

Annex A

Estimating the economic cost to Scotland of the removal of the Tier 1 post-study work visa in 2012

We conservatively estimate that Scotland has lost out on at least **£254 million** of revenue since 2012 as a direct result of the closure of the Tier 1 post-study work visa for international graduates. We have arrived at this estimation in the following way:

1. By calculating the cumulative loss of income that has resulted from the decline in students coming to Scotland from what were two of our key markets, India and Nigeria, during the period 2012-2015.
2. By calculating the potential income that could have been generated had Scotland's universities continued to grow its international student numbers at an annual rate of 6% from 2012 to the present day. 6% growth represents Scotland's average annual rate of growth in recruitment of international students for the three years immediately preceding the loss of the Tier 1 route in 2012.

In both cases we have used academic year 2011/12 as our baseline year as the Tier 1 post-study work visa ended in 2012.

Scotland will have undoubtedly experienced a bigger negative economic impact as a result of this policy change in 2012. There would have been additional indirect economic benefits as a result of a larger number of highly skilled international graduates contributing to the Scottish labour market through increased productivity, increased tax contributions and disposable income once in employment.

We are unable to put an economic value on the social, cultural and educational cost to Scotland as a result of the closure of Tier 1 in 2012 but the loss of this should not be underestimated either.

Methodology for 1, if Scotland had not seen the fall in international student numbers from the key markets of India and Nigeria.

- Over the period 2011/12-2014/15 the number of Indian and Nigerian students coming to Scotland has fallen from 4,515 to 3,240. This represents a drop of 1,275 students from the beginning to the end of the period, with successive declines each year.
- There are three forms of quantifiable income from the presence of international students in the UK:

Tuition fees. At an average of £13,200 across undergrad and postgrad studies.

Off-campus expenditure. Last estimated to be £6,400 per student per year within Scotland.

Tourism. Last estimated to be £310 per student per year.

- If we calculate the loss of income each year that Scotland has experienced a fall in recruitment from these key markets we find the following losses:

Loss from key market:	2012/13 (£m)	2013/14 (£m)	2014/15 (£m)	Cumulative (£m) (£m)
India	£32.5	£39.2	£37.3	£109
Nigeria	£8.1	£11.2	£10.6	£36.7
Total	£40.6	£50.4	£47.9	£145.7

These figures are likely to be a conservative estimate because the average annual off-campus expenditure and tourism spend of international students has not been revised since 2010. It is reasonable to assume that this has increased in this period as the cost of living has increased.

Methodology for 2, if Scotland had continued recruitment at the annual growth rate prior to 2012.

- Taking 2011/12 as our baseline year again, we looked at the annual increase in international student recruitment within Scotland over the three year period immediately preceding the loss of Tier 1 in 2012.
- The average annual increase in recruitment was 6 per cent.
- If Scotland had continued to grow international student numbers at that level, and that would have been a reasonable assumption all other things being equal, we would have seen student numbers rise by over 5,400 to 33,963 students by 2014/15.
- Applying the same set of figures for international student spend (fees, off-campus and tourism) to the annual profile of growing international student numbers, Scotland could have seen a revenue increase along the following profile:

	2012/13 (£m)	2013/14 (£m)	2014/15 (£m)	Cumulative 2012-2015 (£m)
Average annual growth of 6% in international student recruitment would have been equal to:	£34.0	£36.1	£38.38	£108.62

- Again, these figures are likely to be a conservative estimate because the average annual off-campus expenditure and tourism spend of international students has not been revised since 2010. It is reasonable to assume that this has increased in this period as the cost of living has increased.

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