Cable cowboy John Malone views a new landscape

The Liberty Media chief reveals why ‘cord-cutting’ doesn’t worry him and what he thinks is the biggest issue facing Fox News

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A statue of an eagle, wings spread as if in flight, greets visitors to Liberty Media’s headquarters at the edge of a business park in the Denver suburb of Englewood. The eagle and the building face west towards the Rocky Mountains — the same direction John Malone travelled as a younger man on his way to becoming one of media’s most powerful figures.

After an education in Connecticut and a stint at McKinsey he landed in Colorado, where he earned the moniker “the cable cowboy” for his buccaneering role in consolidating the cable television industry. Armed with a doctorate in operations research, he turned a struggling cable group called TCI into the largest in America, snapping up smaller operators and acquiring minority stakes in cable channels before selling it to AT&T in 1999 for $48bn. Since then, through canny dealmaking and investing — and with an eye for deals that are as tax-efficient as possible — he has secured his seat at media’s top table. Only Rupert Murdoch and Viacom’s Sumner Redstone have as much clout.

Now 76, he controls an array of companies and investments around the world. Decisions at his two main companies, Liberty Media and Liberty Global, are made by their respective chief executives, Greg Maffei and Mike Fries. Yet the man Al Gore once called “Darth Vader” still has final say.

The US cable industry that he helped build is under pressure: many consumers have become fed up with the cost of their “bundles” — the large packages of channels they subscribe to — and are “cutting the cord”. Analyst MoffettNathanson estimates that US pay-TV is shrinking at its worst-ever rate: 762,000 subscribers across the industry cancelled their subscriptions in the first quarter, a fivefold increase on last year.

Mr Malone says he is not worried: after all, these days cable is about much more than piping television into people’s homes. Now it is also a gateway to the internet and streaming services, from Netflix to Amazon. "It's a connectivity business and it's a video retailer," he says. Internet connectivity "is the competitive edge that the industry has".

He acknowledges the consumer hostility towards cable operators — in some parts of the US cable companies have little or no competition — but suggests it is misplaced.

"People have always hated the guy that charges for the service. The villains are usually the programmers . . . we're essentially just distributing their content at rising costs. We get the blame for it in the distribution side even though the pressure on pricing is all coming out of content — particularly sports."

Cord-cutting, growth-hungry wireless operators and the distribution of content over the internet are driving a wave of mergers and acquisitions. AT&T's agreed $85bn purchase of Time Warner will unite the largest telecoms player by market value with the owner of HBO, CNN and Warner Brothers movies. Lowell McAdam, the chief executive of Verizon, AT&T's nearest competitor, sent Wall Street aflutter recently when he revealed that he would be open to a merger with either Walt Disney, CBS or Comcast, the largest cable operator.

Verizon is "acknowledging, in a rather flat way, that they are getting outflanked, and that they can't be a one-trick pony in a world where everybody's got ponies that are doing two, three, or four tricks", Mr Malone says. "I don't know any other way to read it. The obvious, linear move for them to do is to try and acquire Charlie Ergen." Mr Ergen controls Dish Network, a large satellite operator that has a portfolio of US wireless spectrum that may be of interest to Verizon. "If he decides he wants to do [a deal], he can do it," Mr Malone says. "You only have one guy to talk to."

Verizon is in a similar predicament to Vodafone, the European telecoms group that has had long-running, on-off negotiations with Mr Malone's Liberty Global. The two sides "just couldn't quite get there on valuation", but he remains open to further talks. "The door is always open and the telephone number is published. Vittorio [Colao, Vodafone's chief executive] is a fine fellow and they're a great company but sometimes it's difficult where you see synergy." He notes that in some circles the recent merger of Liberty Global's Dutch business with Vodafone's subsidiary in the country has been called a "courtship".

Liberty interests

Virgin Media The UK telecoms, internet and cable TV provider was taken over by Liberty Global in 2013 for $23.3bn

Formula One Liberty Media took a controlling 35% stake in Formula One in a deal worth about $8bn in 2017, installing Chase Carey as chairman

Ziggo The Dutch cable group Ziggo was bought by Liberty Global in 2014 for about $10bn. Its operations have since been merged with those of Vodafone Netherlands

ITV Liberty Global raised its stake in the British broadcaster to 10 per cent in 2015. Adam Crozier, its chief executive, has announced he is to step down

There are likely to be other combinations between cable providers, wireless operators and content groups driven by the need for greater scale and changes in consumer behaviour — such as cord-cutting. The media establishment always held that live sports programming would be a bulwark against cord-cutting. But subscriber declines at Walt Disney's ESPN sports network have set media nerves jangling over the past two years. The company's announcement last month that it was cutting 100 jobs at the network only increased concerns that the traditional channel bundle, for decades the backbone of the cable industry, was fraying beyond repair.

Some on Wall Street have pushed for Disney to cut out the cable middleman and offer ESPN direct to consumers as a standalone service, much like Netflix. But Mr Malone says this would be a mistake, given how much cable and satellite companies pay ESPN to include it in their packages. If ESPN were taken out of the bundle — still the way most Americans buy television — and sold directly "my guess is they might achieve a 25 per cent or 30 per cent [market] penetration", he says. To generate the same revenue as ESPN currently earns from its cable and satellite distributors "they would have to triple the price".

What would he do with ESPN if he were Bob Iger, Disney's chief executive? He says Disney should separate its "linear" US video businesses — ESPN and the ABC broadcast network — from its higher-growth global businesses, such as its movie studio, theme parks and consumer products operations. The separated ESPN-ABC "would have huge free cash flow. It would probably be more valued by private equity than by the public [markets]. It might be highly valued by somebody whose focus is entirely the US marketplace".

He adds: "Let's think wildly who that could be. How about Verizon? Do you think that the market power [of] controlling that much sport could be interesting to Verizon? I would, if I was Lowell McAdam."

Mr Malone's own investments stretch beyond distribution. He owns content, too, holding a personal stake in Discovery Communications of 3.4 per cent and more than 28 per cent of the voting shares, as well as a stake of about 7 per cent in Lions Gate Entertainment and about 9 per cent of its voting stock. The studio behind films such as La La Land and The Hunger Games and TV dramas including Mad Men last year bought Starz, a premium cable channel group in which Mr Malone was an investor. He says it should be larger still. "The most logical combination is CBS."

CBS and its sister company, Viacom, are controlled by Sumner Redstone and his daughter, Shari. The family considered bringing the two companies together but axed the plans in a disagreement over valuation. CBS owns Showtime, a premium cable channel that airs shows such as Homeland and Billions. Its chief executive, Les Moonves, is known to covet a movie studio.

"The synergies [between CBS and Lionsgate] would be very substantial," says Mr Malone. "The combination of Starz with Showtime would create a US entity about the same size as HBO. Whether a deal could ever be reached that would be . . . ". He pauses. "Les is, frankly, cheap," he jokes. "Or maybe I should say stingy. I don't know what the right term is." He reveals that Mr

Moonves expressed an interest in Starz before it was acquired by Lions Gate. “I spent a lot of time with him [and] he probably would have bought Starz if he didn’t have the overhang of the potential Viacom [deal].”

Mr Malone is also active in content investment in Europe. Liberty Global, his international arm, owns about 10 per cent in UK television broadcaster ITV, an investment that has sparked endless speculation about whether it will eventually try to buy the rest of the shares and control the channel behind hit dramas such as Broadchurch. “Would I love Liberty Global to own ITV? Sure. Do I think that the price it trades at it makes any economic sense? Today, no.”

Liberty interests

SiriusXM Liberty Media took a controlling stake in the satellite radio group in 2009 to help it stave off threats of bankruptcy

Charter Communication Liberty Broadband has a stake of about 20 per cent in the US cable provider

Bright House Networks The operations of Bright House, Charter and Time Warner Cable were merged last year in deals worth a combined $90bn

QVC Liberty companies control QVC, a home shopping network operating in the US, the UK, Germany, Japan, Italy, China and France

ITV takeover talk has intensified since the fall in sterling that followed the UK’s EU referendum last June. US groups such as Comcast have been mentioned as potential bidders while speculation has continued to swirl after ITV revealed recently that Adam Crozier would step down as chief executive.

“ITV has effectively been in play for a couple of years,” says Mr Malone. “But they trade at a pretty full valuation today and there are uncertainties going forward. How will they be affected by over-the-top streaming?”

The slump in sterling following the vote to leave the EU did not change the situation on ITV for Liberty Global, which is listed in London and does not generate any revenues in dollars. “Maybe at some point, with some changed valuation, it might make sense to put them [ITV and Liberty Global] together. But at the moment I would say it’s a holding position.”

Mr Malone is a rarity in media in that he once got the better of Rupert Murdoch. It was US election night in 2004 and Mr Murdoch’s News Corp was delisting from the Australian Stock Exchange so it could list in New York. Mr Murdoch has controlled his empire with voting shares but during the delisting process some voting stock held by index funds suddenly became available.

Mr Malone’s team quietly swooped and over 24 hours snapped up shares equivalent to 19 per cent of News Corp votes. When Mr Murdoch discovered Liberty Media had built a big position he was reportedly furious. For two years Liberty sat on the stake before swapping it with Mr

Murdoch for almost 40 per cent stake in DirecTV, the US's biggest satellite TV operator, $500m and some regional sports networks.

Mr Malone says the deal worked out well for everyone. "It really put him in hard control of News Corp where nobody could threaten him and it was all done tax efficiently," he says. "It was a good deal for Rupert, it was a good deal for News Corp and it was a good deal for Liberty." Still, he and Mr Murdoch often compete — most recently when Liberty Media outmanoeuvred Sky in the race to buy Formula One. "We bang into each other all the time," he says. "I have absolutely the highest respect for Rupert." The two moguls share a political perspective: they both admire US President Donald Trump and have been on the board of the Cato Institute, the libertarian think-tank. "Rupert is sort of like I am. He's a libertarian but he thinks we should have a strong military."

Does he expect Mr Murdoch to succeed in acquiring full control of Sky? The Murdoch-controlled 21st Century Fox has made an £11.7bn offer for the shares it does not own in the European pay-TV group but a federal investigation into concealed payments at its Fox News Channel could muddy the waters with Ofcom, the UK regulator scrutinising the deal. A growing harassment scandal at Fox could further complicate the regulator's deliberations. "I think the deal goes through," says Mr Malone. "I don't see why it wouldn't."

The bigger issue, he says, is whether Mr Murdoch's sons, James and Lachlan, who run 21st Century Fox alongside their father and who will eventually succeed him, share their father's politics. "How are [they] going to run [Fox News]? Does James see the world . . . in the same way that his dad does?"

The US, he says, "needs Fox News or something like it. Because otherwise everything's leftist". He reveals an early involvement with Fox News. "I was a co-founder of that damn thing." TCI took a 20 per cent stake at the channel's launch in 1996 in return for distributing it. "Rupert called me and said: do you think there's room for another news network? I encouraged him. I went out and tried to recruit Rush Limbaugh to be the launch personality. I couldn't talk him into it but we got Roger Ailes [to run the network] out of that."

Mr Murdoch has been interim Fox News chief executive since Mr Ailes was fired last year following an investigation into sexual harassment allegations. Mr Malone, by contrast, has a more reduced role these days. But he has other interests: with 2.2m acres across Wyoming, Colorado, New Mexico and parts of the northeastern US he is the country's largest landowner, owning more than his friend Ted Turner, the founder of CNN.

Yet his drive to invest strategically, taking advantage of the changes sweeping the industry he helped build, is undiminished. The cowboy is not riding into the sunset just yet.