



Driving the future of satellite radio

Helen Jameson speaks to Dave Krueger, COO of ONDAS to find out more about their new contract with Nissan to fit satellite radio into their vehicles and what the future holds for satellite radio in Europe.



Dave Krueger, COO, ONDAS Media

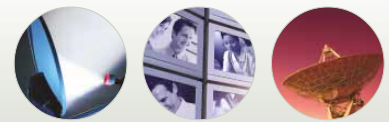
Founded in 2004, ONDAS MEDIA S.A. is a Madrid-based company that plans to be Europe's first and premier digital satellite-based provider of multilingual radio, video, and other data and telematics services primarily to vehicles and hand-held mobile devices.

ONDAS plans to construct, launch and operate a fully integrated digital satellite system that will broadcast its high quality, multilingual radio, music, video, data and telematics services directly to consumers in their automobiles, trucks, homes and offices as well as to their mobile devices on a Pan-European basis.

Question: Many congratulations on your recent agreement with Nissan to provide Satellite radio receivers for their vehicles across Europe. What does this mean for ONDAS as a company? What significance

does this have?

Dave Krueger: This agreement is extremely important. It means that we have a prestigious and visionary customer in Nissan with a definitive contract – and I really do need to put the emphasis on definitive. Nissan are going to put these radios in their cars. This is not an option, this is not an intent, this is a contract, and having them as a customer means the world. They're not the only ones, but they are the first to be able to announce this relationship with us and that is very important because it allows us to be public with the knowledge that we have customers and this helps in every aspect of the project. It helps with fundraising, it helps with regulatory processes, it helps with building partnerships and it helps us with other customers as well. We think that this is the first agreement of this type in Europe. There are agreements with car



Nissan enters into a commercial agreement with ONDAS Media to bring Satellite Radio to Europe

ONDAS Media, (ONDAS) the satellite radio company for Europe announced in January that it had entered into a commercial volume agreement to install Satellite Radio Receivers in Nissan and Infiniti vehicles across Europe. As a result of the agreement, it is anticipated that Nissan vehicles buyers will be among the first European car buyers to be able to receive the diverse programming that ONDAS will create and distribute.

"Satellite Radio has been hugely successful in the US and we believe that European consumers will also be attracted to the programming diversity, continuous coverage and superior sound quality that ONDAS Media is developing," confirms Larry Haddad, General Manager, Product Strategy and Planning, Nissan Europe. "Our agreement with ONDAS Media demonstrates our commitment to bring innovation to Nissan products that enhances the driving experience."

"The ONDAS partnership team is already in the development phase for the radios and a significant amount of work has been completed to date," comments Dave Krueger, COO of ONDAS. "The radios in Nissan vehicles will be the most advanced in the marketplace and will be capable of receiving hundreds of channels of audio programming as well as a suite of data services. This definitive agreement brings ONDAS Media's total number of pre-sold, factory-installed satellite radios beyond the one million mark and is another milestone in our plan to bring our unique content offering to European consumers by 2011."

Through its fully integrated, digital satellite transmission network, ONDAS will broadcast its multilingual radio, music, video and data services directly to European consumers in their automobiles, trucks, homes, offices and to their mobile and portable devices. It will provide digital entertainment to 240 million vehicles and up to 600 million European inhabitants on the move 24 hours a day, seven days a week through more than 150 channels of proprietary and re-distributed music, sports, news, weather, traffic and special interest programming in all the key European languages.

The news follows ONDAS' recent announcement that it has issued an Authorization To Proceed to Space Systems/Loral (SS/L) to enable the development of its state-of-the-art satellite infrastructure.

manufacturers for both of the companies in the US but they were not announced not this early in the project – we are announcing this over a year and a half ahead of them so we're well ahead of our game. Most of those factory install agreements didn't occur until after they had launched their satellites. We are three and a half years ahead of when we will have our first service launch so it's very early and very helpful for us. It validates the market, it gives our own content and media offering validation because the reason Nissan made this decision was due to the fact that they were working with us in our market research to understand whether Europeans would subscribe to satellite radio. They obviously wouldn't have made a commitment like this if they didn't believe in the market and believe in our specifically unique media approach to satellite radio.

Question: At present, you are in the developmental stages of the project. What are the major points that must be taken into consideration when installing the receivers into a vehicle and what challenges have you faced so far?

Dave Krueger: It's extremely important. It's everything to the customer. They plan for years in advance how their cars are going to look and feel and sound to the people who

buy them and so you need to work with their requirements in mind. It's all about making sure that you are working closely with your distribution network, which in our case is the car manufacturer, because they are trying to satisfy their customer's needs. There is a certain market for certain vehicles and price is also a huge criteria and so are core strategies and that's why we've entered into the relationships that we have with Fraunhofer out of Germany for example. It is because they know how to build radios that are economical but work extremely well with very high reliability.

Question: What will Nissan customers gain from having access to satellite radio in their vehicles. What are its principal benefits and what sets it apart?

Dave Krueger: We are offering several genres of content so we offer music, updated traffic information, road conditions, weather information and other data services. So the cars are safer, they're more comfortable, they have the entertainment package and most of all, because of the design of our system, get continuous coverage. It's very important to understand that we had very little interest from car owners who would only be able to access the service in say Italy or only in Spain. They want to be able to use it

wherever they take their cars. So the unique development about our service is that we are offering this all over Europe, maybe not exactly on day one but within short order, will be continuous coverage all over Europe as part of our service offering. So safety, comfort, entertainment and a quality service all over Europe – those are the key attributes.

Question: Do you believe that this widespread deployment of satellite radio within vehicles will mean that it will become a more popular means of receiving radio for people whether in a vehicle or not?

Dave Krueger: Absolutely. We think so. We are going to carry a number of the programmes that are important to people already in different regions. For example, if you listen to BBC Radio 1 in London and you take your car and go on holiday or take your portable radio with you, you will be able to receive that content wherever you are.

So we think it will not just popularise the service but if you look at the results in the US, once a consumer has experienced satellite radio, 80-90 percent never tune back to the conventional radio. We already see a very wide take up in the automotive sector. They are clearly not by any means the only customer we have arrangements with, but Nissan have been generous enough to allow us to make this public and I think you will hear a lot more about satellite radio going forward. It is a unique proposition. It is the next generation of radio. It is the next advanced feature that you're going to be able to get in your car and here Nissan leads the way, so that's quite exciting.

Question: Demand for communications on the move is on the increase. Do you envisage ONDAS becoming involved in the provision of satellite radio receivers in other means of transport, perhaps mobile phones and other portable devices etc?

Dave Krueger: Absolutely. Satellite radio today is in aeroplanes, it's on boats, you can get it on your phone, on your DTH via satellite and also via cable. However, we think it's the media and the programme line-up that we offer that will be compelling and appealing to consumers and they will try to get that by any means that they can. We are already envisioning and already have contract with our suppliers to produce both handheld, desktop and in-car products right from day one. So we have anticipated that people will want to take their content wherever they go and whenever they go.

Question: You have also recently signed an agreement with Space Systems Loral to start work on a state-of-the-art satellite infrastructure to come into operation in 2011. Can you give more details on what



this infrastructure will be?

Dave Krueger: The infrastructure will comprise four satellites. We will put three up in the system to be operational at any given time and of course we would never embark on a service like this and make these commitments to offer this premium sound into cars without having complete redundancy. You can't afford to have a service outage when you're in the car business. We don't want someone to take a vehicle back because it's not working because your satellite failed and you didn't plan properly. So we are building four and will put three in orbit and keep one as a spare in case of any failure. Those satellites will be in a unique orbit that is designed especially for the European market. We decided to invest extra effort to put the satellite at a high inclination so that the signal comes down directly on top of the car into the antenna. That makes the antennas cheaper, easier to install and gives much higher performance than you get from a geostationary system over the equator.

We have formally begun the satellite development process with SSL. We will launch in 2010 and initiate extensive testing to show the automotive customers that our system works and is completely reliable and meets their expectations so you budget a lot of time to do all of your in-orbit testing. We expect full service launch in 2011.

Question: What reasoning did you put behind the decision to adopt the S-band frequency for delivery of your services?

Dave Krueger: It seems benign to have to choose between one frequency band and another but it's not. The S-band is the frequency band that is used for satellite radio in the US. Car manufacturers, most of them here in Europe, are selling cars to the US with satellite radio, even if they are headquartered here. By moving into the S-band we were able to minimise the amount of impact there would be in re-designing how we can integrate any of these antennas into their cars. So we get kudos for working with them to try to minimise the amount of integration work that their engineering teams have to do building up to the service launch with our product.

The good thing is that by moving to the S-band, Space Systems Loral have been building a lot of S-Band satellites. XM is in S-band. This means that the risks are lower because you are building the same kind of satellite and that others will be in orbit several years before we launch ours and it also means that they are cheaper and quicker to produce because they go through learning curves as they manufacture these satellites. It was a very good decision for us to shift to S-band for that reason.

Question: You have promised 'unique

content offering' by 2011. Can you explain what this means? What will be your unique selling points?

Dave Krueger: We listen to our customers so we go right to our market research team. They want higher quality - something approaching better than a CD player - lots of different kinds of channel and content to choose from. We do market research with some 30,000 people now in 9 or 10 different markets and we ask them what they want to listen to and what they want to pay. We do that with our media partners so we're not doing this alone, from scratch. The difference is that we are taking the commercial advertising out. It annoys people. Commercial advertising means that you have to gain access to the largest segment of population so that you can hit them with your advertising but as a result, your programme line-up degenerates because you have to appeal to a greater section of the marketplace and it all turns out the same. But if you remove the advertising you get the freedom to turn to niche programming, to customised programming set up just for people who want an unusual sound

experience and that's what we do with our media partners based on our market research. The final element is continuous coverage.

We can't afford to have interruptions in service. Your system has to work continuously wherever you are. That's not just the car company's requirement but the listener's requirement as well.

Question: 2008 is bound to be an exciting year for ONDAS. What will your focus be over this year?

Dave Krueger: This is now the time to launch our content platforms so we are going to be doing some test beds through the Internet. We will be fine tuning our content design so we'll actually introduce some channels and we'll be using those to find out what people like, what they don't like, what are we getting good feedback on and finding out what they want more of. We also plan to launch some terrestrial services that will give us the ability to demonstrate to customers how the signal will work in their radios. We'll also be doing the radio development in some detail and of course we will be building our satellites. ●

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