Foreign Direct Investment projects

Three new projects were reported in the TIPS Foreign Direct Investment (FDI) Tracker in the second quarter of 2018, with a total value of R11 billion.

Table 1. FDI tracker

Phase	Announced	Construction	Complete
Number of projects	3	1	3
Value	R11 billion	R6.6 billion	R3.5 billion
Industry	Manufacturing (2 projects) Wholesale and Retail Trade	Utilities	Manufacturing Recycling of waste scrap metal Manufacturing
Companies	TMH Africa (Transmashholding (TMH) 70% & Mjisa Investments (30%)) Shell South Africa Mercedes-Benz (Daimler AG)	Lekela Power (Joint Venture by Actis and Mainstream Renewable Power) & others	Air Liquide; Sasol DHT Holding Africa Whirlpool Corporation

Source: TIPS FDI tracker (2018)

Mercedes-Benz announced additional investment to expand its East London facility. This entails building a paint and body shop, and upgrading the assembly shop and logistics warehouses. The R9.5 billion pledged investment value is the highest for the quarter, and accounts for 45% of the R21.1 billion pledged so far. Government support in form of the Automotive Production and Development Programme played a role in the attracting the investment.

Shell South Africa will be investing R1 billion to expand its local retail offering. The company plans to develop filling stations and convenience stores in 22 new locations, as well as refurbish existing facilities. Additionally, TMH Africa, a partnership between Russian firm TMH and South African black-owned Mjisa Investments, recently bought out DCD Africa Manufacturing's rail manufacturing facility. The recently announced R500 million investment is to upgrade and modernise the facility to manufacture and service locomotives and other rolling stock. The company aims to supply Transnet and Prasa's rolling stock programme, with a view to expand into the rest of Africa.

Following the operationalisation of the Koebab and Leoriesfontein wind farms, Lekela Powers (joint venture between Actis and Mainstream Renewable Power) has commenced construction of the Kanganas and Perdekraal East Wind Farms. This follows the recent signing of the fourth round Renewable Energy Independent Power Producer agreements, with the project having initially gained preferred bidder status in 2015.

The wind farms are located in the Northern Cape and Western Cape respectively. Kanganas will have 140 MW generation capacity, while Perdekraal will have 110 MW generation capacity. The farms use imported Siemens SWT-2.3-108 wind turbines, although they should also be subject to local content provisions, and together will contribute a reported R1.6 billion to local community development. Commercial operation is expected to begin in 2020.

Three projects were completed during the second quarter. These projects are the air separation unit by Air Liquide on behalf of Sasol, the addition of a twin-tub washing machine line by Whirlpool and the refurbishment of a scrap metal recycling facility by DHT holdings.

The Air Liquide investment is valued at €200 million (R2.9 billion) and represents the largest oxygen production unit in the world, with a total production capacity of 5 000 tons of oxygen a day. The Secunda facility is Sasol's first outsourced supply of oxygen production.

Whirlpool's investment is another in which government's support played a crucial role through the efforts of InvestSA. The twin-tubs will be manufactured at the company's Mandeni facility at the Isithebe Industrial Estate. In addition to retaining 1 000 jobs, the facility supports the firms that feed into Whirlpool.

Finally, a Turkish firm, DHT Holdings, relaunched the Cape Town Iron and Steel Works (CISCO). This followed acquisition of the facility from Murray and Roberts following its closure in 2010 as a result of the global financial crisis. The investment of R550 million was a joint undertaking by DHT Holding and the IDC, which contributed R250 million to the project. The investment resulted in the refurbishment of the facility, which now has the capacity to process 500 000 tonnes of scrap steel per year, producing steel using electric arc furnaces. It also benefits from International Trade Administration Commission's price preference system for the export of ferrous and non-ferrous scrap metal, giving local firms first opportunity to purchase scrap metal at a 20% to 30% discount on the international price.

As indicated, there were no major updates for existing projects; however, there were two corporate social investment initiatives linked to an existing project identified.

This was Volvo’s recent expansion plans for the country, which had previously focused on the launch of Volvo Financial Services (VFS) Southern Africa, a commercial vehicle financier. The focus on commercial vehicles mirrors the company’s recent pledge to invest R1.4 million in a specialised driver training academy to address the shortage of skilled drivers. The company also plans to introduce a R25 million initiative that aims to create one-year work placements for young people, targeting TVET college students. Both projects are linked to the government’s Youth Employment Services (YES) and related initiatives.