Virgin Spaceship Firm Gets Boost From Mideast

DUBAI, United Arab Emirates (AP) — The Mideast investment fund that recently bet big on Mercedes-Benz said Tuesday it will pay about $280 million to buy nearly a third of commercial space travel startup Virgin Galactic.

Aabar Investments' buy-in gives British billionaire Sir Richard Branson's space tourism venture a big financial kickstart at a time when many funding sources have dried up because of the global recession. It also gives the wealthy Persian Gulf sheikdom of Abu Dhabi a chance to build its own space flight industry as it broadens its economy beyond the oil sector.

Aabar will buy an approximately 32 percent stake in Virgin Galactic's holding company under the terms of the deal.

In exchange, the state-controlled fund will acquire "exclusive regional rights" to eventually launch Virgin Galactic tourism and scientific research space flights from the United Arab Emirates capital.

"The significant partnership not only falls in line with Abu Dhabi's larger plans to inculcate technology research and science at a grassroots level but also complements its aim to be the international tourism capital of the region," Aabar Chairman Khadem al-Qubaisi said.

Aabar said it plans to pay an extra $100 million plus transaction costs to fund a program to launch small satellites into orbit, and will build spaceport facilities in Abu Dhabi.

Aabar is the first outside investor in the spaceflight company, which has been owned fully by Branson's Virgin Group. The deal values Virgin Galactic at about $875 million.

Regulators in the United States and elsewhere must still approve the deal.

Virgin Group has pumped more than $100 million into its space flight venture since forming it in 2004. The company is working to develop flight vehicles with Scaled Composites, the Mojave, Calif.-based aeronautical firm that won the X Prize to build the first privately funded manned space ship.

Virgin Galactic has yet to show that it can put paying customers in orbit, or make a profit doing so. It plans to begin testing a new spacecraft, SpaceShipTwo, by the end of this year. The vehicle will piggyback to 50,000 feet on a large plane before blasting into suborbital space.

The announcement comes as Branson is attending the Experimental Aircraft Association's annual AirVenture festival in Oshkosh, Wisconsin. The launcher plane

for the space ship, dubbed WhiteKnightTwo, is on display at the air fest.

Even without a launch date, Virgin Galactic says it has taken 300 reservations at $200,000 each and is holding $40 million in deposits. Customers include scientist Stephen Hawking and "Superman Returns" director Bryan Singer.

The first paid flights are expected to launch from the U.S. state of New Mexico once testing is complete.

Aabar has emerged as one of Abu Dhabi's most active investment funds. It bought 9.1 percent of Mercedes-Benz maker Daimler AG in March, and earlier this month bought 4 percent of San Carlos, California-based electric car producer Tesla Motors.

Abu Dhabi is the richest of the seven semiautonomous sheikdoms that make up the United Arab Emirates, and holds nearly all the country's vast oil reserves. It has long competed for international attention with neighboring emirate Dubai.

Virgin Galactic President Will Whitehorn said in an interview that the agreement with Aabar will help his company focus on launching not just tourists but also commercial satellites into space, and to do so for a fraction of the cost now.

"By Abaar coming on board, we can speed up that capability," he said. "We believe there's a big market opportunity here."

A Dubai-led group is preparing to send the UAE's first satellite, DubaiSat-1, into orbit aboard a Russian-made Dnepr rocket from Kazakhstan this week.

Abu Dhabi's plans to turn itself into a space travel hub aren't the country's first. A rival space tourism company, Space Adventures Ltd., announced plans in 2006.

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