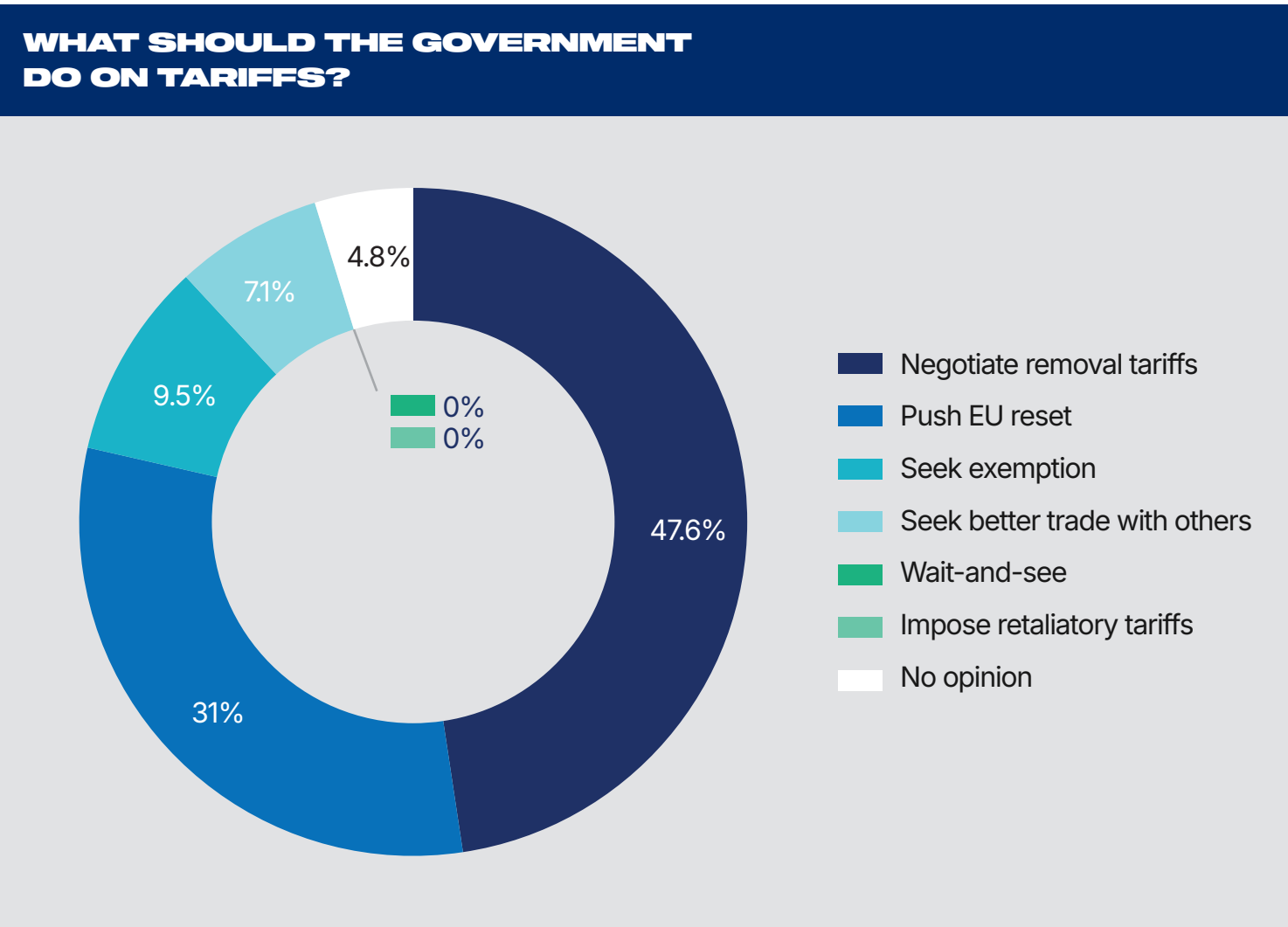
- Assessing the feasibility of, and compliance with, rules of origin requirements on electrified vehicles and batteries from 2027.
- Agreement over workable technical guidance on rules applicable to cathode active materials to negate the impact of recent delays to critical investments in battery production and localisation across Europe.
- Accelerated consideration of UK accession to the Pan Euro-Mediterranean Convention on Rules of Origin (PEM) as an alternative to the TCA's origin rules.
- Linking or collaborating on compatible energy and sustainability measures building on agreements to work together on carbon borders and emissions trading schemes.

Further collaboration and co-operation on the wider regulatory frameworks which will shape the future of our industry in areas of mutual interest or shared ambition should go hand in hand with this new phase of the relationship.

DISUNITED STATE OF TRADE?

The new UK-US Economic Prosperity Deal – the first of its kind – is a significant achievement and limits the harm of additional tariffs inflicted on UK manufacturing. The importance of this deal, and the need to operationalise it swiftly and smoothly, is underscored by over £8.6 billion in exports in 2024. Without a resolution, three-quarters of UK auto leaders expected US tariffs to damage profitability (74%, with 23% saying extremely so) and concerns were also raised about the wider threat of reciprocal tariffs in other markets (82%) as the global trading environment is redefined. More than half saw a hit to overall UK production volumes and one in four envisaged extreme damage in particular to the supply chain – which is well understood already to be under strain. Consequential price rises for consumers would affect everything from volume demand to meeting climate obligations, with the underlying risk of some business operations being scaled down or cancelled entirely.

The new Economic Prosperity Deal must now lay the foundation for an ambitious, forward-looking relationship that can increase and improve trade and market access over time – bringing together two major automotive markets in the pursuit of shared economic and industrial growth, assuaging exporters’ concerns and building bridges with this vast, dynamic economy.



RECOMMENDATIONS

08 Maximise and develop the EU-UK economic relationship to protect and grow the European automotive sector, including rules of origin for electrified vehicles and batteries, UK accession to the PEM Convention and enhanced co-operation on mutually beneficial regulation.

09 Build on the foundations of the UK-US Economic Prosperity Deal to maximise automotive exports within the existing quota and advocate for growth and new opportunities year on year between our dynamic and innovative auto markets.

10 Secure trade agreements with new and existing trading partners that prioritise automotive, expanding export opportunities and market access in new and existing destinations.

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