

Foreign Direct Investment projects

Eighteen new projects were added to the TIPS Foreign Direct Investment (FDI) Tracker in the past quarter. Some of these projects were announced during the Investment Conference held in October 2018 while others date back before it.

President Ramaphosa's Investment Conference in October 2018 set a target of achieving US\$100 billion in new foreign and domestic investment over five years. Monitoring progress toward this goal requires both tracking the implementation of companies' pledges to initiate projects, and keeping an eye on the actual increase in investment that results, since some of the pledges were already in the pipeline. The tendency in some cases to blend new and existing commitments in pledges for the investment conference complicated the categorisation of projects for the Investment Tracker this quarter. Projects that expanded existing project plans are here classed as "new". That said, four projects announced at the conference (from Mercedes-Benz, Ivanplats, Sumitomo, and ACWA Power) were already captured in the Tracker, and were excluded for this quarter.

Twelve of the 18 projects included this quarter, with a value of R135 billion, were newly announced. Three projects were under construction, adding R 37.7 billion. Another three projects were completed, for R1.5 billion. The projects span seven industries, with six in manufacturing. Ten were expansion projects.

Table 1: New FDI Projects Captured in Quarter 4, 2018

	Announced	Under construction	Complete
Number of projects	12	3	3
Value (R billions)	134.9	37.7	1.5
Industries	Utilities (1 Project) Retail (1 Project) Services (2 Projects) Mining (2 Projects) Manufacturing (6 Projects)	Construction (1 Project) Mining (1 Project) Utilities (1 Project)	Construction (2 Projects) Transport (1 Project)
Type	2 Greenfield 8 Expansion 2 Upgrades	2 Greenfield 1 Upgrade	1 Greenfield 2 Expansion
Companies	McDonald's Corporation Building Energy Liquid Telecom Marriot International Anglo American Vedanta Zinc International Mond Mara Corporation Nestle Procter & Gamble BPSA Agni Steel SA	UEM Sunrise Anglo American Platinum Building Energy	Liquid Telecom South Africa Data Centre (SADC) Rolls-Royce SAAT Lease Storage Facility Bosch Rexroth Hytec Unified by Bosch (HUBB)

Of the new projects added to the Tracker this quarter, six were announced at the Investment Conference. Only one large project was entirely new – the commitment by Mara Corporation. Other pledges build on pre-existing initiatives, blending old and new plans. For two projects, information is limited and may reflect older completed projects (Procter & Gamble and Nestlé South Africa).

The largest single commitment was Anglo-American's plan to invest US\$6 billion (R86,9 billion as of October 2018)¹ in mining through 2022. The project aims to extend the life of Anglo's operations in South Africa, but details were not available. It allocated US\$2 billion (R29 billion) to expansion of the Venetia diamond mine in Limpopo, which was already captured in the Tracker. Its plans also include operations in Mpumalanga, the North West, Northern Cape and Gauteng. In effect, these investments represent a general commitment to invest in Anglo's core assets following years of restructuring from the end of the commodity boom.

Vedanta's R21.4 billion investment in two zinc mines in the Northern Cape forms part of the company's Gamsberg Mine megaproject. While it is difficult to establish exactly what the R21.4 billion investment entails, it appears to refer to Phase 2 of the project as well as a smelter complex that is undergoing a feasibility study. Phase 2 has an estimated value of between US\$350 million and US\$400 million, plus around US\$700 million for the smelter complex. Feasibility is also being conducted on projects that will link Gamsberg to the Black Mountain Mining site nearby and to Skorpion-Zinc in Namibia.

In manufacturing, Mondi has pledged R8 billion to expand capacity in KwaZulu Natal. Details on the project are limited, but the investment follows its decision to reduce pulp production at Richards Bay and newsprint at the Merebank facility in KwaZulu Natal, while scaling up production of uncoated paper.

In addition, the Mara Corporation announced plans to build a R1.5 billion facility in South Africa to produce the company's first mobile phone, the Mara X. Mara originated in Uganda but has partnered with the Rwanda government and Google to start producing smartphones in Rwanda and South Africa. Production appears to have been delayed from the original launch date in 2018, but further details on progress are not available.

Manufacturing projects announced at the Investment Conference also included projects by Procter & Gamble and Nestlé SA. Procter & Gamble intends to invest R300 million to increase sanitary pad facilities and to add 300 workers to its existing workforce of 3 000. It is not clear what the Nestlé SA investment entails with one report suggesting an investment

¹ This figure is taken from a public comment by Anglo American's Executive Head, Andile Sanqu; see <https://www.iol.co.za/business-report/companies/anglo-american-to-invest-r715bn-in-extending-lives-of-sa-operations-17655217>. In the media this is widely reported as R71.5 billion, but the Tracker's rand value was calculated based on the US\$6 billion figure with the average exchange rate for October 2018.

in capital expenditure initiated in 2017², while another report indicates plans to implement green technologies and strength the brand³.

Two of the largest projects captured this quarter were not part of the Investment Conference. The first is a R35.5 billion mixed-use property development at eThekweni's Point Waterfront area by the Malaysian group UEM Sunrise, which is under construction. This long-term development will be rolled out in three phases and includes residential units, restaurants, retail outlets, luxury hotels, and office blocks.

The second project is BP South Africa's R13 billion refineries upgrade. It will introduce cleaner fuel standards such as D50 and D10, in which South Africa has long lagged behind. It will require the plant to shut down between May and June 2019.

Anglo Platinum is implementing a R2.5 billion sulphur dioxide abatement project at its smelter in Polokwane. The plant will implement new wet sulphuric acid technology, which should reduce sulphur emissions by approximately 92%. The project is required to comply with the new Minimum Emissions Standards issued by the Department of Environmental Affairs.

Two new retail investments were also announced. McDonalds will be expanding its local operations, pledging R3 billion to establish 120 new restaurants over the next five years, supporting 7 000 jobs. It also intends to open a "Hamburger University" in Johannesburg, which will provide additional training for the company's 12 000 local employees. Marriott International announced a US\$250 million expansion across several African countries, including South Africa. Details of the plans are unavailable but they include the acquisition of five new hotels.

Liquid Telecom plans to establish a 4G/LTE mobile network to supply its own mobile network service to internet service providers. The value of the investment was not made public. It also plans to increase space at its data centres five-fold, starting with construction of two facilities in Johannesburg and Cape Town with a total investment of R1.3 billion. It hosts around 100 customers globally, including large enterprises, internet service providers and other telecoms operators. The Johannesburg facility spans 3 000 m² of rack space with a total power capacity of 7 megawatts (MW) while Cape Town covers 1 800 m² of rack space with a 5.5 MW capacity. The facilities are referred to as South African Data Centre (SADC) and are meant to be carrier neutral.

Manufacturing company Angisteel announced a continuation of the expansion of its facility (Phase 2) at the Coega Industrial Development Zone, investing R100 million. Phase 2 entails the addition of a ladle furnace and two more induction furnaces that will double production

²<https://city-press.news24.com/Business/not-so-rosy-r95bn-was-pledged-before-ramaphosa-was-president-20181120>.

³<https://www.businesslive.co.za/bd/economy/2018-10-26-sa-to-get-more-than-r290bn-in-investment-as-business-comes-to-the-party/>.

and allow for production of 180 000 tons of steel billets a year. Phase 1 has been completed, while details for Phase 3 were not reported.

The Tracker captured two greenfield projects in electricity – the Roggeveld wind farm in the Karoo and the Kruisvallei small hydroelectric plant in the Free State Province. The combined investment value of these projects is R340 million. Both are being developed by Italian energy firm Building Energy. The firm was granted preferred bidder status in the fourth round of the South African Department of Energy’s Renewable Energy Independent Power Producer Programme (REIPPP) in April 2015. The 147 MW wind farm will comprise 47 wind turbines that will generate about 613 GWh of electricity – enough to power roughly 49 200 households. The small hydroelectric plant is a 4.7 MW power plant that can generate approximately 28 GWh of energy and power more than 2 330 households.

The German-owned Bosch Rexroth South Africa – an industrial machinery, hydraulics and technology company – launched the Rexroth Hytec Unified by Bosch (HUBB) with completion of its R200-million high-tech facility. It includes centralised training space, engineering, sales and support offices, and houses the entire Bosch Rexroth group of companies.

In the transport industry, Rolls Royce civil aerospace division completed its investment with the opening of a lease-engine storage facility at O.R. Tambo International Airport. The facility will offer additional servicing to engine-lease customers. An outcome of the investment is a training programme to help SAA Technical staff conduct inspections and on-wing servicing of Rolls-Royce engines.

Four of the projects announced at the Investment Conference were already captured in the Tracker. They were Mercedes-Benz’s R10 billion investment in its East London plant, Ivanplat’s R4,5 billion Platreef project, Sumitomo’s R963 million investment in a new Ladysmith manufacturing facility, and ACWA’s solar power plant investments.