September 28, 2015

Via Electronic Filing

Marlene H. Dortch, Secretary
Federal Communications Commission
445 12th Street, S.W.
Washington, D.C. 20554

Re: WC Docket No. 15-135
Notice of Ex Parte Presentation

Dear Ms. Dortch:

In their Joint Application, Altice N.V. ("Altice") and Cequel Corporation (d/b/a "Suddenlink," and, together with Altice, the "Joint Applicants") demonstrated that Altice's proposed acquisition of Suddenlink (the "Transaction") will serve the public interest. The Joint Applicants demonstrated that while they both operate as recognized leaders in their respective markets, Suddenlink will benefit from Altice's substantial financial and operational resources, thereby becoming an even stronger competitor in the United States.[1]

The Joint Applicants noted that Altice has a demonstrated history of investing in video, telephony and broadband service providers, accelerating existing network investment plans, and funding new network investment. As a result, consumers have enjoyed increased broadband availability, faster speeds, and expanded service offerings in regions served by service providers acquired by Altice. These same types of benefits can be expected to result from the proposed Transaction.

As an initial matter, it is important to recognize the regions that Suddenlink serves, many of which are rural, and the challenges the company today faces to deploy and sustain broadband service to communities in those regions. Nevertheless, despite these challenges, Suddenlink has made substantial progress in ensuring that consumers in less densely-populated regions have access to broadband and other services at speeds and service levels comparable to those enjoyed by consumers in some of the largest cities and markets in the United States. But network investment and deployment activities require continued access to substantial capital and operational resources. Altice brings precisely those resources to the Transaction, and it has a demonstrated track record of using them to, among other things, enhance the broadband speeds and network quality of the service providers it acquires. It is for this reason, among others, that

[1] It also is worth noting that unlike a transfer of control that requires the integration of two (or multiple) networks, Altice's acquisition of Suddenlink will not trigger any network integration issues. This is because Altice does not currently own or control any network assets in the United States.

the proposed Transaction will enhance and promote Suddenlink's ongoing efforts to provide top-quality broadband and other services to consumers in portions of the United States who are not typically the focus of the largest service providers.

Suddenlink is focused on providing broadband service to communities located outside of major metropolitan areas. Unlike communications companies that operate primarily in major metropolitan areas or focus their advanced service offerings on those areas, Suddenlink operates primarily in smaller, rural communities. Yet Suddenlink has endeavored to deploy broadband throughout its footprint. Today, Suddenlink offers a high speed data product to more than 97.5 percent of its homes passed on a nationwide basis, despite the obvious economic challenges of constructing and upgrading costly infrastructure in areas with comparatively low density.[2]

Nearly half of Suddenlink's existing network serves customers located in rural areas. In fact, based on the Commission's most recent definition of "rural" in the wireline context,[3] over 43 percent of Suddenlink homes passed are located in rural areas – *i.e.*, outside of urban areas in communities with populations of less than 25,000 persons. To provide context, some of Suddenlink's larger service communities include Jonesboro, Arkansas (pop. 70,187); Lake Charles, Louisiana (pop. 71,993); Greenville, North Carolina (pop. 90,233); Lubbock, Texas (pop. 243,839); and Charleston, West Virginia (pop. 51, 400). While Suddenlink is proud to serve these communities, they clearly are not major metropolitan markets. Moreover, most of the communities Suddenlink serves are even smaller. Indeed, approximately 85 percent of Suddenlink's nearly 900 cable franchises – which are scattered across eighteen states -- have fewer than 2,000 customer homes per franchise.

Despite the challenges of bringing advanced services to these markets, the vast majority of Suddenlink customers enjoy broadband service as a result of Suddenlink's efforts, in most cases at speeds comparable to or faster than those enjoyed by residents of far larger and more affluent metropolitan communities. More specifically, 80 percent of Suddenlink's passings today have access to speeds of 150 Mbps or faster, and another 10 percent have access to speeds of at least 50 Mbps. Thus, more than 90 percent of Suddenlink's passings have speeds available that are at least double the FCC's current definition of "advanced telecommunications capability."[4]

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[2] Suddenlink has approximately 25,000 passings where it does not currently offer a high speed data product. That situation exists largely because of the lack of "middle mile" connection infrastructure that impedes Suddenlink providing broadband to these very small, very remote locations.

[3] *In the Matter of Modernizing the E-Rate System for Schools and Libraries,* Second Report and Order and Further Order on Reconsideration, 29 FCC Rcd 15538, FCC 14-189 at ¶¶ 140-41 (2015) (defining areas with populations of less than 25,000 as "rural," as adjusted by Census Bureau data, for purposes of E-rate disbursements).

[4] *See In re Inquiry Concerning the Deployment of Advanced Telecommunications Capability to All Americans,* GN Docket No. 14-186, *2015 Broadband Progress Report and Notice of Inquiry on Immediate Action to Accelerate Deployment,* 30 FCC Rcd 1375 (FCC 15-10) (¶ 3) (Feb. 5, 2015) (finding that having "advanced telecommunications capability" requires access to actual download speeds of "at least 25 Mbps and actual upload speeds of at least 3 Mbps").

Suddenlink is enhancing its networks further to deliver up to 1 Gbps Service to the smaller, rural communities it serves, but its ability to do so is not assured. In the rapidly-developing broadband market, where consumer demand for high-quality broadband and faster speeds continues to grow, network investment is critical to staying competitive. It also is critical to ensuring that consumers have the bandwidth they need to access the latest services, applications and content of their choice, engage in distance and online learning, and participate in a wide array of civic and community activities. It is for this reason that Suddenlink is taking steps to further enhance its broadband network infrastructure through "Project Gigaspeed" -- a four-year investment program that is aimed at progressively boosting Internet speeds and, by the end of 2017, making 1 Gbps service available to the vast majority of Suddenlink customers.

Specifically, if and when Project Gigaspeed is fully deployed, Suddenlink expects that approximately 90 percent of the passings will have access to a high-speed broadband network that is capable of delivering speeds of up to 1 Gbps.[5] Project Gigaspeed also will result in the conversion to an all-digital video network in virtually all of the company's passings affected by the project. Notably, these upgrades will benefit *all* of the homes and businesses passed by the local system, not just those in carefully selected neighborhoods within them.[6]

But project Gigaspeed is a multi-year program, and it will require considerable year-over-year funding to achieve its objectives. Suddenlink spent more than $35 million in 2014 (beyond other budgeted capital expenditures) to initiate this project, and it forecasts spending an additional more than $80 million in 2015. The project plan calls for additional expenditures of more than $90 million in 2016 and 2017 (combined) to realize the program's objectives. And although Suddenlink has in place a plan for Project Gigaspeed, funding decisions for that plan are made annually, and other business priorities can affect them.

The Transaction will ensure that Suddenlink has access to sufficient resources to realize Project Gigaspeed's objectives. Given Suddenlink's extraordinary commitment to broadband deployment, the proposed Transaction is particularly important. Altice is a public company with a market capitalization of over $ 20 billion. This affords Altice access to considerable financial resources, often at advantageous terms that are not readily available to smaller providers like Suddenlink. Moreover, Altice has global scale. It operates as a leading provider of communications services in a range of jurisdictions -- including Western Europe, Israel, the French Overseas Territories and the Dominican Republic -- and can leverage that global scale in its negotiations with suppliers, vendors and other providers of network and

[5] Separately, and as explained in the Joint Applicants' Reply Comments in this proceeding, Suddenlink also is participating in several programs focused on increasing adoption and connectivity in low-income communities, such as the President's "ConnectHome" initiative pilot program in a Choctaw Tribal Nation community, and the "Connect2Compete" program, through which Suddenlink is currently providing low-cost, high-speed broadband service to low-income students in several diverse communities, such as Amarillo, Texas; Muskogee, Oklahoma; Payson, Arizona; and Bishop County, California.

[6] This stands in contrast to some larger providers that deploy high-speed broadband capable networks only in those areas with residents of high per-capita income, or only in select neighborhoods located in urban and large suburban markets.

service inputs. This can result in reductions in overall network deployment costs and other tangible benefits.

Altice has demonstrated repeatedly that it continually invests in its networks to ensure their long-term viability and growth. One key measure of this investment is these companies' ratio of capital expenditures to sales. Under this measure, a higher capital expenditure to sales ratio demonstrates increased capital investment relative to sales generated by the company. Notably, after each key network investment or acquisition that Altice has made, its ratio of capital expenditures to sales for the acquired service provider has grown. For example:

- In France, Belgium and Luxembourg, Numericable's ratio of capital expenditures to sales increased on an annualized basis, from 14 to 15 percent in France since 2014, and from 11 to 26 percent in Belgium and Luxembourg since 2011.

- In Israel, Altice's CapEx-to-Sales ratio for Hot increased by an even wider margin, from 21 to 34 percent since 2011.

- And in Portugal, it increased from 14 to 17 percent between 2011 and the present.

In each of these jurisdictions, Altice's capital expenditures surpassed those of the incumbents with which it competes.

These figures demonstrate that Altice not only has access to the capital necessary to operate on a large scale, but also that it strategically invests in its service providers in order to improve their service offerings and enhance their competitive position in the market, all to the benefit of consumers.

<u>Altice's proven track record has brought substantial benefits to consumers and can be expected to do the same for Suddenlink subscribers.</u> Altice's proven track record of investing in its portfolio service provider companies has brought substantial benefits to their subscribers. For instance, when Altice acquired control of Numericable in France in 2013, Numericable's network had not been upgraded to Docsis 3.0 and it was capable of delivering download speeds of only 1 Mbps. Today, less than three years later, approximately 98 percent of Numericable's network has been upgraded to Docsis 3.0, and its network is capable of delivering download speeds to subscribers of between 100-200 Mbps. The same occurred in Belgium and Luxembourg, where the entire network has been upgraded to Docsis 3.0 and today can offer speeds that are 10 to 200 times faster -- from 4 Mbps in 2013 to 50-200 Mbps today -- than when Altice acquired control of Numericable in 2013. Altice's network investment philosophy has led to similar outcomes in the other jurisdictions in which it operates. For instance, when Altice acquired cable provider Hot in Israel in 2011, Hot's network had not been upgraded to Docsis 3.0 and was capable of delivering download speeds of only 3-7 Mbps. Today, 100 percent of Hot's network has been upgraded to Docsis 3.0 and it is capable of delivering download speeds of between 30-200 Mbps. And in Portugal, where Cabovisão's network had not been digitized when Altice acquired it in 2012, Cabovisão subscribers today enjoy a network that is 94 percent upgraded to Docsis 3.0 and affords download speeds of up to 360 Mbps.

Altice also has built out its networks to increase their broadband reach. For example, since acquiring control of Numericable in 2013, Altice has added approximately 100,000 passings to its footprint in France and approximately 100,000 passings to its footprint in Belgium and Luxembourg (combined). The same is true in Israel, where the number of passings for Hot increased by approximately 100,000 since Altice acquired the company in 2011. Increasing a service provider's footprint can be costly and challenging, and not every region is well-suited to this endeavor. But Altice's track record demonstrates that it has the wherewithal and vision to expand its networks and, in turn, the number of subscribers that can benefit from its services.

Altice's proposed acquisition of Cablevision should not affect the timing or substance of the Commission's review in this docket. On September 16, 2015, Altice entered into an Agreement and Plan of Merger with Cablevision Systems Corporation (the "Cablevision Transaction"), a provider of cable, broadband and telephony services in New York, New Jersey and Connecticut. The Applicants do not believe that the announcement of that transaction should have any effect on the timing or substance of the Commission's review of the proposed Transaction.

The proposed Transaction has been pending before the Commission since June 3, 2015. Only two parties commented on the proposed Transaction and the Joint Applicants have addressed the concerns raised in those comments. The Applicants have received approval from all but two of the state regulatory authorities that are reviewing the transaction, no opposition has been filed in the two remaining state jurisdictions where approval is pending, and nearly all of the local franchising authorities with jurisdiction over the Transaction have approved it or are expected to do so in the near future.

As set forth herein and in the previous submissions by the Joint Applicants, the public interest benefits of the proposed Transaction are clear and compelling. No one has presented a material objection to the Transaction -- either before the Commission or elsewhere. The Commission will have ample opportunity to consider the Cablevision Transaction when applications are filed in connection with that transaction. The Commission therefore should complete its review in this docket and approve the proposed Transaction promptly.

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This letter is being filed pursuant to Section 1.1206 of the Commission's Rules. Please contact the undersigned if you have any questions regarding this submission.

Respectfully submitted,

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