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Just when the cable guys thought they'd identified all the exigent threats to the traditional pay TV business, a savvy French telecom tycoon has parachuted onto the battlefield with visions of grandeur.

Patrick Drahi, founder of Netherlands-based cable and telecom provider Altice Group, surprised the TV biz on Sept. 17 by unveiling a rich $17.7 billion acquisition agreement with Cablevision, an old-guard cable player still controlled by its founding family, the Dolan clan. Drahi has been on a tear in France and Europe during the past two years, scooping up some $40 billion in cable, wireless and telecom assets. His strategy is to turn his company into an essential household utility by offering consumers a "quad play" of one-stop shopping for video, broadband, wireless telecom and land-line telephone services.

Altice's play, which would turn it into the fourth-largest U.S. cable operator, is a clear signal that Drahi aims to extend his vision across the Atlantic. And that means he's probably just getting started shopping for U.S. media assets. Hollywood is paying attention, especially because of Altice's reputation for driving hard bargains in programming deals. In announcing the Cablevision pact, Altice promised to squeeze $900 million in savings out of the company. "This can only accelerate consolidation among the programmers," MoffettNathanson analyst Craig Moffett wrote. "It is reasonable to guess that Altice will be a very aggressive negotiator, and will be willing to drop networks if necessary … in order to preserve margins."

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Philadelphia Inquirer
Editorial: Stopgap is a nonstarter

Drahi began his quest to conquer America in May, when he made a $9.1 billion deal to acquire 70% of St. Louis-based midsized cable operator Suddenlink. That agreement got watercooler attention in the U.S., but nothing like the response to the pact for Cablevision, which has about 2.8 million subscribers in some of the most desirable markets in the U.S. — the New York tri-state area.

As Altice surveys the field, the prices for the few remaining independent cable operators of any size just went up. Cox Communications, Mediacom and Cable One are seen as prime targets for the soon-to-merge (or so they hope) Charter Communications and Time Warner Cable. The Dolans' decision to sell to Altice carries heavy symbolism at a time when the U.S. pay TV market is roiling from competitive threats from seemingly every direction. Netflix, Hulu and other streaming-only platforms are siphoning customers away from the core video business. The prospect of Apple, Google or Facebook harnessing their enormous user bases to distribute channels in a cable-like fashion casts another shadow on the marketplace.

That fear has driven the burst of M&A activity among cable operators under the assumption that bigger providers will have the clout and resources to better adapt to a world in which profits come largely from broadband and telephony services rather than channel packages. Already there's chatter of Altice going after a wireless firm like Sprint or T-Mobile to further its quad-play strategy.

Founded in 2002, Altice has its roots in the traditional wired world. After launching two cable companies in Europe, Drahi himself is said to have done the grunt work of installing service in his early days, and he considers cable titan John Malone a mentor through their encounters in Europe over the years. But the sale of a pioneering operator like Cablevision to a foreign conglomerate is indicative of the global scope of today's big media players — a far cry from Charles Dolan's humble beginnings on Long Island with 1,500 subscribers in 1973. The jousting with upstart competitors and the pressure to grow or die was becoming overwhelming.

Drahi has a vision, but there's skepticism about whether he'll have the time to pull it off before the debt load he's piled up becomes crushing. There's no question he's paying top dollar to snare Cablevision, which will place a further drag on Altice's balance sheet. Drahi reinforced his reputation as a ruthless cost-cutter in remarks following the Cablevision announcement, when he told Wall Streeters he was dismayed to learn that Cablevision had 300 employees making $300,000 or more a year. "This we will change," he said at the Goldman Sachs investor conference on Sept. 17. "I don't like to pay salaries. I pay as little as I can."

Altice's bravado sets up a horse race with Charter Communications, which has its eye on further acquisitions once its $56 billion purchase of Time Warner Cable is locked up. But Drahi has a big head start, since Charter probably won't be finished with the slog of federal approvals on Time Warner Cable until early next year. "The window for industry consolidation is narrowing," wrote Amy Yong, analyst at Macquarie Capital. "Altice's interest is one centered around cheap financing and cost cutting." – ***Advertising Age***

The amount of money each U.S. pay-TV subscriber pays to include individual broadcast stations in their channel package increased an average of 40 percent year-over-year to 89 cents per customer in the second quarter, according to SNL Kagan.

The research firm's latest tabulation of fast-rising broadcast retransmission fees comes as the NCTA -- in comments to the FCC relating to the agency's upcoming Video Competition Report to Congress -- asked for removal of a mandate requiring cable companies to include broadcast channels in their basic programming tiers. As for the quarterly SNL Kagan retrans report, it tracks the top 15 station owners and comes just two and a half months after the research firm predicted U.S. pay-TV operators will pay a combined total of $9.8 billion by 2020 for broadcast retransmission TV rights.

SNL Kagan said Gray Television took in the largest retrans fees in the second quarter, with per-sub fees growing to $1.26 per subscriber on a network basis. (Gray Television just agreed to buy Schurz Communications' TV and radio stations for $442.5 million.) Another station group in consolidation mode, Media General, saw year-over-year per-sub increases of 45.2 percent to 99 cents per pay-TV customer, according to the report. Media General just made a $2.45 billion proposal to acquire Meredith Corp.

The SNL report comes not only as the broadcast TV station and pay-TV landscapes are both consolidating, but also as the FCC is mulling significant changes to laws governing retransmission negotiations.

The FCC has already indicated that it will likely remove "exclusivity" laws that restrict pay-TV operators from porting in signals from distant broadcasters. But other key changes could be coming, as well. Responding to a call for comments for the FCC's upcoming annual Video Competition Report to Congress, the NCTA took aim at what it called "outdated" laws that require cable companies to include broadcast TV stations in their basic programming tiers. "None of cable's competitors have such an obligation, and the requirement hampers cable's ability to compete for customers who would prefer not to have to pay for such stations," the NCTA said in its filing. – ***Fierce Cable***

The Pennsylvania House on Tuesday advanced a stopgap budget bill toward a final vote planned for Thursday. The Senate approved the bill last week, so House passage would send it to Gov. Tom Wolf. But the governor has said he will veto a stopgap spending measure unless there is agreement on a full annual budget.

The Republicans who control the General Assembly and Mr. Wolf, a first-year Democrat, have been embroiled for months in disagreements that led to Mr. Wolf vetoing a state budget on June 30, the eve of the state’s new fiscal year. Mr. Wolf has proposed increasing several taxes to provide new education funding and lower local property taxes, while Republicans want to reshape the pension systems for state and public school workers and end the state’s involvement in the wine and liquor business.

With no state budget in place, Republicans have said the four-month appropriations bill they are sending toward the governor would allow schools and social service providers to receive funding they are currently missing. Mr. Wolf and Democrats have opposed the measure, describing it as an alternative to serious negotiations. – ***Pittsburgh Post-Gazette***

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