Foreign Direct Investment projects

Eleven projects were added to the TIPS Foreign Direct Investment (FDI) Tracker, while five existing projects had major updates. The total value of announced investments this quarter was R47.7 billion, over twice as high as the total for the first half of the year. The increase was due to contracting under the fourth round of the Renewable Energy Independent Power Producer Programme (REIPPP), which contributed about R34 billion to the investment value, as well as announcements linked to the South African Investment Conference in October 2018. The Investment Conference outcomes are discussed in the briefing note Evaluating the Pledges.

Table 2: New FDI Projects Captured in Quarter 3 2018

	Announced	Complete	Pre-Feasibility
Number of projects	6	4	1
Value (R' billion)	35,2	1,2	11,2
Industries	Utilities (3 Projects) Manufacturing (2 Projects) Services (1 Project)	Manufacturing (3 Projects) Services (1 Projects)	Mining
Type	3 Greenfield 2 Upgrades 1 Expansion	1 Greenfield 2 Upgrades 1 Expansion	1 Expansion
Company	ACWA Power and others juwi Renewable Energies KLT Automotive & Tubular Products ASSA ABLOY (SA) Pty Ltd Opel International Enel Green Power	Nissan South Africa (Nissan) UD Trucks Southern Africa (UD Trucks) VE Commercial Vehicles (VECV)	Vedanta Zinc International

In addition to projects in renewable energy, manufacturing projects in the automotive and related sectors featured prominently this quarter. They included three projects by Nissan and by Volvo through its UD Trucks and VE Commercial Vehicles subsidiaries.

Though Nissan South Africa's upgrade of its Rosslyn facility was completed last year December, the company's investment is a new entry into the tracker. The company has invested about R1 billion over the past three years, of which R500 million went towards improving efficiency and renovating its production facilities, and R150 million towards employee skills and training.

The overhaul sees the facility utilise one production line instead of two, with the facility now able to produce 200 vehicles a shift. While not targeting a specific model, production will also continue to focus on the NP200 half-tonne bakkie and NP300 (Hardbody) one-tonne bakkie. Nissan South Africa is now the sole manufacturer of the Hardbody model, reflecting stable demand in Africa. The Hardbody is Nissan South Africa's main export to the rest of Africa. The NP200 is the only high-volume small bakkie left in the local market following the termination of the Ford Bantam and the Chevrolet Utility.

Two investments by UD Trucks were added to the tracker. First, the company recently completed the first phase of its investment to modernise its facility in Rosslyn with a R30 million upgrade. Improvements include the acquisition of new fixtures, jigs and implementing a new material supply system. The facility currently produces trucks that are also exported across several SADC countries. Second, in partnership with South Africa's Billson Group, UD Trucks established a Billson Trucks dealership in Port Elizabeth valued at R110 million. The dealership is one of few service investments identified by the tracker, but the size of the investment warrants its inclusion.

Another new entry initiated in 2017 is the VE Commercial Vehicles assembly of the Eicher truck range at the UD Trucks facility in Rosslyn. The investment is a joint venture with the India-based Eicher Motors. The introduction of the brand is valued at R 100 million. Models assembled are the Eicher Pro Series comprising the medium-duty Pro 3000 Series introduced in 2017 and the heavy duty Pro 6000 Series launched this quarter. The Pro 3000 comprises an 8.5-tonne vehicle mass haulage truck range while the Pro 6000 Series will be available as freight carrier with different wheel bases, a tipper, garbage compacter and cement mixer variant. The Eicher brand is available in 14 outlets in South Africa through partnerships with dealerships including Imperial and BB Motors.

Feeding into the automotive sector is an investment by KLT Automotives. The India-headquartered firm supplies chassis frames for Ford SA's Ranger. It will invest R20 million to increase the production of chassis frames at its Hammanskraal factory from 500 to 630 a day.

The outlier in manufacturing this quarter is represented by ASSA ABLOY South Africa, a subsidiary of the Sweden-based global specialist manufacturer of entrance solutions. It has invested R10 million in automation, including the installation of six robots with the goal of expanding to more than 10 before the end of 2018. The company has introduced collaborative robotics that work alongside people, aiming to maintain product quality and production volumes while reducing costs.

In renewable energy, the German firm juwi Renewable Energies has concluded engineering, procurement and construction plus operation and maintenance contracts for three solar photovoltaic projects with a combined value of R3 billion. The agreement is with African Infrastructure Investment Managers (AIIM) which has 50.1% ownership in the three projects. The Droogfontein 2 Solar Park, located in the North West, will be the first to be constructed this quarter. It is to be followed by Bokamoso Solar Park in the fourth quarter and Waterloo in the first quarter of 2019, both in the North West. The solar parks will generate a combined 250 MW of electricity.

The Central Energy Fund and Saudi-based ACWA are co-investing in a set of renewable projects, starting with the Redstone concentrated solar thermal power plant in the Northern

Cape. The value of the project is R11.2 billion. Redstone will have central salt receiver technology with 12 hours of thermal storage. It will use dry-cooling options to minimise water use. The project will be owned by ACWA Power Solar Reserve Redstone CSP, comprising ACWA Power Redstone Holdings (50%) and SolarReserve (10%); GEPF Renewable Energy Investment 1 (13.5%), which is managed by the Public Investment Corporation; the Redstone Community Trust (6.5%), a broad-based black economic-empowerment entity; Old Mutual Life Assurance Company of South Africa 10%; and Pele Green Energy (10%). It will be built adjacent to the Lesedi and Jasper solar power plants.

Finally, Italian firm Enel Green Power has reached financial closure on five new renewable wind farms valued at R19.8 billion. They will have approximately 700MW in capacity. Two projects – Oyster and Nxuba – are in the Eastern Cape, while the other three, Garob, Karusa and Soetwater, are in the Northern Cape. Nxuba will start construction towards the end of 2018 with the expectation of being operational by the end of 2020. Construction will start on the other four in the course of 2019, and become operational in 2021.

In mining, Vedanta Zinc International announced that it is undertaking a feasibility study into a zinc smelter and refinery complex at its Gamsberg open-pit mine in the Northern Cape. The complex would cost about R11.4 billion to develop. The study will determine the method of refinery, whether to roast or pressure the concentrate and how best to accommodate the expansion of Gamsberg and potentially other zinc producers in the area. If constructed, it will generate 250 000 tonnes a year of zinc metal, require 200MW of power and a water allocation that requires significant large-scale investment. The concentrator and associated infrastructure would form part of Vedanta's broader expansion Gamsberg-Skorpion Integrated Zinc project, described below, making it possible to handle a higher volume of ore from the Gamsberg mine while extending the life of the Skorpion zinc operation in Namibia.

Updated Projects in the Tracker

Volkswagen SA completed its R6.1 billion investment programme in new models and facility upgrades at its Uitenhage plant. Most of the investment went to infrastructure, local content tooling, quality assurance, and high tech manufacturing equipment and information-technology upgrades. It has also introduced the "one-line concept" for the first time, which allows the plant to build two different models on one production line.

BMW South Africa's investment projects saw three developments in the past quarter. It launched its new training academy following an investment of R73 million, with capability to host 300 apprentices a year, in support of the new BMW X3. Following R6.1-billion investment over the past three years in its the Rosslyn facility, it exported over 100 of the first units of the BMW X3 to Europe. Finally, it officially unveiled its R260-million regional parts distribution centre. The centre will hold 600 000 motor parts for delivery to 56 dealers across Southern Africa.

Sumitomo Rubber South Africa has officially started production at its truck and bus radial tyre manufacturing facility in Ladysmith after a four-year, R2-billion investment. The upgrade and expansion introduced new technology and equipment to increase tyre production for cars and SUVs. Sumitomo also purchased land adjacent to the facility to start manufacturing bus tyres, with sales starting in the fourth quarter of 2018. An additional 193 employees were added to the workforce, which now totals 1 060 people.

When GM left South Africa, Isuzu purchased its Struansdale manufacturing facility and its 30% shareholding in Isuzu Trucks South Africa, making this Isuzu's first fully-owned first operation outside Japan. It moved its truck operations in Port Elizabeth from Kempston Road to the Struandale plant, launching this quarter. It has announced it will also invest in the Propella Business Centre, a partnership between Nelson Mandela Bay University and the Industrial Development Corporation with a focus on renewable energy, energy efficiency, and advanced manufacturing. The Isuzu Industrial Hub will support technology and innovation in the advanced manufacturing sector in the Eastern Cape. Current participants or beneficiaries include the Rhino Group, manufacturing green products such as light-weight concrete out from recycled polystyrene.

Osho Cement, a joint venture between Dubai-based Osho Ventures and Germanys' Heidelberg Cement, has commenced construction on a cement grinding facility. It expects to complete construction by the end of 2018 with commercial production starting shortly thereafter. It will import its primary raw material, manufacture and sell its products locally and in the region. When complete, it will be the seventh cement producer in South Africa.

The Gamsberg-Skorpion Integrated Zinc project has completed the first phase of the Gamsberg mines development. After four years and R5.5 billion investment, the mine was officially commissioned with production underway from early July 2018.