Department for Business & Trade

The Rt Hon Douglas Alexander MP
Minister of State for Trade Policy and Economic Security
Department for Business and Trade

Old Admiralty Building
Admiralty Place
London
SW1A 2DY
United Kingdom

T +44 (0) 20 7215 5000
E Alexander.Correspondence@businessandtrade.gov.uk
W gov.uk

Rt Hon Liam Byrne MP
Chair, Business and Trade Select Committee

By email: commonsbtc@parliament.uk

Our ref: MCB2025/03540
Your ref:

15 July 2025

Dear Liam,

I am pleased to inform the Business and Trade Committee that the UK government published its response to the review of the United Kingdom Internal Market Act 2020 and public consultation on 15 July 2025, a copy of which is enclosed.

The review was launched on 23 January 2025, with its scope expanded beyond what the law requires, to help determine how the operation of the Act can be improved. The review is now complete, well ahead of the statutory deadline of December 2025.

During the review, the government conducted a ten-week public consultation, which closed on 3 April 2025. We have engaged extensively with the devolved governments throughout - as well as multilateral ministerial discussion at the Interministerial Standing Committee, I personally met the Deputy First Minister of Scotland and the Deputy First Minister of Wales to discuss the review, and my officials held multilateral discussions with devolved government officials. We engaged a wide variety of stakeholders, and more than half of the 85 responses received were from the business community. I am grateful to everyone who took the time to send a written response and to join the stakeholder roundtable discussions that we held during March.

It is clear that stakeholders value a well-functioning internal market and want to see more collaborative working between governments in the UK, together with stronger communication and engagement with those stakeholders who could be affected by governments' policy decisions. The message that the government has heard loud and clear is that businesses – wherever they are based - need certainty that they can trade freely within the UK, unencumbered by unnecessary disruption resulting from poorly managed regulatory difference between the nations. Businesses also require clarity and certainty to take informed planning decisions and make confident investment decisions for the future.

I have been explicit about the need for businesses to have certainty, which is why the review has not considered repeal of the Act or any of its provisions, and why our starting position was that we were not minded to weaken the protections provided by the Act's Market Access Principles. Many business stakeholders have told us that the Act and these principles provide important protections for our producers, service providers and qualified professionals. We have listened to those views and are not changing the Market Access Principles.

Providing business with certainty comes not just from the legal framework, but also from the way in which the UK's four governments are seen to be working together. I believe that we must support innovation that addresses the needs of local people, and that we should do so in a way that promotes economic growth. This means more actively managing regulatory difference within the UK, with all governments discussing, designing and implementing policy in a joined-up way.

The UK government pledged to explore improvements in the way the Act's provisions operate, recognising the concerns that have been raised about how the UK internal market had been managed to date. That is why the government's response describes how to manage the UK internal market in a more transparent, proportionate, and pragmatic way, fostering open policy discussions between the UK government and devolved governments, with greater clarity and engagement with businesses and other stakeholders.

Specifically, the UK government will:

- implement UK Internal Market Act exclusions that have been agreed by all governments within a Common Framework;

- alongside economic impacts, now consider in particular environmental protection and public health in UK Internal Market Act exclusions, thereby ensuring a balance of factors is considered;

- establish a Minimum Economic Impact process for considering smaller exclusions, and implement them where all governments agree the exclusion has an economic impact of less than £10 million a year;

- implement a "reserve" exclusions process where it has not been possible for all four governments to reach agreement on an exclusion;

- work with the devolved governments to agree processes for how all four governments engage with businesses and other stakeholders on matters being discussed in Common Frameworks; and

- work with the devolved governments to agree a process for all four governments to jointly refer UK internal market matters for advice to the Office for the Internal Market.

I am confident these measures meet the key requests of many stakeholders, allowing the UK's four governments to move forward together in managing the internal market in a way that delivers growth, jobs, and opportunities across our country.

Yours sincerely,

The Rt Hon Douglas Alexander MP
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