

F/T: 0300 244 4000  
E: [scottish.ministers@gov.scot](mailto:scottish.ministers@gov.scot)

Colin Smyth  
Convener  
Economy and Fair Work Committee

[economyandfairwork.committee@parliament.scot](mailto:economyandfairwork.committee@parliament.scot)

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Dear Colin,

Thank you for your letter of 8 July about Alexander Dennis Ltd. I wish to assure the Committee that I am in full agreement about the seriousness of this situation and of the need to work at pace to ensure that we can retain ADL's manufacturing sites and these valuable jobs in Scotland.

Since my previous letter of 2 July, I have met with ADL and held further discussions with the trade unions, Unite and GMB, taking the opportunity to restate my call for all parties to work together throughout the extended consultation period. On the call with ADL, I pressed them again to consider chassis manufacture as well as the possibility of single deck bus manufacture in Scotland. ADL made a commitment to me to consider both options.

The joint Working Group, made up of officials from Scottish Government, UK Government and Scottish Enterprise continues to meet every week to review progress and provide a forum for both Governments to exchange ideas and information. This includes exploring the opportunity of using a Crown Commercial Services Framework within any procurement process and work to quantify future demand, with work being carried out currently by Scottish Enterprise and its external advisers to analyse the UK-wide market and future demand for EV vehicles. Alongside this, Transport Scotland is looking at the longer-term decarbonisation plans of Scottish bus operators, local authorities and Regional Transport Partnerships as well as considering EV charging infrastructure requirements.

I agree about the importance of securing a short-term pipeline of orders. Please be assured that we are therefore liaising with commercial bus operators and local transport authorities to establish the current demand for double deck buses in Scotland and are working alongside UK Government to identify demand in other parts of the UK. We are also pressing UK

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Government on the detail of its recent announcement of £15.6 billion of funding for local transport projects in England's city regions as part of the Spending Review.

We are also looking at what is possible within existing procurement legislation. The sustainable procurement duty in the Procurement Reform (Scotland) Act 2014 already requires a public body, before carrying out a regulated procurement exercise, to consider how, in conducting that procurement exercise, it can improve the economic, social and environmental wellbeing of its area and to act with a view to securing such improvements. It also requires the authority to consider how in conducting the procurement exercise it can facilitate the involvement of small and medium enterprises, third sector bodies and supported businesses. This, however, does not override the key requirement to treat bidders equally and without discrimination.

The Subsidy Control Act allows for social value to be considered and flexibility in the awarding of subsidies, by designing criteria which allows the Public Authority to apply discretion to who receives the subsidy. However, the Act specifically prohibits the giving of subsidies that are contingent on the use of domestically produced goods or services. This is because of the greater risk they pose of significantly distorting competition or investment in the UK, or international trade or investment. The UK also has obligations under international agreements – including as a member of the WTO – to prohibit many of these kinds of subsidies. Scottish Ministers and officials consistently make representation on the development of the Subsidy Control regime for the benefit of Scottish businesses. However, as this is a reserved matter, it is ultimately for UK Government to make the final decision on any changes to the regime.

In relation to the award of public contracts, the Public Contracts (Scotland) Regulations 2015 require that contracts are awarded on the basis of an assessment of the most economically advantageous tender. The criteria used in such an assessment can incorporate factors such as community benefits. These must, however, be linked to the subject matter of the contract, ensure the possibility of effective competition, and must not have the effect of conferring an unrestricted freedom of choice on the body awarding the contract. The overarching requirement for equal treatment and non-discrimination amongst bidders from the UK and other countries with which the UK has a relevant trade agreement continues to apply.

The Scottish Government has been working with the UK Government Department for Business and Trade (DBT) around the subsidy control elements of the proposed scheme which is intended to bridge any lead times following the end of the consultation period and work on any new orders being undertaken. While the Subsidy Control Act is designed to be flexible, officials have emphasised the principles assessment will need to be well-evidenced and the Scottish Government will need to ensure a clear objective and timeframe for this assistance, in order to comply with the subsidy control principles. We are working closely with ADL on the parameters of such a scheme so that all options are considered during the consultation period.

Scottish Government has a long-established commitment, as evidenced most notably through the ScotZEB schemes, to enabling a swift and significant shift towards zero emission vehicles. This reflects the direction set out in our National Strategy for Economic Transformation which specifically identifies and commits to action to secure the new market

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opportunities offered by the decarbonisation of transport, particularly the development of a high value manufacturing base for low volume, high value zero emission transport.

Finally, I note your point on the financial assistance already provided to Alexander Dennis from Scottish Enterprise (SE). SE has had a strong strategic partnership with ADL for more than 10 years, during which time it has supported technology and skills development at the company. SE is continuing to work closely with ADL to try to find a positive solution. Should the company proceed with its decision to close its Scottish facilities, the financial assistance that has been paid to the company may be subject to clawback and it will be up to Scottish Enterprise how to proceed in those circumstances.

I am in full agreement with you about the importance of Alexander Dennis to Scotland and of retaining the jobs of the highly skilled workers. That is why we are continuing to work at pace with Scottish Enterprise and UK Government, and alongside the company and trade unions, to explore all viable options to support ADL to retain bus manufacturing in Scotland. I welcome your continued support in doing this.

Yours sincerely,



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St Andrew's House, Regent Road, Edinburgh EH1 3DG  
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