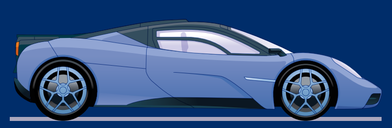
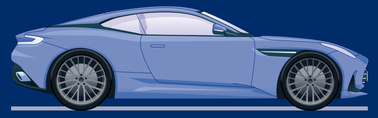
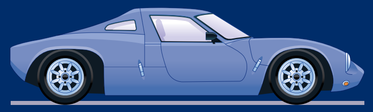
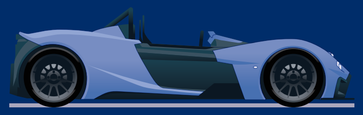
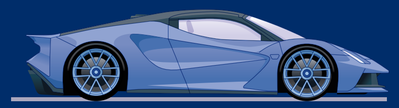
SMMT
DRIVING THE
MOTOR INDUSTRY

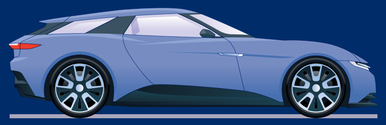


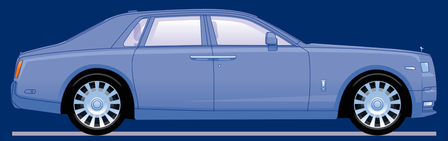





THE UK'S SMALL VOLUME AUTOMOTIVE MANUFACTURERS: **AN ENDURING BRITISH SUCCESS STORY**




Mike Hawes

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

The UK is home to one of the world's most diverse automotive industries and is a leading location for the design, prototyping, engineering and manufacturing of luxury, high performance and niche vehicles. Over the past century, these small volume manufacturers (SVMs) have become a staple of the UK's economy and a quintessential British success story. They perform a key role in the development of advanced technologies such as aerodynamic designs, light-weighting and safety concepts, which are often rolled out across the wider automotive industry. They make significant contributions to British jobs and growth, locally and nationwide.

The UK's SVMs are well suited to deliver key long-term objectives identified by government as part of its mission-driven approach with employment, exports and investments interconnected aspects of economic growth. The heritage of the UK's SVMs adds immense value as these manufacturers are iconic businesses invested, and investing in, the UK and a major strength of British manufacturing.

These companies also have a significant level of integration and recognition within local communities and regional supply chains. The sector employs more than 15,000 people and supports more than 60,000 jobs in adjacent sectors and even more across the globe, with skills, technologies and innovation that stretch beyond the confines of automotive into aerospace, defence and other sectors.

As much as 90% of UK SVM vehicle output is for export, compared with the industry average of 77%. While automotive is the UK's largest exporter of goods, SVMs contribute significantly to the proportion of high-value exports with nearly £5 billion of goods shipped overseas annually.

As government looks to grow the economy, policy mechanisms and incentives should reflect the needs of this unique and highly valuable sector. We must continue to work together to protect and grow a vibrant SVM sector in the UK.

POLICY ASKS

01 Recognise the value of the UK's SVMs to deliver economic growth
As a key pillar of advanced manufacturing SVMs can support government to deliver its modern industrial strategy missions to boost exports, attract investment and grow the economy.

02 Align policies and regulatory frameworks to allow SVMs to transition sustainably
SVMs need flexible pathways for decarbonisation beyond 2030. Zero emission technologies are not yet commercialised for high performance vehicles as lead times for product development are often between five and six years – longer than volume players. Policy and regulatory intervention must ensure the segment can satisfy consumer expectations and retain its world-class product development in the journey to decarbonisation.

03 Trade negotiations must address market access barriers
SVMs must be a priority interest of the UK when entering into trade negotiations. As SVMs invest in building and designing cars in the UK, reducing non-tariff barriers and securing SVM facilitations in Free Trade Agreement negotiations must be prioritised.

04 Greater access to R&D funding to drive innovation
Grant and competition funding must provide improved eligibility and access for SVMs, which are often on the frontline of innovation and can deliver significant return on investment to the benefit of the wider economy.

05 Enabling the workforce transition
More than three-quarters of the current SVM workforce will need upskilling by 2030. The Growth and Skills Levy must deliver on the pledge to allow up to 50% of the levy to support the upskilling of existing workers via accredited modular training courses.

THE UK'S SMALL VOLUME MANUFACTURERS

The UK's Small Volume Car Manufacturers (SVMs) are present across the UK and their sales and marketing operations span the globe. With a heritage spanning more than 100 years, the UK's SVMs offer a huge range of unique, high performance and highly desired products the world over. This map illustrates their UK footprint.

WHAT IS A SVM?

Regulators across the world recognise the specific circumstances that SVMs operate in and provide a variety of provisions for them to ensure that regulation is appropriate and proportionate while still delivering the policy intent. Different definitions therefore exist to achieve this – some based on production volumes, some on number of registrations, some global, some regional.

This report adopts the UK Vehicle Emissions Trading Schemes (VETS) Order of 2023's definition of an SVM as a manufacturer registering fewer than 2,500 vehicles annually in the UK, with a Micro Volume Manufacturer registering fewer than 1,000.

01 **Aston Martin Lagonda**	Gaydon, Warwickshire - HQ St Athans, Vale of Glamorgan - Production & Technology Centre Newport Pagnell, Buckinghamshire Wolverton Mill, Buckinghamshire Silverstone, Northamptonshire Wellesbourne, Warwickshire
02 **Alcraft**	Towcester, Northamptonshire - Innovation Centre
03 **Bentley**	Crewe, Cheshire - HQ
04 **Caterham**	Dartford, Kent - HQ
05 **Dare**	Colchester, Essex - HQ
06 **Elemental**	Hambledon, Hampshire - Manufacturing Facility
07 **Ginetta Cars**	Garforth, Leeds - HQ
08 **Gordon Murray**	Windlesham, Surrey - HQ
09 **McLaren**	Woking, Surrey - McLaren Technology Centre, McLaren Production Centre, Woking Campus Rotherham, Sheffield - McLaren Composites Technology Centre Bicester, Oxfordshire - Regional Office Leamington Spa, Warwickshire - Regional Office Shalford, Surrey - Regional Office
10 **Morgan**	Malvern, Worcestershire
11 **LEVC**	Ansty, Coventry - HQ
12 **Lotus Cars**	Hethel, Norfolk - HQ Norwich, Norfolk - Manufacturing and Aftersales Warwick, Warwickshire - Advanced Technology Centre
13 **Pilgrim**	Henfield, West Sussex - HQ
14 **Radical Motorsport**	Peterborough, Cambridgeshire - HQ
15 **Rolls Royce**	Goodwood, Chichester - HQ

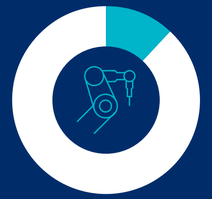
INDUSTRY INSIGHTS

15,000

More than 15,000 people are employed in UK SVMs in 2024 - this is approximately 8% of the direct UK automotive workforce

SVMs produced just over **31,000** cars in 2024 - this was **4% of the UK total**

SVMs accounted for **12%** of the value of **all UK car production** (based on factory gate prices) in 2024, compared with being 4% of overall production volume.



On average **81%** of the current SVM workforce will need to be **upskilled by 2030,** but for some manufacturers this figure reaches 100%

60,000

SVMs support an estimated 60,000 jobs in the UK supply chain and adjacent sectors, including automotive retail, steel, chemicals, plastics, rubber, advertising, finance and logistics

Vibrant sector turnover **£5.5bn** sales in 2024

£43,500

SVMs offer an average salary of more than £43,500, 18% higher than the national average and 5% higher than the rest of the automotive industry

UK SVMs exported nearly **£5 billion** of goods in 2024

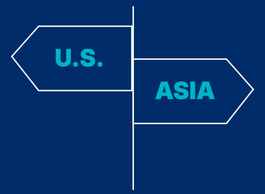
Around **90%** of all cars made by SVMs are exported

above the overall UK car export average of **77.4%**

£3.5bn+

Since 2020, UK SVMs have invested over £3.5 billion into Research & Development

In 2024, SVMs experienced a growth in exports to the US, but Asia still stands as a key market for growth



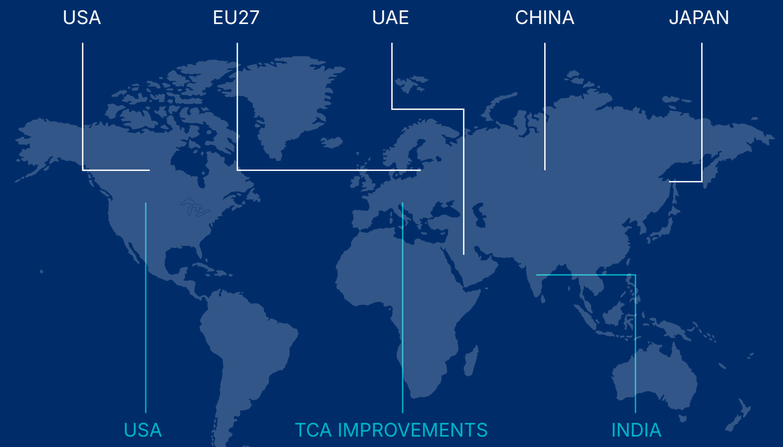
600 apprentices

are currently employed in the SVM sector

EXPORT DESTINATIONS

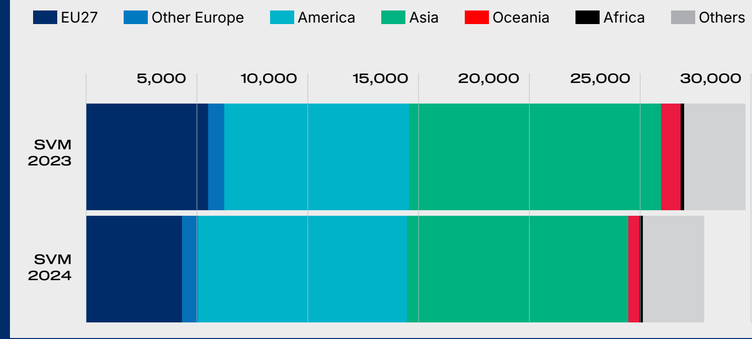
As much as 90% of UK SVM output is exported, with vehicles produced for customers in more than 120 markets globally.

TOP 5 EXPORT MARKETS



SVM PRIORITY MARKETS FOR IMPROVED TRADING RELATIONS

UK car exports - By type and destination



SMALL IN VOLUME, LARGE IN VALUE

SVMs are a British success story

The nature of small volume manufacturing allows customers to choose bespoke options to customise their vehicles and make them unique. The relationship between SVMs and their supply chain is also unique, and they provide heritage and start-up suppliers with a lower-risk opportunity to place products on the market in a small quantity, but which may be desired by the mass market in the future. By their very nature, SVMs often have a higher UK domestic value added in their vehicles than usually found in the mass market due to the higher costs and bespoke workmanship associated with smaller economies of scale and sourcing requirements of premium or niche products. These manufacturers often rely more heavily on local suppliers to deliver high-quality parts and components for their bespoke vehicles, helping to support local communities and regional economies within the UK, while also lowering their carbon footprint.

On average, SVMs can add significant domestic content value. Overheads, profits and access to local supply chains can all contribute to SVMs typically inputting greater regional value content which can enable them to take advantage of the UK's Free Trade Agreements (FTAs) with more than 60 countries.

SVM model types typically have longer production life cycles to recover investment costs from limited access to technology developments and lower annual sales volumes

However, the onset of new technologies means there is a much greater challenge in meeting traditional rules of origin thresholds negotiated in FTAs. These can range from more permissive requirements such as with Australia and New Zealand at 25%, to 40-55% with the possibility to cumulate content between trade partners by agreement, for example the UK-EU Trade and Cooperation Agreement. As the UK does not have the ability to source critical raw materials domestically, such as Cathode Active Materials, ensuring tariff-free trade and a successful transition to zero emission mobility requires urgent and careful attention. Industry and government collaboration to secure the localisation of critical raw materials, and sustain a deep and stable UK supply chain that can support SVMs, will help ensure these manufacturers continue to benefit from preferential trading conditions, as well as support a growing and diversifying UK supply base.

In contrast to volume manufacturers, SVMs generally require longer lead times to bring their products to market. To recover investment costs, model types typically have longer production life cycles. Equally, SVMs do not have the same access or ability to rapidly deploy multiple technology developments commercially or the depth of resources available as larger manufacturers to make large-scale sustainable changes to production lines. Bespoke arrangements or purchases of smaller quantities with global suppliers means SVMs often have less access, or delayed access, to technology developments. Suppliers may have a greater fiscal incentive to focus on volume manufacturers' needs, and these delays can impact SVM abilities to fulfil various regulatory requirements.

To understand the needs of the segment is to recognise the huge diversity in manufacturers. While they can all be defined as 'small volume', the vehicles produced can be sports cars, performance vehicles, luxury SUVs, and niche commercial vehicles such as the iconic London Taxi.

The added value of the UK's Small Volume Manufacturers

01 MAJOR ECONOMIC CONTRIBUTORS:

Luxury, performance and niche vehicle manufacturers provide high levels of value through innovation and the ability for the customisation of their vehicles. While they are responsible for 4% of total UK car production, they account for 12% of the value, generating £5.5 billion in sales annually.

02 WORLD LEADERS IN INNOVATION:

Through technology advancements and radical inventions, SVMs drive forward technologies such as lightweighting solutions which can be replicated in volume manufacturing, bringing benefits to a wider array of customers. In 2024, SVMs invested more than £1.1bn in R&D.

03 EXPORTING BRITISH MANUFACTURING TO THE WORLD:

SVMs are global ambassadors for UK engineering, manufacturing and design, exporting their high value, highly desired vehicles to more than 120 markets worldwide and operating retail premises in some 50 countries.

04 SUPPORTING LOCAL SUPPLY CHAINS:

Products and technologies produced by these manufacturers have some of the highest levels of domestic content across the entire UK automotive industry, supporting an estimated 60,000 UK supply chain and automotive retail jobs.

05 PROVIDING JOBS THAT PEOPLE WANT:

The SVM segment leads the charge with highly skilled, well-paid jobs across a diverse portfolio of innovation and craftsmanship. The average salary in UK SVMs is 18% higher than the national average and employers report high levels of retention.

DECARBONISED FUTURE

As SVMs move towards a zero emission future, multiple pathways and technologies will be needed to retain business competitiveness

DECARBONISATION IN THE UK

SVMs, by their very definition, are sold in limited numbers. The majority tend not be used as the family or day-to-day car and will do less annual mileage than the average vehicle. These facts are reflected in many emissions regulations, providing either full exemptions from certain requirements or modified provisions to ensure the regulatory burden remains appropriate and proportionate.

Such considerations have been reflected more recently in the creation of, and subsequent amendments to, the UK's Zero Emission Vehicle (ZEV) mandate, as introduced by the 2023 Vehicle Emissions Trading Scheme (VETS) regulation.

Small volume (fewer than 2,500 annual UK registrations) and micro volume manufacturers (fewer than 1,000 annual UK registrations) are not directly subject to ZEV mandate targets, however they have a vested interest in ensuring that the UK market – and automotive manufacturing ecosystem as a whole – continues to thrive, supporting healthy supply chains, R&D investments and a skilled workforce on which their UK operations depend.

The government has also recently confirmed that SVMs and micro volume manufacturers (MVMs) will not be subject to the commitment to end the sale of new pure Internal Combustion Engine (ICE) cars by 2030. This includes confirmation that small and micro volume manufacturers will not be subject to additional technology requirements from 2030 and can continue to take a technology neutral approach as they seek to fully decarbonise by 2035. While this provides welcome certainty for smaller manufacturers and their suppliers in the short term, the regulatory approach to implementing the various technology requirements, exemptions and derogations in 2030 is yet to be confirmed by government.

The impact of uncertainty is particularly accentuated for SVMs given they have less resource, longer development and product life cycles, and limited models over which to balance development costs or fleet regulatory requirements. These manufacturers need assurance that the products in development today can continue to be placed on the UK market after 2030.

Currently, MVMs are exempt from the ZEV mandate and CO2 regulation altogether. SVMs are subject to the same CO2 regulatory requirements as volume OEMs, but they have a 0% ZEV mandate target until 2030, meaning they are incentivised, rather than compelled, to introduce ZEVs to the market (through their potential to sell any excess certificates generated).

DELIVERING DECARBONISATION WHILE MEETING CUSTOMER DEMAND

The SVM sector is a truly global segment and while the UK and some other regions have ambitious decarbonisation timeframes, they must continue to produce for markets and consumers that are less developed on the journey to net zero or pursuing different decarbonisation pathways. Given the challenge of amortising new technology research and development costs over limited volumes, it is critical that more time is allowed for SVMs to make the switch between ICE vehicles and ZEVs. Derogations must be maintained for the UK market post-2030 until manufacturers are able to fully transition their production lines and deliver vehicles that meet customer demand. For some SVMs, Plug-in Hybrid Vehicles (PHEVs) will serve as an important technology to enable the transition to ZEVs, whilst others have invested in solutions that green e-fuels can provide as part of wider net zero delivery. A mix of technology solutions must therefore be accessible for these manufacturers to efficiently decarbonise.

CASE STUDY

LOTUS' SPORTS CAR LIFECYCLE ANALYSIS

Lotus' Vision80 Strategy focuses on transforming Lotus into a global leader in electric performance vehicles, whereby sustainability forms a core pillar.

SIGNIFICANT MILESTONES TO TRANSFORM THE BRAND, INCLUDE:

- 100% renewable electricity usage across UK sites since 2019, supported by a solar array at Hethel that generates up to 80% of operational energy needs during peak months.
- Comprehensive waste management systems, with 100% of waste diverted from landfill as of 2016.
- Commitment to achieving net zero carbon emissions by 2038, supported by rigorous tracking of Scope 1, 2, and 3 emissions.

LOTUS VEHICLES ARE ALSO DESIGNED FOR SUSTAINABILITY:

- Lightweight construction techniques and material innovation ensure reduced carbon footprints during production and enhanced energy efficiency during the vehicle lifecycle.
- A target of achieving over 90% recyclability in the vehicles aligns with a vision of circularity and resource efficiency.
- The delivery of the first Evija EV hypercar in 2023 marked a key milestone in the firm's transition to electric mobility and the reduction of lifecycle emissions in performance vehicles.

The industry needs government support to secure future investments in an electric supply chain as there is no planned UK gigafactory to support the specific needs of SVMs. Notably, high energy density cell manufacturing does not currently exist in the UK.

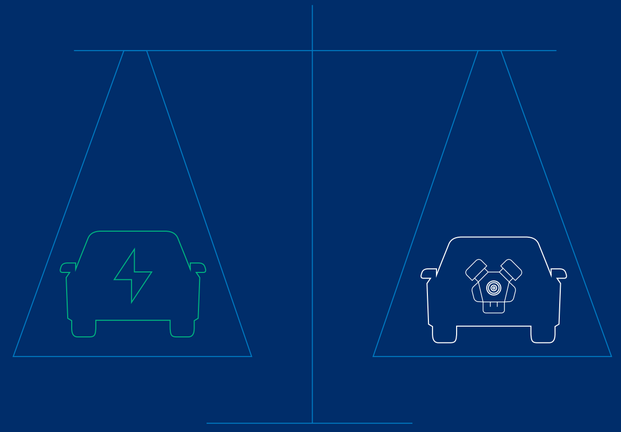
These businesses also require certainty that UK based suppliers can continue to meet their unique demands when volume manufacturers no longer require, or require less of, the same products. Supply chains need to find a balance between ICE and ZEV technologies and components as well as the skills needed to support both, ensuring the future competitiveness of SVMs is secured. Ultra-low and micro volume manufacturers, in particular, require ICE technology and engine-related engineering expertise beyond this date to service global markets.

ENSURING SVM VEHICLES CAN BE SOLD IN MARKETS AROUND THE WORLD

Regulatory frameworks across the world have recognised the specific SVM challenges and have incorporated provisions taking into consideration that their vehicles are supplied in limited volumes and, in most cases, cover significantly fewer miles than those supplied by larger manufacturers. As zero emission solutions continue to be developed across the SVM sector, a regulatory approach that considers the whole-life carbon impact of these vehicles during the transition, recognising the potential role of different technologies and fuels in different global markets, will provide the quickest and most competitive route to decarbonisation.

For the future competitiveness of this sector, SVM provisions must continue to be included in all relevant UK or GB regulations alongside efforts to safeguard and advocate for fair regulation and market access in export markets. Industry will continue to work with the Department for Transport on such provisions in future regulations.

Supply chains must balance ICE and ZEV technologies to ensure all sectors of UK Automotive can benefit and are futureproofed. This is essential to ensure SVMs can continue to deliver products which meet customer requirements and expectations.



CASE STUDY

LEVC PROVIDES ZERO EMISSION-CAPABLE TAXIS TO SUPPORT SUSTAINABLE TRANSPORT AT COP 29

At COP 29, LEVC expanded its partnership with Baku Taxi to provide an additional 153 zero-emission capable TX vehicles to transport delegates. The new orders expanded the Azerbaijan ‘black cab’ fleet to circa 300 zero-emission capable taxis. In total, Azerbaijan’s fleet of LEVC’s ‘black cabs’ has grown to more than 1,500 since the partnership with LEVC began in 2011.

The expanded TX fleet had a vital role to play at COP 29, ensuring that delegates arrived at the venue sustainably and on time, thanks to a network of exclusive TX transport routes. The TX’s eCity powertrain technology provided a full electric-only range of up to 78 miles and a total range of over 330 miles, allowing drivers and passengers to experience the advantages of zero-emission travel alongside extended range convenience.

TX model provided passengers with a quiet, comfortable and luxurious cabin, capable of seating six people, complete with a panoramic roof and charging points for mobile phones and laptops. The TX is also purpose-built to be one of the world’s most accessible vehicles, featuring an in-built ramp, swivel chair, step, brail switches, intercom and hearing induction loop, floor mounted wheelchair anchors and more.

LEADERS IN INNOVATION

Britain has been leading the way in vehicle innovation for over a century

As a global motorsport hub, Britain has been a leader in vehicle innovation for more than a century and today's luxury, high performance and niche manufacturers pay testament to this, taking many safety, high performance and environmental developments found on the racetrack to the road. The UK's SVMs deliver bespoke, state-of-the-art vehicles which continue to revolutionise the driving experience and highlight a unique and quintessential British success story.

Specific innovations adapted for the road from motorsport by SVMs include light-weighting, whereby lighter materials such as carbon fibre are used to reduce the weight and increase the aerodynamics of the car to improve vehicle dynamics, fuel economy and overall efficiency. SVMs can also play a vital role in developing the technology of tomorrow, complementing sectors such as aerospace and defence, while supporting safety and technological developments, as well as the UK's wider manufacturing base.

Key to developing cutting-edge design and technology is the sector's collaboration with universities, bringing together top academic and technical minds to support Research and Development (R&D). In parallel, business growth is supported through access to government funding and grant opportunities. The Advanced Propulsion Centre (APC) has successfully brought together British universities with multiple SVMs for innovation and R&D projects. A successful example is Aston Martin's Project ELEVATION – a six-partner collaboration, including UK academia, CATAPULTs and SMEs, to develop solutions for the company's high performance electrification portfolio which was awarded £9 million of government funding through the APC, supplementing the research and development of a modular BEV platform and establishing a route to net zero. The project is expected to support wider UK R&D investment of £114 million, create more than 380 new consortium jobs and safeguard some 1200 jobs by 2030.

CASE STUDY

ASTON MARTIN KING'S AWARD FOR INNOVATION

Aston Martin was honoured with a King's Award for Enterprise, for innovation in 2024.

Recognising the ultra-luxury carmaker's unique approach to combining handcraft with the latest technology in the creation of its bespoke leather interiors, Aston Martin has created and patented an innovative perforating and quilting technique that produces decorative finishes and promotes the cooling function on its ultra-luxury leather seats.

Supporting the ability for customers to create their own personalised Aston Martin, the company's proprietary manufacturing technology has enabled perforated holes to be crafted in bespoke patterns to a customer's specific design, which is impossible with traditional tooling.

The King's Awards for Enterprise are the most prestigious business awards in the UK and this the third time Aston Martin has been awarded the honour since 1998.

CASE STUDY

21ST CENTURY COACHBUILDING: HOW TIME-HONOURED CRAFT TECHNIQUES HELPED INFORM DESIGN AND ENGINEERING FOR MORGAN'S MIDSUMMER

Morgan's Midsummer project embodies a unique blend of craftsmanship and innovation, born from the close collaboration between Morgan's design, engineering and manufacturing teams. At the heart of this project is a commitment to traditional working practices that seamlessly integrate into modern automotive design. And central to its success is the alignment of all departments and promoting a dialogue between designers, engineers and makers.

The project stands out for reversing the typical automotive prototyping process. Unlike modern methods that rely on rapid 3D printing, Morgan's team engaged in early-stage physical prototyping (using varying types of wood) with the master craftsmen in production, allowing for real-time feedback and iterative design adjustments alongside conventional 3D printing. This was especially crucial in addressing complex components such as the wooden interior elements. The integration of wood, particularly teak, presented challenges related to stability and moisture resistance, but Morgan's expertise in industrial furniture design offered innovative solutions, ensuring the materials' structural integrity without compromising aesthetic appeal.

Morgan's collaboration with Pininfarina brought fresh perspectives, with the Italian design team benefiting from Morgan's mastery in handcrafted materials and techniques. The project's limited production – just 50 cars – allowed for a tailored manufacturing process that emphasised attention to detail, with more time devoted to finishing and quality control, ensuring each car met the highest standards.

Ultimately, Midsummer is a testament to Morgan's ability to combine modern design with artisanal craftsmanship, demonstrating the enduring value of traditional manufacturing methods in a contemporary automotive world.

However, SVMs face barriers to accessing funding and grants given rigid criteria for funded competitions typically favour businesses with large scale workforces and production facilities. Competitions to access funding opportunities are also administratively burdensome and require resource and expertise in drafting bid applications, which smaller sized manufacturers do not always have readily available, and with no guarantee of success.

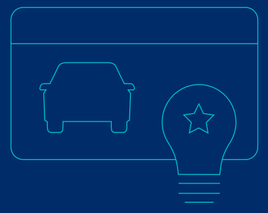
To secure a competitive business framework for UK manufacturing and underpin the sector's continued investment in electric drivetrains and sustainable production facilities, grant and competition funding must be appropriately designed and fully eligible for SVMs. Government should introduce 10-year funding settlements to ensure R&D grant incentives are long term and support technologies that will accelerate the decarbonisation transition; preserve the high rate of R&D tax relief (RDEC), including capital allowances for R&D; and deliver the commitment for GB Energy to accelerate renewable power.

As part of Invest 2035: The Modern Industrial Strategy, government is focused on tackling barriers to growth in the UK's highest potential growth-driving sectors and places, creating the right conditions for increased investment, high-quality jobs and ensuring tangible impact in communities right across the UK. SVM innovation leads them to collaborate across sectors so technology development often benefits industries outside of automotive. Technology synergies with other sectors should be encouraged and supported by government policy and funding to maintain and grow the regions and clusters of the UK where SVMs are present. Innovation is the cornerstone of these manufacturers' success, but the UK risks falling behind. Italy has recently invested €106 million (£88 million) in public funding for its domestic SVM market, supporting technology and product innovation, creating more than 200 jobs and bolstering the Emilia-Romagna region's economy. To keep pace and ensure the competitiveness of Britain's SVMs, the UK must be agile and reactive, with increased government funding for innovation projects and incentives for domestic R&D partnerships is urgently needed.

As SVMs develop products with increased automated technologies, cyber security strategies and software solutions are critical for the safety and protection of customers.

Cyber security compliance poses challenges for SVMs, notably the additional strain on already limited resources due to the extensive expertise and oversight needed as well as the growing regulatory expectations for in-service monitoring which require fully developed telematics platforms.

Shortfalls and contradictions between regulatory requirements and business capabilities highlight the need to adopt a more pragmatic regulatory approach that accounts for the limitations of SVMs, enabling compliance without excessive operational burdens and resolving inconsistencies between cybersecurity and data-sharing mandates.



The cutting-edge developments by British SVMs in design and engineering are often taken from racetrack to the road.

CASE STUDY

McLAREN'S AWARD-WINNING ASCEND PROJECT

As part of the award-winning ASCEND project, McLaren Automotive has had a unique opportunity to work in cross-sectorially with aerospace and automation companies. The project funded by the Aerospace Technology Institute brought together 15 partners into a consortium specifically designed to improve and accelerate UK composite supply chains.

For McLaren Automotive, the project culminated in the production of a wingtip geometry provided by GKN Aerospace and made using both McLaren Automotive's patented forming process and new McLaren ART carbon technology.

The new Automated Rapid Tape (ART) production method produces McLaren ART carbon fibre structures that are lighter, stiffer and stronger via advanced structural optimisation, and are produced with less waste material generation than conventional wide material formats. Completely revolutionising the aerospace industry method of using robotic arms to layer composite tapes, McLaren's Automated Rapid Tape method instead employs a specially designed machine using a fixed deposition head and a rapidly moving bed capable of rotation. This unlocks a faster manufacturing process suitable for automotive purposes and high-rate composites manufacturing.

Through ASCEND, this technology has demonstrated its suitability for both aerospace and automotive components, with both the wingtip and McLaren's groundbreaking W1 hypercar benefitting from the unlocking of this new process.

A GLOBAL FOOTPRINT

The UK's SVMs are well suited to capitalise on the opportunities of new trade partnerships and growing markets

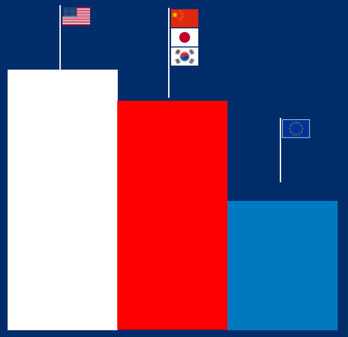
SVM exports are among the UK's most recognisable and high-value goods, sold to more than 120 markets. There are few countries these manufacturers do not sell into and so trading conditions which reduce both tariffs and market access barriers for SVMs when placing vehicles on the market must be secured to ensure customers enjoy access to these exciting products.

There is significant diversity in their export portfolio, with 34.7% of SVM units destined for the US, 30.5% exported to Asia (primarily China, Japan and South Korea) and 17.2% sent across the Channel to the EU27. Elsewhere, nations of the Gulf Cooperation Council (GCC) – including Saudi Arabia, partners in the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), and India, have been identified as important growth markets.

Global automotive trade is experiencing strong headwinds, and UK SVMs have specific challenges. There is a particular reliance on North American – notably the US, but also Canada – and Asian markets, notably China, while geopolitical challenges and a rise in protectionist measures through the introduction of tariffs and sanctions, means the outlook is increasingly uncertain. Trade volatility and uncertainty can add costs that could reach hundreds of millions of pounds per year in additional import duties or severely erode consumer demand. The sector welcomes efforts taken by government throughout negotiations to deliver new trade deals, such as with the US and India. Such deals should evolve over time to promote future growth opportunities in parallel to best available efforts to reduce non-tariff barriers which can still disproportionately disadvantage SVMs even where trade deals are in effect – such as imposing unfair domestic emissions standards or behind the border luxury taxes which can disproportionately capture exports from the UK.

The UK's SVMs are still ideally suited to capitalise on growing markets across the world and new trade partnership opportunities. Both bilateral trade agreements and multilateral economic and trade partnerships can become essential mechanisms to enable the sector's manufacturers to place their vehicles on the market.

Up to 90% of the cars UK SVMs produce are for export, with 34.7% destined for the US, 30.5% exported to Asia (primarily China, Japan and South Korea) and 17.2% sent to the EU27.



As the UK government negotiates new FTAs and updates the terms of existing agreements, non-tariff barriers and related risks must be minimised through the negotiation of dedicated Automotive Annexes and enhanced regulatory cooperation mechanisms.

British SVM manufacturing and appropriate facilitiations should be prioritised as a major interest, since few nations have comparable performance, luxury or sports car manufacturing.

Prioritising efforts to reduce non-tariff trade barriers which hinder global growth and sales would provide an immediate benefit for the UK's SVMs. Where possible, agreements on enhanced regulatory co-operation, and dialogue, coupled with efforts to mutually recognise equivalent policy outcomes or link similar regulatory frameworks where deemed compatible and appropriate, would help manage the risk of regulatory divergence with our biggest trading partners – such as the EU – and minimise the growing cost and burden of corporate reporting requirements in multiple territories.

While there is less dependency on EU sales in comparison to the broader automotive market, the bloc is a major trading partner and SVMs welcome the government's commitment to constructive discussions with EU counterparts. The potential challenges to comply with post-2027 Rules of Origin on electrified vehicles and batteries set by the UK-EU Trade and Cooperation Agreement (TCA) remain a matter of concern. Collaborative efforts are needed to foster a vibrant and resilient regional supply chain for batteries and ZEVs to support our collective industrial and climate ambitions.

An improved relationship can also support further UK-EU TCA developments such as enhanced business mobility. Access to European talent remains a persistent issue for some UK SVMs and their supply chains. Providing greater flexibilities to support companies that utilise critical work visa routes, including the Skilled Worker Visa and Global Business Mobility route in conjunction with business – such as visitor duration, salary thresholds and administration – would help businesses that need to move personnel around manufacturing facilities across Europe. Harnessed well, improved business mobility can enable critical workforce training and upskilling, provide access to specialist knowledge for product launches and demonstrations, and support installation and maintenance of new production tools to the benefit of UK automotive manufacturing.

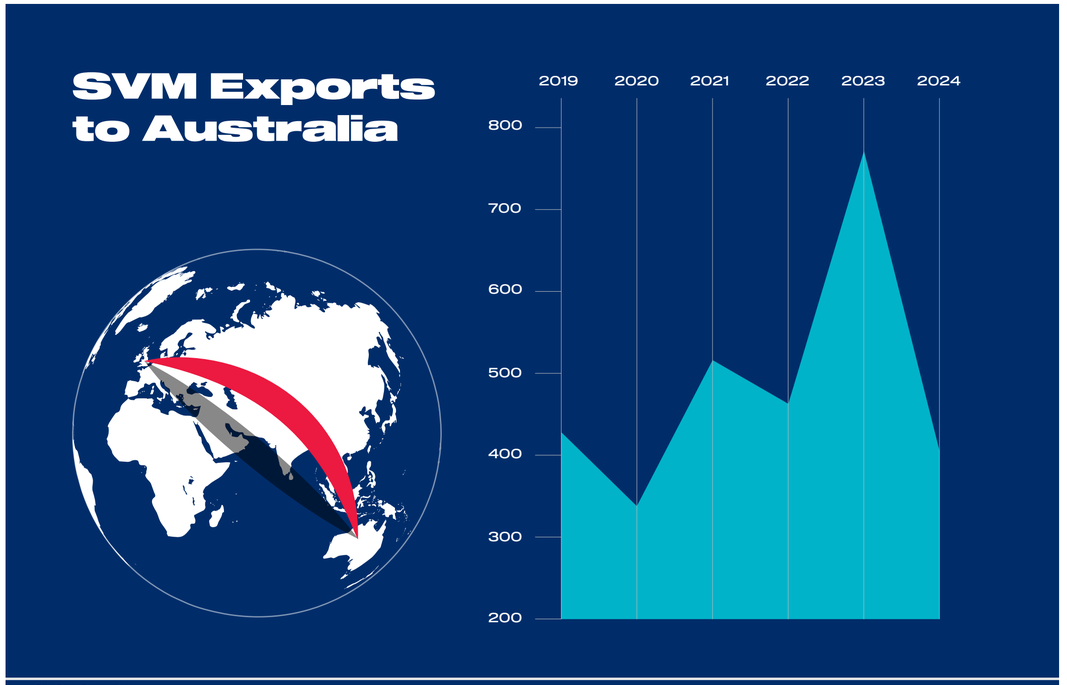
CASE STUDY

BENTLEY RETAILERS EXPAND IN GLOBAL MARKETS

Bentley has retail partners in more than 60 markets, which allows for almost 90% of the company's production volumes to be exported from its headquarters in Crewe.

Bentley has made further strides in expanding its global presence, particularly through strategic retailer partnerships in key international markets. The opening of Bentley's showroom in Porto, Portugal, in October 2024; the appointment of a new dealership in Tbilisi, Georgia, in November 2024; and the development of new state-of-the-art showrooms in Nuremburg, Tallinn, Leeds and Stockholm, underscore the brand's strategic efforts to consolidate its global footprint.

Beyond the product, the launch of Bentley Home's first dedicated showroom in Dubai in November 2024 also marked a significant milestone for the marque, celebrating 11 years of Bentley Home with a physical space showcasing its latest collections and classics. This expansion into the UAE market highlights Bentley's commitment to luxury and craftsmanship, catering to the growing demand for high-end home furnishings in the region.



CASE STUDY

MARKET ACCESS CHALLENGES IN AUSTRALIA

Despite the conclusion of a UK-Australia FTA, UK SVMs continue to face challenges with market access in Australia. There are two major challenges which have closed off the Australian market to many SVMs since the signing of the UK-Australia FTA.

Firstly, Australia's tax policies are more punitive towards foreign-made premium cars, despite little domestic automotive manufacturing. The New Vehicle Efficiency Standard (NVES) introduced to help deliver the Australian government's ambitions on carbon emission reduction does not include provisions for SVMs, a move seen as out of touch with the spirit of international trade obligations and of the UK-Australia FTA. So-called "small" penalties can have a significant impact on smaller manufacturers and actively offset FTA tariff gains. In addition, financial penalties incurred through compliance failures ultimately reduce the ability to invest in decarbonisation technologies and programmes, with the unintended consequence that progress towards decarbonisation will be slowed.

Secondly, Australia does not allow SVMs additional compliance time for many regulations such as requirements for Advanced Driver Assistance Systems (ADAS) in vehicles. By contrast, the EU and UK have delayed ADAS implementation for SVMs and Australia is the first market globally where the inability to agree a SVM derogation has resulted in some manufacturers experiencing a complete stop in sales in the country.

Provisions for some models, such as derogations and exemptions, need to be agreed with Australia as an urgent priority to reopen the market for SVMs which have been shut out by technical barriers. Securing these provisions will help safeguard future trade by providing SVMs the time to comply with regulatory standards and spread the cost and resource needed to achieve compliance over a more proportionate period of time.

Ensuring an open dialogue to address outstanding challenges with Australia's Luxury Car Tax should similarly be a UK ambition.

A WORLD-CLASS WORKFORCE

Underpinning the sector are its people

The iconic products designed, engineered and manufactured in Britain by SVMs are synonymous with British craftmanship. Whether pushing the boundaries in digital, high-value manufacturing, as demonstrated by Bentley's digital factory of the future in Crewe or the artisan handcraft of each Morgan, a world-class workforce underpins every element of the sector.

As tradition meets technological innovation, SVMs face particular challenges. The skillsets these manufacturers require are often not easily or readily available, making additional training and upskilling a common necessity after initial recruitment. At Morgan, the Plus Four and Plus Six models utilise Computer Aided Design software to design the ash body frame, but the cars remain meticulously handmade from start to finish by one of the company's master craftspeople. McLaren's Composites Technology Centre (MCTC) has advertised for jobs and apprenticeships from outside automotive, hiring boat builders, tailors and dressmakers to work with advanced lightweight carbon fibre materials before they are cut, moulded and treated to form part of the final product.

As well as bespoke and traditional skills, there is a lack of available workers with data analytic capabilities, chiefly automated driving, systems diagnosis and electric vehicle (EV) construction, as well as skilled individuals with knowledge of AI and robotics and systems level thinking. These are skillsets that are in high demand across many industries but will be crucial to ensuring UK SVMs can develop a vehicle with world-class software integrated.

CASE STUDY

ROLLS ROYCE BESPOKE LEATHER SKILLS

In 2024, the Rolls-Royce Bespoke Collective of designers, engineers and craftspeople brought to life some incredibly creative and ambitious examples of artistry.

Client commissions comprised highly complex, hand-painted and embroidered artworks, stainless steel and gold inlays, exquisite iridescent paint finishes and much more. Driven by their pursuit of perfection and the dreams of the marque's clients, Rolls-Royce artisans created singular graphics, such as an 869,500-stitch embroidery inspired by the Spirit of Ecstasy, and captured cultural symbols using the canvas of leather, wood and fabric. From finely executed coachline motifs to full-scale artworks within the interior, the Rolls-Royce Bespoke Collective once again stretched the breadth of luxury possibility.

The extraordinary complexity behind the year's commissions reflects the ever-growing number of clients that trust the marque's artisans with their boldest visions. While these inspirations are as diverse as the personalities of the clients themselves, clear themes have emerged. Bespoke commissions are becoming increasingly personal, with many clients curating individual masterpieces to mark major life events and commemorate transformative moments, places and people that are meaningful to them.

The investment in long-lasting careers provided by the UK's SVMs cannot be undervalued. These manufacturers are not simple vehicle assemblers. Instead, engineering and technology development is localised in the UK, directly supporting supply chains, meaning smaller and niche engineering suppliers are often entirely dependent on the success and competitiveness of the SVMs they supply. These manufacturers also support jobs in other key sectors – including advertising, chemicals, finance, logistics and steel.

The drive to decarbonise requires a transition of workforce skills and this is a priority for SVMs. Given their smaller production capabilities, there is no option to transform the technology and transition workforce competencies one production facility or line at a time. There is also a higher potential risk of disruption as upskilling and reskilling must take place in a strategic manner whereby workers do not spend any longer away from the production line than is necessary. In this regard, mechanisms to access modular, short-course training content are paramount.

Progression and career development is an important aspect of employment for SVMs. The opportunities to develop specialised, niche and highly skilled workers is driven from the high adoption of technology and bespoke solutions. The ability of these employers to offer high-level apprenticeships provides an effective mechanism for businesses to retain staff, especially as the sector is increasingly competing to attract workers. In data and digital related roles, this is especially important, and this dependency will continue as the sector introduces greater technology developments over the coming decade.

CASE STUDY

DEDICATION TO CRAFTMANSHIP AT BENTLEY

Demonstrating exceptional attention to detail and craftmanship, Bentley employs more than 4,000 workers in the UK at its factory in Crewe. The Bentley Motors factory is a fully integrated site – all aspects of car production, from design and engineering, to manufacture, quality, sales and marketing, take place in Crewe.

The site is recognised as a centre of excellence for wood and leather, and has been transformed into a modern, high-tech, carbon-neutral certified campus. Recent investment includes new engineering, testing and design centres, enabling Bentley to attract top talent.

SUPPORTING LOCAL COMMUNITIES

A conscious societal contribution beyond the factory walls

SVMs play a valuable role in society and much of this success is attributable to the dedication, expertise and craftsmanship of their people, as well as the strength of their local communities. Recognising this, SVMs are committed to giving back.

SVMs contribute to local educational programs and skill development initiatives, and some provide training equipment to local colleges, helping to cultivate the talent of the future and breaking down the barriers to opportunity for young people. Manufacturers are also committed to reducing their environmental impact beyond their cars. This happens via clean energy projects and infrastructure that powers some of their manufacturing facilities, boosting local biodiversity through the purchase or planting of forests and meadows, and using local and ethical suppliers with a low carbon footprint. They also invest millions of pounds into local research and development facilities annually that support Britain's position as a global hub for innovation, attracting investment and people to the UK.

The economic health of their local communities is closely tied to their success and by giving back – whether through direct investment in local projects, aiding charities that tackle social issues locally, working with local businesses and suppliers, or supporting thousands of local supply chain jobs – they help fuel the growth of their surrounding areas. This is part of their broader Corporate Social Responsibility (CSR) efforts, which ensure that their success translates into tangible benefits for their communities and society at large.

Bentley's impactful community investment in 2024

2024 saw Bentley announce further investments under its Advancing Life Chances (ALC) Strategy. Supported by more than 450 charitable donations and projects benefitting more than 50,000 individuals nationwide, the ALC programme has consistently grown year on year, supporting more individuals in Crewe and across the UK annually.

2024 saw Bentley strengthen its commitment to youth provision in Crewe by becoming a founder patron of The Dome Youth Zone, investment which will help provide state of-the-art facilities, support and opportunities for young people in Crewe.

ADVANCING LIFE CHANCES CREWE FUND

Delivered in partnership with Cheshire Community Foundation, this fund supports 12-month projects addressing local needs in Crewe. In 2024, Bentley funded 12 local projects, benefitting more than 10,000 people. Supported organisations include Chance Changing Lives, Wishing Well Project and Young Enterprise.

BENTLEY CRISIS FUND

Established in 2022, Bentley's first endowment fund provides sustainable support for urgent local needs in Crewe. A lump sum investment generates interest which is used to donate to charity. The fund remains a vital, permanent resource for the Crewe community.

THE CREWE FUND

This collaborative fund, supported by Bentley and other local businesses, pools resources to fund impactful community projects. In 2024, the fund contributed to grants aiding 1,257 beneficiaries – an increase compared to 2023.

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