



OFFICIAL REPORT  
AITHISG OIFIGEIL

DRAFT

# Economy and Fair Work Committee

Wednesday 25 June 2025

Session 6



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**Wednesday 25 June 2025**

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**ECONOMY AND FAIR WORK COMMITTEE**

**21<sup>st</sup> Meeting 2025, Session 6**

**CONVENER**

\*Colin Smyth (South Scotland) (Lab)

**DEPUTY CONVENER**

\*Michelle Thomson (Falkirk East) (SNP)

**COMMITTEE MEMBERS**

- \*Willie Coffey (Kilmarnock and Irvine Valley) (SNP)
- \*Murdo Fraser (Mid Scotland and Fife) (Con)
- \*Jamie Halcro Johnston (Highlands and Islands) (Con)
- \*Daniel Johnson (Edinburgh Southern) (Lab)
- \*Gordon MacDonald (Edinburgh Pentlands) (SNP)
- \*Lorna Slater (Lothian) (Green)
- \*Kevin Stewart (Aberdeen Central) (SNP)

\*attended

**THE FOLLOWING ALSO PARTICIPATED:**

- Caterina Capaldi (Scottish Government)
- Robert Deavy (GMB Scotland)
- Ivan McKee (Minister for Public Finance)
- Laura Moffat (Scottish Government)
- Derek Thomson (Unite the Union)
- Stephen White (Scottish Government)

**CLERK TO THE COMMITTEE**

Anne Peat

**LOCATION**

The James Clerk Maxwell Room (CR4)



**Scottish Parliament**  
**Economy and Fair Work**  
**Committee**

*Wednesday 25 June 2025*

*[The Convener opened the meeting at 09:02]*

**Decision on Taking Business in**  
**Private**

**The Convener (Colin Smyth):** Good morning, and welcome to the 21st meeting in 2025 of the Economy and Fair Work Committee. Our first item of business is a decision on whether to take in private item 5, which is consideration of evidence. Are members content to take that item in private?

**Members indicated agreement.**

**Community Wealth Building**  
**(Scotland) Bill: Stage 1**

09:03

**The Convener:** Our second item of business is our final stage 1 evidence session on the Community Wealth Building (Scotland) Bill. I am pleased to welcome Ivan McKee, Minister for Public Finance. Accompanying him from the Scottish Government are: Stephen White, head of community wealth building; Laura Moffat, community wealth building policy and legislation manager; and Caterina Capaldi, solicitor, all from the Scottish Government. As always, members and witnesses should keep questions and answers as concise as possible.

I invite the minister to make a short opening statement.

**The Minister for Public Finance (Ivan McKee):** Thank you very much, convener, and good morning, committee. I am delighted to be here and to take over responsibility for the bill from my colleague Tom Arthur. The synergies are strong between the bill and the work that I am already taking forward across the wider public service reform agenda, so I am delighted to have it in my portfolio.

In leading this work, I aim to connect the economic dimension with key elements in my portfolio, including procurement, planning, community empowerment and, of course, the PSR strategy. As I am new to this, in answering your questions, I am keen to listen to ideas and views that are influenced by the significant number of responses to the committee's call for evidence.

Community wealth building is about making local economies work better for people and communities. If money flows into and is kept in an area, whether through investment in local business growth, more good jobs or profits being reinvested locally, new opportunities are created and more wealth is retained.

Several key questions came up as the legislative proposals were being developed, and I will touch on three of those.

The first is a question that I have asked myself—do we need legislation? There are already good examples of local authorities and other organisations across the country delivering impressive results through their implementation of community wealth building, and the financial memorandum was informed by investment information from local authorities, whose staff—along with public servants in the national health service and other areas—have, to a large extent, driven community wealth building. Focused,

proportionate and enabling legislation has the potential to amplify the impact and contribute to the operation of Scotland's economy.

The second question is about the purpose of the bill. Collaboration and the consistent application of community wealth building can help to maximise the combined impact of public spending, ensuring that all local and wider regional economies benefit. That is why the bill focuses on the creation of a new and consistent platform to underpin a formal public sector-led partnership approach to local economic development. The bill also provides for the development of guidance that will be co-produced with key partners and informed by current good practice.

The final question is about getting the balance right between local flexibility and national consistency. Local partners and communities are best placed to understand the challenges and opportunities in their areas, which is why the bill gives local authorities and other public bodies the flexibility to develop and implement meaningful actions to meet local needs. Care has been taken to ensure that the advancement of community wealth building in the public policy landscape is light touch and that it complements existing partnerships and policy in linked areas.

The bill is very much about looking forward and laying foundations for an economic development format that sees every public pound as having economic agency. The public sector needs to lead the agenda while working in partnership with businesses, the third sector and communities. Securing in statute our commitment to community wealth building has the potential to support local economic development and ensure that it is focused on real places and delivery for people.

I welcome the committee's scrutiny of the bill and look forward to receiving its recommendations in due course.

**The Convener:** Thank you, minister. You have already touched on an important point by asking whether we need the bill. No member of this committee is against community wealth building—many are passionate about it. However, is the bill ambitious enough? What will it deliver that could not be delivered via, for example, an agreement with the Convention of Scottish Local Authorities or ministerial direction to other public bodies? Why do we need legislation when those vehicles could have delivered clear direction to public bodies?

**Ivan McKee:** There are a number of answers to that question. It has been helpful to listen to the witnesses who have appeared before the committee, because there is clearly a lot of support for the work that is being taken forward. That is important. A lot of people are looking for the bill to signal the Government's direction and

intent and to lay out how our partners across the landscape of local authorities and other public bodies can best specify their roles.

**The Convener:** Do we need a law to do that? Can you not just have an agreement with COSLA to set that direction for public bodies? Public bodies, such as Scottish Enterprise, rely on ministerial direction letters, so could that not all have been covered by that process?

**Ivan McKee:** There is scope to do that and it should absolutely be considered. I will be spending time in the next few weeks engaging with more partners to understand their views. The bill gives a platform and impetus to community wealth building, and it corrals the energy that already exists around it.

From a technical point of view, you are probably right, but I would need to check that ministerial direction would cover everything. The requirement on ministers to take that approach is not there; we would need to put that requirement on ourselves. I suppose that the bill future proofs that by specifying exactly what is in statute and, therefore, putting a lot more weight behind it. However, I take your point on board.

**The Convener:** If we are to have a bill, why does it ignore the big-ticket policy areas that really matter, which we have heard about in evidence? Why are changes in the policy areas of, for example, procurement thresholds, small and medium-sized enterprise access to procurement, and improved community asset transfer policies not in the bill? Have you not missed an opportunity to tackle those issues and really move the dial on community wealth building?

**Ivan McKee:** A lot of work was done on that in the Procurement Reform (Scotland) Act 2014, which focused on the significance of SMEs. Scotland's performance in that area is far in excess of what we see across the rest of the United Kingdom or, indeed, in most international examples. That legislation has delivered.

We can change thresholds without legislation, depending on which thresholds we are talking about. Clearly, those that are set internationally are different, but we can change those that we have set domestically without legislation. Similarly, the legislation that is in place on community asset transfer is undergoing review so that we can understand its impact and build on it.

I take the point, and I will be looking to the committee and others to see whether there are any glaring omissions of specific things that might be included in the bill in order to give more impetus to the work that we want to take forward.

**Murdo Fraser (Mid Scotland and Fife) (Con):** Good morning. We have taken a lot of evidence

on the guidance that the Scottish Government will issue. The legislation makes it clear that public bodies have to have due regard to the guidance when they are drawing up their plans. The Delegated Powers and Law Reform Committee has just reported on the bill. I do not know whether you have seen the report, but it recommends that, as the bill's lead committee, we consider whether the proposed content of the guidance could be included in the bill to provide more clarity to those who will be subject to duties under it. What stage is the guidance at? What thought has been given to its content? Is there any prospect of the guidance being available before the bill completes its passage through the Parliament?

**Ivan McKee:** As you would expect, I will defer to officials on that, because I have not yet seen the report. I intend to look at that issue over the coming weeks to understand the status of the guidance.

**Stephen White (Scottish Government):** In real time, the guidance is evolving every day through the practitioners network. Building up a collection of real practice so that there are peer learning opportunities is implicit in its work. The guidance is growing through that work, which is based on real experience.

We have not yet seen the DPLR Committee's report. I was aware of some correspondence that hinted that it would soon be published, and a reply was issued. I used to work with the official who gave evidence to that committee, so I know that they indicated that the bill should include at least the structure of the guidance, if not the entire collection of material. A significant amount of information exists on the five pillars and all the other policy areas applying to community wealth building, so we would need to work through whether it would be desirable or appropriate to try to capture all that practice in primary legislation.

We are aware of the DPLR Committee's view, if not the content of its final report, because of the correspondence that I mentioned. The bill team will look at that in detail.

**Murdo Fraser:** When is the guidance is likely to appear, even in draft form?

**Stephen White:** The Government would have to have fully finished the guidance and developed it with partners 18 months after the legislation's commencement. At the moment, there is dialogue to build up the collection of information that will become the guidance, and there will need to be discussions with the practitioners network to capture a structure for it. I think that everyone in the network would be open to discussions, and we would be open to helping to put together the corners of it, if that would be helpful, but putting an

exact timescale on that work would be difficult, having just been asked that question today.

The motivation of everyone who supports community wealth building, and much of what has come through in written submissions, suggests that they would be keen to work with Government officials to frame the guidance so that it would be informative.

**Ivan McKee:** I am certainly very keen to bring forward what we can as early as we can. It would be helpful for everyone if the committee could let us reflect on a structure for the guidance.

**Murdo Fraser:** The bill would require public bodies to have due regard to the guidance. How will you ensure that that happens? What does "due regard" mean?

**Ivan McKee:** I shall ask the lawyer for the technical definition of "due regard"—you are a lawyer. *[Laughter.]*

**Murdo Fraser:** Exactly. That is why I am asking the question.

**Ivan McKee:** To my mind, it means that public bodies would have to take the guidance into account and ensure that they have addressed the issues that it contained. The point of having guidance is that it would force public bodies to go through the process of thinking about the issues, such as what they are doing, how they can contribute to the agenda, where their spend goes, and how they can maximise that spend in the right places.

**Caterina Capaldi (Scottish Government):** In general, legal authorities provide that having "due regard" to a particular matter requires the duty holder to give regard that is appropriate in all the circumstances. The duty must be given appropriate weight, while taking into account other considerations, such as other duties in legislation or other policies. In considering whether a duty to have due regard to a particular matter has been complied with, the courts will scrutinise a decision maker's thought process vigorously. They have described the duty to have due regard as a test of the substance of the matter; it is not a mere box-ticking exercise.

09:15

**Murdo Fraser:** That is helpful. I have one more question on that issue. There is a duty on public bodies to have "due regard" to the guidance, but there is no such duty on Scottish ministers. Why not?

**Ivan McKee:** That is a good question. *[Laughter.]* I had not spotted that. Do officials want to comment on that?

**Stephen White:** Scottish ministers would be the producers of the guidance, and a report would need to be lodged on the actions that had been taken in the furtherance of what had been set out in the ministerial statement. On that question, other provisions in the bill were felt to be in advance of “due regard” and to provide stronger commitments and stronger expectations in relation to the work to be done. However, that point can certainly be considered in the round, with all the other evidence that is provided and the other points that committee members make.

**Murdo Fraser:** I have one question on a different topic. The financial memorandum estimates the cost to public bodies and local authorities of designing and publishing the action plan, which is what the bill requires, but there is no estimate of the cost of delivering, implementing, monitoring or evaluating those measures. Is the financial memorandum too tightly drawn? Is it not the case that the costs of delivery will be more substantial than the very narrow costs of preparing the plans?

**Ivan McKee:** I take that point. The financial memorandum covers the aspects of the bill that will be required by law. In relation to taking forward that agenda, if you look at how public bodies spend their money and at their focus on delivering best value, you will see benefits in the round. That applies to the whole system. The whole point of the bill is that there will be economic benefits, economic development and economic activity as a consequence of public bodies taking those actions, so there will be more value in the system in its entirety.

Clearly, the changes that public bodies would have to make would depend on what was in the action plans. If they just decided to redirect, from one place to another, the procurement spend that they would have spent anyway, the effect might be minimal.

I take on board the point about monitoring and evaluation, and we should perhaps reflect on that in relation to the FM. I do not know whether Stephen White wants to comment on that.

**Stephen White:** I am looking at the table that shows the local authority figures. It is probably worth noting that those figures were collected from real information following dialogue with local authorities. The total figure of £4.4 million relates to staff costs. Activity that was already happening on the ground would involve administering community wealth building and elements of monitoring and evaluation, but nobody is claiming in any way that those figures are representative of the real experience in every local authority. As time goes on, each authority will need to work out its outgoings based on its local circumstances, and we will talk to authorities about that.

**Murdo Fraser:** It seems to me that, if we ask local authorities to revisit procurement rules, for example, additional staff time will be required for that. That needs to be factored in along with the cost of drawing up the plans, which is all that the financial memorandum covers. It would be very helpful to the committee if you could have another look at that.

**Lorna Slater (Lothian) (Green):** I would like to ask about how we will measure the success of the bill. Section 2 says that one of the intentions behind it is to reduce inequality. I have no issue with that, but the second stated intention is to increase “economic growth”. Just about every witness who has given evidence to the committee has suggested that gross domestic product is not a good measure of the things that we are trying to achieve through the bill, such as increasing opportunity, improving crisis management and increasing connections. How would the minister measure “economic growth”? What does he mean in having it as one of the stated intentions behind the bill?

**Ivan McKee:** The national performance framework includes a range of economic measures. You can look at what we are doing in relation to job creation and the value of those jobs. We already have procurement measures in place in existing legislation, and we measure and report on that annually. You can also measure business creation through the number of business start-ups in a community. A range of economic measures are already in place. GDP growth is one of those, but it is by no means the only measure. At a macro level, it will be very hard to know how much of an impact the bill has had, compared with the range of economic and other measures that are in place. At a local level, local authorities—they already do this—will look at what is important in their local economy. That may differ from economy to economy, depending on their priorities.

**Lorna Slater:** Would it not, therefore, be more accurate to change the reference that the bill makes to “economic growth”, which implies change to GDP, to other language, such as “economic success” or “economic prosperity”? One of our witnesses suggested that the bill could refer to increasing

“social, cultural and ecological wealth”.—[*Official Report, Economy and Fair Work Committee*, 18 June 2025; c 33.]

Would the minister be open to revisiting the language to make it reflect more accurately the intention that he has just set out?

**Ivan McKee:** We can certainly look at that. I get the point that you are making. I suppose that we want to keep the provision as succinct as possible. It does not refer to GDP; it refers to “economic growth”, which is a catch-all term that covers a

range of measures of economic activity and economic success. It is important to recognise that. How that is interpreted will depend on who you talk to. However, we can reflect on that.

**Lorna Slater:** That is my issue, because different people think about economic growth in different ways. In the current cultural zeitgeist, it means increasing GDP, which I think we all agree is not the sole thing that we are after here.

With regard to measures of success, ideas that have emerged from our evidence sessions are that there should be some sort of community audit and that, as community wealth building projects progress, the community should be able to evaluate how the process has been working for them. There are no such measures in the bill. The bill simply sets out the intentions without setting out ways to track or measure how successful such projects have been. Would the minister support amendments to the bill in that regard? Has any thought been given to how success might be tracked?

**Ivan McKee:** That is a good point. I will ask officials to talk about the detail of that. The first question is how we define “community”. We could do so by referring to local authorities, but they are part of the process and are at the core of community wealth building. If by “community” we mean more local communities, such as neighbourhoods, there are no mechanisms in place to enable evaluation to take place at that level to the extent that we might want. That is part of the broader agenda of the democracy matters work that I am taking forward separately. There is a lot of crossover with the work on community wealth building.

We are happy to consider how we measure how successful community wealth building projects have been for communities. I will let officials talk about the specifics. We would need to do quite a bit of thinking about what mechanism we could use to enable communities to hold people to account.

**Stephen White:** That suggestion came through in one of the evidence sessions. I have worked on the development of the bill since the beginning, and one thread that has run through its development ethos has been the idea of simplifying and working with what is already there, by which I mean the elements of the Community Empowerment (Scotland) Act 2015 that oblige public sector bodies to do certain things. That would involve working with the public sector landscape as is.

The guidance could stipulate what good practice would be and could set out how such work might be done if certain areas wanted to undertake a community audit. Of course, there could be a

provision in the bill that would make that a compulsory approach, but it would be interesting to have a discussion with people in the stakeholder community about the parameters for such an exercise, because there would be different ways of doing it. That is an interesting issue that we picked up from the evidence, and we will pursue it.

**Lorna Slater:** I hope that I speak for the committee when I say that we have a general concern that the process must not be a tick-box exercise or a talking shop. We want it to have impact. In order to judge what impact it has had, people will have to be able to measure or audit it in some way. That is a theme that we will come back to.

My final line of questioning is about the organisations that are on the list of relevant public bodies in section 5 and the list of specified public bodies in the schedule. What criteria were used to put those organisations on the lists? Some witnesses—including representatives of organisations that are missing from the lists—asked why there were two lists and suggested that there could be just one. Another question was whether organisations with a significant amount of land assets, for example, should be considered in a different way from those that have purchasing power. I would like to understand why those lists are the way they are and to hear an explanation of who is on them.

**Ivan McKee:** It is a valid point to consider. There are two lists because the first group would work with the local authority to put the plan together. That group is seen as being at the core of economic activity and would have significant input into what the plans look like. The second group—the longer list—includes the bodies that must have regard to the guidance when they put their plans together. You could say that all public bodies should take it into account when they do so, but maybe that is too wide, although there is a significant number on that list already. You would need to look at the ones that are not included and consider whether there is a case for including them in the “due regard” requirement.

Regarding the public bodies that should be working with local authorities to put the plan together, if a case can be made for them to be involved proactively at that stage—which goes beyond the “due regard” requirement—I think that that could also be considered.

We want to keep everything as simple as possible, which goes back to the principles around the public service reform strategy. We do not want to give people extra work to do if they do not have to do it, and we do not want to create complexity across the system for the sake of it. It is about getting that balance right.

I would need to check the scope in relation to the bodies that we could add to or take off that list, and how we would execute that, but I will let Stephen talk about that.

**Lorna Slater:** I am interested in the criteria that were used to choose those bodies, particularly for the shorter list.

**Stephen White:** In the overall spirit of being informed and taking a light touch in bringing that core group together, it was about which bodies had the most economic agency and economic influence. In addition, the longer “due regard” group list was informed by how many other duties the bodies in that group have.

If you look at community planning partnerships, some bodies in that group, such as the Scottish Fire and Rescue Service and the police, are not in the core group. The idea, which is open for discussion, was to separate those with the most economic influence and the ability to make an impact. Everyone can make an economic impact, because—as the minister said in his opening remarks—every pound has economic agency, but we took a lighter-touch approach to what those bodies would be obliged to do. That call was made for discussion.

**Lorna Slater:** Brilliant. Thank you very much.

**The Convener:** On that point, what consideration was given to creating a formal role for those anchor organisations when it comes to co-designing the action plan itself? You have highlighted the importance of those organisations, but should they not be co-designing the action plan with local authorities?

**Ivan McKee:** The first group would do that. The relevant bodies would work with the local authority to produce the plan—that would be colleges, health boards, Scottish Enterprise, enterprise agencies, Skills Development Scotland and the regional transport partnerships. That is the core group that would work with the local authority to produce the plan, and then the bodies in the wider group are the ones that must take it into account when they produce their corporate plans.

**The Convener:** I was thinking more about formalising that role as a co-designer in the bill, as opposed to those bodies inputting into the plan. That point came through in some of the evidence.

**Willie Coffey (Kilmarnock and Irvine Valley) (SNP):** Good morning. I will continue the convener’s line of questioning on how community groups can have a formal role in this. First, I acknowledge the fantastic work that is already going on in North Ayrshire, East Ayrshire and other places, which a number of the committee members have seen. Some really good stuff is going on. However, it is not the bill that will make

the community wealth building approach succeed; that will be driven by the dynamic between community groups and officials in an authority—we have seen evidence of that already. Will the bill amplify that dynamic across Scotland? It is not happening across Scotland yet—we know that—but we hope that that is what the bill will achieve.

Do you recognise that what makes things tick is the good work that goes on locally with the organisations that the convener talked about, driven by really good, committed officials?

**Ivan McKee:** You are absolutely right. It is down to individuals in local authorities, community groups and organisations across Scotland, including development trusts and other bodies that are doing great work and have a real focus on this. Some of the committee’s witnesses have done a lot of the thinking behind the theory and have learned from international examples. Those individuals are the folks who drive this.

I suppose that we are saying that we have that approach in part, as you rightly identify, but we do not have it to the extent that we could or should have across the whole country. It is about whether the bill gives the impetus to make the issue one that people need to take more seriously, which will then force them to learn from others about best practice.

09:30

**Willie Coffey:** The local people who we spoke to were at pains to emphasise that they value having a participative role at the outset, rather than having officials coming along and telling them, “This is what we’re going to do to you.” People very much want to have the sense that they are in a partnership, and to feel as though they are driving the process. I think that people were saying that that is the key to success.

That leads me to the convener’s question about formalising that role in the bill. It is one of the shortest bills that I have read. It has only 12 pages, and it is really nice, but although it talks about giving “due regard”, there is no formal connection to require engagement with the public in shaping the plans to begin with. I wonder whether a balancing act is needed to ensure that the public have a role in defining what the plans look like.

**Ivan McKee:** We need to unpick that a wee bit. The language that is used is that each local authority and “relevant public bodies” must prepare a community wealth building action plan. The list of relevant public bodies involves big bodies, such as colleges, health boards and economic development agencies. Then there is the list of bodies that must give “due regard”, which is another list of constituted public bodies.

However, as you rightly identify, it is not about formalising community engagement in the process. Lorna Slater also made a point about community engagement.

There is a question about how that could be formalised, and I would be interested to take views on it. I will ask officials to comment on whether it has been considered. We must recognise that the level of development of community organisations across the country is variable, whether those are community groups, community councils or whatever, so the process by which we engage them will obviously have to be flexible to take account of that. However, I absolutely take on board your point. If we are going to have something that will work in a local authority area, engagement with those whom we are seeking to support is hugely important. Local authorities could and should take that forward as well, but the picture there will, of course, be variable, too.

Have we done any thinking on that, Stephen?

**Stephen White:** Laura Moffat might want to discuss that.

**Ivan McKee:** Sure.

**Laura Moffat (Scottish Government):** There will be a duty on local authorities to lead a consultation prior to publishing the action plan. Implicit in that is that they would engage with communities in doing so. We will think about that in more detail as we develop the guidance and good practice.

As the minister said, actually putting that in the bill is something that we can explore further. During the development of the bill, we considered the issue of proportionality. As the minister highlighted, the landscape and the organisations vary across the country. If we put a legal duty on some bodies to engage with the community wealth building partnerships, would that be proportionate for them? There is a balance. We hope that, through the guidance—this will be statutorily required—local authorities will ensure that they engage with the right people as they consult on the action plan.

**Stephen White:** What has happened in Ayrshire in the pioneer councils will inform the guidance on that element. There is also other statutory commentary in legislation on community empowerment and engagement. The democratically elected councils have pushed this approach, but we can examine further whether that requires to be instructed or whether we just need to capture in a consistent way across Scotland what has happened and the feedback from communities on what they have benefited from and enjoyed.

**Willie Coffey:** Is there a place for local place planning, which we discussed yesterday at the Local Government, Housing and Planning Committee in reviewing the national planning framework process and the development of local development plans. As you know, local communities will come up with and devise local place plans. Is there a connection between that process and the process in the bill?

**Ivan McKee:** That is an interesting question. As I mentioned in my opening remarks, there are huge linkages with the wider public service reform agenda, the work on community empowerment, the democracy matters work, the work that we are doing on single authority models and the work to strengthen community planning partnerships. There are a lot of linkages.

The place plans sit within a very formal structure for how local development plans are put together. Communities do not think in silos; for example, they will want to do something because it has a place, economic, social or other benefit. They might want more houses—or they might not; they might want more economic activity and economic development. It is all joined up. One thing that I am keen to explore further over the coming weeks is the relationship between this work and the work that we are doing on community planning partnerships, including how integrated this work should be with the work of those partnerships, for which there is an existing structure.

**Gordon MacDonald (Edinburgh Pentlands) (SNP):** Good morning. I will ask question about finance. Finance is key to all of this in two respects: additional spend through procurement with SMEs; and access to finance for community groups and social enterprises.

There is a huge range in spend on procurement with SMEs. For NHS Greater Glasgow and Clyde, that accounted for 12.5 per cent of its spend—which I understand is partly due to the drugs bill that it has to pay for—whereas for North Ayrshire Council, the figure was 26 per cent. Should targets be set for SME spend and for local SME spend—that is, spending with companies that are operating within the council or health board area?

**Ivan McKee:** If you look at the annual procurement report, you will see that 47 per cent of the total public sector spend—£16.5 billion—goes to SMEs. I made the point earlier that that is a significant number, although that does not mean that work is not happening to increase it further. Interestingly, the proportion of public spend that goes to SMEs is higher than the proportion of the economy that is represented by SMEs, so SMEs get a bigger proportion of spend from the public sector than they do from the private sector. That is an interesting thought to reflect on.

In local areas, the issue becomes one of definition. In Clackmannanshire, the scope for spending with local bodies within the council area is different from that in Glasgow, where there are a lot more businesses and, therefore, a lot more scope to spend with local bodies. The setting of targets at that level becomes an issue. Last week, the committee talked to the Federation of Small Businesses, which tends to focus on microbusinesses. Those are very different from what we would call medium-sized businesses, but both are in that SME range—a huge range of different businesses is caught by the SME categorisation. In setting targets, we would need to be very careful about what exactly we would measure and how we would compare like for like. As you said, the spend of a health board is very different from that of a council in terms of the scope that each has for spending locally. The best way to set such targets would probably involve considering that as part of a plan, in order to allow for local variations.

**Gordon MacDonald:** I accept that the situation is very complicated, but if you do not set targets, what will stop organisations just paying lip service to the issue? At the moment, only eight out of 32 local authorities do community wealth building seriously, so what is there to stop an organisation just undertaking a tick-box exercise?

**Ivan McKee:** That is always a danger, and we need work to make sure that it does not happen. Designing the legislation correctly is important in that regard. That goes back to the point that Lorna Slater made about how to measure and evaluate. We are certainly open to considering how that could be done in a way that would work. It is also not just about the local authority and the relevant partners but about all the other public bodies on the longer list and the money that they spend in the local community.

Stephen, do you have any thoughts to add on how we developed our thinking around that?

**Stephen White:** We are familiar with the issue, as it came through strongly in a lot of the evidence in the submissions. As people who work on community wealth building, we rely on advice from our own colleagues in procurement. There has probably been a long history of discussions about targets. As the minister indicates, local partners could set out targets in their plan if they want to do so, but obliging them to use centralised targets would be different. The issue has been a thread through the community wealth building discussion since it began.

**Gordon MacDonald:** When we were out on our visits, we met a lot of community groups that had taken over derelict land or repurposed buildings but had difficulty accessing funds. What steps will

the Government take to deal with that issue, either through the action plans or in the guidance?

**Ivan McKee:** The things that you are talking about very much relate to the five pillars of community wealth building, which include finance, workforce, procurement and assets and land. That goes back to the fact that what we are doing is giving impetus to all the other work that is happening in relation to those pillars. There is already funding in place around projects that involve vacant and derelict land, and, of course, the community asset transfer legislation supports that, too. There are already mechanisms that help in that regard, and the bill will not address that per se, but there could be consideration of how other bits of the system could support that. Procurement and the funding for asset transfer are another part of that. Clearly, how much money can be put into that in any given year is budget dependent, but there are funds for that, and I would expect that to continue.

Stephen White might be able to talk about the detail of the vacant and derelict land fund and so on.

**Stephen White:** I am not able to recount exact numbers, but if the committee would find information about the broad contributory areas useful, we can write to the convener with some indication of what would be in scope in terms of relevant amounts of money.

The legislation seeks to establish, in a binding way, a consistent place in which discussions can be had. The plan that could be the place and the economic context for all those calls for resource and discussions about the change that is required, including future legislative change. At the moment, that does not exist, and those discussions must take place in different forums, so there is an opportunity to join things up.

**Gordon MacDonald:** We have heard evidence that credit unions are keen to get involved, but that there is a legislative block to their doing so. However, we then heard contradictory evidence about that.

I was thinking about Glasgow Credit Union, which has assets of £192 million, £20 million of which is in cash—I realise that it has to have substantial cash holdings, so that it can pay out to savers. However, such organisations seem to be risk averse. I have seen information that says that credit unions can have corporate members that they can lend to, but Glasgow Credit Union has only one. There are more than 100 credit unions, and it would seem to me that they are a natural fit with the Government's community wealth building goals. Is the Government doing anything in that regard?

**Ivan McKee:** Are you asking whether the Government is doing anything to enable credit unions to lend to organisations in the community?

**Gordon MacDonald:** Yes.

**Ivan McKee:** I know that some issues relating to that are reserved and some are devolved. We are happy to unpick that. Stephen White might be able to comment on that.

**Stephen White:** It is an interesting point. I am not an expert on this but, earlier in the development of the bill and the general policy, I met a few chief executives from big Scottish credit unions. The point that they made was that they are curtailed in their lending and that the change that would be required is in the reserved area. It is one of a long list of issues from the original consultation on the bill that would require engagement with the UK Government. The issue could be fully considered through that process of dialogue.

**Gordon MacDonald:** We received some information that said that credit unions are allowed to lend to an organisation as long as it is a member of the credit union and operates in the same area, although there is also a small percentage figure that is the limit that they could lend to that organisation. However, although it seems that there is nothing to prevent any credit union from making such a loan, there is a reluctance to do so, despite the fact that credit unions can take out loan insurance and make secured loans. I do not think that there is anything in the reserved space that is preventing that lending from happening; I think that it is more to do with the fact that credit unions are risk averse. Is there anything that the Government can do to support them to reconsider their position?

09:45

**Ivan McKee:** I suppose that that comes back to where we started the conversation about the purpose of the legislation. If the legislation flushes out such conversations in local authorities as they sit around the table with the relevant partners and put the plan together, it is clear that, depending on which part of the country they are in, there will be different solutions, given that credit unions and other organisations have different profiles. If the legislation flushes out those issues and the guidance says that credit unions should be considered, that points to the value of the legislation in enabling people to have such conversations.

**Jamie Halcro Johnston (Highlands and Islands) (Con):** Good morning. On that point, one reason for the bill is perhaps that there is a patchwork approach to community wealth building across the country. However, I am sure that you

recognise that, even with the legislation, different areas will face different challenges. Where do you see those challenges existing geographically—for example, in relation to rural and island communities and economies of scale—even when the bill has been passed, if it is passed?

**Ivan McKee:** The purpose of the way in which the bill has been designed, in enabling or requiring local authorities and local partners to sit down and pull together the local action plan, is to give a framework but also to allow scope for locality-specific issues to be pulled together. You will know much more about island groups than I do, but I am sure that, if you sat down with people from Orkney, Shetland and the Western Isles, they would have a lot of similar challenges but also a lot of different challenges. Having things at that local level is really important to flushing that out. From our perspective, it is about making sure that the legislation enables that and the guidance lists the things that should be considered, and how they should be considered, in order to enable that to happen.

**Jamie Halcro Johnston:** If the bill is amended and passed, is the aim that there will be different levels of engagement rather than a level response but that the overall level of engagement across Scotland will increase?

**Ivan McKee:** Yes. Everything should lift, because everyone will see what the requirements are and what best practice is, and people will go through the process of pulling their action plans together and consulting locally and more widely. Of course, it is not the case that everybody will be at the same level, and there will still be things that we need to make progress on, but we will be further down the road and moving in the right direction.

**Jamie Halcro Johnston:** We talk a lot about councils getting involved, but one area of interest is where the Government can be involved. A lot of the time, Government contracts are delivered centrally—for example, for insulation programmes. Will there be a move, or is there an opportunity, for the Government to decentralise some of those contracts? They are often given to large companies in the central belt and are then delivered in rural areas by secondary contractors. Is there an opportunity to have more flexibility in how those contracts are delivered in order to allow more local engagement and delivery?

**Ivan McKee:** Through procurement activity, there is a lot of focus on breaking up those big contracts into lots through the work of the supplier development programme. Recently, I was at a very well-attended conference at which there was an emphasis on and momentum behind getting local suppliers engaged in that process. I have also been at round tables with groups of SMEs

from around the country to hear at first hand about the challenges that they have in accessing public sector procurement. A lot is already happening in that space.

It then comes down to what is being built. A local authority or health board in a rural area will have its own focus. A large-scale construction project will allow engagement with only a limited number of people, but work is already in place to support how that cascades down through the tiers when it comes to the fair work and local content agenda, and so on. There is a lot in that—and the bill will give it more emphasis—that will help to move things along.

**Kevin Stewart (Aberdeen Central) (SNP):** Good morning. Minister, do you agree that the most important thing about the bill is communities?

**Ivan McKee:** Yes. There are a lot of important things, but that is very important.

**Kevin Stewart:** Thank you—

**Ivan McKee:** Where is this going? [*Laughter.*]

**Kevin Stewart:** Is it fair to say that communities often get turned off from getting involved in good work, because they feel excluded?

**Ivan McKee:** Yes. It goes back to my earlier point about how we define communities.

**Kevin Stewart:** There are many definitions of communities. Whether it be a small village or hamlet or a wee neighbourhood in a big city, the people there see themselves as a community, and they have a vital role to play in community wealth building. I am sure that you agree that we have a duty to ensure that those folks are empowered as much as possible.

In relation to making the best communities and ensuring that there is positivity from communities, is it right that, when we make changes, we must listen to communities and get our communication right?

**Ivan McKee:** Absolutely.

**Kevin Stewart:** In that case, I ask you to look at the *Official Report* of today's meeting. There are folks in my constituency who have quite an interest in the bill, and some of them do not think that it goes far enough. I might think that, too. One thing that is frustrating is the level of managementspeak that there has been today. Quite frankly, that turns communities off and prevents them from getting involved. How will you ensure that we get rid of that language and have plain and simple speaking, not gobbledegook that turns folk off?

**Ivan McKee:** That is a broader question. I have a lot of sympathy with the point that you make. I have spent many happy hours rewriting official or

Government documents to remove much of that language. For example, there should be a limit on the number of verbs that you can have in a sentence, and we should probably ban certain phrases—"in due course" is one that springs to mind. That would be a separate exercise that would have much broader applicability than simply what we are talking about today, but I have a lot of sympathy with that point.

**Kevin Stewart:** There is a wee bit of jocularly around this, but it is quite simple: listening to what we have heard this morning is a turn-off for my constituents. I know that, because I have already had a message about it. We cannot afford to have folk turned off when it comes to community empowerment and community wealth building. In all seriousness, I ask that we all look at the language that we use and that we listen to people on these very serious issues.

**Ivan McKee:** You are absolutely right. I do not disagree with any of that. Certain things need to be spoken about in legal language when we are talking about legislation, and other things need to be talked about in quite technical language for good reasons, but we should always focus on the impact on people. To be fair, some of that is about the language that is used and some of it is just about explaining how things work and what things mean. We use a lot of terminology as shortcuts. We might know what the terms mean, but you are right that they might not necessarily make sense to community groups.

When the rubber hits the road, community groups should have access to procurement opportunities and have better support from local authorities and others that can help them to deliver what they are trying to deliver for their communities.

**Kevin Stewart:** I appreciate that. Thank you.

**The Convener:** I will bring in Daniel Johnson. No pressure, Daniel, but we are looking for some plain speaking.

**Daniel Johnson (Edinburgh Southern) (Lab):** I am known for nothing else but plain speaking. You should not smile so broadly, minister.

The subtext to this is that there is a risk that, in essence, nothing will really change as a result of the bill—the Government will issue another set of guidance, there will be a round of consultations by local authorities and they will produce a report. There have been four suggestions—that is the number that comes to mind—for changes that could be made at stage 2, and I ask you to consider them.

First, in relation to what Lorna Slater and Gordon MacDonald said, could a consistent set of metrics be provided—not necessarily in the bill but

in a subsection of the guidance—and could local authorities be required to set their own targets? You made the good point that one set of targets cannot apply to every area. However, if each local authority used a consistent set of metrics but was required to set its own targets, would that improve the bill and move things forward? What is your response to that idea?

**Ivan McKee:** Absolutely. I think that some of that could be in the bill and some of it could be in guidance, depending on how we want to articulate it.

**Daniel Johnson:** The second suggestion is the one that you alluded to. What we need, in part, is a change in the procurement approach. Is there a possibility that, rather than only changing the narration of what is going on in procurement—which is what the report would do—there could be a change in the structure of the procurement that is undertaken by local authorities and other public bodies? The structure could require them to do some initial work to explain their procurement requirements, either for particular procurement exercises or more generally, and it could require them, in their work on how bids are assessed, to think in particular about social value, as that is a permitted reason for granting and awarding contracts, over and above simple financial value.

**Ivan McKee:** I would need to be careful not to cut across existing procurement legislation in that space. Having two sets of procurement law could be complicated and create confusion.

It is important to understand how much the bill can do for communities and localities, but we have made huge progress in that area during the past 10 years, and the stats show that. There is a way to go, of course—there always is—but it is not true to say that we are starting from ground zero. We want to ensure that anything that we create builds on the work that is already happening on procurement activity and existing legislation.

I am therefore not sure that we would want to do that in the bill. I am not saying that we will not do it, but we are very conscious that we already have legislation on the matter. That legislation might need to be changed—we have talked about thresholds that could be changed without legislation and so on—and I am happy to consider that, but I need to be careful to find the right vehicle for it.

**Daniel Johnson:** I guess that I am saying that we should update existing guidance or legislation. I am not saying that it should be replaced; I am saying only that it should be updated.

I also wonder whether the bill could update the Community Empowerment (Scotland) Act 2015, as has already been alluded to. When we talk to community organisations, we sense that there is a

feeling that, despite the mechanism in that act, public authorities do not necessarily help them to make their bids, let alone local authorities and other public bodies such as health boards baking into their service design the possibility of the 2015 act—for example, its community asset transfer powers—being used in relation to running parts of their public service delivery.

Could there be an update to the 2015 act to create obligations to facilitate and enable such bids and to consider the provisions of the act and community wealth building as part of public service design and implementation?

**Ivan McKee:** I am very happy to consider that. Again, however, it is important to put the matter in context. The public service reform strategy that we brought out last week has workstreams on how we make community planning partnerships more effective. Will legislation come out of that work? I think that it is likely that there will be a lot of public service reform during the next parliamentary session, which will cover a range of things in that space and consider how to get more empowerment in local service design and everything else that goes with that. We are very much considering that.

I suppose that it comes down to what the most effective vehicle is. If there are specific things that we can do in the bill during the next few months, given its timescale, we are very happy to consider that, but I would say that the bill is not the end of the story. There is a lot more to be done. There is also the democracy matters work, on which we have indicated that we will create legislation on the single authority model, the strengthening of CPPs and so on during the next session of Parliament.

**Daniel Johnson:** This will not work unless there is capacity and capability to heed the calls. It is about ensuring that people who know how to do that stuff have the confidence to do it. That is not going to happen unless there is support. Is there a possibility of considering broad duties to support capacity building or the Government looking at how it could use its agencies to help local communities to develop the skills, know-how and wherewithal to approach community wealth building? Unless people are starting businesses and creating community organisations and initiatives, community wealth building will just not happen. No amount of consultation or reports in the world will change that.

10:00

**Ivan McKee:** That is absolutely true. It is important to recognise that we are not starting from ground zero. There are a whole series of workstreams in the national strategy for economic transformation that seek to address the point

about entrepreneurs starting businesses. There are a lot of great examples of community development trusts, including in my constituency, and a lot of work is being done at a Scotland-wide level through organisations to pull that knowledge together, share best practice and give the momentum and impetus to take that forward. There is a lot happening, but I recognise the points about capacity and our role in helping to support that where we can.

Capacity can be a challenge. Going back to the point that Willie Coffey made, I note that there will be good capacity by definition in areas where good progress is being made, but not in areas where it is not. How that is balanced is important. We are keen to work with partners in the broad sense to take that forward. However, I note again that the bill is not the only opportunity that we will have to address these issues.

**Daniel Johnson:** I guess the key question is: are you open to exploring some of those possibilities through stage 2?

**Ivan McKee:** Yes.

**Daniel Johnson:** Fantastic—I will leave it there.

**Lorna Slater:** I have a quick question about the metrics and so forth that Daniel Johnson spoke about. One of our witnesses was clear that it is hard to assess not only the data that already exists on community wealth building but also how progress might be measured, because there is no data collection. Are ministers and officials open to putting data collection requirements into the guidance or the bill? Whatever we end up deciding to measure, there will need to be obligations to collect data on those metrics so that we can track progress.

**Ivan McKee:** It depends on what you want to look at. In the procurement space, we have tonnes of data. Every public body produces a report each year and there is a consolidated report that pulls all of that together for the 100-and-whatever-it-is public bodies on what they have spent, where they spent it and who they spent it with.

On the metrics discussion, if there are other areas in which we are clear on what we should be measuring and we want to have a reporting mechanism for that, we should consider the most effective way to do that. However, we must always remember that we do not want to put too much of a burden on public bodies or communities by requiring them to spend all their time collecting data and reporting on things. It is a balance.

**Lorna Slater:** I understand that. However, witnesses have brought up questions such as how many businesses are co-operatives or social enterprises and how many people they employ, and we do not know that. I am not aware that we

have data on it, and the evidence that we have taken suggests that it is not widely understood. Employee-owned businesses are a key pillar for community wealth building. However, that is just an example. I take the point that procurement is one of the easier pillars to implement and measure, and that some of the other five pillars are more difficult to measure, but we will want to make progress with those pillars as well.

**Ivan McKee:** I would be happy to look at that. With this stuff, if you go and look, you will often find the data. People may not have necessarily talked to the right people or asked the right questions, but we can certainly look at some of those points. I might be wrong, but I would be surprised if there is not data on some of the things that you have talked about. However, we can check on some of that.

**Lorna Slater:** Thank you.

**The Convener:** Minister, I have a question that you may be able to answer with your wider public sector reform hat on. The bill aims to empower local authorities to transform local economies through community wealth building. However, councils in Scotland still lack a general power of competence, which is something that councils in England were given by section 1 of the Localism Act 2011, which effectively gave them the ability to do anything unless it is prohibited by law. That seems to have helped cities such as Preston to pursue some innovative work on community wealth building.

Is there a concern that, without that general power of competence, councils might be hesitant to pursue some innovative approaches for fear of overstepping their legal responsibilities?

**Ivan McKee:** There are a few things to unpick in that question. It comes back to the point about when I ask people what they mean by “community”. That is an important question, because a lot of people have visualised the conversation happening at a very local level. However, community planning partnerships technically exist at a local authority level, which can—certainly in the bigger local authorities—be a long way from where communities are. Understanding and reflecting on that context is important.

I do not know whether there is anything in the bill that seeks to allow councils to do things relating to the community wealth building agenda that would be problematic and require a general power of competence to be taken forward. It would be interesting to see examples of areas in which councils would like to do things under the community wealth building agenda but think that they are unable to do them within their powers.

The general power of competence is another issue. I would need to look into that. My officials might have more information, but it is obviously not their area. My understanding is that there is an issue with the devolution settlement regarding our ability to give local authorities that power, but I can go and verify that. I do not want to speak incorrectly. There is also a flipside to that power. We have seen examples of local authorities down south getting into things that they probably should not have done and ending up with financial challenges as a consequence of that.

**The Convener:** Okay. We may come back to that issue.

As members have no further questions, that brings us to the end of the evidence session. I thank the minister and all the officials for joining us. I will suspend the meeting briefly to allow a change of witnesses.

10:06

*Meeting suspended.*

10:30

*On resuming—*

## Alexander Dennis

**The Convener:** Our next item of business is the first of two evidence sessions on Alexander Dennis. I begin by declaring an interest as I am a member of Unite the Union and the GMB. Today, we will hear from the trade unions and tomorrow, we will hear from Alexander Dennis management.

On 11 June, Alexander Dennis announced a consultation on consolidating its United Kingdom bus body manufacturing operations in a single site in Scarborough. That would mean that the site at Falkirk would close and work at Larbert would be suspended upon the completion of current contracts. Given the pressing timescales, the committee agreed to hold the evidence sessions this week.

I am pleased to welcome Robert Deavy, senior organiser for manufacturing, GMB Scotland, and Derek Thomson, Unite Scotland's regional secretary. As always, I ask that members and witnesses keep questions and answers as concise as possible. I am grateful to the panel for joining us at short notice.

Clearly, this is one of the most significant industrial threats that we have faced in Scotland for many years, with 400 skilled direct jobs at risk at a company that should be playing a major part in Scotland's net zero ambitions. We are keen to understand from the trade unions not only how we got here but what must happen urgently to try to save those jobs and prevent the closure from becoming a done deal.

My first question is what impact there would be for the affected communities if the proposed closure went ahead?

**Derek Thomson (Unite the Union):** Thanks again for the opportunity to speak to the committee. You are right about the urgency and the timescales. It is important that we discuss the issue with you, given that the Parliament is going into recess, the fact that there is a 45-day consultation period, and that the plant will shut on Friday for two weeks because of the Falkirk fair. Four hundred jobs are at risk and we have seen what the devastating impact will be for the area, as highlighted by the PricewaterhouseCoopers report on Grangemouth. Our plant is close to and within travelling distance of Grangemouth. Our concern grows by the day that no immediate plan is coming forward. We want to try to articulate to the committee the options that are on the table and how we can take them forward.

Our concern is about the collapse of the bus industry in Scotland and the supply chain that

goes with it, which we can talk about in more detail throughout the meeting. For us, from an industrial point of view, the proposed closure will be another devastating blow to that cluster, and it will have a devastating impact on Scotland's economy.

**Robert Deavy (GMB Scotland):** I echo Derek Thomson and thank the committee for arranging the session at short notice. Time is of the essence as we are at the second stage of the collective consultation.

As a union, in discussions with our members, we have been raising the issue for some time, and I am pretty sure that Unite has been doing that as well. We believe that it is a political failure that requires a political solution. This is not a new issue; it has been on-going for a long time. You could say that Grangemouth was the start of it and the area will now lose another business. That is 250 jobs at both sites. I believe that the 400 jobs are outwith that, because a larger consultation is taking place, but that will be 250 jobs lost in the Falkirk and Larbert area in a matter of weeks. That will be absolutely devastating for the area.

We need everyone to come together: trade unions, politicians and, importantly, we need Alexander Dennis Ltd to be involved. By coincidence, GMB Scotland wrote to ADL three or four weeks ago to offer our support and to ask what we could do to help the company to get work. We did not know that this was coming down the line; we just knew that work was slowing up in the yards. To be honest, we received a "Thanks, but no thanks" response—although it was not as polite as that. That is why we are in this situation.

**The Convener:** We will come back to the detail of what the business needs to do. Can you set out clearly for the committee what the political ask is? What do the Scottish and UK Governments need to do to protect the jobs?

**Derek Thomson:** There are a number of things. Plant utilisation fell below 50 per cent but that was not because of a lack of available contracts. Buses in the UK are a growing market but the long and short of it is that ADL was not winning contracts. We either need to make direct awards or have a better procurement process.

I understand—and it is only an understanding at this point—that the Cabinet Office has issued or will issue some form of guidance that direct awards can be made. That is one of the areas that we want the Scottish Government to look at.

We understand that, pending those direct awards or contracts, there is a four-month gap between bringing those contracts online and the end of the consultation period. We have been speaking to the Deputy First Minister about a time-limited furlough scheme to support workers while the contracts are being awarded.

The reason why the scheme should be time limited is that it is important that ADL does not get a chance just to walk away at the end of the furlough scheme and say that it cannot do anything else. A proper, controlled procurement policy must be in place.

We can go into detail about the Chinese bus companies and what they are bringing into the country later on. There is a supply chain for buses in Scotland. There is a growing market in Europe for buses and the UK is the largest growing market for buses. Direct awards can be made for other contracts in other councils. We are asking for a time-limited furlough scheme to support the award of new contracts behind the scenes. If we get that, work can restart at the plant in four months' time.

The plant probably needs modernisation. We are acutely aware of some of the issues that have been raised with us about quality, but, in our view, that is a supply chain issue and it needs to be part of the wider Government discussions.

A time-limited furlough would be a significant option. It would be a real game changer in how we approach the just transition process going forward.

**Robert Deavy:** I agree whole-heartedly. In the long term, we need structural changes to how procurement is carried out. It is vital to maximise domestic procurement, particularly for Scotland.

In the short term, however, both sites urgently need contracts, and that is the conversation that we have been having during the consultation. ADL has mentioned that it has four contracts in the pipeline and, essentially, it was looking to us to help it push to get those out, but we found out yesterday during the consultation that none of those contracts will go to Falkirk or Larbert; they will go to Scarborough. The contracts are with the Go-Ahead Group, Liverpool, Blackpool and Arriva. Without sounding too harsh, I do not really want to be pushing for them. Our main focus is keeping the work and protecting the jobs in Scotland, not helping Scarborough to get more work when it means closing down our sites. In the short term, we need more contracts and more work for Scotland.

We also spoke about the furlough scheme yesterday. The company is telling us that the conversations that it is having with the UK and Scottish Governments are very vague on furlough. Things keep changing, so we do not have an idea of what it looks like.

As Derek Thompson said, however, furlough is not the answer. We do not want an indefinite furlough scheme. There has to be something at the end of it. There is no point in setting up a furlough scheme if no work is coming to Scotland to keep the sites open—that is not what we are looking for. It needs to be furlough because the

lead-up to get work started on electric buses can be up to 20 weeks, to get in the equipment and supplies. That time is shorter for diesel buses; it can be 12 weeks. We need something to fill the gap until we can get the contracts in. Furlough is a last resort but we need the support to get the contracts in. That is a priority.

**The Convener:** You raised a point about contracts, and we will question the company tomorrow. What assurances have you been given by the company that, if the contracts are secured, the work will be carried out in Falkirk and not simply transferred elsewhere? Has the company given you the assurance that, if it is able to get the contracts, it will be able to retain jobs in Falkirk?

**Robert Deavy:** No, we have not had any assurances. We have made it clear to the company that, if we are using our trade union contacts with the Scottish Parliament, the Scottish Government or the UK Government to help secure contracts, we expect that work to come to Falkirk and Larbert. We have made that clear, but if you are asking whether we have had assurances—no, we have not. Yesterday came as a bit of a surprise. The company had mentioned contracts in the consultations, particularly the Blackpool one, which it won. We know that that is factored into its planned work for this year and next year, but yesterday it was confirmed that that work is going to Scarborough and that no work will be coming to Scotland.

We have asked the company to consider the possibility of building chassis in Falkirk, which would save some, but not all jobs. It is going to look at that and come back to us in a couple of weeks with a response. It has told us that the Scarborough yard—I am sure that ADL will give you more detail tomorrow—can do around 1,200 buses a year. In essence, it is looking for something over and above that. It said yesterday that it is looking for an extra 300 orders. That is what it will be looking for in order to keep Falkirk and Larbert.

**The Convener:** I am sure that we will come back to that very important point tomorrow with the company.

**Derek Thomson:** NFI Group, the parent company of Alexander Dennis, has instructed the company to consolidate production, anticipating prolonged low volume, but has not instructed how. The final closure of AD in Falkirk and Larbert has not been signed off. The company has been told that it needs to cut costs, and one of the options that it has put on the table is this closure.

Unfortunately, and prematurely, the company has begun the 45-day consultation period, which holds a gun to our heads. We are trying to be proactive and come up with solutions and put

them to the company, and, ultimately, hope to find a solution through that process. However, production in terms of bus delivery is low across all sites. There are a number of factors to that, which we can probably come back to, including the EV mandate and stuff like that across the UK. Take London Buses, for instance—I think that it bought 433 buses, which were with Alexander Dennis and then went to BYD Company, which is Chinese.

There is a market for the buses here in the UK, but, unfortunately, due to a number of factors, including cost, supply chain issues and other elements, some of that work is going overseas to be brought back in. I am disappointed that there was nothing for the sector in the industrial strategy that the UK Government announced. There was something for England, but nothing for Scotland, so it is probably incumbent on the Scottish Government to look for solutions.

**Daniel Johnson:** I am interested in understanding the scope of your representation on site. What is the breakdown of the areas that the two unions represent?

**Derek Thomson:** We are jointly recognised.

**Daniel Johnson:** So, it is the same workforce.

**Derek Thomson:** Yes, it is the same workforce.

**Daniel Johnson:** I just wanted to understand that. I will ask about two broad issues. First, how did we get here and, secondly, what can be done? I will delve into the points that Derek Thomson brought up around the Subsidy Control Act 2022 and the art of the possible. On how we got here, we have some numbers in front of us. It basically looks like the business has struggled to recover to pre-pandemic volumes. The pre-pandemic volume of buses was around 1,200 a year, and the business has been unable to recover to that level. Is that the correct assessment, or are there other factors that we should be aware of and be looking at?

**Robert Deavy:** As has been mentioned, a broken economic model allows contracts to go overseas all the time. There is basically a race to the bottom, which is having a huge impact on manufacturing in Scotland.

**Derek Thomson:** Outwith that, Chinese imports are having a significant impact on the UK bus market. There are already tariffs on that, and obviously, tariffs are a much wider issue, given the global situation. BYD, which was a partner of Alexander Dennis, now has UK contracts in its own right. Its model costs £400,000, which is around £100,000 cheaper than what it costs to produce here. There is a supply chain issue as well. In 2024, Alexander Dennis had 11.6 per cent of the UK market share, but it is estimated that

Chinese imports will increase their market share over the coming years up to 10, 15 or 20 per cent of overall bus manufacturing.

The Scottish Government put significant money into ADL for research and development, which is obviously about the future evolution of the business, but there are major issues around that, as we all know. We have discussed before the issues around battery power and the structure of the energy market. Energy costs in the UK are massive and that will not change until 2027, under the new industrial scheme.

10:45

As Robert indicated, a long, drawn-out death knell has been ringing for the industry over the past couple of years. Now we are seeing the Canadian parent company, NFI Group, looking to cut costs, with one of the markets being in the UK. It just does not see that we are able to compete in the current markets.

There is a need for investment in the site, and there is also a need for upskilling on the site, which we can come on to.

**Daniel Johnson:** On that, I am looking at the head count numbers and the balance between production and selling and administration. Compared with pre-pandemic levels, production head count is lower, but selling and admin are considerably higher. Is there a question here about the focus of the business? Is it focusing more on the administrative side of things as opposed to the production side, or is that a red herring? I apologise if I am asking daft laddie questions.

**Derek Thomson:** I would need to look at the administration side of it. This has come a bit out of the blue for us, so we are still finding our feet inside the company. A lot of our research is focused on how we can secure the furlough and additional contracts.

I will certainly look at that point, and I am happy to email you about it.

**Daniel Johnson:** That would be great.

**Robert Deavy:** We are the same—our focus has been on trying to secure contracts and get as good a deal as we can for our members in there.

**Daniel Johnson:** Derek, you raised points about China and considerations under the Subsidy Control Act 2022. My understanding is that you can take into consideration social value and you can also, as you say, provide direct awards. You can also treat bids from non-treaty countries differently from bids from treaty countries, which China is not. I think that we all know the importance of encouraging people on to public

transport and that transport should be seen as being absolutely critical to the economy. Could or should more conditionality have been placed on the grants provided by Scottish Enterprise and the Scottish Government? Do you share my understanding of what the 2022 act might allow us to do going forward?

**Derek Thomson:** That has certainly been my understanding over the past couple of weeks. We will wait to see the Cabinet Office guidance that I am sure will come to the Scottish Government on the issue of direct awards.

What was the question after that, Daniel?

**Daniel Johnson:** It was really about the Subsidy Control Act 2022 and whether more conditionality should have been applied, on the basis of that act, to the moneys that came directly from the Scottish Government and to the grants from Scottish Enterprise.

**Derek Thomson:** I think that conditionality must be considered in a number of key public sector areas. We have been working really hard with the Scottish Government on the just transition plan and on bringing in conditionality for awards from the wealth fund and the just transition fund.

We should consider introducing some form of conditionality around, perhaps, council orders. We have a great model in Lothian Buses and others, which we could use as a model for councils. However, the Government will need to put its hand up to put that through.

**Robert Deavy:** Yes, I agree absolutely on conditionality. If the yards close—we are not at that point; it is not inevitable as we are still discussing it and are still in consultation—any public money that can be clawed back through those grants should be clawed back. When you are awarding or giving out those funds, I do not believe that the company would tell you that it was looking to close down the yards in five or 10 years. Any public money that can be clawed back should be clawed back. We would support adding such conditionality to those grants.

**Daniel Johnson:** I will tease out the other element. My understanding is that, according to news reports, the Ministry of Defence is currently examining whether Chinese electric vehicles should be allowed on Ministry of Defence sites. Again, I emphasise the point that our bus network is critical national infrastructure. If we view the bus network as critical national infrastructure, do you think that we need to examine where we are sourcing buses from, considering the elements of national security?

**Derek Thomson:** There are a couple of issues in that question. One is the sourcing—the cost—and how much more expensive it would appear to

be to get this stuff done in Scotland. That is down to the supply chain issue. There is an element of needing to look at the overall funding for areas such as this. You are right about the bus network. It is critical in a lot of rural areas, particularly in Scotland. You might be aware that Dumfries and Galloway are just about to sever ties with Stagecoach, which will cause issues in another rural area.

We have been saying for a number of years that the more in-house work that we do, the more secure we will be going forward. We need to examine the supply chain in Scotland. Are we getting the best bang for our buck? Are we importing? The cost levels for the Chinese buses are a lot lower because of the supply chain. I have got no reason to dispute NFI, but I think that it spent more than £1 billion on its supply chain to try to increase services. However, it is up against a company that can undercut it by £100,000 a bus, and, as you said, there is no conditionality based on that. Where were the discussions with the mayor of London when we were losing 433 buses to BYD? That was a cost-only thing. How do you change that set-up? I have been saying to this committee and others that, as we move forward into the just transition period over the next 10 to 15 years, we have to get this right or we will see potential devastation in another part of the industrial cluster. Again, we are talking about highly skilled manufacturing jobs.

On the issue of jobs, the 400 jobs that went in Grangemouth were at a different skill level from what we are talking about here. We have been working closely with Scottish Government officials to secure a job transition agreement that will, effectively, fast-track into interview the people who have the right skills. The skills at Alexander Dennis will not be at a level that is transferable to different parts of the industry, particularly when you are looking at project willow coming into Grangemouth, where transferable skills can go. The job market may not be as bad, but it will be catastrophic in Falkirk and Larbert to lose that amount of jobs. I am just adding that in as part and parcel of what seems to be an overall concern. It is not as if the just transition has just arrived on our doorstep; we have known about it for years, and it is now time to get planning for the future a bit stronger.

**Robert Deavy:** Buses have been getting built at Alexander Dennis for more than 100 years, and it could have another 100 years if a proper industrial strategy is put in place. Scotland is always going to need buses. You have made a great point about the political situation in the world. Where we get our buses from is critical. Buses are critical infrastructure for our economy and everything that goes on in this country. We keep letting orders go abroad, but it should not feel wrong to say that we

want Scottish buses to be built in Scotland by Scottish skilled workers. That should not be a dirty thing to say. We should be happy to say it. To touch on what Derek Thomson said, any green industrial strategy should have sites such as Alexander Dennis at its core.

**Daniel Johnson:** I will ask a question that I have asked in private. The last thing that you need is politicians describing the situation—you need politicians to do things. There are things for the UK Government to do and there are things for the Scottish Government to do. Are there things that MSPs could be doing individually to support your efforts to try either to win contracts or find solutions? What are the asks that you would make of us as MSPs?

**Robert Deavy:** The most important thing in the short term is to find us contracts and keep sites viable until we find a longer-term strategy, particularly with how contracts are awarded. As we mentioned earlier, the last resort is a furlough scheme to buy us a little more time, but that is not the answer. We need the work in Scotland. We need to keep these jobs in Scotland.

**Derek Thomson:** I was disappointed with the political football that happened just the other week, when no real concrete strategy was being put out. A blame culture seemed to be happening, although I get it—we are going to be moving into the elections.

We are looking for a consensus across Government on what should happen. That should start with a commitment to looking properly at a furlough scheme. In the UK, workers at Liberty Steel remain on furlough because the plant is of such strategic significance for the aerospace supply chain. A furlough scheme was negotiated for the one-year shutdown of Vauxhall's Ellesmere Port plant, which is owned by Stellantis. Italy has a long-established state-funded furlough scheme, which can fund as much as 90 per cent of the wage bill. Germany has a similar scheme.

If the contracts that I mentioned are secured, there will be a gap of four months. Without going into the details, we have estimated that such a scheme would cost between £4 million and £5 million. How that would be funded is a significant question for the Scottish Government. Is the £25 million just transition fund for Grangemouth ring fenced for Grangemouth? Can that money be used in a way that supports the cluster? That is a question that the committee can ask. A commitment was made. What conditionalities are attached to the wealth fund money? We have not seen any of that £200 million being deployed. Could the money that has been promised to the Scottish Government for action to help with a just transition be used to help with the situation at ADL?

We want to put forward solutions that would not put the Government in a position in which it had to fund a furlough scheme that was not time limited but that went on and on. Robert Deavy was absolutely right. Tomorrow, the committee needs to be quite robust with the company and to ask it whether, should a direct award be made, it would commit in the long term to ADL in Falkirk. If it would not, why would we give it the money?

Let us not even get into the issue of what a redundancy package might look like. We are not even talking to our members about that yet, because we are in a time-limited window. We are yet to receive a response from the company on our proposal for the consultation period to be extended. My preference would be for the consultation period to be extended over the parliamentary recess, because that would give the politicians an opportunity to work with us as much as possible.

A lot depends on what ADL does. If the Scottish Government agrees to a furlough scheme, it will have to rely on ADL to buy into that. The Government needs to see a commitment at that level, too.

**Daniel Johnson:** Mr Thomson has made some good points that we can take up as a committee. I make the simple observation that we have just had the provisional outturn, in which the Scottish Government had a £500 million underspend. I make that observation in relation to where money could be found.

**The Convener:** Gordon MacDonald has a couple of supplementaries.

**Gordon MacDonald:** I want to ask about direct awards. At the moment, if my understanding is correct, no direct awards can be made. The ability for direct awards to be made is subject to an announcement that may or may not happen. Is that correct?

**Derek Thomson:** Things changed after Brexit, when different criteria were introduced in relation to subsidy control, which Daniel Johnson mentioned, and direct awards. My understanding is that, according to information from the Cabinet Office that came out only over the weekend, it is possible to make direct awards. We still need to look at that in detail—we have yet to be supplied with that information. If the option of direct awards is available, it is one that should be taken.

Things have changed, now that we are not a member state of the EU—it is not an easy issue.

**Gordon MacDonald:** I appreciate that. Apart from Lothian Buses, which I used to work for, all the bus operating companies are privately owned. The money that is provided by the Scottish Government is to offset the difference in cost

between the cost of a diesel bus and the cost of a zero-emission bus, but the vast majority of the cost of the vehicle is still borne by the private company. How can we force a private company to use a particular supplier?

**Derek Thomson:** We had those discussions. It might come down to conditionality.

Awards were previously made under the Scottish zero emission bus challenge fund—ScotZEB. Reading my figures, I see that 169 Chinese buses were ordered for the Scottish market. We might be looking at the Scottish Government issuing a mandate to councils and local authorities. That might be an answer. We have events such as the Commonwealth games coming up. Could a direct award be made for buses for that, for example?

**Gordon MacDonald:** Are you talking about bypassing the private companies completely?

**Derek Thomson:** Not necessarily. I am talking about engaging them and asking them to be involved.

**Robert Deavy:** That is the conversation that we are having just now.

11:00

**Gordon MacDonald:** If I understand the situation correctly, the Alexander Dennis head office is at Larbert, where one of the plants is, so why has the company chosen to do all its manufacturing at Scarborough?

**Robert Deavy:** We raised that in the first consultation and got a frosty response—that is the best way to put it. The company said that it might look at that in the coming years as well.

**Gordon MacDonald:** Was there any indication that it was about costs?

**Robert Deavy:** The company said that it was purely down to a product issue. It needs more orders in. However, at the end of the first consultation, references were made to cost in Scotland. To put it simply—there is no other way to put it—it is a well-organised trade union site; we have had good negotiations and have got our members good terms and conditions. That was raised with us. In Scotland, the company pays £1.87 an hour more than it pays down in Scarborough.

**Gordon MacDonald:** Oh, right.

**Robert Deavy:** That was thrown in at the end of last week's consultation, which is a bit disappointing because we are not there to talk about a race to the bottom.

**Gordon MacDonald:** What was the relationship like with management before the announcement?

From doing a wee bit of research beforehand, I am aware that the company has been investing heavily in Scarborough for a while. It took over new warehousing, which allowed it to reconfigure the original factory to give it more production space there. That has been going on for several years. Has it been keeping you guys in the dark about what was happening down in Scarborough? What has the situation been?

**Robert Deavy:** No, we have been involved. I think that Scarborough is a Unite site. We are well aware of the situation. The company invested heavily in Larbert as well. It put a bit of money into that site, but I believe that the problem is that it is not big enough. It expected one of the companies that is beside its site in Larbert to move out and hoped to take over that site to expand the Larbert site and move all production to there.

There is no doubt that the site in Camelon is dated. It needs heavily invested in. When you go in, you see that the roof has netting over it. It needs a bit of work done on it. However, the Larbert site is modern and, with a bit more investment, could take on a lot of the work.

**Kevin Stewart:** You said earlier that the union offered to help the company to find contracts but that its response was not good. Is that right?

**Robert Deavy:** That is correct.

**Kevin Stewart:** One thing that you have asked of us is to go out and find contracts. What makes you think that the company's response to us would be different from its response to you? Does it feel to you like it is trying to get out of it altogether?

**Robert Deavy:** Around 20 May, we wrote to the company and asked what we could do to help to procure more work for the two sites. The company had been speaking with the Scottish Government for months prior to that. It certainly did not make GMB Scotland aware of that and I am unsure whether it made Unite aware. I do not think that the reps on site knew about it. The situation is now in the public eye with everything that is happening in the area—we have seen the closure of the Grangemouth refinery and now another huge employer is withdrawing—so I think that the company would be more willing to listen to you about getting help to find more work for the sites.

If your question was about whether I think that the company has already made its decision, I do not think that it has. I would still say that the talks so far are positive to a certain degree. We have privately been making asks and trying to get the Blackpool contract over the line. I know that there is an issue with the funding being released to get that contract out for Alexander Dennis. Therefore, to find out yesterday that all that will be going to Scarborough was pretty disappointing. I thought that we could have used it to buy us time at least.

Again, it is about keeping every option open in order to keep the sites open. We would like to think that the company will listen, whatever you do. To touch on an earlier point, if you manage to find work for the company and there is no guarantee that it will stay in Scotland, public ownership of the sites should not be ruled out. That should be on the table.

**Kevin Stewart:** Derek Thomson, do you have anything to add on that issue of finding contracts?

**Derek Thomson:** I do not have a gut feeling that there is a strategy to close the place just yet. I think that the company is looking for support and options. As I mentioned, the parent company's position is to cut costs, but there are two ways of cutting costs. One is to reduce head count, and the other is to get more orders and expand—you can actually invest.

I do not get the feeling that the situation is exactly what the company wants, but I will reiterate what I said earlier: we cannot hold the country or the Government to ransom on this. If we are going to do something for the company, it must be committed to that longer-term project. Robert Deavy is right to say that Larbert has been updated and that the other site needs work. We will look at all options that are available, including whether we could consolidate into a bigger site in the area. However, this is about keeping ADL where it is and in Scotland.

We are open to all talks. Because of the current volume of production of buses in the UK, which is due to the fact that a lot of measures are coming in, many areas are looking at four-day weeks and other ways to maintain production levels. It is worth noting that, overall, across the UK, we have considerably dropped our production levels for buses but, of course, we still have the 2035 targets and all those things. We are open to all options, and I hope that the company will see that.

**Kevin Stewart:** You mentioned that some of the Chinese competition can undercut quite dramatically, which you said is largely down to supply chain issues. Before we go into more in-depth questions about the supply chain, apart from the additional cost for the workforce here that you say is the case—who does not want a well-paid skilled workforce?—would there be any greater supply chain costs in Camelon or Larbert compared to those in Scarborough?

**Derek Thomson:** We would need to do a wee bit of further research into that, but the supply chain is more a UK-wide issue about where we are buying parts from, how we are getting them and where they are coming in from.

**Kevin Stewart:** We can probe that in more depth in a wee minute but, at this moment, without having done the delve, do you think that there

would be any great difference between supply chain costs in Scarborough and those in Camelon and Larbert?

**Robert Deavy:** As I said, that issue has not been raised during the consultations. The issue has been purely orders—that is what the company has told us from the beginning. It is an orders issue.

**Kevin Stewart:** Let us look at the supply chain in more depth. Take lithium batteries. That is probably one reason why some of the Chinese competition can undercut. They have access to lithium that we do not, and they produce such products in China, whereas I am not sure that we have the same abilities to do so here. Should we be looking at decreasing those supply chain costs?

**Derek Thomson:** There is a lot in the UK Government's industrial strategy on supporting the scale-up and commercialisation of research and development in battery innovation. You might not have picked up on this, but all that was in the Government's industrial strategy in relation to manufacturing was that the Government announced £15.6 billion for transport for city regions in England, which it said

"will allow local leaders to play a more active role".

It went on:

"This will be further supported by the Bus Manufacturing Expert Panel bringing local leaders together to translate funding and reform plans into a steady and growing pipeline of manufacturing orders."

There are other things—for example, £452 million has been put into the battery innovation programme, which is the rebranded Faraday battery challenge.

We must consider all those elements that have been brought in within the context of whether we, in Scotland, have enough of them in the supply chain, or whether we are having to import in those areas. We need to consider energy costs, which we have discussed in evidence sessions at various committees, and how much the grid must change to support all those areas.

I still think that the 2035 target is very much aspirational, given where we are with combustible engines and zero emissions. Producing those batteries at scale, for instance, will be a key element in moving everything forward. Nonetheless, we believe—if this answers Kevin Stewart's question—that there are enough contracts available to keep the site going through that process.

**Kevin Stewart:** It answers part of my question; I think that, at this time, there is no answer to some of it. The industrial strategy document takes a broad-brush approach, but we have to get down to

the nitty-gritty of how we manufacture certain things in order to keep supply chain costs down and create a much more even playing field with some of the international competition.

My next question might—again—be one that you cannot answer, but it is extremely important. I have visited Larbert and talked with the workforce there. I had the great pleasure of meeting apprentices who were top notch, in my view and were obviously getting a huge amount out of working for the company. The company has received a lot of money from Scottish Enterprise for various things—according to the figures that we have in front of us, it has had some £17 million since 2015. Where has that money for investment in research and development gone? Has the company used it wisely?

**Robert Deavy:** That question would be more for the company in your session tomorrow. We are not seeing anything being invested in the Camelon site. You mentioned £17 million. Our figure is £30 million of job grants for research and development over 10 years—

**Kevin Stewart:** That includes other elements as well, but the funding from Scottish Enterprise since 2015 amounts to £17.6 million. In total, £30.5 million has gone into the company.

You and your members in the workforce have not seen where that money has gone. Is that what you are saying?

**Robert Deavy:** It is not a question that I can answer here, but I would say no, we—certainly those at the Camelon site—have not seen where that has been invested.

**Derek Thomson:** That point brings us round to the question of what conditionality was attached to that R and D funding. The sector will rely heavily on R and D as we move forward, and every sector that is moving into the just transition process will require a bit of time to get that research and development done. However, we would want to know what the conditions, and the outcomes, were.

One of my criticisms of the UK Government's industrial strategy is that there are no clear metrics in it. It is all very general—there is a hope that we will do something by 2035 or by 2037. We should be adding depth to that, so that, if a company is given R and D money, it has to show what it is developing in Scotland and how that will benefit the site and the public.

I am unaware what funding model Scottish Enterprise uses and whether conditions were set. Knowing the way that these things work, I imagine that there was probably a private and confidential agreement, but there might be something that the committee can dig up, or we will put in a freedom

of information request—although the information usually comes back redacted these days.

**Robert Deavy:** You talked about supply chains. Paul Soubry wrote a letter to the First Minister in August 2024. He said:

“In fact, in an attempt to enhance our price competitiveness we have already been forced to offshore certain fabrication functions to China.”

The company was doing that to try to become competitive.

11:15

**Kevin Stewart:** That is one of the key elements in how we get the approach right for the future. What are the areas of the supply chain in which we could bring manufacturing back to Scotland? Is that a possibility? By how much would it reduce costs?

Companies here are buying things that are being manufactured in China, but that will apply to Scarborough in the same way as it applies to Larbert and Camelon. Therefore, what are the cost differences between those sites, and what is the reasoning for preferring Scarborough? That is what I am trying to get at.

**Robert Deavy:** Again, it has been hammered home from the first consultation that it is an orders issue—that is what the company is telling us. It needs more orders.

**Kevin Stewart:** Okay. Thanks a lot, guys.

**Jamie Halcro Johnston:** Good morning, Robert and Derek, and thank you for coming in.

I have a number of questions, some of which are about trying to get some information ahead of our meeting with ADL tomorrow. You have suggested that, on average, there is a difference of around £100,000 across all bus models. Is that figure widening?

**Derek Thomson:** I do not have evidence to show that the figure is widening, but the average price for the construction and manufacturing of a bus that comes from China is £400,000 while the figure for here is £500,000.

**Jamie Halcro Johnston:** Scottish Government schemes—and probably schemes further afield—such as the Scottish ultra-low emission bus scheme and the Scottish zero emission bus challenge fund are all open to foreign buses; they are not excluded.

You mentioned the cost of furlough. What estimates do you have for that?

**Derek Thomson:** These are only our estimates. When we spoke with the Deputy First Minister, she talked—as she did in her statement to Parliament—about looking at all the options that

are available. Alexander Dennis had furlough during the Covid pandemic, as every other business did, so it is looking at what that cost in national insurance contributions and all the other elements.

My understanding is that in some countries—Germany, for instance—the employer pays 10 per cent and the Government will pick up the rest, so there are taxation issues and that kind of thing. Our understanding of ADL’s position—the committee might need to get that from the company’s representatives tomorrow—is that, because of the extra money that it has had to put into bringing stuff in to support the supply chain, it would not be able to pay furlough, so there would have to be Government intervention.

Our figures—you should not use these verbatim—are that 100 per cent of pay for six months, with an average wage bill of £37,000 a week across the areas, would be around £7 million.

**Jamie Halcro Johnston:** Okay.

Sorry about dotting around, but, as I said, I want to ask about a fair few things. You talked about the Scarborough site—I think that you said that the production capacity was around 1,200 buses. What is the current production capacity? Looking at the Larbert and Falkirk sites, what could they produce at full capacity, and what is currently being delivered?

**Robert Deavy:** I have no idea what the production capacity is in Scarborough just now—that is not one of the sites where we organise. In Falkirk, the work will run out at the end of July; that will be the last of the orders. The company started the year hoping—well, last year is when it got the figures for future work—that it would have orders for around 1,600 buses for all the sites. That went down to 1,400—

**Jamie Halcro Johnston:** Over the three sites?

**Robert Deavy:** Yes, over the three sites. It then went down to 1,200, and it is now 900, and the company is not sure whether it will even have those 900 buses.

As I said, I am sure that the company will be able to give you more detail on that—those are the figures that it has been giving us at the consultation. The total is around 900 for the year.

**Jamie Halcro Johnston:** Around 900 for the year. You are not sure of the overall capacity across all three sites, but you know that Scarborough could produce—

**Robert Deavy:** Yes—we have been told that Scarborough can do 1,200 a year.

**Jamie Halcro Johnston:** Essentially, ADL is limiting itself to 400 buses a year fewer than it had hoped to do over three sites.

**Robert Deavy:** I do not think that it is limiting itself; I think that it is just about the orders that have come through. For whatever reason, some orders have not happened.

**Jamie Halcro Johnston:** Do you have any estimate on the cost for upgrading the sites in Scotland?

**Derek Thomson:** Not at this stage.

**Robert Deavy:** The Larbert site does not need any upgrading; it is a modern site. It is more about the Camelon site. The health and safety is good, but it could just do with a bit of work. I believe that they can do between six and eight buses a week in the Falkirk site—I am sure that that figure was given.

**Jamie Halcro Johnston:** Where contracts are being won—you mentioned Blackpool, where, I think that there have been a number of new buses, recently, and a hundred, overall, over the period—why are buyers choosing Alexander Dennis, at additional cost, and not going for the cheaper Chinese options?

**Robert Deavy:** It would cost—

**Jamie Halcro Johnston:** If they are choosing to buy from Alexander Dennis and pay an additional £100,000 per bus, that is £10 million for those 100 buses. I know that we are using rough figures. There must be a reason why they are choosing to do that. Is it because they want to buy from a UK company or is it to do with quality? Those reasons are important when considering how to make the business sustainable so that there is choice in the future.

**Derek Thomson:** As Robert Deavy said, ADL has existed for more than 100 years and is an established bus manufacturer across the UK. This is like any situation in which a company starts to see things being made more cheaply elsewhere. We need incentivisation for ADL to produce quality buses. Issues of quality have been raised with ADL, to which it does not adhere. We need to look at that to make sure that the site produces the highest quality of vehicle, on time, with the best components and the best supply chain. Again, I mention the four-month lead time, which will leave the company with a gap of £3 million to £4 million.

The company says that Scarborough can produce 1,200 buses. It estimates that keeping everything going would involve another 300 direct awards at Falkirk and Larbert. It is about the requirements that are stipulated for those buses, is it not?

I think that the target is still 3,000 low-emission buses across the UK, of which 1,500 are still to play for—that is, the contracts are available. However, people are looking at different options, so we need to make sure that Alexander Dennis is at the top of that list.

As I said earlier, and as Kevin Stewart alluded to quite well, the supply chain costs in the UK are probably what adds the additional £100,000 to the build.

**Jamie Halcro Johnston:** Okay. Thanks.

**The Convener:** Gordon MacDonald, do you want to come back in with a supplementary question?

**Gordon MacDonald:** Yes. I am keen to understand.

You said that you thought that the capacity across the three sites was about 1,600 buses but that it has been reduced to about 1,200 buses, with orders for about 900. Given that you have been manufacturing for 100 years, what bus companies were previously buying from you guys but are no longer doing so? I mentioned London Buses, which, obviously, is one of the biggies, but do you have a list of bus operators that no longer buy from Alexander's but previously did?

**Robert Deavy:** As has been mentioned, McGill's does not buy.

**Gordon MacDonald:** McGill's used to be First Bus.

**Robert Deavy:** I believe that it gets its buses from China now.

It is all the companies. You asked why Blackpool is doing it, and I would like to think that it is because companies want the buses to be built in Britain. That could be a thing. However, as Derek Thomson said, most companies will be looking at costs. Lothian Buses uses Volvo, but Volvo has a deal in Egypt—with MCV—for the chassis and stuff, and I believe that Stagecoach gets some orders from BYD or other Chinese operators. Again, through the tendering process, most companies will look to see where they can save a buck or two.

**Gordon MacDonald:** Do you think that it is purely down to money? According to the figures that I saw, at the end of 2024, China had 10 per cent of the market and is now looking at 35 per cent. Is it purely cost that is driving this?

**Derek Thomson:** Cost and incentives are driving it. BYD is referenced as having a market share of 4.2 per cent in 2024, and Yutong Bus had 3.3 per cent. The contracts to build a total of 628 buses went abroad in 2024, and, as we have said, ADL's forecast for 2025 is 800 to 900 buses. As its market shrinks, the company is finding it more

difficult to compete. We need to think about incentivising the process to make sure that Scottish manufacturing and Scottish buses remain competitive in the market. If we need to incentivise, that is a decision for the Scottish Government to make.

The cliff edge is approaching. If ADL goes down, I would be worried about what is left in Scotland with regard to bus building. Does that market just automatically go? Although Scarborough is still in play, what does it do for the long-term aspirations of ADL as a company when it is losing more and more contracts? Of course, ADL is owned by a Canadian multinational company, NFI Group, and it is only a small part of that business, which has other massive business interests in America. Its profit margins are pretty good—\$841 million in revenue and an adjusted EBITDA—earnings before interest, taxation, depreciation and amortisation—of \$60.7 million, with an increase of 84.4 per cent year on year. NFI is making money, but it is probably doing so by cost cutting in markets that are too expensive.

We all know the issues that we have when we are dealing with multinational companies that have invested in Scotland. If they can get the work done cheaper somewhere else, they will, and we have seen that in other areas. We should not be frightened to say that we need Scottish jobs and Scottish buses for Scottish workers and communities in order to generate work in the economy in towns.

**Murdo Fraser:** The ground that I was going to ask about has mostly been covered by Gordon MacDonald and Kevin Stewart, so I will ask a couple of brief follow-up questions around the choice of Scarborough as opposed to Falkirk and Larbert. I will put these questions to management tomorrow, but I am interested in your perspective. First, are you aware of any difference in efficiency or productivity between the Scarborough site and the Falkirk and Larbert sites?

**Robert Deavy:** I understand that the company was down in Scarborough maybe last week and was talking about moving to a four-day week and modernising the working conditions. Obviously, the workers there are paid £1.87 an hour less than they are paid in Scotland, but I emphasise that that has not been mentioned as a reason why the company is moving there. It keeps telling us that it is an orders issue.

Our understanding is that ADL wants to move to Scarborough because it is a much more modern site. No other reason has been given. The terms and conditions were thrown in, and there has been talk about modernising. The company has met the trade unions and the management down there to talk about flexible working and four-day weeks, but that has not been given as a reason why it is

choosing to keep the site in Scarborough and close down the sites in Scotland.

**Derek Thomson:** Our information shows that plant utilisation, which is how efficient a plant is, has dropped by 50 per cent in Falkirk and Larbert. That is due to a lack of orders and maybe some technical issues around the lines and what they can produce. The modern EV buses are slightly wider and bigger, so they are roomier than some of the old diesel buses. The line probably needs to be adapted a bit, but that is an R and D thing. The company seems to be following what Vauxhall and Stellantis did at Luton, which was to close a plant and consolidate the work into one area.

Is it the case that we pay too much in Scotland? I do not know. After yesterday, we are certainly considering that that is a possibility. We have seen far too much modernisation that involves companies making cuts to conditions and jobs, and we are concerned that that is probably the direction of travel.

11:30

**Murdo Fraser:** We will put that to the company tomorrow and see what it says.

Secondly, has there been any suggestion that workers at Falkirk or Larbert might be offered relocation to Scarborough? Has that been part of discussions?

**Robert Deavy:** We have not got that far in our discussions. As I said, the whole focus has been on keeping the sites open. I am sure that, if decisions are made, we will start to look at how we keep people in work in these highly skilled jobs, but that has not been raised at this point in the consultation. Our sole focus is on keeping the work in Scotland.

**Michelle Thomson (Falkirk East) (SNP):** Good morning. Thank you for joining us. Obviously, the situation is a significant concern for me, because of the implications for the wider Falkirk district area. What other information or perception do you have about the impact on related jobs, and what are the implications of the loss of skills?

**Robert Deavy:** I think that Derek Thomson touched on the fact that, if these sites close and these jobs are lost, the skills will go and the sites will not reopen. The skills will be lost forever.

**Michelle Thomson:** For the record, can you outline what the skills are?

**Robert Deavy:** There are engineers. I have not done the work myself, so I cannot tell you exactly what is involved, but I know that there are engineers. You can imagine that the work that goes into building a bus involves highly skilled

jobs, and it would be devastating for Scotland to lose those jobs.

On the impact on the area, we need only to think about what has happened in Grangemouth. How many big employers are left in that area?

**Michelle Thomson:** From the Ernst & Young report, we know that the wider jobs impact in relation to the refinery was about 2,900 losses. Do you have a sense of the impact that would result from this closure?

**Derek Thomson:** That is still being scoped. As I said, the number of transferable skills at the refinery is probably a bit higher because of what will come in as a result of project willow. We know how many jobs are starting to go, and the Ernst & Young report is probably bang on.

As you know, Michelle, the workers spend their money in the town. The growth deal for the Falkirk area has just added more money, and it could be looked at as part of this.

On skills, we will not be taking on any more apprentices if the site closes, so what will happen to the younger generation that is coming through? We have already raised that issue with you, Michelle, in relation to some of the stuff that is happening in the area. I raised with the Deputy First Minister the issue of whether, with modernisation, we need more training for the staff in order that they can deal competently with EV batteries, different types of chassis and so on, and whether, given the money that the Government is giving to Forth Valley College, we could look to it to upskill people.

At Grangemouth, we successfully set up training for workers who were made redundant from the refinery, and that training might need to be opened up further, because people who are made redundant will need to be retrained and reskilled. However, as part of a plan, if the sites are producing higher-spec orders, if research and development is coming in and if upskilling needs to be done, we could jointly commit to the company, and the upskilling for that could perhaps be done at Forth Valley College.

I am genuinely concerned about the manufacturing base going, what will be left and what will fill that hole.

**Michelle Thomson:** You alluded to the fact that you have had number of discussions with the Deputy First Minister. Throughout this evidence session, you have articulated well the big picture with regard to manufacturing, globalisation, supply chains and so on. Have you had any discussions with the UK Government specifically in relation to what you said about the light touch with regard to the industrial strategy, or have you had discussions only with the Scottish Government?

**Derek Thomson:** I have expressed my disappointment about some of the politicking that happened the other week, given that we are in such a time-sensitive window. I saw one statement from the Secretary of State for Scotland in which he said that furlough should be considered but that the Scottish Government should pay for it. Our understanding is that some kind of working group is being set up. However, as we have intimated throughout this meeting, we are catching up on a lot of the research because we are in such a time-sensitive window, with the Scottish Parliament going into recess and the holiday season coming up for the company, meaning that we have only four to five weeks left in which to try to secure the future of the site. There have been no discussions at a UK level, but, as I said, the UK Government seems to have passed the buck to the Scottish Government.

**Willie Coffey:** Derek Thomson, the one thing that I am hanging on to is that you have said that the final closure has not been signed off yet. That gives everybody some kind of chance. From what I have heard from colleagues around the table this morning, it doesnae appear that anybody has made a business case for Scarborough that you could look at, scrutinise, compare and so on and so forth. However, is there time for you, with the help of the UK Government and the Scottish Government, to put a business case together for retaining what we can in Scotland?

Robert Deavy, you spoke about proposed chassis production in Falkirk and things like that, so you are putting pieces together that might ultimately be part of a business case to retain production in Scotland. Do you feel that you have the opportunity to prepare that business case? Have the two Governments given you an indication that they are listening?

**Robert Deavy:** They are listening and there is still time, but that time is running out. The consultation should end in a couple of weeks. We have asked for an extension until 15 August, but the company has not yet given us an answer on that. There is still time, and that is why we are doing this and why we have been in contact with the Deputy First Minister. We are trying to get all the options on the table in order to keep the jobs there. Although there is time, it needs to be emphasised that it is limited and is running out.

**Willie Coffey:** It is not fair to expect you guys to just suddenly come up with a business case. Everybody needs to help and to pitch in. It reminds me of the case in my constituency where Diageo walked out of Kilmarnock and took 700 jobs with it. We were in the process of trying to get a business case, but it was too late in Scotland. If you have an opportunity to put a business case forward, what kind of help do you need to put it together?

**Derek Thomson:** We need a commitment that, in principle, the business and the workforce will be supported, first, in getting orders and, secondly, in finding financial support during the period in which those orders are being worked on. I get the concerns that have probably been raised in relation to Government-funded furlough setting a precedent, but there is a precedent for that elsewhere and we can prove that to you. If ADL goes, it will be a huge loss not only in terms of the people, but in terms of the industry and what it means in the UK in particular. We will just fulfil the fear that we have always had that we are only an import area.

The Scottish Government has told us that it is looking at all options, which includes looking at the costs of furlough and that kind of thing. However, we do not know what options it is looking at, who it is speaking to about orders or what direct awarding it is doing. Component parts could be part of it, but the key is that we do not want to be in the position of having compulsory redundancies. We have managed to mitigate those as much as possible, and I do not think that we have had any yet at Grangemouth, which is good. Compulsory redundancy does not sit well with a just transition programme.

We are working on this on a daily basis—we are on it 24/7. We have representation down in Scarborough, and I talk to them regularly about the issue. We really hope that, by Friday—I know that that is a short time—we will have some kind of formal wording or commitment from the Government, at the UK or Scottish level, to have either a pipeline of orders in process or an agreement on a furlough-type scheme. We are talking about emergency support here rather than about the longer term. Youse will probably tease more out of ADL tomorrow than we have done. We will happily work with anybody, but, as Willie Coffey says, we need a better understanding of where the Government is sitting in terms of the pipeline and bridging in order to keep the site on.

**Willie Coffey:** Now should be a great time to put together a business case, given that we are on the net zero journey and we have the capability and the skills here. We should surely be able to put together a decent business case that points at retention of production in Scotland, because everything is in our favour. We will need buses from now on—you said that yourself at the outset—so it should not be too difficult to put forward a really strong case for retention here. However, you still need access to whatever business case the company has made for the closure and its business case for Scarborough. You need to be able to compare the two business cases in order to strengthen your own, and I am sure that you will do that.

I wish you all the very best with that. I am sure that, as committee members and MSPs, we will gladly do anything that we can.

**The Convener:** That brings us to the end of the evidence session. I thank both witnesses for coming along at fairly short notice. I appreciate how important this issue is to your members, to the community and to all the workforce that is affected. As we heard earlier, we will take evidence from Alexander Dennis in an extra meeting tomorrow.

11:41

*Meeting continued in private until 12:34.*



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