

THE MINERALS EDUCATIONAL TRUST

Increasing the support for South African universities and technikons*

Origins

In the 1980s and '90s the gold mining industry in South Africa came under pressure from the continued poor dollar gold price and escalating Rand based costs, furthermore the external impacts on the industry were changing. Thus, the Chamber of Mines (COM) shifted its focus away from many historical areas of support towards the new industry challenges in safety and health, labour markets, environmental responsibility, mineral rights legislation and social responsibility. During 1997 the lack of funds and the changes facing the tertiary institutions were often subjects of discussion at the various sub-committee meetings. The Metallurgical Sub-committee of the Chamber Education Fund or the Sub-committee of Consulting Metallurgists as it was known identified the need for the funding structure to change with the times.

Up to this time the Chamber of Mines operated an Education Fund that supported mining industry academic departments at various South African tertiary institutions; these funds were derived exclusively from the country's gold and coal mines the basis of Chamber membership. Funds of less than R5 million per annum were available for distribution by the three disciplinary sub-committees of mining, metallurgy and geology.

The Sub-committee of Consulting Metallurgists thoughts crystallized around a new structure that would meet the following objectives:

- ▶ Gain participation from the wider mining and metallurgical industry
- ▶ Be flexible enough to encompass any kind of exploration and mining activity
- ▶ Encompass all metallurgical processing; thus the recovery of valuable minerals, the refining and purifying metals as well as the alloying and fabricating of metals
- ▶ Include service companies that are involved in the minerals industry
- ▶ Be expandable into other minerals industry related disciplines.

The Minerals Education Trust Fund (METF) was formed, with the Chamber of Mines as the founding member and several of the larger mining houses as the original supporters and trustees. The Trust was registered officially in February of 2001 as a non-profit organization. The first unofficial trustee meeting had been held in April of 1999 when the trustees essentially assumed the responsibility of operations from the COM.

The role of the Minerals Education Trust Fund

South Africa's tertiary institutions are funded from essentially three sources, the South African government, the students and the alumni. Various companies also make significant contributions through the sponsoring of student bursaries, the funding of research and by direct grants for facilities.

However, with the South African government's focus on primary and secondary education, its funding for the tertiary institutions has shrunk in real terms. Private companies that

utilize the skills of graduates from these institutions for the growth and efficiency of their businesses are the primary beneficiaries of excellence in tertiary education. Competitive businesses need highly skilled personnel for their success and where shortages of such skilled personnel exist added resources must be made available to ensure that there exist adequately skilled personnel in sufficient quantity.

The Minerals Education Trust Fund (METF) provides a mechanism for companies to increase their support for relevant tertiary education, particularly in the neglected area of academic salaries. Most faculties supplying young professionals to the minerals industry are understaffed and pay salaries that are far below the industry norm for the same level of skills.

Figure 1 shows how the METF fits into the overall tertiary institution-funding model.

Structure of the Trust

The key elements of the Trust are as follows.

The trustees are limited to twenty companies, with one of these a smaller company that represents other smaller participating companies. There is no limit on the number of participating companies but each company must have an interest in the mining and metallurgical industry.

The beneficiaries of the Trust are specifically the tertiary education departments of South African tertiary institutions in the disciplines related to the minerals industry (currently but not limited to mining, metallurgy and earth sciences/geology). The Trust is specifically designed not to be a bursary fund and cannot grant bursaries. During the formation of the Trust it was recognized that companies would prefer to have close ownership of their individual bursary schemes. Furthermore, the Trust was designed to take over the role of the previous COM Education Fund; hence the focus of support being directed to the educational departments themselves rather than students.

As stated in the Trust Deed the objects of the fund are as follows.

- ▶ To support and promote, foster and advance the interests of the minerals industry education and training by providing the beneficiaries with funds to be used under the guidance of the Trustees as follows:
 - For the provision of subventions to academic staff
 - For the funding of secondments from the minerals industry
 - For the funding of existing and additional academic posts
 - For the provision of merit incentives for staff members
 - For the provision of additional infrastructure, laboratories, equipment, tools, aids and transport for students
- ▶ To operate the fund as an 'education fund' in terms of the Income Tax Act.
- ▶ To accept funds and disperse these in accordance with the first object.

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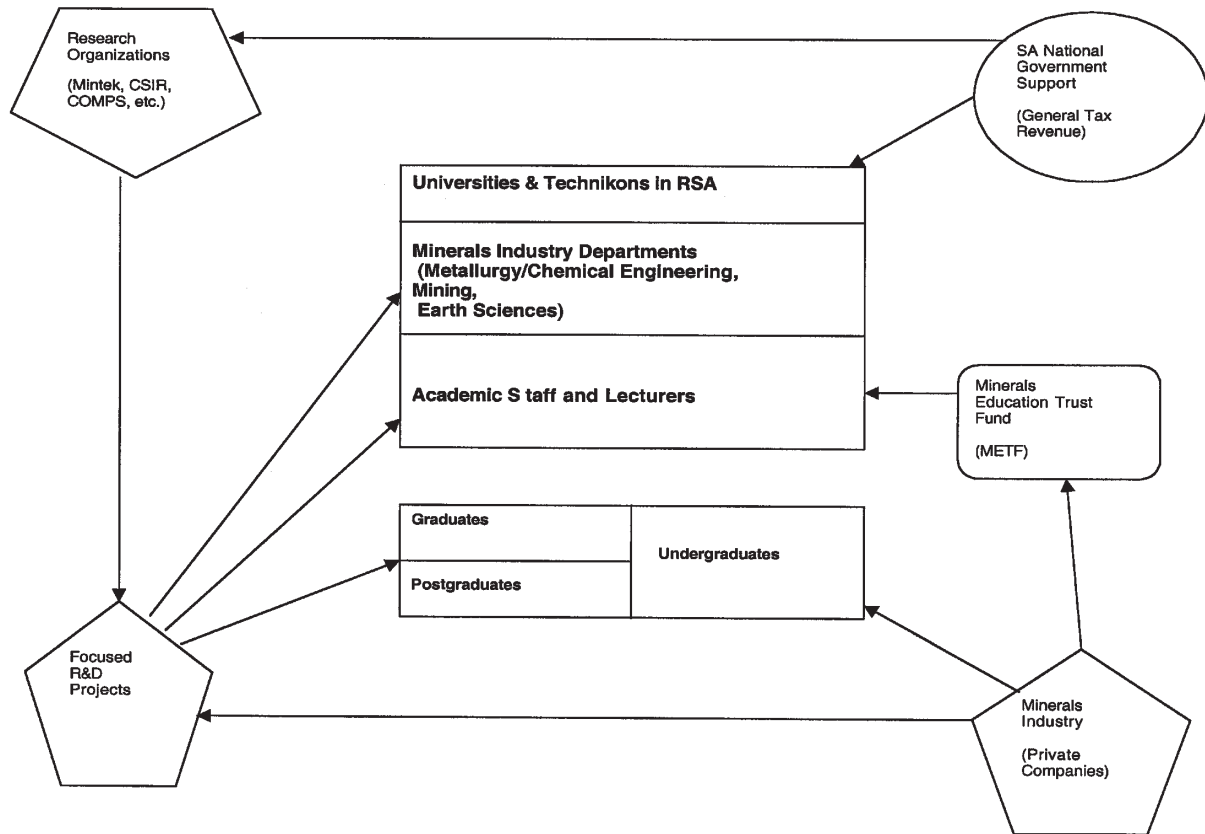


Figure 1—The role of the METF in tertiary institution funding

The main body of work performed by the Trust is done through three sub-committees; these being Metallurgy, Mining and Earth Sciences. Each sub-committee manages its budget and with the approval of the trustees allocates funds to the various tertiary institutions as Beneficiaries.

Contributions to the Trust

When the COM Education Fund was dissolved and the Trust formed, the trustees resolved to at least maintain the existing funding levels to the tertiary institutions and over time hoped to increase the level of funding possible. The major opportunity for achieving this was through recruiting more participating members. Chamber funding of about R5 million was typical before the Trust was formed. On the basis of maintaining funding levels a per capita levy was agreed as a guideline for participating companies. This levy was applied on the basis of the number of graduates and diplomates employed by a company from the initial training level through to Consulting Engineer level or its equivalent. The levy is discipline specific and separate levies are in place for each of the disciplines. This was driven by historical support levels from the Chamber of Mines Education Fund and the anticipated numbers of graduates within the various participating companies in the three disciplines. Since the establishment of the Trust, the mining levy has fallen from R7000/annum/graduate to R6000, the metallurgical levy has remained stable at R5000/graduate/annum and geology has increased from

R3000 to R4000/graduate/annum. All of these prices are in nominal terms such that in reality the original participating companies' costs have fallen as a wider representation of the mining and metallurgical industry has joined the Trust Fund. In addition, the Trust Fund has been able to increase its contributions to the various institutions in South Africa from about R5 million per annum to about R10.5 million for the calendar year 2003.

The current contributors to the Trust are:

AEL	Hatch
Anglo Operations	Harmony
Anglo Platinum	Impala Platinum
AngloGold	Ingwe
ARMgold	Kumba Resources
Avmin	Lonmin Platinum
Bateman	Micromine Africa
BHP Billiton	Multotec
CSIR Miningtek	Outokumpu
De Beers	Samancor
Free Gold	Sandvik Tamrock
G L & V	Sasol
Goldfields	Xstrata Coal

With the strength of the mining and metallurgical industry in South Africa, there remain many opportunities to increase the Trust Fund participation and as a result the funding to South Africa's universities and technikons. A greater representation from the iron, steel and ferroalloys industry is a goal of the trustee representatives and participation by a broader scope of

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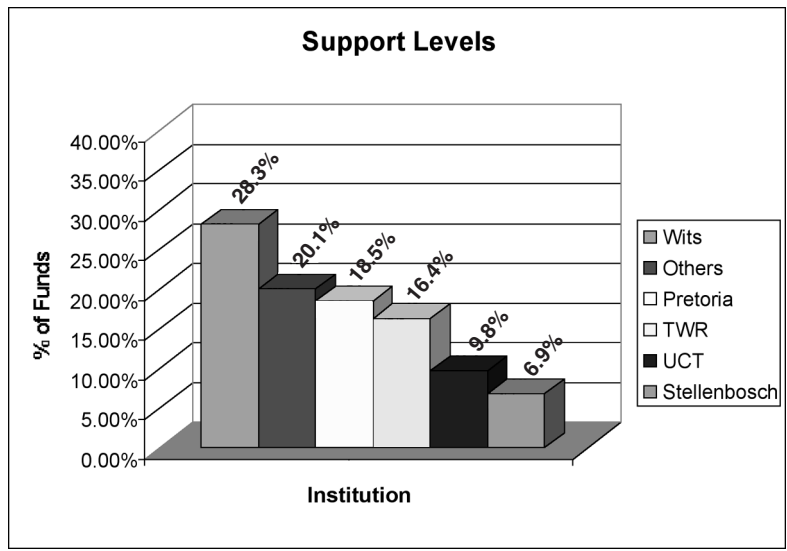


Figure 2—SA institutions supported by the METF - % of funds budgeted for 2003

mining companies is being pursued. In the not too distant future it is hoped that the mining giants like Iscor, Xstrata, Highveld Steel and Richards Bay Minerals will join the Trust.

Use of the Trust Funds by the Institutions

The Trust by design is limited to utilizing its funds for the South African tertiary institutions and specifically for the benefit of the academic departments associated with the mining and metallurgical industry. During the formation of the Trust it was the view of the founding companies that because of the general South African situation as a developing nation and the Government's tightened funding of tertiary institutions, it would become increasingly difficult to attract and maintain areas of academic expertise adequate to guarantee internationally recognized 'centres of excellence' at South African institutions. Without this level of excellence the product of the institutions (new engineers) would be inadequate for the challenges of growth in the African mining industry.

The primary use of the Trust's funds is thus the subvention of academic salaries and all trustees accept a broad target of closing the academic-industry gap in these salaries by some 50-75%. However, the trustees can and do utilize a small amount of the funding for student field trips, laboratory and pilot plant equipment, and other special requests from the institutions.

In an effort to focus the Trust's limited funds and have an impact in terms of creating the required 'centres of excellence', the trustees have been cautious and have tended to focus on a

selected number of South African institutions. However, whilst observing this guiding principle the trustees have increased the breadth of support in the last three years. The major institutions now receiving support are shown in Figure 2.

Conclusion

The Minerals Education Trust Fund is a well-placed mechanism for ensuring continued excellence in tertiary education for the minerals industry in South Africa and would benefit from an increased breadth of industry support. The cold truth of the matter is that unless the companies participating in the minerals industry increase their support for the academic centres of excellence in South Africa their businesses will suffer from an increasing shortage of properly trained and skilled staff in the minerals industry technical disciplines. In a competitive global world where the trend is for the real prices of commodities to fall with time, only lower costs and increased efficiencies will maintain company profits. Such improvements are largely technical in nature and are people-driven and as such they are solely dependent upon the quality of those people. A fundamental building block for high quality technical people is academic excellence.

Support the METF and build a better business future for your company. ♦

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