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$200M 'Embezzled' Through Glonass Contractor

By Jonathan Earle

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The Glonass satellite navigation system stand at Moscow Open Innovations forum in October.

A major space industry contractor stole 6.5 billion rubles ($200 million) in federal funds earmarked for the troubled Glonass satellite navigation system, Moscow police said at a briefing on Friday.

Managers at Russian Space Systems used various schemes, including fly-by-night companies, to embezzle money meant for maintaining and upgrading Glonass, Russia's GPS-like network, police said in a statement from the briefing.

The sum is three times the size of an estimate offered on Wednesday, which was itself several times larger than a figure announced in June, when police first announced an investigation into the firm.

The growing scandal is the latest to hit Glonass, which has suffered years of technical glitches

and delays. RIA-Novosti reported Sunday that Glonass' general director, Yury Urlichich, had been relieved of his duties.

A spokesman for Russian Space Systems said police misreported the size of the alleged theft and questioned the credibility of Igor Bozhkov, a former Interior Ministry official who, with Moscow police chief Anatoly Yakunin and an aide to Interior Minister Vladimir Kolokoltsev, held the briefing where the figures were announced.

"Soon traffic police officers are going to be giving commentary on Russian Space Systems and Glonass. The lower the rank of the commentator, the scarier the sum will be," the spokesman told Interfax on Friday.

The remark drew a sharp response from an undisclosed, high-ranking Kremlin source, who on Friday told Interfax that representatives of Russian Space Systems should be "more careful" when questioning the "professionalism, competence and integrity" of law enforcement officers.

On Saturday, the spokesman, Alexander Zubakhin, told Interfax that he had voluntarily resigned. According to a police statement, a criminal investigation has been opened into several managers at the firm.

The investigation appears to have the backing of First Deputy Prime Minister Vladislav Surkov, who said the government wants to uproot corruption linked to Glonass, Interfax reported Friday.

Bozhkov, who currently heads the Moscow metro's Internal Affairs Department, said his Interior Ministry division first received credible information about theft at Russian Space Systems 2 1/2 years ago.

In June, police raided the offices of Russian Space Systems and announced that the firm had funneled 565 million rubles ($18 million) in Federal Space Agency funds to phony subcontractors, a charge the firm denied.

Police announced on Wednesday that they had established which firm stole 2 billion rubles earmarked for Glonass.

Although the name of the firm did not appear in a statement posted on the police's website, the 565 million ruble figure matched the one in June allegations against Russian Space Systems.

A string of high-profile corruption cases, including one linked to Serdyukov and another to the former deputy regional development minister, has sparked talk of a fresh anti-corruption campaign.

But Putin's spokesperson said such efforts were longstanding. "Concrete steps to fight corruption are constantly being undertaken across Russia," Dmitry Peskov said, Interfax reported Saturday.

Relations between the Russian Space Systems and the Federal Space Agency have been tense since March, when space agency chief Vladimir Popovkin publicly accused the firm

of squandering billions of rubles in government money. The firm's deputy chief responded by accusing Popovkin of "legal nihilism."

Glonass' development began in the mid-1970s, and the system achieved full coverage of Russia in 2010. It currently includes 24 satellites.

More than 300 billion rubles ($10 billion) has been budgeted to the year 2020 for further development of the system, Surkov said in April.

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