

**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554**

In the Matter of)
)
Applications Filed for the) WC Docket No. 15-257
Transfer of Control of)
Cablevision Systems Corporation to Altice N.V.)
)
)

**PETITION TO DENY OR IN THE ALTERNATIVE IMPOSE CONDITIONS
COMMUNICATIONS WORKERS OF AMERICA**

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I. INTRODUCTION AND EXECUTIVE SUMMARY

In response to the Commission’s Public Notice,¹ the Communications Workers of America (“CWA”) submits this Petition to Deny or in the alternative impose conditions on the application of Altice N.V. (“Altice”) and Cablevision Systems Corporation (“Cablevision”) to transfer control of Cablevision and certain subsidiaries to Altice (collectively, the “Applicants”).² CWA is a labor organization, representing 700,000 workers in communications, media, airlines, manufacturing and public service. CWA represents Cablevision employees in one of its largest jurisdictions, Brooklyn, New York. CWA members are also residents in Cablevision service areas in New York, New Jersey, and Connecticut.

CWA is vitally concerned with the outcome of this proceeding because our members and their families will be affected by the transaction as workers, consumers, and residents. Indeed, this transaction will impact not only Cablevision’s 3.1 million video/broadband/voice subscribers, but also, given the critical role that high-speed Internet plays in economic and social life, the economic health of hundreds of communities across Cablevision’s three-state footprint in New York, Connecticut, and New Jersey, including the largest city in our nation.

The proposed transaction, as currently structured, poses considerable harm to consumers, workers, and communities. To finance its \$17.7 billion purchase of Cablevision, the Netherlands-based Altice will more than double Cablevision’s already heavy debt load to a staggering \$14.4

¹ FCC, Public Notice, Applications Filed for the Transfer of Control of Cablevision Systems Corporation to Altice N.V., WC Docket No. 15-257, Nov. 5, 2015.

² In the Matter of the Application of Altice N.V., Transferee, and Cablevision Systems Corporation, Transferor, Application for Authority Pursuant to Section 214 of the Communications Act of 1934, as Amended, to Transfer Control of Domestic and International Section 214 Authorizations, WC Docket No. 15-257, Oct. 14, 2015 (“Joint Application”).

billion. Altice plans draconian cuts of \$ 1.05 billion in both operating and capital expenses in order to service the massive debt while still promising a healthy return to shareholders. Altice plans to cut capital investment, operating expenditures, and customer operations, among other cost reductions. This translates into delayed network maintenance, reduced investment in next-generation infrastructure, and massive job cuts. With fewer people to do the work, customers will experience service delays for repair, installation, and customer service. Workers, their families, and the communities in which they live and work will experience the devastating economic and social impact of job loss and downward pressure on living standards. Brooklyn Cablevision workers fought four years to win union representation and a collective bargaining agreement; the Altice purchase should not lead to loss of those hard-won workers' rights.

Such a dismal scenario for consumers and workers is not idle projection. Rather, Altice's expansion strategy in France, Portugal, Israel, and elsewhere has followed the same dangerous playbook: borrow heavily and put up the equity and assets of the acquired company as collateral, load the new debt onto the newly-acquired firm, send in Altice management to slash jobs and expenses, and make the newly-acquired firm pay for its own acquisition and to provide cash to help finance the next buy-out. The result at newly-purchased telecom companies in France, Portugal, Israel and elsewhere has been service disruption, job loss, price increases, and loss of customers. In France, Altice's largest subsidiary, Numericable-SFR, has lost more than a million customers since Altice took over. Altice is following this same risky path in its Cablevision acquisition. As the *Financial Times* put it: "Altice management believes it can reduce overhead enough to offset declining pay-TV subscribers. There is blood in the water. Prepare for the feeding frenzy."

In contrast to the considerable harm to network investment, service quality, and good jobs that will result from the proposed transaction, the Applicants provide no concrete, verifiable transaction-related public interest benefits. Their Joint Application is long on rhetoric, but silent on specifics. In fact, the Joint Application provides virtually no information regarding post-transaction financial and operating projections, employment, broadband expansion, retail service quality, details of projected synergies and cost-cutting plans, among other items. On this basis alone, the Commission should deny the Applicants' request for streamlined treatment. Given the potential for considerable transaction-related public interest harm, the Commission should issue a detailed data request to collect information on the aforementioned issues, among others.

Because the proposed merger would result in considerable public interest harm with few, if any, countervailing benefits, the Commission should deny the Application or in the alternative impose the conditions listed below. Should the Commission approve the transaction with conditions to protect the public interest, it should require Altice to retain both an internal company compliance officer and an independent, external compliance officer to report and monitor compliance with these commitments:

1. ***Broadband Expansion.*** Altice should make specific, verifiable commitments, with specific timetables, to upgrade and expand high-speed broadband in its cable service area.
2. ***Service Quality.*** Altice should make specific, verifiable commitments and report publicly on service benchmarks to ensure provision of high-quality, prompt, reliable service on a well-maintained network. Benchmarks should set standards for repair and installation intervals, call answer times, trouble and repeat trouble reporting, and appropriate staffing levels, with serious penalties for non-compliance.
3. ***Capital and Operating Expenditures.*** Altice should make specific, verifiable commitments for capital and operating expenses post-transaction at levels that are at least commensurate with Cablevision's current outlays and, where Cablevision has network or

service challenges, at appropriately higher levels to ensure that it meets its broadband expansion commitments and service quality benchmarks.

4. ***Financing of Future Acquisitions.*** Altice should not be allowed to starve Cablevision of resources it needs for investment and quality service in order to upstream cash to the parent to finance future acquisitions. Cablevision should be subject to reasonable limits on the amount of dividends or other “upstream” payments that Altice can extract from Cablevision.
5. ***Jobs.*** Job loss and lower living standards impact not only the individual workers and their families, but also the economic health and social well-being of the communities in which they live, work, pay taxes, and purchase goods and services. There is an economic multiplier to job loss and reduced compensation that expands well beyond the laid-off employees themselves. Altice should commit to ensuring that employees do not lose their jobs as a result of the transaction and that their employment rights will be protected. Further, Altice should commit to maintain or grow employment levels after the transaction.
6. ***Workers’ Rights.*** For employees who have elected to have union representation, Altice should commit to respect and recognize the collective bargaining status of its employees that existed prior to transfer. Further, Altice should commit that it will take no action to undermine that status and will recognize the existing collective bargaining agreement. Altice should commit that it will take no action to undermine the rights of employees who seek union representation.

II. STANDARD OF REVIEW AND PUBLIC INTEREST FRAMEWORK

Pursuant to sections 214(a) and 310(d) of the Communications Act, the Commission must determine whether the Applicants have demonstrated that the proposed transfer of control of Cablevision’s assets to Altice will serve the public interest, convenience, and necessity.³ The public interest standards of sections 214(a) and 310(d) involve a balancing process that weighs the potential public interest harms of the proposed transaction against the potential public interest

³ 47 U.S.C. §§ 214(a), 310(d).

benefits.⁴ The Commission’s public interest evaluation encompasses the “broad aims of the Communications Act”⁵ which include, among other things, the preservation and advancement of universal service, the accelerated deployment of advanced services, and whether the merger will

⁴ See, e.g. Applications of AT&T Inc. and DIRECTV, Inc for Consent to Assign or Transfer Control of Licenses and Authorizations., *Memorandum Opinion and Order*, MB 14-90, July 28, 2015 (rel), para. 18-19 (“*AT&T/DIRECTV Order*”); Applications for Consent to the Transfer of Control of Licenses and Section 214 Authorizations from MediaOne Group, Inc., Transferor, to AT&T Corp., Transferee, CS Docket No. 99-251, *Memorandum Opinion and Order*, 15 FCC Rcd. 9816, 9821 para. 11 (2000) (“*AT&T-MediaOne Order*”); ,*Frontier-AT&T Order*, 29 FCC Rcd at 9205, para 8; *Applications Filed for the Transfer of Control of Embarq Corporation to CenturyTel, Inc.*, Memorandum Opinion and Order, WC Docket No. 08-238, June 25, 2009 (rel) (“*CenturyTel/Embarq Order*”); *Applications Filed by Frontier Communications Corporation and Verizon Communications Inc. for Assignment or Transfer of Control*, Memorandum Opinion and Order, 25 FCC Rcd at 5976-77 at para 9 (“*Verizon/Frontier Order*”); *AT&T Inc. and BellSouth Corporation Application for Transfer of Control*, WC Docket No. 06-74, Memorandum Opinion and Order, March 26, 2007, para19 (March 26, 2007 rel)(“*AT&T/BellSouth Order*”); *SBC Communications, Inc. and AT&T Corp. Applications for Approval of Transfer of Control*, WC Docket No. 05-65, Memorandum Opinion and Order, 20 FCC Rcd 18300, para 16 (2005) (“*SBC/AT&T Order*”); *Verizon Communications, Inc. and MCI, Inc. Applications for Approval of Transfer of Control*, WC Docket No. 05-75, Memorandum Opinion and Order, 20 FCC Rcd 18443, para. 16 (2005) (“*Verizon/MCI Order*”), Applications of AT&T Wireless Services, Inc. and Cingular Wireless Corporation For Consent to Transfer Control of Licenses and Authorizations, WT Docket 04-70, *Memorandum Opinion and Order*, para. 40, Oct. 26, 2004 (rel) (“*Cingular-AT&T Order*”); WorldCom, Inc. and Its Subsidiaries (Debtors-in-Possession), Transferor, and MCI, Inc., Transferee, WC Docket No. 02-215, *Memorandum Opinion and Order*, 18 FCC Rcd. 26,484, 26,492 para. 12 (2003) (“*WorldCom-MCI Order*”); Applications for Consent to the Transfer of Control of Licenses from Comcast Corporation and AT&T Corp., Transferors, to AT&T Comcast Corporation, Transferee, MB Docket No.02-70, *Memorandum Opinion and Order*, 17 FCC Rcd. 23,246, 23,255 para. 26 (2002) (“*AT&T-Comcast Order*”); Application of EchoStar Communications Corporation (A Nevada Corporation), General Motors Corporation, and Hughes Electronics Corporation (Transferors) and EchoStar Communications Corporation (A Delaware Corporation) (Transferee), CS Docket No. 01-348, *Hearing Designation Order*, 17 FCC Rcd. at 20,574 para. 25 (2002) (“*EchoStar-DirectTV HDO*”); VoiceStream Wireless Corporation, PowerTel, Inc., Transferors, and Deutsche Telekom AG, Transferee, IB Docket No. 00-187, *Memorandum Opinion and Order*, 16 FCC Rcd. 9779, 9789 para. 17 (2001) (“*Deutsche Telekom-VoiceStream Order*”); GTE Corporation, Transferor, and Bell Atlantic Corporation, Transferee, CC Docket No. 98-184, *Memorandum Opinion and Order*, 15 FCC Rcd. at 14,045, 14,046 paras. 20, 22 (2002) (“*Bell Atlantic-GTE Order*”); Application of WorldCom, Inc. and MCI Communications Corporation for Transfer of Control of MCI Communications Corporation to WorldCom, Inc., CC Docket No. 97-211, *Memorandum Opinion and Order*, 13 FCC Rcd. At 18,031 para. 10 (1998) (“*WorldCom-MCI Order*”); Applications of SBC Communications Inc. and BellSouth Corporation, WT Docket No. 00-81, *Memorandum Opinion and Order*, 15 FCC Rcd. at 25,464, 25,467 paras. 13, 18 (WTB, IB 2000) (“*SBC-BellSouth Order*”); Vodafone AirTouch, PLC, and Bell Atlantic Corporation, *Memorandum Opinion and Order*, 15 FCC Rcd. 16,512 , 16,517 paras. 13, 25 (WTB, IB 2000) (“*Bell Atlantic-Vodafone Order*”).

⁵ See *AT&T/DIRECTV Order*, para. 19; *Cingular-AT&T Order*, at para. 41; *GM-News Corp. Order*, 19 FCC Rcd. at 483 para. 16; *AT&T-Comcast Order*, 17 FCC Rcd. at 23,255 para. 27; *EchoStar-DirectTV HDO*, 17 FCC Rcd. at 20,575 para. 26; *AT&T-MediaOne Order* 15 FCC Rcd. 9816, 9821 para. 11 (2000); *VoiceStream-Omnipoint Order*, 15 FCC Rcd. at 3346-47 para. 11; *AT&T Corp.-British Telecom. Order*, 14 FCC Rcd. at 19,146 para. 14; *WorldCom-MCI Order*, 13 FCC Rcd. at 18,030 para. 9.

affect the quality of communication services.⁶ In its evaluation, the Commission must also consider whether the new entity will have the requisite financial, technical, and other qualifications to provide the public interest benefits that the Applicants claim the transaction will provide.⁷

The impact of a merger on employment is part of the FCC's public interest analysis.⁸ Indeed, the FCC has repeatedly confirmed that commitments to maintain and grow jobs in the U.S. represent a public interest benefit to be taken into account in the review of proposed mergers.⁹ The FCC considers a merger's impact on service quality as part of its public interest analysis, and has determined that job cuts resulting in reductions in service quality are not in the

⁶ See *AT&T/DIRECTV Order*, para. 19; *AT&T/BellSouth Order*, para. 20; *SBC/AT&T Order*, 20 FCC Rcd at 18301, para. 17; *Verizon/MCI Order*, 20 FCC Rcd at 18443-44, para. 17; *Cingular-AT&T Order*, at 19 FCC Rcd at 21544, para. 41; *AT&T-Comcast Order*, 17 FCC Rcd. at 23,255 para. 27; *AT&T-MediaOne Order*, 15 FCC Rcd. at 9821-22 para. 11; *WorldCom-MCI Order*, 13 FCC Rcd. at 18,031 para. 9.

⁷ 47 U.S.C. § 308; *AT&T/BellSouth Order*, 22 FCC Rcd at 5756, para. 190; *Ameritech/SBC Order*, 14 FCC Rcd 14712, 14947-48, para 568; see U.S.C. § 310(d).

⁸ See, e.g., *Applications of AT&T and Deutsche Telekom AG*, WT Docket No. 11-65, Order and Staff Analysis and Findings, 26 FCC Rcd 16184, 16293, ¶ 259 (2011) (“AT&T/T-Mobile Staff Analysis and Findings”) (“As part of its public interest analysis, the Commission historically has considered employment-related issues such as job creation . . .”); *Applications of Comcast Corporation, General Electric Company, and NBC Universal, Inc. for Consent to Assign Licenses and Transfer Control of Licenses*, MB Docket No. 10-56, Memorandum Opinion and Order, 26 FCC Rcd 4238, 4330, ¶ 224 (2011) (“We also note the Applicants’ representations that additional investment and innovation that will result from the transaction will in turn promote job creation and preservation.”); *Applications of Nextel Communications, Inc. and Sprint Corporation for Consent to Transfer Control of Licenses and Authorizations*, WT Docket No. 05-63, Memorandum Opinion and Order, 20 FCC Rcd 13967, 14029-30, ¶¶ 168-69 (2005) (“Sprint/Nextel Order”) (considering job growth claims as part of FCC analysis); *Applications of Puerto Rico Telephone Authority and GTE Holdings (Puerto Rico) LLC for Consent to Transfer Control of Licenses and Authorization*, File No. 03373-03384-CL-TC-98, Memorandum Opinion and Order, 14 FCC Rcd 3122, 3148, ¶¶ 57-58 (1999) (finding that GTE’s pledge not to make any involuntary terminations, except for cause, of PRTC workers employed as of a certain date would benefit the public interest); *Applications of Deutsche Telekom AG, T-Mobile USA Inc., and MetroPCS Inc. for Consent to Transfer Control of Licenses and Authorizations*, WT Docket No. 12-310, Memorandum Opinion and Order at para. 80, March 12, 2013 (rel) (considering T-Mobile’s job claims as part of FCC analysis).

⁹ See, e.g., *AT&T Inc. and BellSouth Corporation Application for Transfer of Control*, WC Docket No. 06-74, Memorandum and Opinion and Order, 22 FCC Rcd 5662, Appendix F (2007) (“AT&T/BellSouth Order”) (finding that a commitment to provide high quality employment opportunities in the U.S. by repatriating jobs previously outsourced outside the U.S. would serve the public interest).

public interest.¹⁰ In recent reviews, Commissioners Mignon Clyburn and Jessica Rosenworcel, as well as then Chairman Julius Genachowski, made clear that job loss does not serve the public interest.¹¹ In this instant transaction, the Commission must also ensure that workers do not experience any reduction in employment, living standards, and collective bargaining rights as a result of this transaction.

III. THE PROPOSED TRANSACTION WILL RESULT IN REDUCED NETWORK INVESTMENT, SERVICE QUALITY, AND JOB CUTS

The Commission has repeatedly emphasized the critical importance of private sector investment in next-generation communications networks, recognizing that high-speed broadband is the infrastructure of the 21st century, enabling economic growth, job creation, advances in education, health care, public safety, environmental protection, civic participation, and

¹⁰ See AT&T/T-Mobile Staff Analysis and Findings at ¶ 231 (lowering the number of representatives per customer and reducing the level of service that customers would experience “are, of course, not a public benefit . . .”); *Applications of Ameritech Corp. and SBC Communications, Inc. for Consent to Transfer Control of Corporations Holding Commission Licenses and Lines*, CC Docket No. 98-141, Memorandum and Order, 14 FCC Rcd 14712, 14947, ¶ 567(1999) (“Ameritech/SBC Order”) (“Evidence in the record reveals that SBC has increased its commitments to improving service quality by hiring more employees . . .”).

¹¹ See *Verizon-Frontier Order*, Statement of FCC Chairman Julius Genachowski, (“I take seriously concerns that have been expressed about the risks this transaction poses for consumers, employees, and competitors”); Joint Statement of Commissioner Michael Copps and Mignon Clyburn (“Lastly, we understand—and fully expect—that approving this transaction will maintain and potentially expand much-needed quality jobs in these rural communities. We continue to be hopeful that Frontier will soon reach an equitable agreement with the Communications Workers of America, ensuring that the needs of Frontier’s employees are respected”). See also *T-Mobile/Metrics Order* (Statement of Commissioner Jessica Rosenworcel: “Nonetheless, I have expressed to the parties my concern that as they move ahead, American workers do not get left behind. Major job losses are not in the public interest.” Statement of Commissioner Mignon Clyburn: “I hope that the new company, in fact, pursues a course that increases employment opportunities.” Letter from Chairman Julius Genachowski to Congressman Michael Michaud: “During our review T-Mobile USA told the Commission that they plan to preserve and grow U.S. jobs, and I expect them to live up to these commitments.”) See also *WorldCom-MCI Order* at 213 (considering the impact of that merger on employment); *SBC-Ameritech Order* at 567 (citing SBC’s commitment to “improving service quality by hiring more employees”); *Puerto Rico-GTE Order* at ¶ 57 (noting that employee commitments are a merger-related public interest benefit).

entertainment.¹² The Commission has also consistently reaffirmed its obligation to promote universal service by closing the digital divide between those who subscribe to high-speed Internet access and those who do not.¹³ As we explain below, the proposed Altice acquisition of Cablevision threatens to undermine these important goals, first by starving the new Cablevision of the capital and human resources it needs to provide quality service to customers and to invest in new and advanced services, and second, by driving a business strategy that focuses on high-revenue customers at the expense of lower-income consumers.

A. The Altice Purchase of Cablevision Saddles Cablevision with Draconian Debt Obligations

Despite the Applicants' claim that Altice is "fully committed to investing in the Cablevision network,"¹⁴ the financial structure of the transaction and the already announced \$1.05 billion in so-called "synergy" savings will result in fewer financial resources available for network maintenance and investment and fewer employees to provide prompt, quality service to

¹² See In the Matter of Protecting the Open Internet, *Report and Order on Remand*, March 12, 2015 (rel), para 1 ("The open Internet drives the American economy and serves, every day, as a critical tool for America's citizens to conduct commerce, communicate, educate, entertain, and engage in the world around them."); 2015 Broadband Progress Report, Feb. 4, 2015, para 2 ("Today, Americans turn to broadband access service for every facet of daily life, from finding a job to finding a doctor, from connecting with family to making new friends, from becoming educated to being entertained. The availability of sufficient broadband capability can erase the distance to high-quality health care and education, bring the world into homes and schools, drive American economic growth, and improve the nation's global competitiveness.")

¹³ See In the Matter of Lifeline and Link Up Reform and Modernization, *Second Further Notice of Proposed Rulemaking*, June 22, 2015 (rel), pp.4-5 ("Today, broadband is essential to participate in society. Disconnected consumers, which are disproportionately low-income consumers, are at an increasing disadvantage as institutions and schools, and even government agencies, require Internet access for full participation in key facets of society. Notwithstanding overall gains in the adoption of basic levels of broadband services, a disproportionate number of individuals who remain offline have lower than average incomes.")

¹⁴ Joint Application, p.7.

customers.¹⁵ To finance its \$17.7 billion acquisition of Cablevision, Altice is taking on \$8.6 billion in new debt, which when added to Cablevision's already heavy debt load of \$5.9 billion, will leave the new Cablevision with a total net debt of \$14.5 billion.¹⁶ Given the high cost of the new debt financing,¹⁷ the annual interest payments needed to finance the \$8.6 billion in new debt amount to \$654 million on top of Cablevision's current interest payments of \$559 million for a total of \$1.2 billion in annual interest payments at the new Cablevision, representing a full 112 percent increase in Cablevision debt.¹⁸ The new interest payment (\$654 million) plus Altice's announced \$ 1.05 billion in cuts means that the new Cablevision will have \$1.7 billion less cash available to spend on the network and service.

As a result of the heavy debt financing, Moody's immediately put Cablevision under review for downgrade, noting that its eye-popping debt level of 8x earnings (net debt/EBIDTA ratio) "creates risk for a company in a capital intensive, competitive industry." Moody's had

¹⁵ Altice has announced \$900 million in "synergy" cuts in operating expenses and an additional \$150 million cut in capital expenditures for a total of \$1.05 billion in cuts. *See* Altice/Cablevision Presentation, "Acquisition of Cablevision," Sept. 17, 2015, p. 18.

¹⁶ Altice/Cablevision Presentation, "Acquisition of Cablevision," Sept. 17, 2015, p. 18; Altice Press Release, "Altice Acquires Cablevision and creates the #4 cable operator in the US market," Sept. 17, 2015 (available at <http://www.cablevision.com/investor/index.jsp?visitType=searchNaturalFromCVC>).

¹⁷ Altice will pay an average 7.6 percent on its debt, due to higher-than expected borrowing costs for the \$8.6 billion debt financing of the Cablevision deal. *See* William Horobin and Nick Kostov, "Altice Shares Drop Amid Higher Debt Costs, Share Issues," *Wall Street Journal*, Oct. 1, 2015 (available at <http://www.wsj.com/articles/altice-shares-fall-amid-higher-debt-costs-share-issue-1443707259>); Leigh Thomas, "Altice Shares Tumble as Cablevision Deal Financing Completed," Reuters, Oct. 1, 2015 (available at <http://www.reuters.com/article/2015/10/01/us-altice-capital-idUSKCN0RV3KI20151001#CEObHq7UkhA2cGpw.97>); Robert Grindle, Deutsche Bank analyst, "Altice NV: Q3 preview, TP and ests. Tweak post CVC financing and Num div," Oct. 21, 2015.

¹⁸ Cablevision 3Q2015 Earnings Report (for Cablevision current interest expense); calculation for post-transaction annual interest expense: \$6.8 billion debt x 7.6 percent interest = \$654 million annual interest expense (for blended interest rate and \$8.6 billion at current exchange rate *see* ALTICE-Q3-2015-Results-Presentation and Leigh Thomas, "Altice Shares Tumble as Cablevision Deal Financing Completed," Reuters, Oct. 1, 2015 (available at <http://www.reuters.com/article/2015/10/01/us-altice-capital-idUSKCN0RV3KI20151001#CEObHq7UkhA2cGpw.97>).

previously identified leverage of 4.75x net debt/EBIDTA as the upper limit for Cablevision's Ba2debt rating.¹⁹ Moody's subsequently downgraded the debt rating of Altice's largest holding, the French communications giant Numericable-SFR. Moody's explained: "[T]he ratings...consider the risks associated with the growing complexity of the aggregate Altice group organization, which has been assembled in a short time period largely through debt funded acquisitions."²⁰ Standard and Poors also gave Cablevision a "Credit Watch with negative implications" rating, noting that "[t]he Credit Watch listing reflects the potential for at least a one notch downgrade upon completion of the acquisition by Altice."²¹

The Commission should conclude that the Applicants' claim that the new Cablevision will benefit from "Altice's global scale and access to capital" is disingenuous and misleading.²² In fact, just the opposite is true. Altice's business model, the one that it has used to fuel its explosive global growth, requires the acquired company – in this instance, Cablevision -- to finance its own acquisition and to provide cash to the parent for future acquisitions. Altice Chief Financial Officer Dennis Okhuijsen explained the capital structure of post-transaction Cablevision: "[W]e're not going to lever up the existing business. This is a stand-alone capital

¹⁹ Moody's Investor Service, "Rating Action: Moody's places Cablevision on review for downgrade," Global Credit Research, Sept. 17, 2015 (available at https://www.moody.com/research/Moodys-places-Cablevision-on-review-for-downgrade--PR_334839)."

²⁰ See Moody's Downgrades/Negative Watch, Oct. 5, 2015 (available at https://www.moody.com/research/Moodys-confirms-certain-Altice-ratings-CFR-at-B1-downgrades-Numericable--PR_334536).

²¹ Press Release, "S&P Puts Cablevision 'BB-' Rtg on CreditWatch Negative," Sept. 17, 2015 (available at <http://iadweek.com/sp-puts-cablevision-systems-bb-rtg-on-creditwatch-negative.html>).

²² Joint Application, p. 11.

structure, so we're leveraging up the target for Cablevision..."²³ Translation: Cablevision alone is responsible for the debt Altice raised to pay for Cablevision. Or, as Altice explained to investors in its third quarter 2015 earnings report, the parent company operates its various subsidiaries as "distinct credit silos in Europe and the U.S."²⁴ This is Altice's basic model: Each subsidiary company – including Cablevision – must service from its own resources the debt that parent Altice borrows to purchase the subsidiary.²⁵ As we shall see, Altice then sends in new management to slash expenses, essentially to offset the added debt that it has loaded on to the subsidiary.

In addition, Altice requires subsidiaries to provide cash to the parent for their own as well as future acquisitions. Recently, Altice's largest subsidiary, the French telecom giant Numericable-SFR, borrowed €1.68 billion to pay parent Altice a special dividend to help it pay down the debt Altice incurred when it purchased the 60 percent stake in Numericable-SFR that it did not already own.²⁶ Financial analysts believe that Altice will continue its buying spree because its leveraged buy-out business model depends on buying more companies to increase cash flows to finance its debt. Thus, there is a very real possibility that Altice could use cash flow from Cablevision to acquire more European (or U.S.) companies, thus further straining

²³ Transcript, Altice N.V., Cablevision Systems Corporation - M&A Call, Sept. 17, 2015 (available at <http://altice.net/ir-group/results-and-presentations/>).

²⁴ Altice, "Q3 2015 Results," Oct. 28, 2015, p. 33 (available at <http://altice.net/ir-group/results-and-presentations/>).

²⁵ See "Patrick Drahi: le vampire des telecoms," *L'Humanite*, July 24, 2015 (available at <http://www.humanite.fr/patrick-drahi-le-vampire-des-telecoms-580082>).

²⁶ "Numericable-SFR to Move Money to Parent Altice Via 2.5 Billion Dividend," 4-traders, Oct. 14, 2015 (available at <http://www.4-traders.com/NUMERICABLE-GROUP-14833992/news/Numericable-SFR-to-Move-Money-to-Parent-Altice-Via-25-Billion-Dividend-21200593/>); See also Altice press release, "Numericable-SFR successfully prices new €1.68 bn term loan," Oct. 22, 2015 (available at <http://altice.net/wp-content/uploads/2015/10/20151022-ALT-NUM-PR-Term-Loan-transaction-completed.pdf>).

Cablevision’s ability to invest in its operations and network upgrades. Altice CEO Patrick Drahi recently announced to investors: “I’m coming here (to the U.S.) because it’s a beautiful market and taking a position here would help us become stronger in Europe.”²⁷

B. Altice’s Planned \$1.05 Billion in “Synergy” Cuts Will Starve Cablevision of Resources Needed for Service, Network Investment, and Jobs

The Altice acquisition playbook has two acts. Act One, as we discussed above, loads debt onto the newly acquired company to pay for its own acquisition. Act Two flows directly from the consequences of Act One. In order to service the inflated debt expense without sacrificing return to shareholders, Altice sends in new management with instructions to slash operating and capital expenses and eliminate jobs. Altice calls these “synergy” and “efficiency” savings, but in fact they are a transfer of funds to banks and investors at the expense of customers who experience these cuts as service-impacting cost reductions.

Altice has already announced plans to cut \$900 million in operating expenses and \$150 million in capital expenditures, representing an 18.8 percent cut from Cablevision’s last twelve months’ operating expenditures of \$4.8 billion and a 17.3 percent cut from Cablevision’s last twelve months’ capital expenditures of \$ 866 million (for the period ending Sept. 30, 2015).²⁸

The cuts include:

- Capital expense: \$150 million cut
- Network and Operations: \$ 315 million cut

²⁷ “What Telecom CEO’s Are Saying: Highlights from Goldman Sachs Conference,” *The Wall Street Journal*, Money Beat, Sept. 18, 2015 (available at <http://blogs.wsj.com/moneybeat/2015/09/18/what-telecom-ceos-are-saying-highlights-from-goldman-sachs-conference/>).

²⁸ This excludes non-cash depreciation and amortization. Standard & Poor’s Capital IQ Database (which draws on company public filings) for the most recent twelve-month period ending Sept. 30, 2015.

- Customer operations: \$135 million cut
- Sales and marketing: \$45 million cut
- Eliminate duplicative functions and “public company” costs: \$135 million cut
- Other unspecified cuts: \$135 million cuts.²⁹

The Applicants fail to mention these draconian cost reductions in the Transfer of Control Application and Public Interest Statement submitted to the Commission. While the Applicants seek to pacify Wall Street’s concerns about the impact of the highly leveraged buy-out by promising huge cuts on the expense side of the ledger, the Applicants curiously fail to mention this information to the Commission, whose mandate is to protect the public interest, not Wall Street. Little wonder, then, that *The Capitol Forum* headlines its review of the transaction this way: “Public Interest Standard May Be Difficult to Meet.”³⁰ Financial analysts fully expect Altice management to slash and burn once they take control of Cablevision. “Altice has an impressive record of cost reduction, and we expect it will be much more aggressive than the Dolan family in cutting expenses, including reducing employee count,” Reuters reported.³¹ Or as the *Financial Times* put it: “Altice management believes it can reduce overhead enough to offset declining pay-TV subscribers. There is blood in the water. Prepare for the feeding frenzy.”³²

²⁹ Altice/Cablevision Presentation, “Acquisition of Cablevision,” Sept. 17, 2015, p. 18 (available at <http://altice.net/ir-group/results-and-presentations/>) (“Altice/Cablevision Merger Announcement Presentation”).

³⁰ “Altice/Cablevision: Timing Update; Public Interest Standard May Be Difficult to Meet,” *The Capitol Forum*, Nov. 17, 2015.

³¹ Reuters, “UPDATE 4-Altice expands in U.S. with \$17.7 bln Cablevision deal,” Sept. 17, 2015 (available at <http://www.reuters.com/article/cablevision-ma-altice-idUSL5N11N0OV20150917>).

³² “Altice’s Great White Hopes,” *Financial Times*, May 22, 2015 (available at <http://www.ft.com/intl/cms/s/0/89b700fa-fe77-11e4-94c8-00144feabdc0.html#axzz3te5xAmvM>).

Altice's "blood in the water" \$1.05 billion cost-cutting plan aims to reduce Cablevision's operating expenses to those of what it calls "European peers." According to the Altice/Cablevision announcement presentation, Altice implied that it could reduce the new Cablevision's operating expenses from the current \$49 per customer per month to that of its European peers at \$14 to 16 per customer per month. Altice projects that achieving these cost-cutting targets will nearly double Cablevision's operating profit margins (EBITDA), from today's healthy 28 percent to about 48 percent, reaching margins close to what it claims for the group it calls European peers.³³ Altice does not explain how the new Cablevision will be able to achieve these cost reductions without sacrificing service, network investment, and massive job cuts.³⁴ If past is prologue, then the experience in Europe, particularly in France, is particularly instructive. Cost and job cutting leads to service decline and disruption and massive customer defection.

IV. ALTICE'S SLASH AND BURN STRATEGY HAS LED TO SERVICE PROBLEMS, CUSTOMER DEFECTION, SERVICE-IMPACTING JOBS LOSS, AND PRICE INCREASES

Altice's CEO Patrick Drahi, *The Wall Street Journal* explains, "has built an empire stretching from Israel to the U.S. through a combination of debt-fueled acquisitions and rigorous cost-cutting."³⁵ After merging and acquiring telecom companies in Israel, France, Belgium, and Luxembourg in the first decade of this century, Mr. Drahi expanded his domain considerably in 2014 by purchasing the 60 percent shares he did not already own in France's Numericable and then merging it with SFR, France's second largest wireless company, to form Numericable-SFR,

³³ Altice/Cablevision Merger Announcement Presentation, pp. 14-15.

³⁴ *Id.*

³⁵ Nick Kostov, "Drahi's Altice Tweaks Strategy to Lure Back Customers," *The Wall Street Journal*, Oct. 26, 2015.

Altice's largest subsidiary. In 2015, Altice acquired Portugal Telecom's assets (after a government-imposed spin-off of cable businesses).³⁶ Earlier this year, Altice entered the U.S. market with its proposed purchase of SuddenLink and Cablevision.³⁷ Despite the Applicants' claim that its global portfolio companies have provided substantial benefit to consumers, the record shows a pattern of massive cost-cutting and job loss, leading to service disruption, price increases, and loss of customers.

A. Massive Cost Cutting at Altice's flagship French subsidiary, Numericable-SFR, Drove More than One Million Customer Defections in First Year

The experience at Numericable-SFR, Altice's largest subsidiary, is particularly instructive. Financial analysts use this company as a barometer to measure the results of Altice's method to use debt to finance acquisitions.³⁸ *The Wall Street Journal* reports that after Altice bought SFR for \$23 billion and merged it with Numericable in 2014, "what followed was aggressive restructuring that is now recognized as Mr. Drahi's playbook: Altice sends in a team of executives to cut costs in everything from staff to supplies."³⁹ Mr. Drahi even cut payments to suppliers, which led the French Economy Ministry to impose a fine of €750 million on the company for "significant and repeated delays in the payment of invoices from its suppliers."⁴⁰ This is one dramatic example of the multiple ways that Mr. Drahi's Altice shifts costs onto

³⁶ Joint Application, p.12.

³⁷ Altice/Cablevision Merger Announcement Presentation, p. 19.

³⁸ Nick Kostov, "Altice Shares Decline on Third Quarter Earnings," *The Wall Street Journal*, Oct. 28, 2015.

³⁹ Nick Kostov, "Drahi's Altice Tweaks Strategy to Lure Back Customers," *The Wall Street Journal*, Oct. 26, 2015.

⁴⁰ "Numericable-SFR et Airbus parmi mauvais payeurs vises la DGCCRF," Nov. 22, 2015 (available at http://www.cbanque.com/actu/55306/numericable-sfr-et-airbus-parmi-les-mauvais-payeurs-vises-par-la-dgccrf?utm_source=feedburner&utm_medium=feed&utm_campaign=Feed%3A+banque%2Factualite+%28Actualit%C3%A9+%C3%A9conomique+sur+cbanque.com%29).

others: making the acquired firm pay for its own demise; making the workforce pay through job loss and reduced compensation; making customers pay through deteriorating service; and making suppliers become Mr. Drahi's bankers by delaying payments.

The cost cutting at Numericable-SFR took a serious toll on service, and customers defected in droves. Deutsche Bank reports that over the past year (3Q2014 to 3Q2015), Numericable-SFR lost 1.256 million mobile subscribers (5.4 percent of subscribers), 246,000 retail broadband subscribers (3.7 percent of subscribers), and 719,000 home connections (7.2 percent of subscribers).⁴¹ "That's a large chunk of customers to lose in a single period," a Barclay's analyst told *The Wall Street Journal*. Moreover, in an attempt to boost profits, Numericable-SFR targeted higher-revenue paying customers as a way to compensate for the overall decline in subscribers.⁴² Headlines in the French press catalogue the problems: "Drahi indebted and happy to be so;" "Expenses block, contractors hung out to dry, serial departures in the hell of SFR."⁴³ Reuters reports that investors worry that Altice's "aggressive" cost cutting has led to these massive customer defections, and are now concerned that Altice has "a lot on its plate as it gears up to acquire" Cablevision and Suddenlink.⁴⁴

⁴¹ Deutsche Bank Report, Oct. 29, 2015.

⁴² Nick Kostov, "Altice Shares Decline on Third Quarter Earnings," *The Wall Street Journal*, Oct. 26, 2015.

⁴³ "Dépenses bloquées, prestataires essorés, départs en série dans l'enfer de SFR," *LeJDD*, March 29, 2015 (available at <http://www.lejdd.fr/Economie/Depenses-bloquees-prestataires-essores-departs-en-serie-dans-l-enfer-de-SFR-725174>); « Patrick Drahi : endetté et heureux de l'être » *LeJDD*, May 31, 2015 (available at <http://www.lejdd.fr/Economie/Entreprises/Patrick-Drahi-endette-et-heureux-de-l-etre-735160>).

⁴⁴ "Altice's customer woes in Europe stoke concern ahead of its U.S. foray," Reuters, Oct. 30, 2015 (available at <http://www.reuters.com/article/us-altice-usa-idUSKCN0SP00720151031>).

In Israel, the cable provider Hot Telecommunications has raised prices multiple times since it was bought by Altice, including a cable rate increase of 20 percent in 2014 and the attempt to raise prices again this year. The top Israeli cable regulator called the price hike “greed for its own sake” which was not justified based on the company’s profit margins.⁴⁵

If past is prologue – and the Altice financial model indicates that it will be – the Altice purchase of Cablevision does not serve the public interest in quality service, network investment, and good jobs.

B. Altice Labor Policies Cut Jobs, Living Standards for Workers

Above all, Altice boosts profits by massive job cutting and, where it can get away with it, cuts in employees’ compensation. This has devastating impact not only on the individual workers and their families, but also on customers who experience service delays from inadequate staffing and on communities where the laid-off workers live and work. Economists have documented a multiplier effect of unemployment and reduced compensation – the unemployed or lower-paid worker buys fewer goods and services, with ripple effects throughout the economy – while communities experience lost tax revenue, greater need for social services, and often significant social impact on families.

In a joint statement issued by the global labor federation Union Network International, French and Portuguese unions, and CWA, the unions express their deep concerns about the impact of the Altice acquisition on employment at Cablevision. “From our experience with

⁴⁵ “Israeli buyers price tenders results published: The cable company has raised the price of VOD from NIS 25 per month to NIS 29.90,” Globes-online.com, Jan. 16, 2014; “Regulator Freezes Hot, yes price hikes,” Globes: Israel’s Business Arena, Nov. 12, 2015 (available at <http://www.globes.co.il/en/article-regulator-freezes-hot-yes-price-hikes-1001082865>).

Altice acquisitions in France and Portugal,” the Joint Statement on Altice Acquisition of Cablevision Systems Corp reads, “we know that the company often seeks to cut costs and pay off debt through measures that most impact the workforce and their families such as lay-offs, outsourcing, and off-shoring – forcing workers out of their jobs or into lower-paid precarious work in the outsourced companies.” The Joint Statement goes on to cite Altice for its “failure to make timely payments to suppliers and contractors, often forcing those companies into unstable financial situations.” The Joint Statement concludes by calling on Altice to respect the existing CWA representation and collective bargaining agreement that covers Cablevisions’ unionized workforce (in Brooklyn, NY), and “to respect the rights of all Cablevision workers to decide for themselves, free of threats and interference, whether to join CWA and seek to negotiate their conditions on the job.”⁴⁶ (See Attachment A for a copy of the Joint Statement.) The Commission should expect no less, and should insist upon written commitment from Altice that no current employee will experience job loss as a result of the transaction; to maintain and grow employment levels going forward; to recognize the existing union representation and collective bargaining agreement; and to respect the rights of all Cablevision employees to decide for themselves, free of threats and interference, whether to join CWA.

French unions have gone public with their concerns about the impact of Altice’s “brutal” service-impacting cuts, barebones staffing, and price hikes at Numericable-SFR after the Altice acquisition. Oliver Lelong, SFR’s union representative from the CFDT, explained that 250 employees left the company after the acquisition and that budget cuts led to postponement of critical maintenance projects. He blamed customer defections on service problems, lamenting

⁴⁶ Joint Statement on Altice Acquisition of Cablevision Systems Corp, Nov. 25, 2015 (Attachment A.)

rising prices at the same time that investment in wireless network upgrades were delayed. Earlier this year, the CFDT organized an online petition addressed to Numericable-SFR CEO Eric Denoyer expressing concern at a pay freeze that was part of the cost-cutting program; three unions organized a protest strike. While the union contract prohibited the company from laying off employees, the union accused the company of deliberately creating a hostile atmosphere to induce people to leave.⁴⁷ The Society of Journalists working for *L'Express*, part of Altice's Media division in France, denounced Mr. Drahi's "suicidal" cost-cutting strategy, including the firing of 90 employees, which led to serious degradation in the quality of the magazine.⁴⁸ In October of this year, the Union of Workers of Portugal Telecom (STPT) filed a complaint in that country's labor court against PT Portugal, an Altice subsidiary, for unilateral cuts to labor compensation in violation of the collective bargaining agreement.⁴⁹

Altice's risky debt-financed strategy was not lost on France's top economic minister. When Altice offered to buy Bouygues Telecom earlier this year, the French Economic Minister Emmanuel Macron opposed the deal, noting that "all the synergies which could justify such a

⁴⁷ "Les methods 'brutale' d'Altice inquietent les syndicats des operateurs," L'UsineDigitale, June 23, 2015 (available at <http://www.usine-digitale.fr/article/les-methodes-brutales-d-altice-inquietent-les-syndicats-des-operateurs.N337780>).

⁴⁸ Les journalistes de L'Express denoncent les strategie 'suicidaire' de Patrick Drahi, *Le Monde*, Sept. 8, 2015 (available at http://www.lemonde.fr/actualite-medias/article/2015/09/08/les-journalistes-de-l-express-denoncent-la-strategie-suicidaire-de-patrick-drahi_4749354_3236.html?xtmc=altice&xtcr=7); See also "Le plan sociale de L'Express revue a la baisse: 90 departs au lieu de 125," *CB News*, Dec. 3, 2015 (available at <http://www.cbnews.fr/medias/le-plan-social-de-l-express-revu-a-la-baisse-90-departs-au-lieu-de-125-a1024328>).

⁴⁹ "Labor complaint filed against PT Portugal," *Telecompaper*, Oct. 27, 2015 (available at <http://www.telecompaper.com/news/labour-complaint-filed-against-pt-portugal--1109914>).

price are in fact about killing jobs.” Bouygues Telecom ultimately turned down the bid, rejecting the painful job loss that Altice would have imposed.⁵⁰

In summary, the experience in France, Portugal, Israel, and elsewhere provides concrete evidence that the Altice business model – one that it plans to replicate with its Cablevision acquisition - does not serve the public interest. Making an acquired company pay off massive debt load with service-impacting cost cutting has serious and negative consequences for customers, suppliers, communities, and workers. The lesson from France is clear: cutting to the bone leads to massive customer defection. It is not a business model that will benefit the people of New York, Connecticut, and New Jersey.

V. CONCLUSION

The proposed Altice acquisition of Cablevision will result in considerable harm with no offsetting concrete, verifiable benefits for consumers, workers, and communities. The risks are simply too great. The heavily leveraged transaction will leave the new Cablevision saddled with heavy debt payments which Altice plans to offset with draconian cuts in operating expenses, capital expenditures, and staffing. The result will be declining service, delayed investment in next-generation infrastructure, and devastating job loss for employees and for the communities in which they live and work. The Applicants fail completely to provide any concrete, verifiable benefit that will result from the proposed transaction. For these reasons, the Commission should deny the Application. In the alternative, the Commission should condition approval of the transfer upon the following conditions:

⁵⁰ “French Economy Minister Criticizes Drahi Acquisitions,” *The Wall Street Journal*, June 22, 2015 (available at <http://www.wsj.com/articles/french-economy-minister-criticizes-drahi-acquisitions-1434994534>).

1. **Broadband Expansion.** Altice should make specific, verifiable commitments, with specific timetables, to upgrade and expand high-speed broadband in its cable service area.
2. **Service Quality.** Altice should make specific, verifiable commitments and report publicly on service benchmarks to ensure provision of high-quality, prompt, reliable service on a well-maintained network. Benchmarks should set standards for repair and installation intervals, call answer times, trouble and repeat trouble reporting, and appropriate staffing levels, with serious penalties for non-compliance.
3. **Capital and Operating Expenditures.** Altice should make specific, verifiable commitments for capital and operating expenses post-transaction at levels that are at least commensurate with Cablevision's current outlays and, where Cablevision has network or service challenges, at appropriately higher levels to ensure that it meets its broadband expansion commitments and service quality benchmarks.
4. **Financing of Future Acquisitions.** Altice should not be allowed to starve Cablevision of resources it needs for investment and quality service in order to upstream cash to the parent to finance future acquisitions. Cablevision should be subject to reasonable limits on the amount of dividends or other "upstream" payments that Altice can extract from Cablevision.
5. **Jobs.** Job loss and lower living standards impact not only the individual workers and their families, but also the economic health and social well-being of the communities in which they live, work, pay taxes, and purchase goods and services. There is an economic multiplier to job loss and reduced compensation that expands well beyond the laid-off employees themselves. Altice should commit to ensuring that employees do not lose their jobs as a result of the transaction and that their employment rights will be protected. Further, Altice should commit to maintain or grow employment levels after the transaction.
6. **Workers' Rights.** For employees who have elected to have union representation, Altice should commit to respect and recognize the collective bargaining status of its employees that existed prior to transfer. Further, Altice should commit that it will take no action to undermine that status and will recognize the existing collective bargaining agreement. Altice should commit that it will take no action to undermine the rights of employees who seek union representation.

Following Commission precedent in the AT&T/DIRECTV merger, the Commission should require Altice to retain both an internal company compliance officer and an independent, external compliance officer to report and monitor compliance with these commitments.⁵¹

Respectfully Submitted,

A handwritten signature in cursive script that reads "Debbie Goldman". The signature is written in black ink and is positioned above a horizontal line.

Debbie Goldman
Communications Workers of America

December 7, 2015

⁵¹ Applications of AT&T Inc. and DIRECTV for Consent to Assign or Transfer Control of Licenses and Authorizations, *Memorandum Opinion and Order*, July 28, 2015 (rel), para. 398.

DECLARATION OF DEBBIE GOLDMAN

My name is Debbie Goldman. I am Research Economist with the Communications Workers of America. My business address is 501 Third Street N.W., Washington, D.C. 2001.

The Communications Workers of America is a labor organization representing 700,000 workers, half of whom work in the communications industry, including wireline, wireless, Internet access, cable, broadcasting, and publishing.

I am familiar with the contents of the foregoing Comments. The factual assertions made in the petition are true to the best of my knowledge and belief.

I declare under penalty of perjury that the foregoing is true and correct.
Executed on December 7, 2015.

A handwritten signature in cursive script that reads "Debbie Goldman". The signature is written in black ink and is positioned above a horizontal line.

Debbie Goldman

Attachment A

UNI Global Union Joint Statement on Altice Acquisition of Cablevision Systems Corp



Joint Statement on Altice Acquisition of Cablevision Systems Corp

UNI Global Union, the Confédération Française Démocratique du Travail (CFDT), the Confédération Générale du Travail (CGT), the Sindicato dos Trabalhadores das Telecomunicações e Audiovisual (SINTTAV), the Sindicato dos Trabalhadores do Grupo Portugal Telecom (STPT), the Sindicato Democrático dos Trabalhadores das Comunicações e dos Media (SINDETELCO), and the Communications Workers of America have joined together in a coordinating committee to address common issues for workers and the unions at all Altice-owned operations.

In September 2015 we became aware that Altice, the multinational cable and telecommunications company headed by French billionaire Patrick Drahi, is seeking to acquire the U.S.-based cable operator, Cablevision Systems Corp.

Similar to other Altice acquisitions, the purchase of Cablevision is heavily funded by debt, putting up the equity and assets of Cablevision as collateral to secure the purchase. From our experience with Altice acquisitions in France and Portugal we know that the company often seeks to cut costs and pay off debt through measures that most impact the workforce and their families such as lay-offs, outsourcing, and off-shoring-- forcing workers out of their jobs or into lower-paid precarious work in the outsourced companies. Altice has also demonstrated its failure to make timely payments to suppliers and contractors, often forcing those companies into unstable financial situations.

In the United States some of Cablevision's workforce is unionized with the Communications Workers of America (CWA). UNI Global Union and the newly formed coordinating committee support the rights of all Cablevision workers to join a union and bargain collectively. We call on Altice to respect the existing union representation and collective bargaining and meet with the CWA as the acquisition moves forward. We also call on Altice to respect the rights of all Cablevision workers to decide for themselves, free of threats and interference, whether to join CWA and seek to negotiate their conditions on the job.

UNI Global Union and the unions in the coordinating committee will maintain close communication as Altice seeks to expand its presence in the United States and will work together to advance our common goals of fairness at all Altice-owned entities and respect for the rights of the workers employed there.

December 2, 2015

Attachment B
Selected News Articles

THE WALL STREET JOURNAL.

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<http://www.wsj.com/articles/drahi-altice-tweaks-strategy-to-lure-back-customers-1445884571>

BUSINESS | EUROPE | EUROPEAN BUSINESS NEWS

Drahi's Altice Tweaks Strategy to Lure Back Customers

Shift toward spending marks departure for telecom company



Patrick Drahi has built an empire stretching from Israel to the U.S. through a combination of debt-fueled acquisitions and rigorous cost-cutting. *PHOTO: AGENCE FRANCE-PRESSE/GETTY IMAGES*

By **NICK KOSTOV**

Oct. 26, 2015 2:36 p.m. ET

PARIS—European cable-to-telecom tycoon Patrick Drahi has been on an acquisition binge in the U.S., but now he is coming under pressure at home to solve a problem: Fleeing customers.

As Altice NV, Mr. Drahi's holding company, prepares to report its third-quarter earnings on Wednesday, the firm has begun to revive spending on marketing as well as discounts to lure customers. This comes after more than a million clients left its flagship business, French telecom giant Numericable-SFR, over a one-year period ending on June 30.

The shift toward spending is a departure for Mr. Drahi who has built an empire

stretching from Israel to the U.S. through a combination of debt-fueled acquisitions and rigorous cost-cutting. In the past, Altice was willing to sacrifice market share if it allowed the company to extract cost-savings and higher profits that Mr. Drahi could use to pay off debt. The decline in subscribers, however, has raised questions among some investors over whether Mr. Drahi's business model is sustainable, at least in France.

"We are very optimistic that the situation will reverse," said Numericable-SFR's Chief Executive Eric Denoyer when asked about declining customer numbers in July. Altice declined to comment on the situation ahead of its earnings report.

The number of mobile customers at Numericable-SFR declined 5% over the first six months of the year compared with the same period a year earlier. Meanwhile, its main competitors, Orange SA, Iliad SA and Bouygues SA, all reported a rise in the same period as they picked up customers leaving Numericable-SFR.

In Numericable-SFR's fixed-line business, the number of customers declined 3% in the period as the company focused on higher-paying customers instead of market share.

"That's a large chunk of customers to lose in a single period," said Daniel Morris, an analyst at Barclays. "You wouldn't want to see that rate continue for a long period because you would have to start asking questions about the sustainability of the business."

Mr. Morris said that adding customers wasn't the only challenge. Another focus, he said, is the average revenue per user when Numericable-SFR releases its earnings. That figure will show whether the strategy of targeting higher-paying customers was compensating for the overall decline in subscribers.

The push to stem the subscriber loss comes on the heels of Altice's recent \$10 billion acquisition of Cablevision Inc. That deal, reached in September, has compounded the company's already heavy debt pile which is expected to reach almost \$50 billion in 2016. Altice ended up borrowing money at higher interest rates than expected to finance the deal, potentially damping Mr. Drahi's interest in pursuing further acquisitions in the short term.

"They need a few more quarters of execution to make the case for coming back to something big," said Simon Weeden, an analyst at Citigroup. Altice told analysts in September it was focused on its current portfolio of companies rather than planning a swift return to the M&A market.

Altice bought SFR for \$23 billion last year and merged it with Numericable to add one of France's biggest wireless services to its stable. What followed was aggressive restructuring that is now recognized as Mr. Drahi's playbook: Altice sends in a team of executives to cut costs in everything from staff to supplies.

At Numericable-SFR, he slashed advertising budgets and simplified fees for customers. Mr. Drahi even went so far as to stop payments to his suppliers in order to squeeze better deals out of them.

Profit margins grew, but so did client losses. Revenue fell about 3.5% over the first six months of the year.

As subscribers fled, Altice executives said that losing some customers was an acceptable trade-off for boosting the company's profits. The number of lost customers at Numericable-SFR represents only 5% of the overall subscriber base.

For now, the decline in subscribers isn't hurting profits. Numericable-SFR is again expected to post increased earnings before interest, tax, depreciation and amortization—or Ebitda—what analysts say is the key measure of the firm's performance.

Boosted by an aggressive cost-cutting drive championed by Mr. Drahi, the company is on course to reach its target of a 20% increase in Ebitda on a year earlier, according analysts.

"They've shown a speed of execution on cost reductions which is pretty unusual if not unique," said Mr. Weeden at Citi.

Now Altice is tweaking its strategy with a bet that a new ad campaign, combined with promotional offers, can stem the flow of customers to its competitors. But some investors still wonder whether Altice can deliver long-term sales growth, especially at a time when competition remains cutthroat, driving prices downward.

Write to Nick Kostov at Nick.Kostov@wsj.com

BUSINESS | EARNINGS

Altice Shares Decline on Third-Quarter Results

The telecom and cable holding company is making a push to retain customers

By **NICK KOSTOV**

Oct. 28, 2015 2:12 p.m. ET

PARIS—Shares in Altice NV fell nearly 10% Wednesday as the telecom and cable holding company reported weaker profitability than analysts expected due in part to a marketing push in France to court new customers.

The Amsterdam-listed firm, controlled by French telecom tycoon Patrick Drahi, reported a 13% year-over-year increase in adjusted earnings before interest, taxes, depreciation and amortization—what analysts say is an important measure of the firm's performance—to €1.53 billion (\$1.7 billion).

But that figure came in below analyst expectations of €1.58 billion, and revenue fell 2.9% from the same period last year to €3.8 billion. Shares in Altice lost 9.7% in Amsterdam, while its French unit Numericable-SFR was down 3.9% in Paris.

Altice didn't report net profit in its third-quarter earnings.

The results illustrate the delicate balancing act Mr. Drahi must perform between investing in his companies' networks and marketing and keeping costs low. At stake are ambitious earnings targets he needs to keep financing his growing portfolio of

companies.

“After a period of significant M&A activity, our prime focus is on delivering on our operational plans and integrating our new U.S. businesses,” Altice Chief Executive Dexter Goei said.

Altice has used debt over the past two years to stitch together a vast telecommunications empire ranging from Israel to France to the U.S. It most recently bought New York-based Cablevision Systems Corp. for \$10 billion.

The French unit—which was created when Mr. Drahi merged his cable company, Numericable, with mobile phone firm SFR in 2014—is closely watched by analysts as a barometer of Mr. Drahi’s methods of using debt to finance acquisitions.

Over the last year, SFR has been losing customers to competitors in part because Mr. Drahi’s team had until now focused on cutting costs and improving core profit rather than customer retention.

In response, the company said it launched a back-to-school advertising campaign that boosted its subscriber numbers in September. That helped the French SFR unit almost stabilize revenue. But the push pulled down the company’s adjusted Ebitda margin slightly to 37%.

“The question is how much additional cost has to be reinvested to stabilize [the] top line,” Kepler Cheuvreux analyst Javier Borrachero said.

Altice says however that it is turning a corner. The group said it is investing in its network in France and is focused on luring higher paying customers who want faster Internet speeds. Average revenue per user is rising.

“We have suffered from churn in France mainly due to network quality issues inherited from the past,” said Altice Chief Operating Officer Michel Combes. “We are fixing it.”

But competition still worries analysts. In a recent note, analysts at Barclays said that despite an improving trend, they expected revenue to decline overall at European telecom companies in the third quarter.

Write to Nick Kostov at Nick.Kostov@wsj.com

The worst payers of France: SFR and Numericable-Airbus

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> France (<http://www.latribune.fr/actualites/economie/france/l-actualite-economique-france.html>)

By **latribune.fr** | 11.22.2015, 10:35 p.m. | 424 words



(Credits: REUTERS / Charles Platiau)

The Ministry of Economy has pinned five companies, including Numericable, SFR and Airbus to delay payments to their suppliers, according to a publication available on the website of the DGCCRF.

The Ministry of Economy has pinned five companies, including Numericable, SFR and Airbus to delay payments to their suppliers, according to a publication available on the website of the DGCCRF.

This information was posted online Friday by the General Directorate of Competition, Consumer Affairs and Fraud Control (DGCCRF), in charge of enforcing the rules on payment deadlines. Since 2009, these periods may not exceed 60 days from the invoice date or 45 days end of month.

The DGCCRF has fined 375,000 euros against the operator Numericable and fined the same amount for SFR, "for significant and repeated delays in the payment of invoices from its suppliers."

Helicopters Airbus, a subsidiary of Airbus group, fined the same amount for "delays in payment of invoices from its suppliers."

Finally, Paul PREDAULT charcuterie company was fined 100,000 euros and society Comasud building materials to a fine of 87,900 euros. The DGCCRF recalls that these decisions can be appealed by the companies concerned.

Helicopters Airbus has also "decided immediately to the Administrative Court to challenge the decision firmly and publication affecting the image" of the company, according to a statement sent to AFP.

The pronouncement of punishment "is considered totally disproportionate to the facts found during the investigation," said Airbus Helicopters, which notes that the "weighted average delay" is "only eight days and that it concerns only very few bills. "

The DGCCRF notes meanwhile that delays "are seriously detrimental to the profitability of creditor businesses because they require them to obtain short-term financing from their bank." According to the DGCCRF, "these delays have a negative impact on their cash flow, their competitiveness, even for the most fragile of them their lives."

These sanctions are issued while the Economy Minister Emmanuel Macron held Monday morning a press conference on the reduction of payment delays. A study by the ARC Cabinet unveiled in early November showed that payment delays between companies rose sharply in 2015 despite an improvement in the economic situation, causing concern vis-à-vis entrepreneurs of their cash.

SEEN ON THE WEB

Jean-Marc Daniel: Have the delays of settlement companies an impact



Technology | Fri Oct 30, 2015 8:14pm EDT

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Altice's customer woes in Europe stoke concern ahead of its U.S. foray

NEW YORK | BY MALATHI NAYAK

Cable and communications company Altice NV is battling subscriber losses and investor impatience on its home turf in Europe, raising concerns it could have a lot on its plate as it gears up to acquire Cablevision Systems Corp and Suddenlink Communications Inc [CQUELS.UL] in the United States.

On Wednesday, Altice reported worse-than-expected third-quarter results, sending shares down 10 percent. Executives said they have raised spending on marketing to acquire customers and will continue at that level in coming quarters.

Investors are worried that Altice's French telecom unit Numericable Sfr PA has been losing mobile customers as it aggressively trims costs. Altice executives attribute defections to poor network quality, which they inherited from the Numericable Sfr acquisition and say they are addressing.

Cost cuts are at the heart of Altice's plan in the United States, where it will become the No. 4 cable operator if regulators approve the Cablevision and Suddenlink deals.

"One of the dangers is that they don't just cut the fat out but also the meat and bones and that has negative consequences," said Roger Entner, analyst at Recon Analytics. "That's part of what we see in Europe: the savings came first immediately and now the churn (or customer defection) goes up."

Altice declined to comment.

Altice shares are down over 40 percent since it announced its plans to acquire Suddenlink in May. Since Altice announced its U.S. plans, it has said it will slow acquisitions to focus on operations and debt markets it relies on to fund deals have tightened. Altice aims to wring \$900 million in savings from the Cablevision deal and \$215 million from Suddenlink, saying it can take margins close to European levels.

MoffettNathanson analyst Craig Moffett said there was room to trim U.S. spending but that Altice was taking it to an extreme. "You're talking about huge cuts to customer service levels to installation and maintenance costs to marketing and promotions. You can't expect to be able to make dramatic cuts... without having an impact on the business."

Altice executives have said on analyst calls that they are confident about achieving U.S. cost-cutting goals. A source close to the company said concerns about U.S. cost cutting were unfounded since the U.S. cable business was different from the combined fixed and mobile business in Europe.



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U.S. executives also are divided about Altice's longer-term ambition of offering bundles of home Internet and phone, mobile phone and TV, a so-called "quad play." In the United States, it has said it aims to buy up more cable companies and perhaps a wireless provider to offer quad-play bundles.

That may be some time: Altice Chief Executive Officer Dexter Goei this week said the company was focusing on operations and integrating the U.S. business after a period of intense merger and acquisitions.

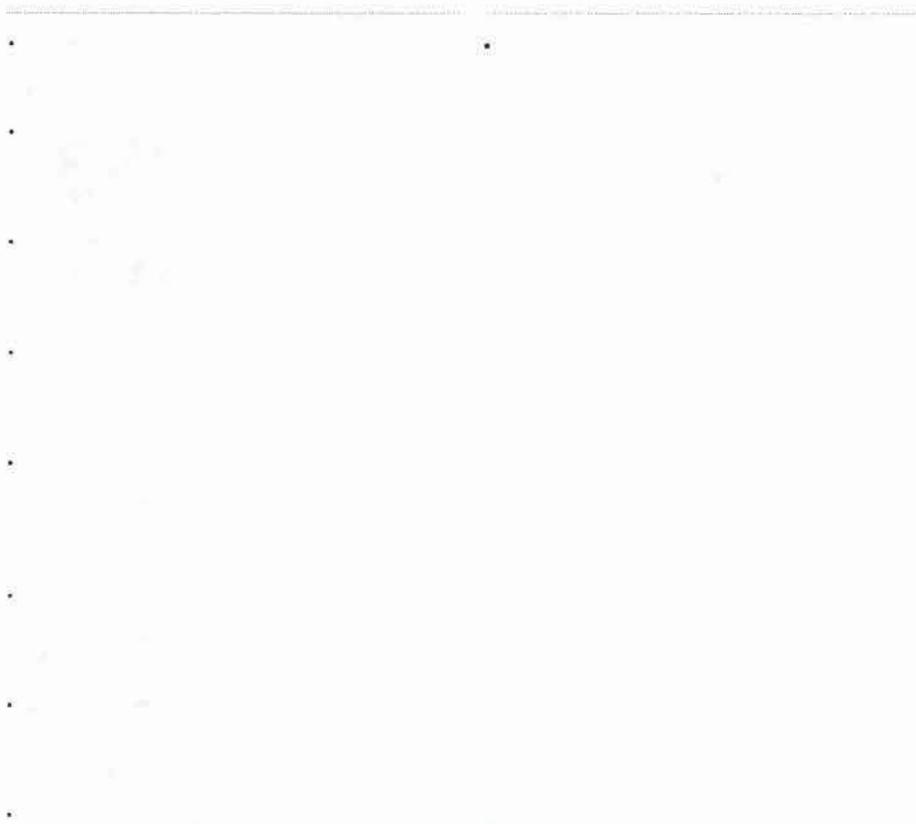
Still, Time Warner Cable Inc CEO Robert Marcus said on a Thursday earnings call that he was not convinced about the potential for such bundles in the United States.

In Europe there is "a complete overlap of footprints of wireless and wireline providers," but not in the United States, Marcus said.

Executives at wireless company AT&T Inc, which acquired satellite TV-provider DirecTV in July, have said quad play bundles are an area of growth. And the No.1 U.S. cable operator Comcast Corp plans to test wireless services, acting on a wireless plan agreement with telecom provider Verizon Communications Inc.

Verizon has been divesting fixed line assets and believes customers do not want larger bundles. It is focusing on building its mobile offerings. "Americans simply aren't clamoring for bigger, more complicated and intertwined television and communications services," said Tami Erwin, president of Verizon's FioS business that sells TV, Internet and telephone services.

(Reporting by Malathi Nayak; Editing by Lisa Shumaker)



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Altice/Cablevision: Timing Update; Public Interest Standard May Be Difficult to Meet

Timing Update

On November 5, the New York Public Service Commission (NYPSC), Altice, and Cablevision signed a letter [agreement](#) extending the deadline to April 29, 2016 for the NYPSC to issue a final order on the deal. The FCC also announced its pleading cycle for the deal, making comments and petitions due on December 7 and reply comments and oppositions due on December 22.

Compounding our expectations for a long merger review in New York, it appears New York City is exercising its regulatory authority to review the transfer of the local franchise. A NYPSC [filing](#) by the Communications Workers of America (CWA) requested party status and highlighted NYC review. The letter took issue with the merging parties' seeming presumption that NYC approval is not required, stating, "We are aware from direct conversation that New York City intends to exercise its transfer approval rights and has so informed the Joint Applicants."

The CWA's letter also challenged redactions in the merging parties' filings with the NYPSC. According to Richard Brodsky, a former New York State legislator who is representing CWA on the deal, "Everybody is entitled to have a fair and open proceeding," he said. "PSC must make public these essential pieces of information which the joint applicants are trying to keep secret." Redacted areas of the filing are largely in the Company Disclosure Letter, and many have to do with employment and termination. Headings of redacted portions include, "Severance Practices," "Outplacement Service Fees" (i.e. fees to firms that assist with layoffs), and "Continuation of Employee Benefit Obligations." Redactions also are in place under "Franchises" and "Government Filings," two categories ordinarily considered public information, as well as "News12" and numerous entire pages of the letter.

Update on Deal Risk

Even absent major labor or build-out commitments, many commentators question Altice's projected \$900 million in synergies, with John Malone being the most recent commentator to [cast doubt on](#) Altice's ability to achieve the estimates. While the NYPSC typically demands merger conditions – like job, wage, investment, and low cost broadband promises – it, and the FCC, may be skeptical of Altice's financial ability to deliver on such commitments. New York Post [reported](#) on Sunday that, "Altice reps have been quietly talking to the New York City Department of Information Technology and the Public Service Commission" about "expanding Cablevision's fiber-optic footprint to its 3.1 million customers in the New York City area."

Yet the strong wage concessions that CWA is likely to obtain, together with Altice's cost-cutting plans, makes Altice's ability to deliver on such a promise appear questionable. Stakeholders should view the deal's prospects for clearance skeptically until Altice provides more transparency and/or evidence regarding how it will pay for any promised improvements. Further, the ambiguity of the merger agreement's language around "best efforts" to meet regulatory approval raises additional red flags as to how Altice will respond to onerous conditions that threaten the deal's economic rationale.

New York City Review Meaningful Because of CWA's Ties to Bill de Blasio. The merging parties' NYPSC petition includes Brooklyn and Bronx in its list of communities that will not be receiving a form 394 (an Application for Franchise Authority Consent to Assignment or Transfer of Control of Cable Television Franchise). The petition states, "In accordance with 16 N.Y.C.R.R. § 897.4(d), the list of communities is divided into those where Altice and Cablevision are seeking local approval of the transfer of control of Cablevision's franchise holders and those where no local approval is required." Richard Brodsky, however, told us the CWA is "concerned about the denomination of which municipalities get form 394," and has asked the PSC to make sure that what is in the application is accurate and reflects that NYC is reviewing the transaction. He further noted that each franchise approval "will be governed by separate procedural decisions and each will be governed by separate legal standards."

When NYC [approved](#) Verizon's franchise agreement, it set out the standard for approval as follows: "pursuant to Section 895.1 of Title 16 of the New York Code of Rules and Regulations, the Franchisee's technical ability, financial condition, and character were considered and approved by the City in a full public proceeding affording due process; the Franchisee's plans for its Cable System were considered and found to be adequate and feasible in a full public proceeding affording due process; the Franchise complies with the franchise standards of the NY PSC (as hereinafter defined); and the Franchise is nonexclusive." Under this standard, Altice's financial condition and the feasibility of its investment plans could become sticking points.

Nonetheless, there is little precedent for local franchise authorities rejecting franchise applications, with the review being more about "cutting a deal" according to one industry expert. The Cable Act of 1984 limited local franchise boards' authority, the expert explained. Yet given the CWA's tight connections with Mayor de Blasio and the City's focus on expanding broadband access and bridging "the digital divide," cutting a deal in New York City may prove quite costly. Moreover, given NYC's recent experience with Verizon failing to fulfill its buildout commitments, NYC is likely to be mindful of making any such commitments legally enforceable.

Public Interest Statement Thin on Specifics; Debt Levels Likely to Make Regulators Skeptical About Ability to Make Promised Investments. In contrast to the recent Charter/TWC public interest statement filed with the FCC, the Altice/Cablevision [statement](#) is thin on specific benefits. The statement includes platitudes like, "the Transaction will enable Altice to build on Cablevision's network investment, consumer-focused products and services, and innovative approaches to video pricing and packaging." It states, "Altice — led by its founder and controlling shareholder, Patrick Drahi — is a long-term strategic enterprise with a strong track record of implementing pro consumer network improvements and efficiencies and reinvesting in the networks it acquires."

Yet that track record is spotty, at the very least. A recent [WSJ article](#) reported that "more than a million clients left its flagship business, French telecom giant Numericable-SFR, over a one-year period ending on June 30." The article continued, "In the past, Altice was willing to sacrifice market share if it allowed the company to extract cost-savings and higher profits that Mr. Drahi could use to pay off debt." It further noted that Altice's ARPU "will show whether the strategy of targeting higher-paying customers was compensating for the overall decline in subscribers." Articles in the French Press echo these sentiment (see [here](#) and [here](#), i.e. "Drahi indebted and happy to be so" and "Expenses blocked, contractors hung out to dry, serial departures in the hell of SFR.").

Two aspects of Altice's track record are likely to cause regulators the most concern regarding the public interest: its debt levels and its focus on higher-paying customers. The FCC, the NYPSC, and perhaps NYC will scrutinize whether Altice will be able to afford continuous quality improvement upgrades. In such a heavily leveraged deal,

regulators will question whether jobs and capital expenditures are likely to suffer as a consequence of servicing the debt load. Regarding Altice’s tactics of going after higher-paying customers, such a strategy runs directly counter to a primary public policy goal of the FCC, the NYPSC, and New York Politicians: “bridging the digital divide,” or ensuring broadband access to all regardless of income. Regulators often require as a merger conditions low-cost stand alone broadband and programs for the poor (such as those promised by Comcast and then Charter in purchasing TWC). Here, however, regulators may question the plausibility of Altice delivering on a wide array of expensive merger conditions given its high debt-load and given Drahi’s cost-cutting plans.

Issue Snapshot

Outlook: Marked Implied Probability of 62% is Slightly Too Bullish	
Reasons for Challenge/Collapse	Reasons for Merger Clearance
<p style="text-align: center;"><u>Most Compelling Narrative</u></p> <p>-Drahi’s methods of cutting jobs and increasing prices, as well as using debt to fuel acquisitions, means Altice may have a hard time meeting its affirmative burden under New York law to show the deal is in the public interest. It may encounter resistance from the FCC and NYC as well. Moreover, regulators may be skeptical of Altice’s ability to deliver on promised improvements given its heavy debt load.</p> <p>-Altice’s history of focusing on the high-paying customer runs contrary to FCC, NYPSC, and NYC public policy aims of bridging the digital divide.</p>	<p style="text-align: center;"><u>Most Compelling Narrative</u></p> <p>The NYPSC and NYC ordinarily address their concerns with merger conditions regarding jobs, wages and rates, and rarely block mergers outright. Nonetheless, conditions guaranteeing wage levels, prohibiting layoffs, and promising build out, low cost broadband and programs for the poor call may appear implausible financially given Altice’s debt load and its projected \$900M in cost savings.</p>
<u>Competitive Analysis</u>	<u>Competitive Analysis</u>
<p style="text-align: center;"><u>Political and Other Factors</u></p> <p>-The politically powerful CWA union is applying pressure on politicians to ensure that the Altice acquisition does not lead to job or wage cuts, and will seek robust guarantees that could interfere with Altice’s cost-cutting aims.</p> <p>-Altice is not yet politically powerful in the US.</p> <p>-Cablevision appears to be actively discouraging unionization, which could lead to additional trouble with the NLRB and could render it out of compliance with its New York City franchise agreement. Such a violation could interfere with the transfer of the franchise to Altice.</p>	<p style="text-align: center;"><u>Political and Other Factors</u></p> <p>-The NYPSC, NYC, and the FCC may lack the political will to block the deal entirely.</p> <p>-CFIUS review also may lead to mitigation measures, if any issues are discovered, rather than a block.</p>

<p>-Consumers advocates and politicians may apply pressure on the NYPSC to heavily condition or outright challenge the merger.</p> <p>-The deal is subject to heightened CFIUS scrutiny because it involves critical infrastructure.</p>	
<p style="text-align: center;"><u>Timeline</u></p> <p>- The parties announced the acquisition on September 17, 2015 and expect the deal to close in the first half of 2016. On November 5, the New York Public Service Commission (NYPSC), Altice, and Cablevision signed a letter agreement extending the deadline to April 29, 2016 for the NYPSC to issue a final order on the deal.</p> <p>-FCC also announced its pleading cycle for the deal, making comments and petitions due on December 7 and reply comments and oppositions due on December 22. The merger review could take longer than expected, depending on the level of political opposition.</p>	

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