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The Rt Hon Baroness Jacqui Smith  
Minister for Skills  
The Department for Education  
By email

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Dear Minister

### International Student Levy

It was good to see you at the Wonkhe Festival of Education last week. Thank you for inviting me to write to you about the Engineering Professors' Council's concerns regarding the proposed International Student Levy which, as I mentioned, would cost Engineering departments more than £2 for every £1 gained from tuition fee increases.

We recognise the well-intentioned aim to redistribute income in a financially constrained environment from institutions that receive most in international student fees to other parts of the tertiary sector, particularly those that best support the Government's growth and opportunity missions. However, unless carefully designed, the Levy may do more harm than good to those same missions.

As you said, engineering courses are vital to deliver the skills pipeline for the IS8 sectors. Four of the eight are explicitly engineering sectors and the others will all draw heavily on those same skills, but engineering departments are also among those most dependent on international student fee income. We are in a position where high-quality provision for home engineering students is loss-making at most providers.

EPC research suggests the average cost of an undergraduate engineering course is around £18,800<sup>i</sup> per year of study. Obviously, this far exceeds the English tuition fee income of £9,535 and, even for those courses that receive a Strategic Priorities Grant, there is still a shortfall of thousands of pounds per student. In most universities, this is made up by cross-subsidy from international students' fees, particularly postgraduate taught students where international-fee students make up 69%<sup>ii</sup> of the engineering student population.

The introduction of a Levy at 6%<sup>iii</sup> on all international fees would reduce departmental income by more than the welcome increase in undergraduate fees (which, of course, reflects no increase in real terms as it is index-linked).

Using recent HESA data and internal financial modelling, the EPC's analysis is as follows (all figures are rounded):

- Domestically, 70,000<sup>iv</sup> home-fee first-degree engineering students generate approximately £666.5Mn in tuition fee income.
- A further £66.1Mn is generated by 5,000<sup>v</sup> PGT engineering students.

- The total domestic tuition fee income is, therefore, £733Mn.
- International fee first-degree engineering students (21,500<sup>vi</sup>) generate £628Mn in tuition fee income.
- A further £499Mn is generated by 19,500<sup>vii</sup> international fee first-degree engineering students.
- The total international student tuition fee contribution is £1,128Mn (not including income from postgraduate research fees).
- A 4% inflation-linked domestic fee rise would *increase* the total domestic tuition fee income by £29.5Mn to £762Mn in engineering.
- A 6% levy on international fees would *decrease* the total international fee income by £67.5Mn in engineering.

The net loss, in money terms, would be £38Mn – and more in real terms. In other words, the ratio of levy to fee would be £2.28 lost for every £1 gained.

International fees might be able to rise to compensate. However, with each incremental increase in fees, the ability to attract the brightest and best, rather than merely the richest, is eroded.

Moreover, price elasticity will not be the same across the country. While it might be argued the most prestigious institutions – usually in London and the South East – may be able to maintain international numbers at a higher fee, engineering has excellent departments all over the UK. Engineering departments are, in fact, relatively larger in parts of the country where international fee price sensitivity may be felt more keenly. The cross-subsidies for world-leading graphene, nuclear energy and AI research in the North-West, for example, would be less resilient to fee increases, as would taught engineering in the Midlands and Yorkshire and the Humber, where international recruitment to engineering is thriving and critical to regional growth. This would compromise the Industrial Strategy, especially if it led to whole department closure.

While we applaud the reintroduction of maintenance grants for some students, we would argue that it is counterproductive to link the International Student Levy to maintenance grants as it sets the growth mission and Industrial Strategy in opposition to the opportunity mission.

Engineering has particular challenges around access, as it usually requires high prior attainment and high-intensity study (which leaves little flexibility for part-time paid work). However, the offer of limited grants to study particular subjects (including engineering) is unlikely to drive those eligible students to choose engineering rather than another course or not enter higher education at all. That conclusion is based on the evidence around bursaries, which shows that, while they support students' wellbeing, they have negligible influence on applicant choices. Even if it did drive choice, maintenance grants would support the students but not the institutions needed to provide additional engineering places for those students.

Engineering HE can expand only as far the international student market will support it and, as facilities in engineering departments age, many universities may decide the investment to maintain engineering courses is simply too high.

We urge the Government to consider carefully how an International Student Levy might be devised to avoid undermining its own aims.

It would need to exempt postgraduate students (which would be problematic given that international engineering undergraduate courses enrol on integrated masters courses) and it would need to exempt

those same strategically important courses that the Government might look to support through maintenance grants. It is no coincidence that these are the courses that are most heavily reliant on international student fees, because skills shortages throughout the world are similar to our own. Alternatively, a significant absolute rise in the Strategic Priorities Grant might offset the negative impacts of a levy at discipline level. The Government would need to decide whether a levy would still be worthwhile with those exemptions and remediations.

If you can spare the time, I would be please to meet you to explain the issues further and explore option to ensure the Government's strategy is better aligned with the economic challenges of engineering higher education.

Do please let me know if such a meeting would be helpful.

Yours sincerely,



Johnny Rich  
Chief Executive

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#### Sources and notes

- <sup>i</sup> <https://epc.ac.uk/article/epc-petitions-government-ahead-of-the-comprehensive-spending-review/>
- <sup>ii</sup> Source: HESA HEIDI+
- <sup>iii</sup> We are aware that neither this percentage nor a percentage-based model (as opposed to a flat fee) has been confirmed. This figure has been adopted for illustration. The impacts of a lower percentage are obviously less severe, but would still undermine engineering higher education. A flat fee model would harm those institutions with least elasticity the most.
- <sup>iv</sup> Source: HESA HEIDI+ [69,905 Full person equivalent First degree Engineering (CAH level 2 filter keeps 10-01) students in England Eligible to pay home fees @ £9,535 pa]
- <sup>v</sup> Source: HESA HEIDI+ [5,125 PGT Engineering (CAH 10-01) students in England Eligible to pay home fees @ EPC calculation of domestic PGT fees for 4,800 of these students, with an estimated mean fee applied to the remaining 325).
- <sup>vi</sup> Source: HESA HEIDI+ [21,685 First degree Engineering (CAH 10-01) students in England Not eligible to pay home fees @ EPC calculation of overseas UG fees for 21,520 of these students, with an estimated mean fee applied to the remaining 165).
- <sup>vii</sup> Source: HESA HEIDI+ [19,420 First degree Engineering (CAH 10-01) students in England Not eligible to pay home fees @ EPC calculation of overseas PGT fees for 19,220 of these students, with an estimated mean fee applied to the remaining 200).