



BizWatch

Rocket Rendezvous?

France Seeks To Merge Engine, Fuel Suppliers

By PIERRE TRAN

PARIS — France appears to be closing in on a long-standing but elusive plan to combine its space and defense rocket motor-maker with a solid fuel manufacturer to create an integrated business.

Laurent Collet-Billon, head of the Direction Générale pour l'Armement (DGA), the French government's arms procurement office, recently said the Safran-SNPE situation would be resolved this summer. He was referring to the Heracles project for streamlining French rocket motor operations.

Heracles would merge Snecma Propulsion Solide (SPS), the rocket motor-maker of France's Safran industrial group, with the solid fuel manufacturer SNPE Matériaux Energétiques (SME), a subsidiary of the state-owned SNPE group.

"What's at stake is consolidation of the solid propulsion sector," a Safran spokeswoman said.

Under the Heracles plan, Safran would buy the profitable SME unit from SNPE to forge an integrated rocket motor activity with its SPS operation, which also makes money.

SPS builds the motors for the M51 nuclear ballistic missile and the Ariane commercial space launcher. SME makes the rocket propellant that powers these assets, which Paris views as militarily and commercially vital.

JOINING FORCES?

The purchase by Safran of a solid fuel unit of SNPE would give France a competitor to foreign companies that produce both rocket engines and fuel.



SNPE Matériaux Energétiques

Headquarters: Saint Médard en Jalles in southwestern France.

Employees: 1,523

2008 sales: 262 million euros (\$324 million). Figure excludes Eurenco munitions consortium; includes SME subsidiaries PyroAlliance, Structil, 40 percent of the Regulus joint venture and 50 percent of rocket motor maker Roxel.



Snecma Propulsion Solide

Headquarters: Near Bordeaux, southwestern France

Employees: About 1,200

2009 revenues: More than 270 million euros

SOURCE: Defense News research

"It is a niche, but a strategic one," said Loïc Tribot La Spière, chief executive of think tank Centre d'Etude et Prospective Stratégique. "Everyone knows SNPE has to evolve in its organization."

A simple plan, but it has not been an easy one to execute. A decade of negotiations between SNPE and Safran have consistently collapsed as the companies

failed to agree on terms, and unions at SNPE objected to a sale of SME.

But a resolution is expected in the coming weeks, probably before the government recesses for the summer break in August, an analyst said.

For France, a merger would bring motor- and fuel-maker under the same roof, simplify processes and boost efficiencies, the Safran spokeswoman said. Such an integration would bring French industry in line with those rare countries that master this type of technology, such as the United States, the spokeswoman said.

A purchase of SME by Safran would create a French counterpart to the activities shared by U.S. companies ATK and Aerojet, only many years late, a defense executive said.

"Everyone knows this merger has to happen; everyone's known this for years," the executive said.

A third defense executive said that for Safran, adding the solid fuel business to its motors activities "guarantees government funding forever" as Safran increases its stake in the strategic M51 missile program.

Astrium, the space division of European aerospace giant EADS, is the prime contractor for the M51 missile.

The current negotiations over a link-up between SPS and SME have been complicated by Safran's concerns over potential liabilities on

environmental issues. Safran does not want to inherit the risk of cleaning up ground pollution from the chemicals used in SME factories, which are near residential areas.

"We have never been so close" is still true, the Safran spokeswoman said.

One cloud of doubt, however, hangs over a deal between Safran and SNPE, said Tribot La Spière. An acquisition makes industrial and economic sense, but there is political uncertainty over whether Hervé Morin stays on as defense minister, given his declared ambitions to stand as a centrist candidate for the presidential elections in 2012.

For Roxel, the rocket motor manufacturer partly owned by SME, the planned deal would bring in a strong private-sector owner to replace a weak state-owned investor and act as a counterweight to MBDA, which is not only joint owner but also a customer.

The French military completed a successful fourth test fire of an unarmed M51 ballistic missile on Jan. 27 from the nuclear submarine Le Terrible.

The M51 is due to enter service this year on Le Terrible, the last of the four new-generation ballistic missile submarines in the Triomphant class in the French Navy's strategic oceanic force. ■

E-mail: ptran@defensenews.com.