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David Rees MS

External Affairs and Additional Legislation Committee
Welsh Parliament
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Dear David,

Thank you for your letter of 30 July on the UK Internal Market White Paper.

Compatibility with current devolution settlements

The Government is seeking to strengthen the UK's internal market, whilst continuing to respect the current devolution settlements. Our proposals are designed to ensure that devolution can continue to work for everyone, 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 intersecting with devolved competence. The Government recognises the value of cooperation between the four nations in keeping our standards high, which is why the four administrations continue to make progress on the common frameworks programme.

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.

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.

Governance

The Government agrees with the need to conclude the Review of Intergovernmental Relations without delay. Ministers from all four administrations have been in discussion about various aspects of the review, including endorsing a proposed detailed delivery plan to conclude as soon as possible.

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.

Trade

International trade partners will be seeking access across the UK market. The UK internal market system will provide a stable, consistent regulatory framework that will support the UK's exporting and inward investment ambitions. As you will be aware, international relations, including the negotiation of Free Trade Agreements, is a reserved matter under the devolution settlements.

The UK Government will therefore be acting on behalf of the whole of the UK in Free Trade Agreement negotiations. However, the UK Government recognises that modern trade deals cover an increasingly wide scope and interact with areas of devolved competence. We are grateful to the devolved administrations for the constructive and useful discussions to date on this topic and it will be critical for these to continue as negotiations progress.

Financial assistance powers

Part 6 of the Bill will also enable the UK Government to provide financial assistance to Scotland, Wales, and Northern Ireland with new powers to spend taxpayers' money, including where it was previously administered by the EU. The financial assistance power will enable the UK Government to complement and strengthen existing support given to citizens in Scotland, Wales, and Northern Ireland by the devolved administrations, without taking away their responsibilities.


Economic Modelling in the White Paper

Paragraph 85 of the White Paper refers to a modelled scenario that is discussed in greater detail on pages 90 to 91, which simulates the GDP impact of raising trade costs between the four parts of the UK to levels found between German states.

Yours sincerely,



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