The Case for a Nearly Constant Operations Levy

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At the November 2014 SALT board meeting, the board considered a document discussing the impacts that an increased operations budget would have on SALT. The document, presented by Darragh O'Donoghue, David Buckley and Chris Coetzee made a strong argument that increasing the operations budget would increase the productivity of the telescope, through reduced downtime, increased telescope efficiency and improved throughput. The arguments made by the authors suggest that the scientific productivity of SALT would be increased through an increased operations budget.

The board needs to balance this desire to increase the productivity of the telescope with a realistic discussion of the implications that the current operations levy has had on the shareholders, and their ability to pay the operations levy. The SALT operations levy has increased above inflation in shareholder countries during the last three years, with increases of 11.9% in 2013, 8.2% in 2014 and 14.7% in the current year[1] (all figures in Rand).

Although the increases for foreign shareholders have been softened somewhat by the decrease in the value of the Rand, many foreign shareholders have to deal with flat, or very modest increases in their own operations budgets. As a result, it has become increasingly difficult for many shareholders to fully pay their operations levy. Dartmouth recognizes the scientific importance of SALT and values its partnership with other shareholders. At the same time, Dartmouth is concerned that unchecked increases in the operations levy is unsustainable and presents a significant risk to the future viability of SALT.

To limit this risk to SALT, we propose that the board embark on a process to ensure that the operations levy for current shareholders be as stable as possible over the next five years, roughly keeping pace with inflation in South Africa. Such a strategy will make it easier for Dartmouth and we expect other shareholders to maintain their investment in SALT and ensure its long term viability. We strongly encourage the board to engage the chief academic and financial officers (or designees) of shareholder institutions in the process.

We recognize this process will involve challenging discussions about tradeoffs, with any significant improvements to SALT requiring the board to identify new approaches to funding, and possibly new revenue sources. This might include selling additional shares to partners who have the abil-

[1]These increases have been higher than inflation in South Africa, as measured by the South African producer price index (6.0% in 2013 and 7.5% in 2014; data from Statistics South Africa, http://www.inflation.eu/inflation-rates/south-africa/historic-inflation/ppi-inflation-south-africa.aspx) and have been higher than the average wage increases for public workers in South Africa (6.7% in 2013 and 7.1% in 2014; data from Bloombreg.com http://www.bloomberg.com/news/articles/2015-03-26/showdown-looms-as-south-africa-takes-hard-line-in-wage-talks).

ity to pay higher operations levies, finding new shareholders, or the selling of telescope time. All of these would reduce the amount of telescope time available to current partners. However, this reduction in observing time to current partners would be offset by the increased efficiencies, throughput and reduced downtime of the telescope, implying that the overall scientific productivity will increase.