Comcast's NBC talks cap its decades-long rise

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In this July 9, 2001 file photo, Comcast executives, from left, founder Ralph Roberts, CEO Brian Roberts, and Steve Burke pose after a morning conference call in New York. Comcast is close to sealing a deal to take control of NBC Universal from General Electric Co. in a transaction ultimately expected to be worth $30 billion. If regulators approve the deal, Comcast would be one of the nation's largest entertainment companies. (AP Photo/Richard Drew)

(AP) -- Ralph Roberts knew he was onto something big when people ran after his cable TV trucks in Tupelo, Miss., asking for a visit to their homes.

It was 1963. Roberts had been looking for new ventures after selling his belt-and-suspenders company. He bought American Cable Systems for $500,000 - an opportunity that had been mentioned to him by a business acquaintance he came across while strolling down a Philadelphia street.

American Cable Systems, which served 1,200 subscribers, was one of many independent companies arising at the dawn of the cable TV industry: It strung up cable to carry television broadcasts to homes that couldn't get clear reception over the free airwaves.

"It just looked to me like a wonderful business. Without doing too much, you just put up an antenna, ran some cables and people paid you $5 a month ... to bring in TV stations," he said in a corporate video produced this year. "It's marvelous because people love TV, and more is better."

Today the descendant of that small cable system - Comcast Corp. - still believes people want more TV. And Comcast might be about to get lots of it.

Comcast is close to sealing a deal to take control of NBC Universal from General Electric Co. in a transaction ultimately expected to be worth $30 billion. If regulators approve, Comcast would be one of the nation's largest entertainment companies.

It would be a way for Comcast to further diversify beyond its main business of selling cable TV subscriptions. But it would be a huge gamble for Roberts and his soft-spoken son, Comcast CEO Brian Roberts. Their family owns about 4 percent of Comcast shares and controls a third of the voting power.

"Brian and Ralph are the best father-son combo since Archie Manning and the two Manning quarterback sons," said Reed Hundt, a former Federal Communications Commission chairman, who has known the Robertses since 1994. He credits Comcast's success to the way the father handed the reins to his son in an orderly fashion.

Ralph Roberts, now 89, grew his cable business by buying similar companies. In 1969, he incorporated Comcast back home in

Pennsylvania and named the company for the combination of the words "communications" and "broadcast."

Comcast didn't begin to balloon in size until the son, who had started in the business by climbing utility poles to string cable, was appointed president in 1990. In 2002 Comcast spent $47.5 billion for AT&T's cable division and became the nation's largest cable TV provider.

Now Comcast has 24 million subscribers in 39 states and Washington, D.C. This year, Comcast became the nation's largest provider of Internet access. It is the third-biggest carrier of phone service, just four years after offering that product. And befitting its larger ambitions, it is majority owner of the Philadelphia 76ers and the Philadelphia Flyers and has a stake in the historic Metro-Goldwyn-Mayer movie studio.

One of Brian Roberts' early mentors was his college squash coach Al Molloy, who pushed him to excel. This summer, Roberts was part of the U.S. squash team that won a silver medal at the Maccabiah Games in Israel, a competition for Jewish athletes. His team has won the gold in past years. Roberts, 50, also finished his first triathlon this year.

Roberts, who declined interview requests for this story, credits Molloy for giving him the gumption to ask Microsoft Corp.'s Bill Gates to invest in Comcast. Gates gave him $1 billion in 1997 after Roberts snagged the billionaire's interest while seated next to him at a dinner surrounded by older, seasoned cable executives.

"When I asked Bill Gates for that money, that was Al whispering, `Go for it, take your shot," Brian Roberts told Sports Illustrated in 2000. "Do whatever you have to do to win."

Two years later, Roberts would add the title of chief executive. In 2004, he became chairman of Comcast, the same year he launched a $54 billion hostile bid for Walt Disney Co.

Back then, as it is today with NBC Universal, Brian Roberts smelled weakness. Disney CEO Michael Eisner was in danger of being ousted over the company's flagging performance. At first, Roberts tried to get Eisner to back a friendly takeover, but it didn't work. Disney's board rallied around keeping the company independent. Comcast shareholders also didn't show much enthusiasm. In April 2004, two months after mounting the takeover attempt on Disney, Comcast walked away.

Comcast wanted Disney's programming and cable networks, especially the valuable ESPN, which cable providers such as Comcast must pay to show to their subscribers.

Now Roberts would get a similar opportunity with NBC Universal, which owns profitable channels such as CNBC, Bravo and USA. Comcast saw its opportunity after the financial meltdown devastated GE's financing unit, GE Capital, forcing the company to try to raise cash.

Comcast has made no secret of its desire to own more programming content to supplement its cable distribution system, which faces increasing competition from satellite TV, phone companies and the Internet. Comcast has bought or created such cable networks as E! Entertainment, Style, Versus and The Golf Channel. It launched several regional sports networks and has chased premium sports rights to challenge those enjoyed by satellite TV provider DirecTV Group Inc., which carries a package of NFL games. Comcast tried but failed a few years ago to get eight live NFL games a year on Versus.

Owning more of what it carries means Comcast can profit from creating programs and reselling them in an increasing number of formats - including online and in video-on-demand services.

But other cable providers aren't so sure they need to own so much media content. The risks of such a big maneuver help explain why Comcast shares have lost about 9 percent since the NBC Universal talks leaked on Sept. 30, reducing the company's market value by $4 billion.

Time Warner Cable, spun off this year from Time Warner Inc., is satisfied to be distributing cable TV and moving on from the content-plus-distribution dreams that drove the disastrous AOL-Time Warner deal.

Other cable providers are diversified beyond being mere pipes, but not on the scale Comcast seeks. For instance, Cablevision Systems Corp. owns New York sports teams and the Newsday newspaper but appears to have no plans to expand beyond its Long Island roots.

The only other cable executive to have shown similar ambition is John Malone, former CEO of Tele-Communications Inc. - a predecessor to the AT&T unit that Comcast bought. Malone is now chairman of Liberty Media Corp., an investment firm that controls DirecTV. But while Malone is thought of as a consummate dealmaker, Roberts' steps come off as less about him than about Comcast.

"I think ego is a very small part of it," said Peter Fader, marketing professor at the University of Pennsylvania's Wharton School, the Comcast CEO's alma mater. "He thinks it's good business."