



**INTERVIEW WITH JOHN MALONE
CORRESPONDENT: DAVID FABER
PRODUCER: WRIGHT**

NO MEDIA ID

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(OFF-MIC CONVERSATION)
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(OFF-MIC CONVERSATION)
DAVID FABER:

05:54:34:00

Can we start out-- let's start off on the economy. And I'm-- I'm curious as to what you're seeing right now. Obviously QVC (?) is very close to the consumer. Direct TV, certainly a consumer business. Are we seeing-- are you seeing weakness?

JOHN MALONE:

05:54:48:00

QVC I would say-- in revenues, we're pretty flat up a few points-- has been the trend. We haven't seen any severe softness. But we haven't seen the growth we're used to. And-- you know, we've definitely seen softness in certain categories, domestically.

05:55:10:00

Business is still growing nicely in England and Japan. And-- Germany-- we're struggling a little bit. But I'm not sure that it's the German economy as much as it is just product mix, and some-- some (UNINTEL) issues. Direct TV has a fabulous last couple of quarters-- gaining market share on everybody-- higher (UNINTEL), you know-- supported-- they had really good growth in Latin America.

05:55:41:00

But also domestically, I think they gained 275,000 subs (?) in the first quarter. And Arpu (PH) was up, like, 17 percent over the prior year. Mostly driven, probably high-end households, high definition TV sets and-- and the number of high-definition channels they offer. So, I think the story with Direct has been product differentiation through high definition and through sports pack-- intense focus on-- on sports in high definition.

05:56:15:00

You know, multi-channel coverage of things like NASCAR are offering out of market. Baseball, out of market. Football. So, they've really gone hard after real time sports in high definition. And I think that's appealed to a percentage of the households, and given them a really good growth, and really good market share appreciation.

05:56:39:00 DAVID FABER:
05:56:42:00 I wanna talk more about Direct, obviously. But--
(OVERTALK)

05:56:47:00 JOHN MALONE:
No, you wouldn't see the economy in those numbers.

05:56:48:00 DAVID FABER:
Do you think we're in a recession?

05:56:50:00 JOHN MALONE:
I do believe we're in a recession.

05:56:51:00 DAVID FABER:
Why?

05:56:54:00 JOHN MALONE:
Just-- you know, if you're talking technically, the definition--

05:57:00:00 DAVID FABER:
No. I'm not talk-- I mean, I'm talking more about your instincts.

05:57:02:00 JOHN MALONE:
I have a real hard problem with government statistics, I'll tell you, David.
I mean, when you say retail sales are just fine, but you're including it--
gas purchases. And the gas prices doubled. And a lot of that is not
discretionary. A lot of that is, people can't change overnight their habits.
And so, they're basically paying higher prices for the same or less stuff. I
hardly think that's a strong sign of consumer robustness. So, I think it's
just common sense. If-- if housing is in the tank, and autos are in the
tank, and-- you know, we're seeing a lot of financial pressure coming--
agriculture. Wages are not keeping up with the inflation. You know, you
ha-- you've had, not a lot of layoffs, but you haven't had a lot of job
growth either.

05:58:00:00 You know, I think we're sort of right there, at-- at, like, zero growth. Or--
you know, statistics-- who knows? You know, we may show some
positive growth. You know, anybody can manipulate statistics almost any
way. My guess is-- you know, we're in a lot of trouble if we're not in a
recession, the country's in a lot of trouble. (UNINTEL) lot of problems.
No where near the bottom on the credit situation.

05:58:28:00 DAVID FABER:
You don't think so?

05:58:29:00 JOHN MALONE:
I don't think so. No where near the bottom on housing.

05:58:33:00 DAVID FABER:
Really? You don't think we're anywhere near the bottom on either credit
or housing?

05:58:36:00 JOHN MALONE:
That's correct.

05:58:36:00 DAVID FABER:
Why?

JOHN MALONE:

05:58:38:00 Well, if you just look at the statistics. You see an increase in number of defaults-- on a month-to-month basis-- an increasing number of foreclosures. And that has, sort of, an avalanche effect. Until you see, you know, absorption and-- and-- stabilization of prices, you know, I think you're in trouble.

05:59:03:00 And a lot of that has to do with credit availability. So, they're feeding on each other. The housing crisis is-- is-- destroyed an awful lot of capital and financial institutions. And it will continue to do so. And-- that's made financial institutions unable to provide credit support to the economy.

DAVID FABER:

05:59:22:00 (UNINTEL) seems somewhat powerless at this point. I mean, he's cut a lot. It's not clear that it's-- got much he can't cut anymore. Because it's inflation.

JOHN MALONE:

05:59:31:00 Right. Well, we've got, you know, like, negative real interest rates right now. Couple percent. I don't think the markets will go along with that-- you know, anything lower. You know, you can see that-- when he mentioned-- when Bernanke even discussed the idea of-- of inflation becoming an issue, the markets-- the-- the debt markets just bought it right away.

05:59:57:00 I mean, it's clear that-- inflation is an issue. But it's not clear that it's the normal kind of inflation. It's certainly not wage-rate inflation. It's really energy cost (UNINTEL) that's-- that's beating us up pretty bad. And, you know, when they figure the CPI, they include a lower cost of housing, which is kind of ironic. So, you know, do we all feel better that houses are cheaper, and therefore, we're not suffering as much inflation. I guess only those of us who want to take advantage of-- of buying a cheaper house because they're in distress.

DAVID FABER:

06:00:37:00 And coming back to the consumer, especially QVC (UNINTEL) largest operating business-- what do you think? I mean, you've got the negative (UNINTEL) effect from housing, as you've said. You've got higher commodity prices across the board. Do you see this continuing to get worse, and do you worry-- that it may be a tough late '07, '08 for--

JOHN MALONE:

06:00:57:00 I think it's gonna be a-- a tougher environment for retail. You have to do a good job of differentiating yourself and finding good products. I think the fact that-- that transport fuel is expensive really helps us. Because people, perhaps, would rather buy certain things-- from home and have 'em delivered, rather than get in the car and-- and have to go to drive across town to the mall. I mean, I don't know how that ultimately plays

out. But, you know, a lot of it has to do with the quality of execution of the business. And-- you know, I think-- I think the business will be okay. I don't think we'll see robust growth, just because of the environment we're in. But I think we can do reasonably well, domestically.

DAVID FABER:

06:01:51:00 And do you think Direct is sort of-- immune from a recession?

JOHN MALONE:

06:01:56:00 No, I don't think anybody's immune from a severe recession. The history of the entertainment business-- I mean, I've been cable most of my life-- business life, and-- we've been through a number of recessions. And we never had-- you know, visible impact. Because it's the cheapest entertainment.

DAVID FABER:

06:02:19:00 Right, which lends this idea it's recession-resistant. Cable, that's always sort of been--

JOHN MALONE:

06:02:23:00 Right. And it's--

06:02:24:00

(OVERTALK)

JOHN MALONE:

06:02:25:00 And, you know, if you think about it-- if you've got a family of four and you get in the car, and you drive to the movie theater-- and you bought a popcorn and a soda pop-- and drive the car-- and with the ticket prices where they are now-- you know, you can pay for a satellite subscription for a month, for what one trip to the movies is gonna cost.

06:02:46:00 So, I think that-- that on a differential basis-- these home entertainment products are pretty attractive, and tend to hold up pretty well, historically, in down terms. You know, obviously a slow-down in a household formation will reduce the growth of the-- of the industry. You know, we always look to get our share of new homes. Perhaps this-- we're fortunate. So, if they don't build as many new homes, or there are a lot of homes going vacant, I mean, that puts a downward pressure on growth.

06:03:22:00 And, of course, Direct is benefited because they have a big operation in Latin America. And Latin America is booming right now. Growing middle class, really wanting these advance services. So-- showing extremely good growth characteristics in Latin America.

DAVID FABER:

06:03:41:00 Let's talk a bit about Direct, itself, and-- and Liberty's 48 percent stake, which you've only had for not that long.

JOHN MALONE:

06:03:48:00 Since February.

DAVID FABER:

06:03:49:00 Yeah, since February (UNINTEL). But it took a long time to close that.

You had some Wall Street types in here yesterday, I believe. Is that true? Were you meeting with--

06:03:58:00 (OVERTALK)

06:03:59:00 JOHN MALONE:
Lehman brought a large group of investors yesterday, yes.

06:04:02:00 DAVID FABER:
And, what did you tell them that made them scurry out and sell the stock? I think Liberty was down five percent, and Direct was down three and a half percent today.

06:04:09:00 JOHN MALONE:
Well, the whole market, I guess. Well, I think we told 'em that nothing was imminent. So, if people were holding the stocks speculating that there was gonna be some big deal imminently--

06:04:23:00 DAVID FABER:
You moved the hard control, or something like that? Or-- ?

06:04:26:00 JOHN MALONE:
Some merger proposals. Some-- but that was unlikely to happen in the near term-- that we were still working out way through tax issues to decide what direction we want to take with the business. And until we had comfort in that area-- because the transaction with *Newscorp* was a spin-off Morris trust (PH), if you're familiar with the term, kind of transaction. And it has lots of-- tax-related behavioral issues that one has to--

06:04:59:00 DAVID FABER:
There's a timeline associated, usually, with Morris trust--

06:05:02:00 JOHN MALONE:
Generally, a timeline-- definitional issues, things of that nature. So, you know, before you decide exactly what you wanna do, you really have to address all of those issues. And, you know, you seek tax (UNINTEL)-- at least the advice of tax counsel. And-- and those do take time. So, nothing imminent.

06:05:27:00 (OFF-MIC CONVERSATION)

06:05:49:00 DAVID FABER:
But there is this expectation. I mean, you went from the 41 percent. You bought stock. You brought it up to 48 percent. There's certainly this expectation that you're gonna do something. Either you're gonna own it outright, or spin Liberty into it. There's this discount between Liberty and Direct, which a lot of investors seem to also (UNINTEL) on.

06:06:06:00 JOHN MALONE:
Right. We think that there's a 16, 17 percent discount on the sum of the parts basis-- that you probably can attribute to a number of things. One of which is-- the Liberty unit is still tracking stock. And some people think the tracking stocks hold some kind of a discount.

06:06:28:00 The other is-- that, of course, Direct TV has been in, and will continue to

be in a fairly aggressive stock buy-back (UNINTEL), which we've supported since our ownership. I believe the board authorized a three billion dollar buy-back of Direct stock. And-- I suspect that, to some degree, their stock is supported by that strong buy-back. So, that would tend to support that differential, at least for a period of time. So-- you know, I-- I don't think it's an irrational spread. We saw it come down to about ten percent, as the (UNINTEL) were kinds playin' one off against the other. You know, going short Direct, and long-- the Liberty unit.

06:07:17:00 I think that there's not a lot of credit availability to the (UNINTEL) community. So, those kind of games are fairly expensive, in terms of opportunity cost, unless there's something that's in the near term. So, unless they think there's something in the near term, they're not less likely to play that hard game as heavily.

06:07:38:00 But, you're right. Eventually, it would make logical sense for the Liberty Entertainment Unit to combine with Direct TV in some way. Or at least go into hard control of Direct TV, in some way. We understand the emotional issue of hard control. There is a difference between voting 48 percent and voting 51 percent-- to the independent directors. Also, (UNINTEL PHRASE) to the constituency of a board, right. So-- you know, we're-- we're aware of that. We-- there's an agreement in place, in terms of how (UNINTEL) deal with that issue. And we-- we'll totally honor that.

DAVID FABER:

06:08:19:00 Did you say that-- that people should think of them, though, almost as two separate classes of stock? Did you give that-- that came back to me. I don't know if it's accurate. The 48 percent you control, and then the public flow (?).

JOHN MALONE:

06:08:31:00 I didn't say that. No. You know, what we-- what we did say was the whole issue-- there's always been a question, "Are we gonna spin this off?"

DAVID FABER:

06:08:41:00 Right. Well, there's also a question of, "Would AT&T be interested in it?" for example. Or even buying--

JOHN MALONE:

06:08:45:00 Well-- one would-- would have to presume that the telco's would be interested in it.

DAVID FABER:

06:08:52:00 (UNINTEL) in your neighbor across the street, too, probably?

JOHN MALONE:

06:08:55:00 Yes. Although they-- they just asked them to pay back, I think a half a billion dollars (UNINTEL) you know, that he owes them. But-- no, I think logically speaking, you have two big telephone companies that have

national wireless footprints. And you have two big satellite companies that have national wireless footprints.

06:09:19:00 And the telephone technology is-- is-- really difficult, unless you're gonna do what Verizon did with Fios-- massive capital expenditure. Very difficult to support video product on a DSL infrastructure, particularly as video goes more and more high definition. So, it's perfectly logical to think that the telephone companies--

06:09:42:00 (OFF-MIC CONVERSATION)

JOHN MALONE:

06:09:49:00 No-- I think it's perfectly logical, David, that the phone companies and the satellite companies will align with each other-- over time. Not necessarily combine, but align. And bundle. And--

DAVID FABER:

06:10:06:00 AT&T kind of did that with dish, to a certain extent.

JOHN MALONE:

06:10:10:00 And Bell South had done it with Direct, as well has Verizon and Quest.

DAVID FABER:

06:10:14:00 Right. Of course, now they're all AT&T.

JOHN MALONE:

06:10:17:00 Well, not all.

06:10:19:00 (OVERTALK)

JOHN MALONE:

06:10:21:00 Bell South was acquired by AT&T, and had to give up its relationship with Direct and switch it to Echo (PH), or-- or dish, for the remaining of the dish contract term, which I think is, like, another six months. So, you know, I-- I would say the align-- the ultimate alignment of the satellite companies with the telephone companies is still somewhat of a musical chairs dance.

06:10:46:00 But-- ultimately, logic would tell you that they need each other, and that it makes perfect sense for those companies to be co-marketed on a national footprint basis-- as the telephone companies seek to expand their wireless broadband capabilities, and seek to do it on a gl-- on a national basis. And-- you know, it's perfectly logical to think that they'll be joint-marketing programs, and that they'll be bundling programs and, you know, that kind of a-- and even some technological interaction between the systems.

DAVID FABER:

06:11:25:00 And you would say that's the case for Verizon, as well, even though it already is spending \$20 billion to-- to build that Fios in certain markets?

JOHN MALONE:

06:11:33:00 Well, yes. But if you think about it-- Verizon's footprint and-- they're-- that they're building Fios out, and is probably 15 million homes. I don't know exact numbers. It'll take 'em awhile to get there. Maybe they'll

end up with five or six million customers on that footprint, over time.

06:11:56:00 That doesn't address their national wireless company. I mean, Verizon is principally a national wireless company. And-- they need to be able to market a national service that's consistent-- consistently priced, consistently marketed on a national basis.

06:12:13:00 You know, they stepped up and paid a fortune-- small fortune-- big fortune, for-- for those 700-- frequencies, with the shutting down of broadcast television in analog. They paid a ton of dollars for that. That clearly is aimed at expanding and improving the quality of-- availability of, and speed of their broadband internet wireless service. So-- you know, it-- it's pretty logical that they would be thinking about a video play. The other problem that-- Verizon has, is their subscale in video. So, you know, no matter how successful vi-- Fios is, you know, they'll be, you know, the seventh or eighth largest player in video, and treated that way by programmers.

06:13:05:00 The other problem that you have, 'cause I grew up in that business-- if you don't have ubiquity, okay, it's almost-- of distribution, it's virtually impossible to attract unique programming. It's very, very hard to take programming that's currently ubiquitous and-- and-- and put it only exclusively on your own distribution system, if you only represent four percent of the country. Very hard.

06:13:32:00 And-- so, either for the creation of progra-- of content that would differentiate their video offering, or for the purchase of it, they need a full national ubiquitous footprint. And-- and that speaks to their need to align in some way with somebody who has u-- ubiquitous video, which (UNINTEL) the satellite companies.

06:13:57:00 So-- you know, I just think that-- that a working relationship will evolve between the satellite companies and telephone companies. And-- and, it's, you know, it's like, two and two. It's gonna be a (UNINTEL). And we'll see how it ends up. But I don't think it necessarily implies-- a merger, or nec-- or even investment. It could be just a contractual relationship.

DAVID FABER:

06:14:23:00 And what about the larger ideas-- of Direct and-- and Echo Star (PH) getting together?

JOHN MALONE:

06:14:29:00 Love it. It would be wonderful. But I don't think it's feasible with the anti-trust situation as it exists today.

DAVID FABER:

06:14:38:00 I mean, obviously, they tried once before and failed.

JOHN MALONE:

- 06:14:42:00 Correct. And-- you know, the synergies would be huge. The improvements in service available to the public could be very substantial. You know, uri-- ubiquity of local broadcast high def would be feasible because you'd have enough capacity. And-- you probably could reduce costs of the consumer.
- 06:15:03:00 But-- I-- I think with the current regulatory regime and probably the one that's gonna follow-- it's just not really practical to plan on something like that. I mean, we-- we know Charlie very well. He's a neighbor. And-- you know, we get along great with him. But-- I just doubt-- that doesn't say that there aren't many ways that we can cooperate and save costs and find synergies. We can-- we've explored and continue to explore ways to jointly invest in content, to jointly invest in ad sales, to jointly invest in backhaul, to jointly invest in platform. So, there are a lot of ways that-- that we ultimately can work together and save cost. But the actual combination of our retail business is (UNINTEL) tough.
- 06:15:56:00 And we even explored jointly buying Infelsat (PH). So, that we could combine Infelsat with our two fleets of satellites w-- and make it a satellite utility, which would have been very interesting from a financial perspective. But we got outbid by a European private equity firm.
- 06:16:16:00 (OFF-MIC CONVERSATION)
- 06:16:19:00 DAVID FABER:
Well, you know, I-- just to put in some perspective-- I mean, the last time you and I sat down, I think was over three years ago, and it wasn't long-- it had been long since you had taken that voting stake in *Newscorp*, or done the exchange. And here we are. And you have the 48 percent stake now in Direct TV. Are you happy with the way that deal went, with what you were able to accomplish? And you sound as though you see yourself, or you see Liberty controlling a stake in Direct TV for some time in the future. It may be in a different form of some kind. Is that fair to say?
- 06:16:51:00 JOHN MALONE:
That's fair to say. I-- I-- I have this vision of-- keep in mind, we also have a global company-- Liberty Global which, if you add the Direct TV distribution to the Liberty Global distribution on a global basis, makes us twice as big as Comcast in terms of footprint-- in terms of a-- pay subscribers-- video subscribers.
- 06:17:16:00 And I know that it's an industry in which scale is very important in the economics. So, I think the opportunities to build out a global platform distribution company-- and then have-- affiliated-- content assets could be very interesting in terms of the economics across-- across that base. So, that's kind of what's in my mind, as I look at my holdings, personally.

You know, can we find synergies across, you know, a very large global distribution base. If you take a company like Discovery, which I'm a substantial investor in, and look at their global reach and their brand-- and the way in which they could innovate new content, and-- and sort of have it underwritten in terms of distribution, but a distribution sister companies, it's-- it's quite an interesting theory that-- would allow for risk reduction in investment in content creation. So I think that could be very interesting, very remunerative. I mean, that's really how we built Liberty in the first place, out of the TCI cable distribution.

DAVID FABER:

06:18:35:00 But in terms of Direct right now and all of those Wall Street types who are clamoring for something to happen near-term, you know, they should not expect to see anything near-term.

JOHN MALONE:

06:18:46:00 Well, as I said, in terms of any response to that question from us, there's these tax issues that we have to-- thoroughly get by and understand.

DAVID FABER:

06:18:56:00 How long does that take? Do you know?

JOHN MALONE:

06:19:01:00 You know, when it comes to these tax issues-- you-- it's-- it's just unpredictable. You know, Morris Trust really says that there's a safe harbor to do almost anything. So we closed the deal at the end of February. So the longest that I could conceivably see it would take before we could announce that which we plan to do would be a year.

Hopefully it will take substantially less than that if we can get the appropriate tax rulings or opinions. And so, you know, I mean, we're wor-- this is a very--

06:19:38:00 (OVERTALK)

DAVID FABER:

06:19:38:00 Do-- do you know what you're gonna do? Or, in other words--

06:19:39:00 (OVERTALK)

JOHN MALONE:

06:19:40:00 We know exactly what we're gonna do.

DAVID FABER:

06:19:41:00 Oh, you do.

JOHN MALONE:

06:19:42:00 We do. We know exactly what we'd like to do.

DAVID FABER:

06:19:45:00 Okay.

JOHN MALONE:

06:19:45:00 What we don't know is whether or not the tax posture that we're in will permit it.

DAVID FABER:

06:19:52:00 I see.

06:19:52:00 JOHN MALONE:
Okay. So we need to make sure that our tax posture's appropriate before we can propose to our board-- now when I say we know, I could say, "I know what I wanna do." I have been precluded from presenting it as a proposal to the board of the company because we're not entirely sure that proposing something to the board doesn't constitute some kind of an issue relative to-- the tax law is-- is very-- arcane and very-- Catch-22-ish, if you--

06:20:26:00 (OVERTALK)

06:20:29:00 JOHN MALONE:
What you're supposed to think or what's your intent or whether you have any plan or intent. And so, you know, if a company has a plan and intent, then, you know, that may be-- a reason why you'd have to wait. So, you know, I mean, this stuff-- I've spent a lot of time trying to understand tax. And believe me, this is one of those issues that, at the end of the day, you've gotta depend on the professionals. You don't take risk. The numbers are too big.

06:20:57:00 DAVID FABER:
So you-- you will wait until you feel it's sufficient time. But you do basically have an idea of what it is you would like to do--

06:21:03:00 JOHN MALONE:
I know what I would like to do.

06:21:04:00 DAVID FABER:
--with-- with Liberty's 48 percent (UNINTEL)

06:21:07:00 JOHN MALONE:
Right, right. That's correct.

06:21:10:00 DAVID FABER:
You ever worry-- about the distribution model that Direct has-- namely, getting disintermediated by the broadband pipe that everybody's got and now is delivering a lot of very high-quality video?

06:21:23:00 JOHN MALONE:
Sure. Sure. I mean, I think that's a long-term concern. In the short run, I-- I think we're in pretty good shape. I think-- you know, like everything-- you build a business based upon the bricks that are available today. You try and protect yourself long term.

06:21:45:00 I think it will ultimately be important that-- that Direct TV aligns itself with a broadband connectivity-- capability. Whether that's, you know, a new invention that doesn't exist, Wi-max (PH), you know, or-- or-- saliator (PH) broadband, you know, it remains to be seen. I think that is gonna be a-- an important ingredient in providing full service to the consumer. But, you know, I-- I do believe that the fundamental concept of ubiquity-- of-- of reach-- is an important characteristics that gives an edge over either Tell Close or the cable companies. I think that-- in the video business scale is very important.

06:22:36:00 Direct is now, I believe, the largest purchaser of content in the U.S. So we do have scale. And we hope to make it bigger domestically and internationally. You attempt to build up unique content that's unique to you, NFL, Sunday Ticket, things like that.

DAVID FABER:

06:22:59:00 Right. Now, I mean, sports has gotta be the number one--

JOHN MALONE:

06:23:01:00 Draw.

DAVID FABER:

06:23:02:00 --draw, I would think. 'Cause--

JOHN MALONE:

06:23:05:00 And then you try and figure out how those things that people would like to take on the internet, I mean, I don't think anybody really has a preference as to technologically how they get the picture to the TV set.

DAVID FABER:

06:23:17:00 No.

JOHN MALONE:

06:23:18:00 So it's really a question of-- of how it happens. And I have a great deal of reservation about-- the economic model that's gonna underwrite the creation or purchase of-- of-- content-- if the internet becomes the model. I mean, I don't think it's in the interest of anybody in the media business to see video follow music in terms of-- of-- life line history. Because, you know, it didn't hurt the distribution so much. It killed the-- the content.

DAVID FABER:

06:23:56:00 Yeah, yeah.

JOHN MALONE:

06:23:57:00 So, you know, when--

DAVID FABER:

06:23:58:00 You--

JOHN MALONE:

06:23:59:00 --companies such as yours start playing around with fire--

DAVID FABER:

06:24:03:00 You think putting stuff on the internet is a bad business idea when you're basically putting it on there for free.

JOHN MALONE:

06:24:08:00 Unless you have a revenue model that-- that you're comfortable with. And I just don't see the advertising model with small audiences and random access being demonstrated. You know, everybody talks about the internet and the huge amount of advertising, well, it looks to me like if 80 percent Google, and that ain't advertising. That's search. That's ran-- that's direct marketing. It is.

06:24:35:00 (OFF-MIC CONVERSATION)

06:24:39:00 (REFERENCE TONE)

06:24:46:00 SLATE:
We'll be changing tapes now.

06:24:53:00 (OFF-MIC CONVERSATION)
SLATE:

06:25:15:00 Oh six 25, 17
06:25:18:00 18
06:25:19:00 19
06:25:23:00 (OFF-MIC CONVERSATION)
DAVID FABER:

06:25:48:00 So the idea-- you're not a believer that there will be adver-- enough advertising to support the new distribution model.

06:25:54:00 JOHN MALONE:
I'm skeptical that-- (CLEARS THROAT) that display advertising, which is really sort of what you're talking about-- sold on video streams off the internet, even ones that have a certain amount of targeting to them, which is the-- what the technology promises-- can generate the cume (PH) revenue that-- that the current distribution provides with the certainty that it's provided. So, you know, I think that you see it most severely in-- in the media companies that are heavily advertising-driven, like CBS. I think their stock's off almost 40 percent. And I think it's because the investment market is concerned about advertising revenue streams because of the impact of the PVR and-- and other intermediation.

06:26:51:00 DAVID FABER:
The basic idea that advertisers ultimately are not gonna pay for audience that is no longer anywhere near in terms of aggregation what it once was, right?

06:26:59:00 JOHN MALONE:
Right. And-- and I guess the market would equally be skeptical that that revenue is gonna be replaced any time soon by a transition to an internet model, which might risk the existing revenue streams, okay?

06:27:14:00 DAVID FABER:
But what are you supposed to do? I mean, what are you if you're running one of these companies supposed to do when you're faced with the prospect ultimately? 'Cause it's going to go away in some fashion.

06:27:25:00 JOHN MALONE:
Well--

06:27:25:00 DAVID FABER:
People a lot younger than us are out there. They only know--

06:27:29:00 JOHN MALONE:
I guess my belief is that if advertising won't support-- the creation model, then the consumer's gonna have to. And you're gonna head more and more into subscriber payment in one way or another for-- for access to the-- the content. And in that mode, the satellite company or the cable company's in the best position to deliver, collect, police, provide security,

and-- and guarantee quality.

06:28:02:00 So, you know, the media companies, the content companies, have built over the years a pretty effective collection system. The ones who transitioned into cable heavily, I mean, the reason why you see the differential between Viacom and CBS is that when Sumner split them he kept-- kept the cable networks and Viacom, those with the dual stream of income, and he pushed the ad-only supported business, primarily CBS and the network and radio, over to CBS. So I think right there you see the differentiation. I mean, my understanding is that Time-Warner is doing quite well this year in their upfronts.

DAVID FABER:

06:28:50:00 Cable nets are-- are doing--

JOHN MALONE:

06:28:51:00 Cable nets are up probably five to ten percent--

06:28:54:00 (OVERTALK)

DAVID FABER:

06:28:54:00 --doing well.

JOHN MALONE:

06:28:56:00 Subscriber numbers are still growing domestically, although, you know, somewhat modestly. But growing. So you've got a dual stream of income with a known income stream per customer coming out of the subscription side, the cable side or the satellite side. That's a pretty good system. And they used to tell me that predictable income streams are much more valuable than volatile ones. 'Cause you can leverage them. You know, they're just more valuable.

06:29:25:00 And I think you see that in the prices people pay for cable networks. You know, I was floored by the price that your organization paid-- has paid for-- Oxygen, right? A rather high multiple.

DAVID FABER:

06:29:40:00 It was. Wasn't it?

JOHN MALONE:

06:29:40:00 Yes.

DAVID FABER:

06:29:41:00 It's a nice demographic, all those women.

JOHN MALONE:

06:29:43:00 I know. You're going after the women.

DAVID FABER:

06:29:44:00 We're going after the women.

JOHN MALONE:

06:29:46:00 I always suspected.

DAVID FABER:

06:29:46:00 Yeah. (LAUGHS)

06:29:47:00 JOHN MALONE:
But-- and maybe the iVillage, maybe to make iVillage look better.

06:29:51:00 DAVID FABER:
Yeah. That was a really good one too, wasn't it?

06:29:53:00 JOHN MALONE:
Yes, that's great. But, you know, GE needs-- needs a place to put their cash.

06:29:58:00 DAVID FABER:
You've never done a bad deal?

06:29:59:00 JOHN MALONE:
I've done lots of bad deals. (LAUGHTER) Yeah, I've done some horrific deals. But-- you know, usually not when I stuck to my knitting. Usually when I stick to my knitting I do okay. It's-- it's when I listen to some pied piper.

06:30:15:00 DAVID FABER:
I remember my-- back in the internet bubble days--

06:30:19:00 JOHN MALONE:
Oh, yeah.

06:30:19:00 (QUESTION NOT AUDIBLE)

06:30:19:00 JOHN MALONE:
Oh, there were a couple of real turkeys. So everybody is, I guess, subject to-- to getting-- sweet talked. But, no, I-- I-- I think-- the answer to your question is I think there's pretty good revenue model right now that has created a lot of market value and a lot of economic value for both content and distribution. And so, you know, we used to laugh about it.

06:30:46:00 We said that Hollywood never saw a new distribution system they didn't try and destroy. But-- I mean, the-- the fact of the matter is that on the video side you have a pretty robust, pretty profitable, pretty predictable business. And those who kind of undermine it-- I think are playing at their own peril.

06:31:14:00 DAVID FABER:
I wan-- I wanna move on. But I-- I wanna--

06:31:16:00 JOHN MALONE:
Because if they (UNINTEL)-- if they destroy the uniqueness, right, of the experience, they devalue their own product.

06:31:23:00 DAVID FABER:
But I-- I'm-- am I hearing you say that you're not a believer in this idea ultimately that, you know, we're gonna-- my program is gonna be delivered over my computer, and I'll send it to my TV, 'cause my house'll be networked. And-- and I'll choose at the beginning of the day, or my children will choose what we wanna watch.

06:31:40:00 JOHN MALONE:
How are you gonna pay-- how are you gonna pay for it? You tell me how

you're gonna pay for it. And then I'll tell you I believe in it.
DAVID FABER:
06:31:45:00 I don't know how--
06:31:47:00 (OVERTALK)
DAVID FABER:
06:31:50:00 Am I gonna pay NBC a separate fee?
JOHN MALONE:
06:31:52:00 No, no. But if you tell me that-- you know, part of your deal with Comcast, okay, is they're paying CNBC a certain amount of money for the service, right, we call it an affiliate fee, okay, and if that-- included in that is the ability to access for anybody who's subscribing to Comcast, they also get-- the ability for random access to CNBC programming for the last month, okay, that I buy. Because there you've giving me a revenue model, okay.

06:32:30:00 You've given me somebody who has a vested interest in providing the distribution and the random access. Because, after all, Comcast wants more people to subscribe to Comcast.
DAVID FABER:
06:32:39:00 But (UNINTEL) may not be the best example.
JOHN MALONE:
06:32:41:00 Right.
06:32:41:00 (OVERTALK)
DAVID FABER:
06:32:44:00 --in real time as opposed to--
JOHN MALONE:
06:32:46:00 A movie.
DAVID FABER:
06:32:47:00 --your entertainment programming at eight o'clock at night--
JOHN MALONE:
06:32:49:00 Yeah.
DAVID FABER:
06:32:49:00 --on NBC, right?
JOHN MALONE:
06:32:50:00 Right. Well, the question really is, "What's the revenue model?" If the revenue model is, once again, it's available on Comcast on video on demand, right-- for which maybe Comcast can figure out how to raise their rates a little bit, and so they pay you for that feature. They pay, you know, pick a channel, Sci-Fi channel, for that ability to have random access for the next week to all of the-- in high definition, let's say, on a video on demand basis, and you can download it on your computer, or you can download it-- you know, from their server on their VOD system, then I see an economic model that might pay for it. But if you basically say, "I'm gonna walk away from the current economic model, right, and I'm going to replace it with random access to my stuff, because the

public likes it better, then you gotta tell me that the public's gonna have to pay for it somehow."

06:33:56:00 DAVID FABER:
And that's far from clear to you that that is--

06:33:57:00 JOHN MALONE:
It's far fr-- from clear to me that anybody has had a successful--

06:34:01:00 DAVID FABER:
I think you're right.

06:34:01:00 JOHN MALONE:
--internet-delivered-- charge for it business. I mean, even Dow Jones worked 20 years to built it up. And now Rupert's looking at it and saying, "Well, maybe we're better off if most of it was for free and we-- we got the traffic, and we could monetize the traffic, okay?" I mean, I'm just not a big believer that the public identifies the internet with subscription payments. And I think that's a huge tran-- emotional transac-- transition for the public.

06:34:32:00 DAVID FABER:
But what about the basic idea of distribution that I'm gonna-- I'm gonna get all my video product delivered over broadband as opposed to over the cable video that I'm paying Comcast for?

06:34:42:00 JOHN MALONE:
Well, you have to have some entity that if it's going to-- do you wanna have--

06:34:47:00 DAVID FABER:
Are they gonna raise their prices--

06:34:49:00 (OVERTALK)

06:34:50:00 JOHN MALONE:
--wanna have 2,000 billing relationships with content suppliers?

06:34:55:00 DAVID FABER:
No.

06:34:56:00 JOHN MALONE:
I mean, there may be 50 libraries and studios of movies. Are you gonna have a separate relationship with each one of those?

06:35:02:00 DAVID FABER:
Right. (LAUGHS)

06:35:03:00 JOHN MALONE:
Or is somebody gonna organize that and have, you know, one central facility? And it may be the cable company. It-- it may be Apple. I don't know. I mean, somebody's gotta have that intermediary relationship. Because no one content owner is gonna satisfy any material percentage of the consumer's needs.

06:35:32:00 And that function currently is provided by the satellite and cable companies. So somebody's gonna have to fulfill that-- integration function. And then they're gonna have to have an economic model that

justifies doing it. I mean, YouTube is great. But it doesn't make any money. Right? And, you know, I think the experience of the internet is anything that's free gets a lot of traffic. (LAUGHS) Right? Soon as you charge for it the traffic dries up (UNINTEL)

DAVID FABER:

06:36:00:00 No, as Edgar Bronfman told me as he watched his music company go down the tubes, "Free is a difficult proposition with which to compete."

JOHN MALONE:

06:36:06:00 It is. Absolutely. That-- he was called the prostitute's lament for a long while.

DAVID FABER:

06:36:15:00 (LAUGHS) Never heard that one.

JOHN MALONE:

06:36:16:00 Yeah, it's good. Yeah.

DAVID FABER:

06:36:19:00 But that's a business that's (UNINTEL). All right, let's move on. IAC. And-- and-- and where you stand right now. The spins are coming.

JOHN MALONE:

06:36:33:00 Yeah. We-- we-- had a dust up with Barry.

DAVID FABER:

06:36:36:00 Th-- how do you think about it?

JOHN MALONE:

06:36:39:00 You know, it's unfortunate that it went to that-- we ended up in about a place that we could have gotten to without a dust up. But we didn't. So it's unfortunate. Tested some nerves. Cost a little legal money.

06:36:56:00 (OVERTALK)

DAVID FABER:

06:36:57:00 --go to Delaware. Yeah.

JOHN MALONE:

06:36:58:00 Yeah. Well, Delaware's not bad.

DAVID FABER:

06:37:00:00 Okay.

JOHN MALONE:

06:37:02:00 But-- the-- the reality is we were always in favor of the spin-offs. And Barry knew that from day one.

DAVID FABER:

06:37:12:00 He had talked to you about it.

06:37:13:00 (OVERTALK)

JOHN MALONE:

06:37:15:00 Of course. And I was (UNINTEL). No, the-- the question was the governance of the spin-offs. The whether or not our super majority shares had any special privileges or rights relative to the spin-offs. And it was a complicated matter. Because, you know, he's got a lifetime proxy. At least I always believed that it was a lifetime proxy. There were other people, including lawyers, that didn't think that that was the deal. So

there was even in our own company a bit of a disagreement about what-- what the real deal was. And one of the reasons why our lawsuit didn't have any teeth is we couldn't agree internally on what the real deal was. So I couldn't personally support the company's position that the proxy could be revoked.

DAVID FABER:

06:38:00:00 That's difficult to make-- yeah.

JOHN MALONE:

06:38:00:00 That made it difficult when the chairman and the guy who cut the deal doesn't agree with the-- so it made the ar-- the legal arguments a little strange. That said, we did believe that the super majority vote, you know-- did have relevance even though Barry had the proxy, and that even though he, as our representative, wanted to do it on a one-class basis, that we weren't sure that we agreed with that. But we did always agree with the economics of the stance, that Barry has way too broad a set of businesses within IAC that-- that they really should have been set free. And-- that they'll do better on their own. And, of course, it's-- the-- the glass is half full the way it turns out, because while (CLEARS THROAT) we don't get the super majority votes passed through to the (UNINTEL), we get the vote-- our votes, which is 30 percent, which is a pretty influential block.

DAVID FABER:

06:38:59:00 And you're getting some board--

JOHN MALONE:

06:38:59:00 And we get a couple of board seats and-- and some other agreements about being supportive and liquidity and-- and some other things. So I think it's the right thing for the company. I think it's the right thing for Barry. You know, Barry's a very creative guy.

06:39:16:00 And I think he's best more focused and less distracted. And-- and I think, you know, he likes the media business. You know, he was hitting basically triples and home runs when he was building the business up in the space that was his natural space, you know. Buying and building cable networks, content, so on.

06:39:42:00 When he got into the internet space-- you know, he became more volatile in terms of his success, you know, win less loss record. And also it got so broad that-- you know, I don't think he could say grace over that whole set of largely distinct assets that, you know, businesses ranging from Home Shopping Network to--

(OVERTALK)

JOHN MALONE:

06:40:06:00 --Match.com and City Search and, you know, now-- Ask and, I mean, it's a very broad array of services that don't have a helluva lot in common other than that they are internet-related. So I think, you know, this is a

good move for Barry. And he'll have-- the new IAC that he'll have will be very well capitalized. Be more focused on what he describes as internet media. And-- and I think he will be very successful with it. You know, he's an incredibly competent guy. And--

DAVID FABER:

06:40:48:00 But with IAC--

JOHN MALONE:

06:40:48:00 --(UNINTEL) a matter of focus.

DAVID FABER:

06:40:50:00 Yeah. When IAC, I mean, one could say he's-- he's failed.

JOHN MALONE:

06:40:54:00 Well, not from my point of view.

DAVID FABER:

06:40:55:00 No? I mean, when I look at that company and the opportunities that were out there--

JOHN MALONE:

06:40:58:00 Yeah, yeah.

DAVID FABER:

06:40:58:00 --given how early he recognized this was of importance, I mean, Google wasn't even a thought in Sergei's mind when Barry started the company.

JOHN MALONE:

06:41:07:00 Yeah. It's real-- it's pretty hard to compare anybody's success with Google or with Microsoft.

DAVID FABER:

06:41:13:00 Understood. But the idea of going to the transactional part of the internet business--

JOHN MALONE:

06:41:17:00 Right.

DAVID FABER:

06:41:17:00 --which is sort of--

JOHN MALONE:

06:41:17:00 Right.

DAVID FABER:

06:41:18:00 --ultimately did not end up being--

JOHN MALONE:

06:41:21:00 Where it-- where the action was.

DAVID FABER:

06:41:22:00 Right.

JOHN MALONE:

06:41:22:00 Right. Well, who could have-- I-- I don't even think that the Google guys had an economic model for Google until late (UNINTEL). I mean, they fell into this idea of charging people by the click. And then being enormously good at monetizing it. So, you know, I don't know how innovation really can be described. But they certainly found the mother lode.

DAVID FABER:

06:41:50:00 Yeah.

JOHN MALONE:

06:41:51:00 And they have a very viral business. It's a little bit like Ebay was. Or, you know, you get into these businesses, and they work. And they're so viral, because they're so scale-driven. The bigger they get, the stronger they get. And the better they get at monetizing. And then they can buy traffic and so on.

06:42:08:00 So-- you know, Barry did not hit upon a mother lode type of strain, right, that-- that really had that viral kind of effect. And-- you know, it's-- it's-- he was fishing. He caught a lot of fish, from an investor's point of view. It depends on what period you measure him from. I measure him from we started the business. And-- and I keep reminding my people that are unhappy that the reason we haven't just sold it is 'cause we have too big a cane in it. (LAUGHS) So, you know, you can't-- you-- (UNINTEL) arguing both sides of the question.

06:42:44:00 Now, you know, since the move into the internet-- you know, the stock has not performed generally. It's been a little volatile and has not-- not, as of today, been a great performance. That said, you know, we've-- we've had a quadruple from the beginning. And a fair amount of our money went in late. So, you know, f-- as a financial investor, the returns have been pretty attractive for Liberty shareholders. But the question is, "Where do we go from here?"

06:43:19:00 You know, I think there's some great businesses there that still need to develop. I mean, HSN is a turn-around. He's got a business called Interval, which is the class in its field in terms of-- booking-- time-share and that kind of thing. Very profitable. TicketMaster is number one in its field. And he's gonna have a lot of money in a collection of-- of start-up-- almost start-up assets as well as a couple of developed, like Match and-- Jeeves or Ask.

DAVID FABER:

06:43:51:00 Would you like--

06:43:52:00 (OFF-MIC CONVERSATION)

06:43:56:00 (REFERENCE TONE)

06:43:58:00 (OFF-MIC CONVERSATION)

DAVID FABER:

06:44:35:00 Would you like to own HSN? Would you like to bring HSN to Liberty, combine it with QVC?

JOHN MALONE:

06:44:40:00 We're not sure. We're not sure. We're going to-- as I told the investors yesterday-- you know, we're gonna-- our-- our directors that we're gonna appoint to that fort (?) are gonna be very knowledgeable in that field.

They'll be ex-QVC people that-- that are very sound. We'll be able to help page. But also we'll be able to assess the degree to-- the-- the level of synergies or dis-synergies that would result in some kind of a combination.

06:45:14:00 So we're gonna study it hard. If-- if it turns out we think there are sufficient synergies, we'll probably make some kind of a proposal-- for the consolidation of H. If-- if we don't see synergies, we still think it's a good business. And we'll help develop it and grow it. Because we still own, you know, the substantial stake in it.

DAVID FABER:

06:45:37:00 Right.

JOHN MALONE:

06:45:39:00 So, you know, it's-- it's a work in process in terms of understanding it and whether or not-- there are substantial potential synergies in-- in a combination.

DAVID FABER:

06:45:51:00 Given your company's strategy over the last couple of years to try and exchange some of these large past mistakes for operating businesses, given how much you own of IAC--

JOHN MALONE:

06:46:00:00 Right.

DAVID FABER:

06:46:00:00 --and the fact that you were talking to Diller about that possibility--

JOHN MALONE:

06:46:03:00 Right, right.

DAVID FABER:

06:46:04:00 --before--

JOHN MALONE:

06:46:04:00 Right.

DAVID FABER:

06:46:05:00 --the tumult--

JOHN MALONE:

06:46:06:00 Right.

DAVID FABER:

06:46:08:00 --is it possible that will happen maybe not with HSN, but some of the other businesses? Or is that the most likely?

JOHN MALONE:

06:46:12:00 Well, of course, once he's spun these businesses-- you know, the-- the need to exchange is gone. We can just buy one if we really think it's good and it fits. You know, starting with 30 percent ownership, and these businesses won't be heavily leveraged, you know, it would not be hard for us to contemplate acquisition of one or more of these businesses if we think that they fit us and we can do a good job with them.

06:46:38:00 DAVID FABER:
So the timeline for an exchange is basically gone at this point, right, given that they're (UNINTEL)

06:46:43:00 JOHN MALONE:
That-- that's correct. That's correct. You know, we already are in Expedia together. And-- so, you know, with respect to any of these, it's sort of one of those issues of, you know, is this something that would make sense for us to consolidate? Or can we help it-- increase its economic value? Or do we wanna monetize our interest? I mean, really the spin-off gives us that flexibility that we didn't have when it was-- was together. So, you know, in a-- in a sense, that's a very positive thing for us.

06:47:17:00 DAVID FABER:
'Cause the bytes are much smaller too, right? I mean--

06:47:18:00 JOHN MALONE:
Yeah.

06:47:18:00 DAVID FABER:
--the overall size--

06:47:19:00 JOHN MALONE:
It's right.

06:47:21:00 DAVID FABER:
What about your relationship with-- with Diller? I mean, I-- I know him pretty well.

06:47:25:00 JOHN MALONE:
Yeah.

06:47:24:00 DAVID FABER:
I know he considered you a pretty good friend. I know you spoke to him a lot.

06:47:28:00 JOHN MALONE:
Yeah.

06:47:29:00 DAVID FABER:
He used to describe conversations with you.

06:47:30:00 JOHN MALONE:
Right. No--

06:47:32:00 (OVERTALK)
JOHN MALONE:
You know, well, the reality is, I think, in his mind and in my mind, this wasn't really a fight between him and me. We have a CEO in this company who believed very strongly in-- in the positions that he took. And-- you know, that's why you have a CEO. And-- Greg, you know, wanted to pursue it.

06:47:57:00 And-- was unable to reach a negotiated settlement with-- with Barry. And, you know-- you know, one thing led to another. And there were a lot of, you know, provocations, let's say. And-- it just got where it got.

It's unfortunate, you know. And in retrospect, of course, you never get to do things in retrospect, I probably should have intervened and said, "Hey, you know, Brondeleselen (PH) said no."

DAVID FABER:

06:48:26:00 Do you know wh-- why didn't you? I mean, I-- you thought about it. So-

-

JOHN MALONE:

06:48:31:00 Well, I d-- I-- in all honesty, I didn't. Because I-- first of all, early on I wasn't paying much attention to the verbal exchanges. And I think then I gave an interview with *The Wall Street Journal* that reading it in retrospect was-- was not very-- was not interpreted as very friendly to Barry, okay.

06:48:52:00 But I said some things in there that I believed were true. That there is a - a Diller discount. Now I didn't think there was a Diller discount because Barry's a bad guy. I thought there was a Diller discount because he was too conglomerated. And also because he had done willing to use his cash to buy back his stock, which it-- a number of occasions--

DAVID FABER:

06:49:11:00 Plenty of people would agree with you on that. (LAUGHS)

JOHN MALONE:

06:49:13:00 Right. And that was really the point I was making. But it got read as being sort of an anti-Barry-- comment. And then I also said that, you know, we weren't about to be-- the question from the reporter was pretty much, you know-- are you guys just gonna sell out, something like that.

06:49:32:00 And my-- my comment was-- I used-- "He can't spit the hook," or something like that. That, no, you know, we regarded this as at least as much our business as it was Barry's. And that we were there for the long pull. Got interpreted as, once again, something hostile. So when Barry came back, he was p.o.'d. And-- basically took the position that I'm gonna spend these things. And pretty much screw you guys, you know. You're not gonna have any representation. And, you know, I'm gonna do what I wanna do. And that's when it-- I just said, "Okay, guys. Go fight, you know. You guys go fight, and we'll see where it goes."

DAVID FABER:

06:50:15:00 But you guys have been partners for a long time.

JOHN MALONE:

06:50:17:00 Oh, yes.

DAVID FABER:

06:50:17:00 I'm-- I'm assuming you s-- you still talk to each other.

JOHN MALONE:

06:50:19:00 Oh, sure. No, I think we're still friends. But, you know, I mean, you get into these things that are-- that are awkward.

06:50:27:00 DAVID FABER:
Well, you've had-- I mean, you-- Murdoch and you were friends. And--

06:50:30:00 JOHN MALONE:
We still are.

06:50:30:00 DAVID FABER:
Right.

06:50:32:00 JOHN MALONE:
I talk to Rupert.

06:50:33:00 DAVID FABER:
He wasn't happy that day when he found out that you were-- had a-- you know, a much larger (LAUGHS) voting stake in his company--

06:50:38:00 (OVERTALK)
JOHN MALONE:
He was mostly unhappy at his own people.

06:50:38:00 DAVID FABER:
For not seeing--

06:50:42:00 JOHN MALONE:
For not seeing it. You know, I told Rupert in all sincerity that when that block came available in Australia-- you know, my instructions to my guys were if NewsCorp or Rupert bid for it, we don't bid against them. But if nobody's there bidding for it, you know, we buy it. And we did.

06:51:03:00 DAVID FABER:
And he didn't show, right?

06:51:04:00 JOHN MALONE:
And he didn't show. And I think that's what Rupert was upset mostly about was, gee, here's a big block of voting shares. Anybody would know that it's coming up for sale. Why didn't NewsCorp redeem it? The stock was cheap. They had plenty of cash. I assumed that they were just gonna redeem it, you know. And-- nobody showed. So we bought it, you know, in the last five seconds of--

06:51:34:00 DAVID FABER:
Hey, man, if nobody's picking up the dough on the ground you might as well take it.

06:51:37:00 JOHN MALONE:
So, you know, that's-- and, you know, my initial effort, what I really wanted to do was swap it to Rupert for *National Geo*. That was my first offer. I said, "Gee, why don't, you know, why are we competing with each other? Why don't you-- I'll trade you the high votes, you know, for *National Geo*."

06:51:57:00
And-- he wanted to do that. We tried to do that. We couldn't convince the *National Geo* that it was the right thing to do. And-- of course, in-- in economic terms, I'm glad we didn't. 'Cause we ended up much better off with Direct. But-- but I think in the end it was a win-win. I think he had achieved a lot with his ownership of Direct in terms of driving distribution

of his channels, which is really his initial intent. And they got to make a very large gain, tax-free, in the form of the redemption of their shares. So they had a very substantial gain in the value of their direct holdings.

06:52:33:00 DAVID FABER:
Even in that short time, yeah.

06:52:34:00 JOHN MALONE:
And translated it into a tax-free, very large redemption of shares.

06:52:38:00 DAVID FABER:
But, man, I'll tell you, he w-- he-- he wanted to own that thing for so many years. I mean, I reported on it. And then he ended up owning it for such a short amount of time.

06:52:45:00 JOHN MALONE:
Correct.

06:52:45:00 DAVID FABER:
Yeah.

06:52:46:00 JOHN MALONE:
Yeah. Well, you know, I mean--

06:52:49:00 DAVID FABER:
Owning it, owning (UNINTEL)

06:52:50:00 JOHN MALONE:
Keep in mind-- you know, we had bid against him for Direct. And-- made a deal. And I backed off of bidding for Direct in exchange for, you know, a larger stake in-- in Newscorp. So, you know, I mean, you know. We'd been waltzing for a long, long while. We started-- we invested quite a bit of money in Newscorp when he really desperately needed it way back early. And when he got in trouble with the triangle financing and the high leveraged loan regulations came in. So--

06:53:28:00 DAVID FABER:
That was back in the last credit crisis.

06:53:30:00 JOHN MALONE:
It was the la-- well-- it--

06:53:32:00 DAVID FABER:
Early '90s, right?

06:53:33:00 JOHN MALONE:
It was a prior credit crisis.

06:53:34:00 DAVID FABER:
Prior.

06:53:34:00 JOHN MALONE:
I'm not sure it was the last (LAUGHS)--

06:53:36:00 DAVID FABER:
Won't be the last (UNINTEL)

06:53:38:00 JOHN MALONE:
That's-- that's right. Yeah.

06:53:41:00 DAVID FABER:
Muffay (PH) led the strategy on IAC, you said.

06:53:44:00 JOHN MALONE:
Yeah.

06:53:45:00 DAVID FABER:
You disappointed in his leadership? You happy with his leadership?

06:53:48:00 JOHN MALONE:
No, I'm happy with-- with Greg's. We needed-- energy in the company. I was getting older. And I'm saying grace over several other businesses. And we needed real energy in the company. And he's brought real energy to the company.

06:54:03:00 So, you know, he's done a lot of transactions. At the end of the day, you know, the Newscorp transaction was a terrific execution of a strategy that I started with, but he picked up and ran with. And-- the same thing with the-- with the exchange with Time-Warner.

06:54:18:00 DAVID FABER:
You happy with the Atlanta Braves?

06:54:20:00 JOHN MALONE:
Yes. Yeah. (UNINTEL)

06:54:22:00 DAVID FABER:
I didn't know you were a big baseball fan. But I (UNINTEL)

06:54:24:00 JOHN MALONE:
I'm not a huge ba-- well, I grew up with the Yankees. So what can compare with, you know, Mickey Mantle and, you know, Roger Maris and Whitey Ford and (UNINTEL)

06:54:36:00 DAVID FABER:
Right.

06:54:36:00 JOHN MALONE:
Right. And, I mean, I used to go to the games as a kid. So. So, you know, after growing up with the Yankees it's pretty hard to fall in love with a team that's 1,800 miles away. But, you know, it's-- it's fun. It's fun for the guys to have a team to root for, be involved. As you know, it was-- it was this-- the financial structure motivated. But we love the asset.

06:55:02:00 DAVID FABER:
Sure, I mean, we-- we've got a lot of cash in that too.

06:55:04:00 JOHN MALONE:
Three-quarters cash.

06:55:05:00 DAVID FABER:
You still own T-- three percent of Time-Warner also, right?

06:55:07:00 JOHN MALONE:
We're still one of their biggest shareholders, yeah.

06:55:11:00 DAVID FABER:
Let's talk about the overall media landscape. I mean, Time-Warner, you obviously own-- you don't-- no longer own the Newscorp stake, but who do you think's best positioned now when you look out and-- I mean, the

06:57:01:00 I did.

06:57:02:00 Yeah. They've really struggled over the years, going all the way back to, you know--

06:57:07:00 To Time and Warner.

06:57:08:00 To Time and Warner, yeah. And-- and, you know, whether it's a, you know-- it's hard to say that you don't think corporations have genetic codes and so on. But maybe they do. (LAUGHS) And they just don't have the synergy code, you know. Individually they run good businesses, right?

06:57:29:00 I mean, but a lot of their decisions have-- have-- like the AOL decision was a complete disaster. And-- you know, after-- after they brought Turner in and-- and did the AOL deal, they haven't launched successfully a single cable network. I mean, they've exploited the ones they've got quite well. But they haven't really had the energy to launch anything new. So, you know, they blew Ted out. And-- you know. I-- I personally think that was a mistake.

06:58:09:00 I know you do. Well, he's one of your good friends.

06:58:10:00 Oh, yeah.

06:58:10:00 (OFF-MIC CONVERSATION)

06:58:13:00 (REFERENCE TONE)

06:58:22:00 (OFF-MIC CONVERSATION)

07:00:11:00 Time-Warner. I'm-- I'm curious as to what you think'll happen now-- once cable is-- is spun later this year.

07:00:19:00 Well, I think that-- you know, my guess is that-- that the biggest asset in there that has growth potential in the AOL Media business. And I wouldn't be surprised. And I'm speculating. I have no inside information. That Jeff will use his-- his resources to try and grow the AOL Media business. You know, I'm sure that while the AOL connectivity business is a good cash generator, it's a sinker. And companies, you know, don't do well if they have a large sinker that they consolidate with, because so he may try and separate from that in some way that-- that monetizes the stream but doesn't force him to consolidate a declining revenue stream. And thereby mask what he can do in terms of growth.

07:01:13:00 The cable networks are in fine shape. They'll continue to perform well-- they run them well. The magazine business, the print business, you

know, is-- some of the specialty stuff is probably gonna be okay. And some of the-- is really tough. And-- so generally speaking, I don't think the street regards the magazine business as a growth asset. And then he's got AOL.

07:01:39:00 And the studio. DAVID FABER:

07:01:39:00 He's got the studio. Studio's fine. JOHN MALONE:

07:01:41:00 Yeah. DAVID FABER:

07:01:41:00 Studio is-- is a great long-term asset. JOHN MALONE:

07:01:46:00 Do you ever see it becoming though just a pure place studio? I mean, content, you know, the cable nets and the studio? DAVID FABER:

07:01:53:00 Well, it really depends on-- on what he can figure out for AOL. I mean, I don't-- I think the magazines are just sort of superfluous in a way. But, you know, they're the historical identity of the company. It's really the name of the game is for those guys is really AOL. JOHN MALONE:

07:02:12:00 I thought the idea of being able to put AOL into Yahoo, you know, could be a very interesting solution for Yahoo and for AOL. I don't know if that could happen. But that could be a very interesting exit for AOL or investment for Time-Warner. I mean, whichever way you look at it. Whether they-- they could-- essentially acquire Yahoo by merging AOL into it and then buying up to get enough to consolidate Yahoo-- you know, that's a possibility. They need to do something.

07:02:56:00 Jeff's, you know, he needs to do something about AOL. That's-- that's clearly, you know, the asset that's gonna make or break that company's future. And he'll have a fair amount of liquidity coming out of the refinancing of cable to do it. Cable business'll be fine. DAVID FABER:

07:03:16:00 Let's talk about one of your-- other businesses, not a Liberty business, but a John Malone related business, Discovery. JOHN MALONE:

07:03:21:00 Yeah. Well, the-- DAVID FABER:

07:03:23:00 Zazlove's (PH) making you happy? JOHN MALONE:

07:03:25:00 He's terrific. You guys-- (OVERTALK)

07:03:26:00 DAVID FABER:

07:03:27:00 My old friends.

07:03:28:00 JOHN MALONE:
Yeah. We gotta steal one of those guys.

07:03:31:00 DAVID FABER:
You-- he's-- he's doing all right. I saw he got paid last-- (LAUGHS) last--
07:03:34:00 (OVERTALK)

07:03:35:00 JOHN MALONE:
He's doing good. No, I think David has brought-- a very refreshing energy and drive to the-- to the business. We're extremely pleased to have him. And-- you know, I think Discovery can be a very large and successful enterprise. It has enormous distribution assets and a very good brand.

07:04:00:00 And it has to-- it has to create the programming to live up to its-- to its reach. You know, it has many channels. It's the most global company. A lot of its growth recently is coming globally. It has opportunities to expand the number of channels it has globally. We can help with that. And-- you know, I think it's very well positioned. And now it all comes down to execution. And I think David is a good-- a good guy at driving executions. So I'm very optimistic about the long-term-- future of Discovery.

07:04:39:00 DAVID FABER:
Now becoming a fully public company very soon, isn't that right?

07:04:42:00 JOHN MALONE:
Probably-- probably by September I would guess. Right now it's got an odd structure. And it-- Discovery Holdings owns two-thirds and Newhouse owns a third of Discovery Communications. And Newhouse will be merging their one-third into Discovery Holdings. And once that takes place that requires the vote of the Discovery Holdings shareholders who I'm sure will vote for. And once that happens then Discovery will be a public company. And the only part of Discovery Holdings that is not Discovery, which is a company called Ascent-- Media, will be spun off to the Discovery Holdings shareholders. So it will be essentially taking Discovery public.

07:05:32:00 DAVID FABER:
Right. They'll still have some blocking rights, Newhouse?

07:05:37:00 JOHN MALONE:
Newhouse will continue to have some of the rights they-- they have had historically, you know, things such as-- sale of the company-- change of the CEO. There may be some others. But those are the principle ones.

07:05:52:00 DAVID FABER:
And you have a lot of votes there, correct?

07:05:54:00 JOHN MALONE:
I have-- roughly 32 percent of the votes, yeah. And I'm in love with that. I mean, I-- it's just great. I've been on the board for, what, since we started it, 21, 22 years. And-- it's great. It's motherhood and apple pie.

It's educating the world about good stuff.

07:06:16:00 DAVID FABER:
They can make content though that they can distribute globally in a way
that many of these other--

07:06:21:00 JOHN MALONE:
Well, the thing we love about it is-- is the content can be global, 'cause
everybody's inter-- interested in those factual subjects. It can be
evergreen, long shelf life. Periodically updated. So you give it a new life
and re-introduce it.

07:06:41:00 It can be in hi-def. So-- and it can be produced across multiple channels.
So you can do the same content-- and show it on Science Channel where
it would maybe go deep. You show it on Discovery where it be science
lite. You can approach it from-- you know, the point of view of green.
So I think the opportunities to produce the programming and make it
relevant on a number of the Discovery channels, and then we have our
upcoming deal with Oprah where we're gonna be joint venturing the
Oprah Channel, which I think is very creative. And if we launched Planet
Green I think two weeks ago to go right at the environmental issue, so I
think it's got-- just great legs, great distribution. And--

07:07:35:00 DAVID FABER:
And just to-- just to clarify, that's not Liberty. That's you.

07:07:37:00 JOHN MALONE:
That's me personally. Yes. I own, you know, enough to have 32 percent
of the votes of Discovery.

07:07:46:00 DAVID FABER:
We haven't mentioned Liberty Global. I-- we're here--

07:07:49:00 JOHN MALONE:
Right.

07:07:49:00 DAVID FABER:
--outside Denver.

07:07:50:00 JOHN MALONE:
Right.

07:07:50:00 DAVID FABER:
But I do wanna at least ask you a couple of quick questions.

07:07:53:00 JOHN MALONE:
Sure. And they're downstairs.

07:07:54:00 DAVID FABER:
Oh, they are? Okay.

07:07:55:00 JOHN MALONE:
Yeah. Even though they're global their headquarters are here.

07:07:58:00 DAVID FABER:
(LAUGHS) Their headquarters are here.

07:07:59:00 JOHN MALONE:
Yeah.

07:08:02:00 DAVID FABER:
First off, Arpu (PH)-- was picking up some concern from some investors that-- about-- either growth or lack of growth in Arpu. Are you seeing any (UNINTEL)

07:08:13:00 JOHN MALONE:
Well, the-- the, you know, to summarize what the CEO told the shareholders a week or so ago, you know, the company in the last year-- I guess in-- I think he stated in two years--

07:08:26:00 DAVID FABER:
Now you're chairman of Liberty Global.

07:08:27:00 JOHN MALONE:
I am.

07:08:28:00 DAVID FABER:
You were CEO for a little while there, weren't you?

07:08:30:00 JOHN MALONE:
I was.

07:08:30:00 DAVID FABER:
Right. Okay.

07:08:31:00 JOHN MALONE:
Well, not at Liberty Global. I was CEO of Liberty International which merged with a company called-- United Global Com.

07:08:41:00 DAVID FABER:
Right.

07:08:41:00 JOHN MALONE:
To form United Global which I'm chairman of and-- and Mike Frees is-- is CEO of. No, I mean, of all the media companies it's had the best stock market performance over the last couple of years. You know, it's-- as of today it's probably up-- 300 percent, something like that. It was-- at its peak it was up 400 percent. So it doubled and doubled. So 400 percent.

07:09:08:00 So it's done quite well in terms of the market. Oh, it's backed off some lately. You know, it's-- ibida (PH) growth is-- was 17 percent last year-- organic. In terms of the statement it-- it-- I think it was 36 percent. And-- this year, you know, we're not-- giving precise numbers. But it'll be somewhere in the 15 percent area.

07:09:40:00 And that's organic also. So if you look at it in terms of ibida, it's probably over the two years it's up 135 percent. And-- if you look at it in revenue it's about a double. If you look at it in RGU's it's more than a double. So, I mean, you know, what do you want when it comes to growth? It's had dramatic growth and dramatic value creation. And it's trading at a lower multiple today than it was two years ago. So the only problem is the multiples come down. We've brought back 40 percent of the stock. So for the shareholders, you know, they own 40 percent more of it now than they did when we started. So I'm thrilled with it. I think it's a terrific

company.

- 07:10:32:00 You know, it is a leveraged cash flow growth model company. It has, because of mistakes other people made in Europe, it has a huge NOL. So it will pay very little taxes for the foreseeable future. So you have leveraged cash flow growth, no taxes, long-term leverage at low interest rates. It's, you know, it's terrific.
- 07:10:56:00 Now the concern is then in Europe the revenue growth was slowing down, largely because in the broadband business there's a fair amount of competition. And so the price points for broadband have-- have been competitive and have come down. The answer that we gave for revenue growth internationally is two things. One, we're introducing and deploying and will have fully deployed by the end of '90-- an increase in our data rates on our broadband that can go up to what we're doing in Japan, which is 160 megabit. And-- we think with that we blew the SL completely away.
- 07:11:43:00 So then it becomes a question of pricing. But in terms of technical capacity on the data side-- we think, you know, we'll be able to-- generate more revenue and capture substantially bigger market share as we deploy this new, very high speed-- internet service. Which, you know, we've already started deploying in Japan, and it works great.
- 07:12:12:00 The other thing the-- that company will introduce is-- is high-definition digital TV, which right now is just getting started in Europe. But we think will be a major game changer. And our principal competitors in Europe right now on video are the telephone companies with IP video. They haven't gained much traction. So we have a dominant market share. But we're still, you know, at Arpu levels for video that are low compared to the rest of the world. Because it's still primarily analog television, 30 channels. So we believe that with the introduction of hi-def, PVR's, you know, video on demand, we'll be able to-- to see-- Arpu escalation on the video side in Europe, which is, you know, our principle market.
- DAVID FABER:
- 07:13:05:00 Finally, in terms of Liberty itself-- are you happy with where you are right now in terms of the company? In terms of the complexity, for example, of the company? Your efforts to try to make it less complex with Alcapa (PH), with Linta (PH), and with Liberty Entertainment? Or do you see yet another chapter here?
- JOHN MALONE:
- 07:13:32:00 Well, I think it's a work in process. I think, you know, the tracking stock structure was a convenience that was driven primarily by a need for-- separate equities to get some realization or look through values. But the necessity of not giving up tax attributes, which we still benefit

substantially from in our current structure. But, you know, we're only part way there.

07:14:07:00 I mean, basically the goal would be to dissolve the-- the tracking stock structure as soon as the tax benefits are substantially mined. And-- and that's, you know, a work in process. That takes a little bit of time. So I think it would not be unlikely for you to see us do some-- another-- another separation or spin-off in the not too distant future. And-- and then perhaps ultimately-- dissolve the tracking stock structure or do yet a subsequent spin-off to dissolve the tracking stock structure. You know, I recognize the tracking stocks other than by me are not loved.

DAVID FABER:

07:14:50:00 No. (LAUGHS) You are-- you are--

JOHN MALONE:

07:14:51:00 But they've worked very well for me and-- and my enterprises. I mean, we--

DAVID FABER:

07:14:56:00 There was a tracking stock fervor for a while. But it died down.

JOHN MALONE:

07:14:59:00 Well, for most people it didn't work very well. For us it worked great. We-- the sprint tracking stock worked wonderfully well for us. It was very tax efficient. You know, at the peak I think we had made something like \$6 or \$7 billion on it tax-free. That was pretty good. And had written down the investment to zero. You know, deducted it. Not the bank type of write-down.

DAVID FABER:

07:15:25:00 Understood.

JOHN MALONE:

07:15:27:00 And-- so where I've used them I think my experience with them has been very good. But they're transitional. I think everybody should know that-- that those are transitional. You put those in place while you're trying to work something structural out. If we had no taxes in our society at the corporate level, you know, you wouldn't need these-- these artifices. But given the nature of the tax structures and the fact that the government's your partner, and in many cases your major partner-- you know, you do have to go to these-- these extents to try and manage those issues. And-- there are also some businesses that aren't ready for prime time, but giving them an early debut as a tracking stock is-- is not bad. But ultimately it's great to have a simple company with a clear metric that the street can look at with a management team that's focused and-- that's the best.

DAVID FABER:

07:16:27:00 And you think you have that now?

JOHN MALONE:

07:16:28:00 Not yet.

DAVID FABER:

07:16:28:00 No.

JOHN MALONE:

07:16:28:00 No, no, no. We have that in LGI. We have that now in Discovery or we'll shortly have that in Discovery. We certainly have it in Direct TV. We don't yet have that clearly in the rest of the Liberty tracking thing. So the goal is to transition to that model. And-- I think that when we get there, you know, we'll be happy. And we think the-- the stocks will be rewarded for that simplicity. But, you know, you can't-- some of these things take time.

DAVID FABER:

07:17:03:00 They certainly do. But you'll still be here. It won't be that long, right?

JOHN MALONE:

07:17:06:00 Well, I don't know how long I'm gonna be here. But, you know, I'll be here as long as I can. I mean-- but the goal-- that is the goal is basically to end up really with clear, straightforward businesses with management teams.

07:17:24:00 And I might say on that point that I think we have great management teams now. I have, you know, no problem with the management teams in each one of these units. So from a management perspective, these could all be separated from a tax posture. We're not quite there yet. But we will. We're working on it. And we think we'll get there. And-- you know, because of the way this thing was created, after all, to keep Liberty, you know, we let it get swallowed by the AT&T whale. And two years later they spit it out.

07:17:58:00 And that in itself created this rather strange set of assets and-- and relationships and taxes. So working our way through, you know, that complexity takes time. But in the end, I-- you know, I-- I would hope to have-- you know, six or more separate public vehicles that will be able to cooperate with each other where, you know, where it's important. But we'll essentially be-- autonomous.

DAVID FABER:

07:18:29:00 And will largely be operating businesses (UNINTEL)

JOHN MALONE:

07:18:31:00 And we'll be very largely operating businesses, yeah. The-- one of the businesses, Liberty Capital, by its very nature, may turn out that its operations makes it an investment company. I mean, that it-- it will essentially be a finance company, if you wanna think of it that way. As opposed to operating a specific business. So it will be a company that-- you know, Liberty Capital now is a company that is essentially a collection of mostly financial assets or assets that-- that have to be held because of-- of Morris Trust timing issues.

07:19:12:00 DAVID FABER:
Right. You've written a lot of collars. And you've done some--

07:19:15:00 JOHN MALONE:
It's a very--

07:19:16:00 DAVID FABER:
--deferred. I mean, you've done a lot of different things--

07:19:17:00 JOHN MALONE:
--complex--

07:19:17:00 DAVID FABER:
--against your position.

07:19:19:00 JOHN MALONE:
It is. It's a company that has-- you know, a market cap today of about a billion eight. It's the smallest one of our units. It has a lot of very long-term liabilities. It has a lot of assets. And it has an enormous amount of tax complexity. So it's definitely the residual, you know. It would be relatively easy to separate QVC from it. Except QVC and El Capa (PH) have a tax treaty that right now is-- is very beneficial to both.

07:19:56:00 So keeping them intact until there's another way to shelter QVC's taxable income, or at least partially shelter it, is important to both companies. And that's the principle reason you keep the whole thing intact. But the-- the Liberty Entertainment piece by its nature is not part of that tax duality. So it could be separated from that perspective.

07:20:29:00 (OFF-MIC CONVERSATION)

07:20:58:00 DAVID FABER:
I read somewhere that if you just in 1991 taken a share of Liberty it's up 33 fold since you started. Does that sound right to you?

07:21:06:00 JOHN MALONE:
That's probably right.

07:21:08:00 DAVID FABER:
It's not bad.

07:21:09:00 JOHN MALONE:
It's not bad.

07:21:09:00 DAVID FABER:
You did pretty darn well.

07:21:10:00 JOHN MALONE:
No, I think somebody did a study of TCI. And it-- it's-- it was the highest ROE company for its whole existence in the public marketplace. You know, it did very well. So, you know, the-- us plodding engineers, you know, with our tax fascination (LAUGHTER) and-- and--

07:21:33:00 DAVID FABER:
You've got a fascination. Is that what it is?

07:21:35:00 JOHN MALONE:
It is. It is. It's a game. And-- particularly the-- leverage, you know. If

you blend together a little bit what Mike Milliken taught the world and a little, you know, tax strategy and so on, and you're very patient, sometimes you can create good economic outcomes.

DAVID FABER:

07:21:52:00 That's not bad. In 1991, 33 fold. And what about you? You-- you see yourself staying on as chairman for some time? Are you--

JOHN MALONE:

07:21:59:00 I love it. Yeah. As long as I'm healthy and can contribute, you know, I wanna stay involved, yeah.

DAVID FABER:

07:22:07:00 Okay. All right. I need five more minutes of your time, and then I'm done.

07:22:11:00 (OFF-MIC CONVERSATION)

07:22:17:00 (REFERENCE TONE)

07:22:24:00 (OFF-MIC CONVERSATION)

DAVID FABER:

07:23:14:00 Recently spent some time with Sumner Redstone. He likes to-- to talk about everybody as his friend. You guys-- have had-- you've had your moments through the years.

JOHN MALONE:

07:23:23:00 Yeah, I--

DAVID FABER:

07:23:24:00 Over Paramount.

JOHN MALONE:

07:23:25:00 He made me famous by suing me--

07:23:27:00 (QUESTION INAUDIBLE)

JOHN MALONE:

07:23:27:00 --for three billion dollars or something. I think I got a three billion dollar lawsuit before-- before Leon did.

DAVID FABER:

07:23:34:00 Leon Black and Josh (UNINTEL), right?

JOHN MALONE:

07:23:35:00 Right, yeah. So, you know. But, you know, Sumner-- I like Sumner a lot. I think he's-- he's built a helluva company. He started when he was 65 to really grow National Amusements. You know. And what can you say? I think (UNINTEL)

DAVID FABER:

07:23:55:00 He describes you as a friend. Do you consider him a friend?

JOHN MALONE:

07:23:57:00 I consider him a friend, yeah. Yeah. I mean, we've had our dust ups. You know, the biggest dust up was about Paramount where he was absolutely sure that I was behind, you know, Barry jumping him when he had the Paramount deal. And the reality was I didn't even know Barry was gonna do it. Because Barry didn't tell me because we were suspect because we were trying to buy Paramount ourselves. And Marty Davis,

you know, I had all kinds of discussions with Marty about, you know, investing, cross-investing, so making him less vulnerable and so on. And so, you know, Barry's attack came as a complete surprise to everybody.

DAVID FABER:

07:24:41:00 Right. 'Cause he linked you two very tightly there.

JOHN MALONE:

07:24:43:00 Well, we were a major shareholder in QVC. QVC was the vehicle, right? So it was logical for-- for everybody to assume we were deeply involved. But the reality was Barry kept us out of it until-- until he announced it, because he was afraid we were conflicted. And we were.

DAVID FABER:

07:25:04:00 Viacom and CBS. We talked a bit about CBS--

JOHN MALONE:

07:25:07:00 Yeah.

DAVID FABER:

07:25:07:00 --already. Does it make sense to you to split those two companies?

JOHN MALONE:

07:25:20:00 Actually I don't think so. I mean, I think there should have been enormous synergies between the two companies. I'm not sure whether Sumner split them for strong corporate structural reasons or for management reasons. I think maybe he concluded that it was too much-- too bre-- too much breadth for one guy to say grace over. And maybe better to split them and have two management teams drive the two businesses. And that that was more important than the synergies.

07:25:50:00 I don't know. I-- you'd have to really get down to it. I think Sumner was frustrated by the lack of stock performance. And-- he wanted to try something. I knew he had fresher from lesson (PH). You know, they wanted to run something. And maybe he didn't want to make that choice at that time between Tom and-- and-- and Les.

DAVID FABER:

07:26:10:00 I mean, you know he's notorious for knowing every kick on the stock and being very-- a lot of people would say short-term.

JOHN MALONE:

07:26:16:00 I wouldn't wanna be the specialist on (LAUGHS) his account. No.

DAVID FABER:

07:26:21:00 He's checking all the time.

JOHN MALONE:

07:26:23:00 Yeah. He's very focused on his stock performance. And-- you know, I think that's good for shareholders. The split, I don't know. I mean, I-- I would have thought that-- that there was enormous content generation synergies between the businesses. In fact, I wouldn't mind owning the broadcast network in our collection of enterprises. 'Cause I think it does continue to have enormous programming content development budget. And-- and should be able to use that to-- to create

some things that could be exploited across the distribution--
DAVID FABER:
07:27:04:00 That's interesting. I wouldn't--
JOHN MALONE:
07:27:05:00 --in different ways than just broadcasting.
DAVID FABER:
07:27:06:00 Well, I hear Bob Iger doesn't consider ABC a core asset anymore.
Maybe--
JOHN MALONE:
07:27:10:00 I know.
DAVID FABER:
07:27:10:00 --we can give him a call.
JOHN MALONE:
07:27:11:00 I know. I know.
DAVID FABER:
07:27:12:00 Oh, you already know. Yeah.
JOHN MALONE:
07:27:13:00 I know that. Well, he's-- he's into brands, ESPN, strong brand, Disney,
strong brand.
DAVID FABER:
07:27:22:00 So for all that these--
JOHN MALONE:
07:27:22:00 And--
DAVID FABER:
07:27:22:00 --broadcast networks have going against them you still do see--
JOHN MALONE:
07:27:24:00 Well, I think the problem that they have with the networks is they're
clearly in decline. Okay? And they clearly will drag down the rest of the
enterprise with their volatility and the fact that everybody wants to be
number one. And they spend against that. But-- you know, on the other
hand, looking positively at them, at the right price, at the right multiple,
they are a huge generator of content. And-- the ability to use that
content to feed, you know, international, you know-- the-- the strange
thing, American media companies have really done a poor job of
exploiting their content globally.

07:28:09:00 And it may be that it just doesn't translate well. But-- generally speaking,
you know, they sell into syndication where the movie studios do pretty
well with the first run. But in terms of building global assets using the--
the power that they have, they really haven't done great. And-- Rupert's
probably been the most of-- the most internationalist of the-- of the
players.

07:28:40:00 But even Rupert hasn't found a lot of ability to use content investment
across nations or-- or regions. So, you know, maybe it's-- it's trickier. I

know Sumner tried with MTV real hard. And ended up finding out that music is regional. And while the name, the brand, might be drivable, the content really didn't translate all that well.

DAVID FABER:

07:29:06:00 Sumner never plans on dying, by the way. I'm sure you've heard that.

JOHN MALONE:

07:29:09:00 I made a deal with him. He said he would become a Republican if the Republicans would drop the estate tax. If they could get that through he would become a Republican. And-- and then-- of course, they didn't get it through, so he's decided that he's gonna live forever. Because estate problems are unmanageable. So you gotta live forever. What choice do you have, right?

DAVID FABER:

07:29:33:00 (LAUGHS) All right. We're done.

JOHN MALONE:

07:29:36:00 Good.

07:29:39:00

(OFF-MIC CONVERSATION)

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