



Lord True CBE
Minister of State
Cabinet Office 70 Whitehall London SW1A 2AS

Rt Hon, the Lord Morris of Aberavon KG QC
House of Lords
London
SW1A 0PW

Our reference: MC2020/15096

26 October 2020

Dear Lord Morris,

I am writing to offer further explanation on the points you raised during the Second Reading of the UK Internal Market (UKIM) Bill on 19 October, regarding the powers the Bill confers on the UK Government to provide financial assistance, the Bill's reservation of subsidy control and its implications for the Government of Wales Act 2006, and whether devolved administrations' powers will increase.

Financial assistance

The new power to provide financial assistance will enable the UK Government to invest strategically across the UK in infrastructure, economic development, culture, sport, and to support educational and training activities and exchanges both within the UK and internationally. The EU previously directed investment in many of these areas on the basis of priorities set by 28 different countries, but the UK Government can now make sure funding can deliver our commitment to level up the whole UK.

COVID has shown how the UK Government can work strategically and at scale to save jobs and support communities throughout the UK, working alongside devolved administrations to support all citizens. We continue to take this approach as businesses and communities recover from the economic impacts of the pandemic.

Importantly, the creation of this new power is in addition to the devolved administrations' existing powers. As such, the Government has committed clearly in Parliament that we intend to continue to work in partnership with the devolved administrations to make sure that this new power is used to best effect, augmenting their existing powers used to support citizens in Scotland, Wales and Northern Ireland.

Subsidy control

Clause 50 of the United Kingdom Internal Market Bill amends the Government of Wales Act 2006 to make the regulation of distortive or harmful subsidies a reserved matter. We believe reserving subsidy control is the best way to guarantee that a single, unified subsidy control regime could be legislated for in the future that meets the UK's needs.

I welcome the Welsh Government's support for the objective of a unified UK-wide subsidy regime. This is an issue of national economic importance and avoiding divergence is essential to supporting the smooth functioning of the UK's internal market. Having different rules on providing subsidies in Wales would undermine fair and open competition whilst also bringing additional costs to supply chains and ultimately the consumer.

You asked whether this Bill would allow the UK Government to control the spending of devolved Ministers. This reservation does not impact the responsibility of the Welsh Government to decide devolved spending decisions on subsidies – how much, to whom and for what - within any subsidy control regime.

We will continue to work closely with the Welsh Government, and all the Devolved Administrations, to design a future subsidy control system that promotes a competitive and dynamic economy throughout the UK. I am pleased to note that my officials are holding regular discussions with their counterparts in the Welsh Government, as it is in all our interests to ensure that the regime works well for all four nations of the UK.

Devolved powers

The brief for the Bill is correct. Once the EU institutions fall away at the end of the transition period, hundreds of powers previously exercised at EU level will flow directly to the UK. Many of these powers fall within the competence of the devolved administrations, and so will rightly flow directly to Holyrood, Stormont and Cardiff Bay. This therefore represents a substantial transfer of powers to the administrations in Scotland, Wales and Northern Ireland that, before EU exit, they did not exercise.

I would like to take the opportunity to thank you for your contribution to the debate.

Yours sincerely,

A handwritten signature in black ink that reads "Nicholas True". The signature is written in a cursive, slightly slanted style.

Lord True CBE