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

Applications filed to Transfer Control of Cablevision Systems Corporation to Altice N.V., WC Docket No. 15-257

Comment of MFRConsulting

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Altice's Vague, Unresponsive, and Disingenuous Responses

Overview

I have reviewed Altice's heavily redacted responses[1] to the Commission's information requests dated February 4, 2016, in the above referenced docket. Significant findings can be drawn from this document even without the Confidential and Highly Confidential material also submitted by Altice to which I have not had access. Under the circumstances these conclusions may not be exhaustive. They are subject to modification as a result of further research or additional information that may come to light.

The findings of my review are[2]:

- Altice has provided no material evidence in these responses to substantiate that it will be able to, or how it will deliver the net or transaction-specific benefits that it has been asserting with no credible support it will generate after it takes control of Cablevision (Response to *Request 5)*;

[1] http://apps.fcc.gov/ecfs/document/view?id=60001519156
[2] The Requests referred to are numbered as in the Commission's information requests
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- The combination of Altice's responses and its earlier representations to the Commission and to investors suggests that the savings it claims it will achieve with Cablevision will implausibly be doing double duty, both to increase investment and to help service the substantially increased debt Cablevision will be carrying post-transaction (Responses to *Requests 2 and 5);*
- The price increase (as of January 1, 2016) by Cablevision since its acquisition by Altice was announced in the monthly cable modem rental fee for business customers from $4.95 to $9.99 is an example of the ability of an Altice-controlled Cablevision to raise prices without a basis in terms of exogenous cost increases and/or added value *(*Response to *Request 7*[3]*)*;
- Altice continues to insist that the majority of Cablevision's franchises including notably the two in New York City are exempt from a requirement to seek approval of its acquisition as franchise transfers. The persistence of this behavior demonstrates an attitude towards regulators on the part of Altice that does not bode well for its willingness in future to adhere to the spirit of any conditions it may agree to with them, and foreshadows efforts to find interpretations of the texts of such conditions that deviate strongly from those understood and intended by the regulators *(*Response to *Request 1)*.
- Altice presents a confusing and arguably inconsistent picture of the relationship between Cablevision and its other businesses, by averring that on one hand Cablevision is a silo that allegedly cannot be adversely affected by developments elsewhere while on the other hand it will allegedly benefit in terms of costs and efficiency from being part of Altice's worldwide operations[4] (Responses to *Requests 2,4, and 5);*
- The future of Newsday and other media properties that are part of Altice's proposed acquisition of Cablevision given their different circumstances than Cablevision itself are left undefined and will presumably be entirely up to the discretion of Altice and its sole decider Patrick Drahi. Their fates are of particular and pressing concern to the residents and the social and economic interests of Long Island [5](Response to *Request 4*).

Altice leaves unanswered the question of what it brings to Cablevision other than a substantially increased debt load and the added risks and potential detriments for

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[3] Request 7 - **Describe, and produce all documents relating to, reflecting, or describing, Cablevision's and Suddenlink's respective pricing of integrated and unintegrated cable modems, and billing policies and practices, in effect at any time between January 1, 2013 and the present** – is not discussed further in this Comment in contrast to other Requests identified in this series of conclusions.

[4] For example, *"leveraging the scale of Altice's worldwide operations to obtain improved purchasing power for customer premises equipment, network components, IT systems and related inputs."* Cablevision will therefore presumably be isolated from any problems that may arise in these other businesses, such as with suppliers, while benefitting from and in some way contributing to improvements in their operations, notably with respect to costs**.**

[5] MFRConsulting Comment, "Altice/Cablevision and Long Island," http://apps.fcc.gov/ecfs/document/view?id=60001518346

customers, employees and suppliers (and debt holders) that this extra debt entails. Moreover Altice has not credibly rebutted the evidence that has been submitted in the record of this proceeding about its strongly criticized and resented business and financial practices outside the US[6], the misleadingly rosy picture it has presented of the performance of these businesses and the absence of benefits and to the contrary harmful consequences from its ownership for customers, employees and suppliers. Altice's reactions to this evidence have consisted mainly of dismissing it as, for example, "hearsay and speculation" or as raising issues that are "inappropriate to address."[7] Altice has ignored the many independent sources that have been researched and analyzed to substantiate the findings of opponents to its acquisition of Cablevision that include published documents and statements from Altice itself[8].

In summary, Altice continues to present a picture of an Altice-controlled Cablevision that is too good to be true - and is not. It expects its claims of the net and transaction-specific benefits it will generate to be accepted on trust alone while the substantial evidence of the detrimental consequences of its ownership of properties outside the US is ignored.

More specific comments about Altice's responses to some of the Commission's individual Requests for Information are discussed below. The responses to other requests are not addressed because there is no or insufficient information about their content in this heavily redacted filing. I raise a number of ***questions*** to illustrate the considerable risks and troubling substantial uncertainties associated with the Altice/Cablevision transaction that require clarification and have not been addressed by Altice despite ample time and opportunity to do so in the 51/2 months since this transaction was announced.

Analysis of Responses to Requests for Information

The contents of each request for information are reproduced in each case for the sake of understanding the accompanying observations about Altice's responses to them.

Request 1

List current state and municipal regulatory proceedings addressing Altice's proposed acquisition of Cablevision, their current status and expected timeline for resolution, and identify the issues that are under review in the proceedings.

Altice's response does not mention the many dozens of franchise authorities that it has argued in its Application do not have the right to review its acquisition of

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[6] Practices implemented by some of the same individuals who are in charge of Altice US, and have led to the imposition of fines and have been condemned in France by public authorities

[7] JOINT REPLY COMMENTS OF ALTICE N.V.AND CABLEVISION SYSTEMS CORPORATION, http://apps.fcc.gov/ecfs/document/view?id=60001390059, p. 2

[8] MFRConsulting Reply, http://apps.fcc.gov/ecfs/document/view?id=60001395403, p.6-7

Cablevision as a transfer of franchise. The response makes it clear that Altice still rejects New York City's arguments that the two franchises in the Boroughs of Brooklyn and the Bronx are subject to approval, indicating merely that it is "*working with the City to provide it information.*"

Request 2

Please describe the relationship, if any, between the financial status of Cablevision post-transaction and Cablevision's ability to maintain or improve its network and customer service quality post-closing.

Early in its response to this request Altice asserts that it has "*proprietary operating processes and IT systems*" whose implementation at Cablevision will lead to cost reductions that will enable Cablevision to invest in service (presumably beyond its existing capabilities) and increase both customers and revenues.

Altice goes on to claim:

"Thus, consistent with Altice's experience in its other acquisitions, the transaction will facilitate, not hamper, Cablevision's ability to invest in service and increase both customers and revenues."

This claim is contradicted by evidence already submitted for the record in this proceeding and known to and published by Altice itself that revenues and customers of Altice's businesses outside the US have declined even as cash flows or EBITDA have grown thanks to cost cutting.

Altice further states:

"At the same time, the transaction will result in a stand-alone, self-financing Cablevision capital structure within the broader group of subsidiaries of Altice N.V. The capital structure will be insulated from other indebtedness in the Altice structure, because neither Cablevision nor any of its subsidiaries provide credit support to any indebtedness of any other subsidiary of Altice N.V. In other words, Cablevision and its subsidiaries will not and cannot guarantee debt or pledge their assets for the benefit of entities outside the restricted group at Cablevision."

This statement gives the impression that even if something goes wrong with Altice's properties elsewhere Cablevision will not be adversely affected. In the Responses to Requests 4 and 5 Altice's French business Numericable-SFR is identified as the only Altice-owned asset whose credit rating has been downgraded and Altice points out that this downgrade had nothing to do with the acquisition of Cablevision.

It appears then according to its prospective parent that Cablevision cannot be adversely affected by anything that occurs with respect to other members of Altice's "worldwide operations" but may benefit from some forms of cooperation and collaboration within this multinational family, specifically for example (see the further discussion of this response below) in the realm of purchasing (i.e. “heads Cablevision wins, tails it does not lose”).

Questions that arise in this regard are whether this characterization of Cablevision is a true and accurate representation of its relationships with other Altice properties, and the US and non-US properties will continue to be rated independently, as well as what Altice would do in the event that problems were to arise either in the US and/or elsewhere.[9]

Moreover the response to this Request includes the following analysis by Altice:

“The foundation for the financing of the transaction, and the basis on which Altice obtained the fully committed, low-cost, long-duration debt financing for the transaction, is Altice’s plan for Cablevision—efficiencies, investments, innovations, best-practices—together with its extensive track record in previous acquisitions. This model is based on achieving incremental AOCF through reducing costs, primarily from reducing historically high corporate expenses, eliminating corporate functions no longer necessary in a combined (or private) company, implementing improved operations and IT systems, optimizing processes and implementing operational re-organizations, and leveraging the scale of Altice’s worldwide operations to obtain improved purchasing power for customer premises equipment, network components, IT systems and related inputs. All of these measures ultimately improve service quality and the customer experience. That sophisticated financing syndicates, including JPMorgan, Barclays, and BNP committed $10.6 billion to the transaction, and that other sophisticated large-scale investors such as BC Partners and CPPIB committed an incremental $1billion in Cablevision and $0.7 billion in Suddenlink after extensive due diligence, demonstrates the market’s confidence in the viability of in Altice’s model.”

The preceding discussion of Altice’s financing and its sources omits several pertinent circumstances and evidence that invalidate its findings about the credibility of and market confidence in the viability of Altice’s model. First, the Commission should investigate to what extent the financial partners named by Altice (JPMorgan, Barclays and BNP) are among those that have received substantial fees from its previous transactions (a total amounting to almost $0.5 billion[10] has been reported) and continue to anticipate and hope for, so that they should not be perceived as independent or objective in performing due diligence on Altice’s business model[11]. Second, the Commission should determine whether the participation of BC Partners and CPPIB in the Cablevision initiative is to some extent

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[9] For example exploiting bankruptcy legislation in the US or the equivalent elsewhere might be options if one business could not service its debt.

[10] http://apps.fcc.gov/ecfs/document/view?id=60001422856

[11] These banks have been reported as contributing to the debt financing of earlier acquisitions by Altice - http://www.fiercewireless.com/europe/story/alticenumericable-see-1-billion-savings-sfr-deal/2014-03-17

a *quid pro quo* for the generous price they received[12] in selling a majority stake of Suddenlink to Altice[13]. Third the Commission should question the meaning of "market confidence" as understood by Altice given that its share price has declined from the range of €24-25 at the time the Cablevision acquisition was announced in mid-September 2015 to the range of €12.5-13.5 in February 2016. Its12-month high was about €33.

As for the reference to ".. *improved purchasing power for customer premises equipment, network components, IT systems and related inputs"* Altice has given no indication how or even that it will establish a worldwide procurement system capable of negotiating the best possible prices with its suppliers across all its businesses and coordinating their choices of equipment, services and suppliers. Nor does Altice say if or how it expects to be able to achieve lower costs than considerably larger US cable operators.

A reasonable ***question*** to ask is whether Altice intends to apply on behalf of Cablevision the same tactics it has used with its suppliers in France and elsewhere that have been condemned and for which it has been fined in France, i.e. prolonged unreasonable delays in paying invoices accompanied by demands for large discounts (30-40%). ***Question:*** Is this detrimental behavior one of Altice's "*proprietary operating processes"*?

Request 4

Moody's Investor Service recently downgraded Altice N.V. after announcing several large-scale acquisitions, including the acquisition of Cablevision. Please explain the impact of this downgrade or any other possible rating actions by Moody's or other major credit rating agencies such as Standard and Poor' and Fitch Group on Cablevision's financial health post-acquisition. Provide a comparison of Altice's anticipated debt levels after financing the transaction compared to those of the top eight U.S. cable companies based on publicly available information, and explain all underlying data and calculations on which this comparison is based.

Altice's response emphasizes the independence of Cablevision from its other properties in terms of debt financing and the costs of its debt as well as the way rating agencies have to date evaluated its various businesses. This response depicts only one side of the picture that emerges as discussed above from Altice's response to Request 2, in which the benefit of coordinated purchasing by properties in the Altice family is presented as one way in which Cablevision will be able to reduce its costs of operation and increase the efficiency of its investments.

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[12] This deal in 2015 valued Suddenlink at 9.8 times its projected 2015 earnings, or 27 percent more than the recent average valuation in cable deals - http://www.bloomberg.com/news/articles/2015-05-19/altice-said-to-seek-purchase-of-suddenlink-in-u-s-expansion

[13] https://www.pehub.com/2015/10/cppib-bc-partners-to-invest-in-altices-17-7-bln-buy-of-cablevsion/

Interestingly – and disturbingly - Newsday and its subsidiaries are excluded from the silo-like or ring fenced characterization of Cablevision. The question of the future of Newsday and perhaps also of the News 12 TV channel that are of vital concern to communities on Long Island is undefined and hence presumably left to the exclusive discretion of Altice and its sole decider Patrick Drahi with no guarantee or indication of what it will be.

Request 5

Altice states that that it expects long term benefits stemming from network investment and that it plans to upgrade the Cablevision infrastructure by pushing fiber deeper into the network. Provide, with as much specificity as possible and as of the date Applicants filed their applications in this proceeding, October 14, 2015:
a. The number of households Cablevision's in-footprint network passes.
b. To how many (and what percentage of) households within its footprint has Cablevision deployed broadband?
c. How many in-footprint households would be upgraded post-transaction to higher download speeds and when? Indicate the difference between this response and Cablevision's current plans.
d. How many in-footprint households would be upgraded post-transaction to fiber and when? Indicate the difference between this response and Cablevision's current plans.
e. How many out-of-footprint households would be additionally served post-transaction? Indicate the difference between this response and Cablevision's current plans.
f. Describe with specificity any synergies claimed that would support the merger-specific changes listed above.
g. Describe any risks to the merger-specific changes listed above, including any risks that may arise from Altice's investments outside of the United States.

Altice's responses to the series of questions included in this request are a gallimaufry of:

- Altice has not yet decided what it will do;
- Cablevision has accomplished a great deal and continues to invest (by implication with positive and beneficial outcomes);
- Altice will apply the cost savings it asserts it will achieve to investments that further improve Cablevision's services and its customers' experiences.

Question: Will these savings therefore not be used towards paying down Cablevision's increased debt?

Nowhere in this response does Altice identify or address clearly the key question of what it will do, and when, that is ***additional, i.e. will provide transaction-specific benefits*** compared to what Cablevision could and likely would do on its own, for example with respect to Wi-Fi coverage and capacity and improved customer interfaces. Both these developments as well as the integration of a range of different services and the ability to enjoy these services on a proliferating variety of devices or platforms, all of which Altice cites, are well underway in the US cable industry.

This response assigns the $450 million of improvements in adjusted operating cash flow (AOCF)[14] Altice asserts it will achieve to making investments in these developments that would by implication be incremental to those that a stand-alone Cablevision would be able or willing to afford – *"…the transaction is premised in part on a $450 million target amount for annual improvements in AOCF. Altice expects to use those improvements to make substantial, near-term investments, implement changes in operations, and develop new offerings that will enhance competition and improve the customer experience"*

But if these savings are to be applied to produce these benefits, the ***question*** is where is the cash to come from that an Altice-controlled Cablevision will need to make the higher debt repayments required of it?

Altice's positioning of its forecast cost savings, allegedly achievable thanks to its "proprietary operating processes", seems to shift substantially over time and vary depending on whether it is responding to regulators and their responsibilities to protect customers and the public interest or addressing (and pandering to and seducing) the investment community.

Altice also states in this response, thereby increasing confusion about the extent to which Cablevision will be on its own independent of the operations and results of Altice's other properties:

"….Altice will retain considerable financial wherewithal to continue to support Cablevision if needed. Altice has access to a revolving credit facility of $2 billion, from which it can direct funds to Cablevision to achieve increased AOCF in the near term. Altice's investments outside the U.S. also will not pose any significant risk to Cablevision because Cablevision will continue to operate as an independent entity after Altice's acquisition of Cablevision is consummated and will be subject to the above-referenced restrictions."

If the revolving credit facility is drawn on and directed to Cablevision the interest payments required of it (unless these funds are to be repaid by Altice at the corporate parent level and not by Cablevision) will rise even further. ***Questions*** are whether funds from this credit facility will be applied to: (a) Increase Cablevision's investments, or (b) In the event that its cash flows are lower than anticipated, (i) Help make payments on the debt that Cablevision will already have incurred, and/or (ii) Fill shortfalls in Cablevision's ability to implement its existing plans for

[14] There is no mention in this response of the higher figure of $900 million in annual savings that Altice has claimed earlier.

investment in improved and expanded services?[15]

The instance cited in this last footnote involved the assumption of additional debt by Numericable-SFR, the major asset of Altice in France, in order to pay a special dividend to Altice itself whose proceeds were not used to make investments for the benefit of this operator's customers or to improve its customers' experiences. ***Question:*** Is there any provision or guarantee to prevent Altice from using its $2 billion credit facility for purposes that are independent of or do not benefit Cablevision, such as funding more acquisitions in the US or directing more resources to another Altice property, whether or not the costs of using this credit facility are borne by Cablevision?

Conclusion – Altice's Message to the Commission

When the themes outlined above and the considerable vagueness and uncertainties about Altice's plans and future actions inherent in them as identified in this Comment are coupled with Altice's invocation of its "magic sauce" or "proprietary processes" (see Response to Request to 2 above) it becomes clear that Altice's message to the Commission and other regulators and stakeholders is simply:

"Trust us, we can and should be trusted to deliver net or transaction-specific benefits".

Yet Altice offers no credible support for the idea that it can be trusted to deliver transaction-specific benefits, for example to customers.

Altice has ignored and continues to fail to rebut the substantial evidence in the record of this proceeding, which demonstrates that it has not delivered such benefits with its other properties. Altice's tactics in responding to this evidence have not included acceptable attempts to discredit well -founded objections and concerns about the consequences of its acquisition of Cablevision on the basis of facts and fact-based analysis. Instead Altice has chosen to dismiss some objections and concerns arbitrarily as "hearsay and speculation", and others as raising issues that are "inappropriate to address". Altice has also misrepresented and sought to belittle the motives of opponents to its initiatives[16], attacking those who object rather than

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[15] In 2015 Altice decided to have its French property Numericable-SFR surprisingly pay a special dividend, most of which went to Altice itself that was largely financed (about €1.7 billion) by additional debt assumed by Numericable-SFR (http://www.telecompaper.com/news/numericable-sfr-borrows-eur-168-bln-for-special-dividend--1109578). This dividend was destined to help Altice acquire additional shares in Numericable-SFR from Vivendi. Altice is very ingenious in its use of debt, so it cannot be predicted what financial engineering maneuvers it may implement in future in connection with Cablevision, not necessarily for the benefit of its customers, employees and others (see MFRConsulting Appendix 2, http://apps.fcc.gov/ecfs/document/view?id=60001351844http://apps.fcc.gov/ecfs/document/view?id=60001351844).

[16] MFRConsulting Reply, ibid. p.6-7 and Addendum to Reply, http://apps.fcc.gov/ecfs/document/view?id=60001398658

the content of their objections.

Signed on Monday February 29 2016