

THE GLOBAL VALUE OF EDUCATION AND TRAINING EXPORTS TO THE UK ECONOMY

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Contents

Abbreviations

Foreword

Executive summary 1

Background to the study 3

Previous studies 4

Other countries 5

Methodology and results 6

Higher Education 6

Further Education 7

English Language Teaching 8

Examination and Professional Bodies 9

Independent Primary and Secondary Education 9

Private Sector Training 9

Other related industries 9

Abbreviations

ABS	Australian Bureau of Statistics
ARRELS	Association of Recognised English Language Services
BASELT	British Association of State English Language Teaching
BESA	British Educational Suppliers Association
DEETYA	Department of Employment, Education, Training and Youth Affairs
DfES	Department for Education and Skills
ELT	English Language Teaching
HESA	Higher Education Statistics Agency
ITSS	International Trade in Services Survey
LSC	Learning and Skills Council
ONS	Office for National Statistics

Foreword

The UK education and training sector has been extremely successful in developing its export activities. Unfortunately to date the scope of the industry has not been defined systematically nor its full value to the UK regularly calculated. This has left a gap. The lack of such information has meant that the sector has not received the profile it has deserved in the UK and internationally. Also it has not allowed regular benchmarking in order to measure progress against the main international competitors.

The aim of this study is to redress these shortfalls and provide government, policy makers and all other interested parties with reliable data on the size and value of education and training exports to the UK economy.

Where this study might add further value is to provide a structured model that can be routinely updated thereby facilitating year on year comparisons. Data from 2001-2002 has been used as the starting point for this study and also to set a reliable benchmark for all the identified components of the education and training export sector for future analysis.

The study has resulted in a 'building block' approach to data gathering and analysis for each component of the sector. This means that any presentation of the results can be tailored to the individual user's needs. Such an approach is important as the range of activities encompassed by the sector is broad and extends beyond the current definition employed by OECD and the Office of National Statistics for their data presentations.

This technique will also allow UK government departments, including the Devolved Administrations, and other interested organisations, to work at a more detailed level and with disaggregated data that might be drawn together to meet their specific interests. Additionally a more clear definition of each of the components that comprise the totality of the sector has been provided, again to ensure direct and consistent comparability.

The study was jointly funded by the British Council and UK Trade and Investment and managed under the sponsorship of the Education and Training Exports Group - the UK government's advisory body for the sector. During the course of the study a variety of individuals were directly involved and thanks is due to these, in particular including Tom Walsh, Peter Mackenzie Smith, Rob McKim, Russell Harris, Steve Williams, Chris Alexander, Sharon Neville, Jennie Tse, John Lowes and Tom Orford.

In particular we should acknowledge the work of Gregge Madan from the British Council in ensuring that direction and deadlines were maintained and Dr Willie Lister and Dr Nikos Tsotros of DTI for providing strong technical support at all stages throughout the project.

Finally our grateful thanks must go to Professor Geraint Johnes and his team at Lancaster University for undertaking the project, developing the methodology, delivering the results and presenting so clearly.

It is the intention of all concerned that the results of their work will be of direct benefit to the UK's education and training sector and will assist the industry build its enormous potential not only in Europe but globally.

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Executive summary

Sector	£m	
Higher education: tuition Comprises non EU and non-UK EU students. Excludes scholarships.	1257.8	<i>Represents a 75% increase on previous studies</i>
Higher education: other spending Comprises spending on goods and services other than tuition.	1863.6	
Trans-national higher education Comprises franchise agreements, twinning agreements, joint programmes, validation, subcontracting and distance learning activity	99.1	
Other higher education Comprises, visiting students to HE, research grants and contracts from overseas agents, expenditure of academic visitors to HEI's, private HE institutions.	796.4	
Further education: tuition excluding ELT Further research is recommended in this area.	38.9	<i>Represents a 75% increase on previous studies</i>
Further education: other spending excluding ELT Comprises spending on goods and services other than tuition.	303.9	
Other further education Comprises transnational FE provision and independent FE.	277	
English Language Teaching: tuition Comprises ELT carried out in UK by private and public sector organisations, supply of ELT courses by UK residents overseas both by British Council and other organisations.	816	<i>Represents a 27% increase on previous studies</i>
English Language Teaching: other spending Comprises spending on goods and services other than tuition	496.4	
Examination / Professional bodies Comprises: i. Fees paid to awarding bodies for exams taken abroad by overseas students. ii. Fees paid to awarding bodies for exams taken in the UK by overseas students. iii. Fees paid for membership of the awarding body by overseas residents. iv. Overseas students taking examinations abroad. v. Overseas students taking exams in the UK.	151	<i>Represents a 51% increase on previous studies</i>
Independent primary and secondary Comprises nearly 98% boarding pupils from overseas so no expenditure counted for food and lodging.	217.8	<i>Represents a 9% increase on previous studies</i>
Private sector training This is the Rylance-Watson figure accounting for inflationary increases. The ITSS data gave a figure of £406 million suggesting inconsistent interpretation of the data collection variable by participating firms.	1850.0	
Publishing Note that the methodology used to compute this figure has changed since the Bullivant report	931.0	
Educational equipment Comprises the BESA figure for UK exports.	505.0	<i>Represents a 15% increase on previous studies</i>
Broadcasting Comprises a total sale of BBC and Channel 4 worldwide educational programming.	660.4	
TOTAL	10264.3	

Conclusions

The preferred measure of exports due to education and training in 2001-02 therefore amounts to some £10.3 billion. Interpretation will depend on how one wants to define the education sector:

- Taken in its absolutely broadest sense (including consultancy, equipment, publishing and broadcasting) the sector is worth over £22 billion.
- Taken, with due reference to those elements that balance of payments do not clearly deem as part of the education sector (Broadcasting, Educational Equipment, Publishing), the sector is worth £8.1 billion
- Taken, with due reference to those elements that balance of payments do not deem as part of the education sector, (and deducting the slightly controversial figure extrapolated from Rylance–Watson for Private Sector training) the education sector is worth £6.3 billion.

These are large numbers, and indicate substantial growth over the figures estimated by Bullivant. There exists considerable evidence to suggest that the size of the overseas market for education and training services is set for further substantial expansion over the next few years. This offers considerable potential both for educational institutions to bolster their incomes and for the UK as a whole to enhance its export earnings.

More detailed analysis allows the totals in the table above to be disaggregated as follows, yielding data for the constituent countries of the UK:

Sector	£m			
	England	Wales	Scotland	NI
Higher education: tuition	1,091.4	43.9	107.7	14.8
Higher education: other spending	1,591.2	72.8	167.7	31.8
Trans-national higher education	86.8	3.2	7.4	1.6
Other higher education	675.4	31.6	77.2	12.1
Further education: tuition <i>excluding ELT</i>)	37.0	0.4	0.8	0.8
Further education: other spending <i>excluding ELT</i>	288.7	3.0	6.1	6.1
Other further education	277.0	0	0	0
English Language Teaching: tuition and other	regional distribution not known; most activity is in London and the south east			
Examination / Professional bodies	151	0	0	0
Independent primary and secondary	202.6	4.4	10.9	0

The evaluation of education and training exports for 2001-02 represents, however, only one of the aims of the present project. The intention is to ensure that the methodology that has been devised and trialled in the present report should be capable of being used to provide estimates similar to those reported above on an annual basis – and that

this should not involve excessive additional cost or administrative burden. The data collected in HESA's student record, the LSC's Individualised Learner Record, the Independent Schools Council's Annual Census, and the Office for National Statistics' ITSS are now rich enough to allow this to be done.

Background to the study

In recent years, a small number of exercises have been conducted that attempt to put a value on the total exports of education and training services from the United Kingdom. The Government wishes to develop a methodology that will allow such estimates to be produced on a more regular basis. This will take advantage of major new data collection instruments within the higher and further education sectors and within the private sector training industry, and will allow the Government to assess the value and importance of such exports to the economy as a whole and also to evaluate efforts to promote exports of this kind.

The project that has given rise to this report was sponsored by the British Council, UK Trade and Investment, and the Department for Education and Skills. In addition to these sponsors, the Steering Committee for the project included representation from the Department for Trade and Industry and the Office for National Statistics. This group represents a broad range of interests, and the various stakeholders have a variety of reasons for their interest in the data.

There are several ways in which exports of education and training services could, in principle, be measured. At the minimum, the figure should include exports in the form of tuition fees paid by students registered at UK institutions of education, and should include also expenditures by these students on other goods and services bought within the UK during the course of their studies. These are exports because they are paid for by income earned overseas, and they are exports of education services because they cannot be captured elsewhere in the foreign trade accounts. Summing up total expenditures, sourced overseas, even for this minimal definition of educational exports involves a number of challenging data issues.

A broader definition of education and training exports might include exports of consultancy services (which are essentially exports of human capital, or expertise). A broader definition still might include various goods – such as published works or educational equipment – that are closely related to the education and training industry.

A yet broader definition might include exports of education that are embodied in a vast range of goods and services that are produced by educated workers. Just as exports of consultancy may be regarded as exports of expertise embodied within a project, so exports of virtually any good or service can be regarded as an export of expertise (and other things) embodied within the product. For example, when a country exports a car, it is exporting the quantities of labour that went into the production of the car; but it is also exporting the quantities of design expertise. Without education, the car could not have been produced, and so it could not have been exported.¹

The precise definition of education and training exports is therefore moot, and the definition that is appropriate for use by one stakeholder is not necessarily the same as that which should be used by another. For this reason, the methodology proposed in the present report emphasises a 'building block' approach. Best estimates of education and training exports in a number of sectors are provided, and stakeholders may aggregate these in the manner that is appropriate to them.

In accordance with this, the categories of exports that are included in the study have been arrived at by negotiation with the stakeholders in a series of meetings of the project steering committee.

¹ An interesting attempt to evaluate the export of embodied education from the UK was conducted by Allan Webster (1993) *The skill and higher educational content of UK net exports*, *Oxford Bulletin of Economics and Statistics*, 55(2), 141-159. In the context of the present study, there is no attempt to replicate Webster's work. This is for two reasons. First, a primary interest of many stakeholders is in evaluating the desirability of marketing education provision (as opposed to UK goods and services in general) in overseas markets. Secondly, the analysis conducted by Webster relies on census data and cannot therefore be updated until more results from the 2001 census have been published.

Study aims

The aims of the project were to:

- develop a methodology for the annual calculation of exports of education and training services from the UK, including a list of available data sources.
- demonstrate the practical application of this methodology by providing estimates for the year 2001-02²

The brief for the project emphasised the need to combine utility and accuracy – to pay due regard to cost and administrative burden while at the same time recognising that not all the data needed to complete the exercise are currently collected. This means that some of the data used in the present report have been collected by means of special surveys, but recommendations will include suggesting ways of ensuring that such data are collected more regularly within existing surveys.

Previous studies

United Kingdom

The first refined estimates of the contribution made by education to UK exports were published in a DfES report (1998) authored by Susan Bullivant.³

She estimates that exports of training and education from the UK amount to almost £6½ billion per annum. The breakdown of this sum by sector is as follows:

Sector	Total (£m)
Higher education	1781.5
Further education	195.0
English language teaching	1030.0
Publishing	1300.0
Independent schools	200.0
Equipment	438.6
Examination and professional bodies	100.0
Consultancy and training	275.0
Industrial and commercial contracts	1000.0

² Wherever possible the figures relate to academic year. Some data, for instance on higher education, are by now available for later years, but 2001-02 is the latest year for which fairly comprehensive data are available

³ Susan Bullivant (1998) The value of education and training exports to the UK economy, DfEE Research Report RR83..

For balance of payments accounting purposes, not all of the items in this table should be included in a definition of educational exports. But for other purposes – for evaluating how important education is to Britain’s overall export performance, for example – all these items and more should be included. The issue of the purpose to which the data would be put is not emphasised in earlier studies.

Bullivant’s estimate of £1 billion for exports due to industrial and commercial contracts represents a particularly cavalier guess. A more detailed analysis of exports from this sector has been conducted by Elizabeth Rylance-Watson and associates⁴, but her figure - £1¼ billion – is similar in magnitude to Bullivant’s.

The methodology adopted by Rylance-Watson was to conduct a special survey of over 400 organisations that are either currently exporting training services or are interested in doing so. These include professional bodies, trade associations and charities, but are mostly made up of private sector businesses. The training exports include materials (such as CD-ROMs), courses, and other training services. The fields covered by training exports are many and varied, although management is the most important in terms of volume and export earnings.

Reference will be made below to some of the methods used by Rylance-Watson and Bullivant in arriving at these figures.

Other countries

The problem of measuring the value of educational exports has been studied also in a number of other countries, including the USA and Australia – two Anglophone countries that, like the UK, provide education to large numbers of overseas students.

In the USA, The Bureau of International Affairs publishes international accounts annually, as part of its Survey of Business series. These include export and import data for education.⁵ The latest data are available at <http://www.bea.gov/bea/ARTICLES/2003/02February/0203ITAinserts.pdf>, and show gross exports to be \$11493 million in 2001; net exports in the same year amounted to \$9115 million. Thus education is a substantial contributor to trade for the United States.

The US figures are calculated using data from three separate sources. Information on overseas student numbers in the US is obtained from an annual survey, conducted by the Institute for International Education; this survey collates data from about 2600 tertiary level institutions. Student numbers are then multiplied firstly by average student expenditure on room and board and on tuition (data on which are obtained from a survey conducted by the National Center for Education Statistics), and, secondly, on living expenses. Data on the latter are obtained from the Bureau of Labor Statistics estimates of low income family budgets.

⁴ Elizabeth Rylance-Watson and Associates (1999) UK Exports of Training Expertise, Report to the DfEE.

⁵ These have been analysed further by Katherine Evans (1995) Industry and Trade Summary: Education Services, Office of Industries, USITC Publication 2920, Washington; available at <ftp://ftp.usitc.gov/pub/reports/studies/PUB2920.EXE>.

In Australia, Tony Harris and Bruce Chapman, both formerly of the Industry Commission, have analysed exports of educational services.⁶ They estimate that, in 1989-90, tuition paid for Australian educational services delivered overseas amounted to some A\$13 million,⁷ tuition of overseas students in Australia amounted to some A\$536 million, and the expenditure by these students on other goods and services in Australia amounted to A\$293 million.⁸ The last two of these figures were provided by the Australian Bureau of Statistics in their annual data volumes, Balance of Payments Australia.

Information on how the Australian Bureau of Statistics measures trade in educational services and in the consumption of goods and services by overseas students is detailed in Chapter 5 of the ABS publication, 'Balance of Payments and International Investment Position, Australia, Concepts, Sources and Methods'. The Department of Employment, Education, Training and Youth Affairs (DEETYA) maintains a database indicating overseas student numbers and tuition payable at each institution, and the periodic Survey of International Students provides information about expenditure patterns.

Methodology and results

In this section, each category of education and training exports will be studied in turn. The data on exports and the methods used to obtain these data are explained for each category.

Higher Education

The Higher Education Statistics Agency (HESA) provides data on student numbers by level, subject area and domicile. For students domiciled outside the EU, Universities UK provides data from a survey of Tuition Fees for International Students. EU students pay the same tuition fees as UK domiciled students; while undergraduates (other than in Scotland)

pay standard tuition fees, a special survey of higher education institutions was necessary in order to establish the average levels of tuition fees charged to postgraduate EU students by level and subject. Using this information, a total income figure can be calculated for tuition fees paid by non-UK domiciled students in higher education. From this figure, deductions must be made for (i) scholarships and (ii) for EU undergraduates only, means-tested fee remissions. Information on these are provided by the British Council and the Department for Education and Skills (DfES) European team respectively. After making these deductions, the total income from abroad due to higher education tuition payments amounts to some £1257.8m.

⁶ Tony Harris and Bruce Chapman (1991) Exports of education services, Industry Commission Report 12, Australian Government Publishing Service, Canberra; available at <http://www.pc.gov.au/ic/inquiry/12educationservices/finalreport/12educationservices.pdf>.

⁷ This is likely an underestimate, because it includes only courses that received assistance from a special government scheme – the Export Markets Development Grants.

⁸ This last figure is challenged by other sources of data, in particular the 1990 ELICOS Association survey of student expenditures, which suggest that student spending on goods and services other than education was about twice this level.

Non-UK domiciled students make expenditures not only on tuition, but also on a whole variety of goods and services. Since the income earned to pay for these is characteristically a return on economic activity that has been conducted abroad, these represent exports too. A number of sources – including the Student Income and Expenditure Survey (conducted by DfES), Hobsons, and the National Union of Students Welfare Unit – provide information about what students can expect to spend on goods and services other than tuition. Using these data in conjunction with the HESA data on student numbers suggests that the miscellaneous expenditures of non-UK domiciled higher education students amounts to some £1863.6m.⁹

Trans-national higher education includes franchise agreements, twinning arrangements, joint programmes, validation services, subcontracting, distance learning activity, and the presence of satellite campuses.¹⁰ Work done both within the British Council and by Bennell and Pearce (<http://www.ids.ac.uk/ids/bookshop/wp/wp75.pdf>) has been drawn upon to arrive at an estimate of slightly under £100m for the total export earnings due to the provision of transnational higher education.

Higher education contributes also to export earnings due to the presence of visiting students (on whom HESA can provide data), and academic visitors (for which data are available from a study by Kelly, Marsh and McNicholl, available at

<http://www.universitiesuk.ac.uk/bookshop/downloads/economicimpact.pdf>). The Kelly *et al.* study also provides information about research grants and contracts from overseas. Finally, there exists a small but important private sector of higher education; information on this sector was gathered by means of a special survey. The total addition to export earnings from these miscellaneous sources amounts to some £796.4m (more than half of which comes from research grants and contracts).

Further Education

Data on further education students are available from the Individualised Learners Record (formerly the Individualised Student Record) compiled by the Learning and Skills Council (LSC). This yields information about student numbers by domicile, and provides data for each student on all courses undertaken, subject studied, guided learning hours, and tuition fees paid. The data on the last of these is of uncertain quality, however, since it is not audited by the LSC.

As a check on the data from the Individualised Student Record, the LSC are also able to provide data on tuition fee revenues from students domiciled outside the UK that are based on college accounts. Moreover, using data on guided learning hours from the Individualised Student Record, the number of non-UK students can be converted into a full-time equivalent, and this can be used in conjunction with data on tuition fees for full-time programmes (obtained by special survey) in order to

⁹ Adding tuition and other expenditure, this gives income from higher education of some £3121.4m. The British Council has applied a similar methodology to the recently published HESA data for 2002-03, and this indicates that in this later year, export earnings due to tuition and other expenditure in higher education amounted to some 16% more than the 2001-02 figure

¹⁰ The UK may enjoy export earnings both from overseas institutions that have satellite campuses in the UK and from UK institutions that have satellite campuses abroad. In the former case, export earnings take the form of services rendered by UK domiciled individuals that enable surpluses to be transferred to the overseas parent institution. In the latter case, the surpluses themselves represent the export earnings..

provide a third means of measuring fee income from students domiciled abroad.¹¹

The three methods outlined above can be used to provide a best estimate of total exports in the form of tuition fee income in further education. A deduction is made from this figure to allow for the fact that a little over 20% of non-UK students in further education are studying English as a foreign language – this is accounted for elsewhere in the present study and so is deducted here in order to avoid double counting.

Once these deductions have been made, export earnings due to tuition fees in further education amount to about £38.9m. This is a relatively modest sum in view of the large number of students involved (about 85000). But it should be noted that the majority of these students are studying on a part-time basis only.

Nevertheless, these students all spend on goods and services other than tuition, and these should – for the reasons rehearsed earlier – be treated as exports. Using, alongside data from the Individualised Student Record on student numbers, the same data sources as were used to evaluate per capita expenditure of students in higher education, it is estimated that export earnings from this source amount to some £331.5m.

In addition to the above, there are several miscellaneous sources of export earnings from further education. Transnational provision at this level is small, as evidenced by the VOCTADE study (available from <http://www.fernuni-hagen.de/ZIFF/v1-ch34.htm>) and elsewhere, and export earnings from this source likely amount to less than £10m per year. A more important contributor to export earnings is the independent sector of further education. While little research has

been carried out into this sector, best estimates of its contribution to export earnings are quite substantial. For the purposes of the present study, a survey of independent providers was conducted that revealed that tuition fees for full-time overseas students typically amount to a little over £6000 per annum. The size of the sector is difficult to gauge, since the sector is unregulated, but the best estimates suggest that – excluding English language tuition and independent primary and secondary schooling – the independent further education sector contributes about £¼bill to export earnings. (This figure includes student spending on miscellaneous items.)

English Language Teaching

Data from the Association of Recognised English Language Services (ARELS) and the British Association of State English Language Teaching (BASELT) on the number of student weeks spent in the UK by those domiciled abroad for the purpose of English language education can be combined with information from ARELS on typical tuition fees for such programmes. In addition, there exist a large number of students, attending unaccredited ELT programmes, whose numbers are estimated using the International Passenger Survey. Together, these sources provide an estimate of expenditure on tuition that amounts to £716m. Students spending time in the UK also spend on goods and services other than tuition during their stays, and weekly spending on these items can be assumed the same as for higher education students. The figure thus calculated for miscellaneous expenditure by students of English as a foreign language is £496.4m.

A second aspect of ELT that should be taken into account is the provision, by UK residents,

¹¹ A deduction has been made from this figure to allow for the fact that EU students typically have their fees paid for them by the Learning and Skills Council or other bodies under a reciprocity agreement.

of ELT in other countries. Much of this activity is conducted through the offices of the British Council, while some other activity is independently provided. The British Council estimates that the total export earnings from its own and these other activities are about £100m. Hence total export earnings from English Language Teaching amount to some £1312.4m.

Examination and Professional Bodies

Special surveys of examination boards and professional bodies conducted for the purposes of the present study by the Department for Trade and Industry indicate that the export earnings generated by these bodies amount to about £151m.

Independent Primary and Secondary Education

The Independent Schools Council reports some £217.9m paid as tuition fees paid, predominantly on behalf of boarders, from overseas sources in 2002.

Private Sector Training

The latest International Trade in Services Survey (ITSS) contains a question concerning exports of training and recruitment services. Different definitions, the inclusion of recruitment and the fact that this question is new to the survey, make comparison difficult at this time. The ONS is currently undertaking a review of its ITSS questionnaires, involving a range of stakeholders. The review will cover the questions asked, the definitions used and the format. Alignment with internationally

accepted definitions will form part of this review. The Rylance-Watson methodology includes certain educational materials (goods) and is more likely to obtain a figure that covers the full range of training activities. Updating Rylance-Watson's estimate to account for inflation yields a figure of £1850 million.

There are further reasons for having confidence in the Rylance-Watson figures. Utilities, IT and telecommunications were identified in that study as being areas which are key in the training arena, and these were probed quite deeply, asking questions about training as a byproduct – where training is exported alongside something else. She notes that 'in some cases businesses have not recognised this as training at all' - and so this might in part explain why her figure exceeds the one from the ITSS. Also, Rylance-Watson includes National Training Organisations (including a variety of quangos, TECs and the like) in her sample, and it is unlikely that the ITSS will have captured much pertinent activity in this sphere.

Other related industries

There are several industries that produce goods and services that are closely related to those examined in this report, but whose exports should not be considered as exports of education and training because this would entail double counting. Some data obtained for these industries are nevertheless reported in this section for the sake of completeness.

The British Educational Suppliers' Association (BESA) reports the results of a survey conducted in 2003 which implies that exports of educational supplies amounted to £505m in that year.¹²

¹² This covers equipment, materials, consumables, furniture, and ICT hardware and software/digital products for educational institution use at all levels. It excludes books – which are covered below. The BESA survey achieved a representative 17½% response rate of their membership; their membership in turn accounts for some 80% of the industry. Respondents exported £70.8m during the year; the £505m figure is achieved by grossing this up by 1/(0.175x0.8).

Information provided by the Publishers' Association and from the government publication, MQ10 UK Trade in Goods Analysed in Terms of Industries, implies that exports of educational materials in the form of academic books, journals and software amount to some £931m. It should be noted that the Publishers' Association have developed a new statistical methodology since the publication of the Bullivant report, and so the figure reported here and the earlier figure in that report are not strictly comparable.

Data provided by the BBC and Channel 4 indicate that exports of educational broadcasting amount to £660.4m.

A further industry that is closely related to education and training is that of consultancy. It

is difficult to provide a figure for this, because the distinction between education and consultancy is blurred. Neither the National Association of Educational Inspectors, Advisers and Consultants nor the Society of Education Consultants was able to provide any data specific to the field of education. An upper limit, provided by the Pink Book figures for exports of market research, management consultancy, other business services and Research and Development, is £11.8billion. But it should be emphasised that this is a figure that is already counted as an export from industries other than education. Some proportion of this certainly takes the form of educational consultancy, but since it is not known how much this proportion should be, the figure is *excluded* from the total figure for education and training exports reported in this publication.