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Mick Antoniw MS

Legislation, Justice and Constitution Committee
Welsh Parliament
Cardiff Bay
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12 October 2020

Dear Mick,

Thank you for your letter of 7 August.

As your committee will be aware, the common rules regulating trade, in the context of which the devolved settlements were established, will fall away with EU rules at the end of the Transition Period. This will create the potential for significant levels of regulatory divergence between the four nations. The UK Internal Market Bill will provide regulatory stability for businesses and consumers, smoothing the passage from the Transition Period without threatening the Covid recovery.

We have requested Legislative Consent Motions for the Bill from all three devolved legislatures and will continue to work closely with the devolved administrations to agree them. The Bill's primary purpose is to maintain the status quo of seamless internal trade and support the prosperity and welfare of people and businesses across the UK.

The need for primary legislation and the principles behind it

The UK Government has been clear in its view that the UK Internal Market Bill is urgently needed to ensure a smooth passage from the Transition Period as the common rules regulating trade will fall away with the EU institutions. Without it, damaging levels of regulatory divergence between the four nations could arise from 1 January 2021. A well-functioning internal market with a market access commitment will give businesses the regulatory clarity they need, ensuring that supply chains continue to operate smoothly and keep the costs of doing business as low as possible.

Devolution and scope of internal market proposals

The Government's proposals are designed to ensure that devolution can continue to work for all parts of the UK, and that all devolved policy areas remain devolved while

ensuring that there are no new barriers to UK internal trade. At the end of the Transition Period, new powers will be transferred to Wales in a total of 66 policy areas.

Oversight, impact assessments and enforcement

Independent monitoring and advice regarding the UK's internal market will be provided on a non-binding basis by a new Office of the Internal Market (OIM) within the Competition and Markets Authority. The OIM will be independent and operate at arms' length from the Government and devolved administrations. All administrations and legislatures will be able to request specific reporting according to areas of interest.

The Government is therefore not seeking to replicate the European Commission's close supervision of Single Market rules but instead prioritised shared arrangements, underpinned by impartial and expert advice. OIM's reports and advice will be non-binding and will not constrain the ability for devolved administrations to implement regulation once new powers are returned from Brussels to the UK Government and the devolved administrations.

Dispute resolution and common frameworks

The internal market functions of the OIM will enable constructive intergovernmental engagement and support the separate political process to resolve disagreements between administrations. The intergovernmental arrangements that the OIM will support this engagement are subject to the outcomes of the Review of Intergovernmental Relations.


There will be an obligation for Ministers from UK Government and the devolved administrations to make a statement following reports on contentious regulations laid by the OIM before all four of the legislatures, which could facilitate a debate in the legislatures where appropriate, ensuring transparency in regulations that impact intra-UK trade and providing appropriate parliamentary oversight and accountability. This approach provides flexibility to resolve potential disagreements based on impartial, independently produced evidence. This provision will also need to have explicit links with decision-making and dispute resolution mechanisms in individual common frameworks.

The Government recognises the value of cooperation between the four nations in keeping our standards high. The UK Government is seeking to continue the productive, meaningful conversations with the devolved administrations on frameworks, to maintain the UK's current high standards.

Yours sincerely,



THE RT HON ALOK SHARMA MP
Secretary of State for Business, Energy
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THE RT HON SIMON HART MP
Secretary of State for Wales
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