

Why Sea Launch Was Such a Flop

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The launch from a sea-based platform of a Zenit-3SL rocket, which carried an Intelsat-27 communications satellite as part of the Sea Launch Program, ended in disaster.

When a strong market for commercial space launches appeared in the early 1990s, U.S. firms, Boeing in particular, were very worried that the lion's share of the business would go to Paris-based Arianespace, with its Ariane launch rockets.

They jumped at what appeared at first glance to be a golden business opportunity: send up former Soviet military rockets refitted with Norwegian launch components straight from the equator, making them more accurate and fuel-efficient. Boeing ran the operation and held 40 percent of the company, while Russia owned 25 percent. Norway owned a stake because of its hardware on board, and Ukraine was also in on the project.

Boeing was forced to overcome countless difficulties. First, Washington accused the company of transferring military secrets to Russia. Then, U.S. customs officials went into hysterics over the plan to import military ballistic missiles for final assembly.

Boeing overcame every obstacle. But then something happened that occasionally curses even

the finest and most daring projects: Financially, Sea Launch got itself into big trouble because of serious debt problems. A rocket exploded on launch in 2007, and clients began looking elsewhere. In 2009, Sea Launch filed for bankruptcy protection.

The project was bold and promising, but in the end, even Boeing couldn't make it work. The corporation accumulated almost \$1 billion in debt, roughly three times the size of its assets.

And then something amazing happened. Russia's Energia Rocket and Space Corp. created an offshore subsidiary, Energia Overseas, and bought 95 percent of Sea Launch. The total paid in that transaction was never made public, but some simple digging reveals that Sberbank loaned Energia 2.9 billion rubles (\$96.5 million) in 2008 and later advanced sums of 5.8 billion rubles and 12.4 billion rubles. In all, Energia's debt rose from 8 billion rubles in 2007 to 30 billion rubles (about \$1 billion). Obviously, a major part of that debt was devoted to the Sea Launch deal.

My question is this: Why would the Russian government use its own money from the federal budget to purchase a bankrupt company? After all, this is a purely commercial project that must succeed on its own merits in a competitive market. Boeing couldn't make it work, so what chance would Russian officials and defense industry leaders have if they are accustomed to spending — and stealing — money with impunity?

Why wasn't the price made public? After all, this is not a state military secret. It is just a truckload of cash that an offshore company will receive for commercial rocket launches.

Even under Energia's wise leadership, Sea Launch did not stage the number of launches necessary for the company to break even, and this year's failed launch will be even more ruinous than the 2007 fiasco. After all, the commercial launch market is not like Russian launches, where rockets repeatedly fly off in the wrong direction but the money keeps coming in.

I have a few simple questions: When will the State Duma take a break from discussing the burning issue of homosexual propaganda to at least consider Sea Launch? How much was paid for the company? And why did a hulking state behemoth like Energia go deep into debt to buy a bankrupt commercial project that even Boeing found unprofitable when it had already failed to deliver three of the five International Space Station modules on order?

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