

May 30, 2016

The Honorable Kathleen H. Burgess  
Secretary  
New York State Public Service Commission  
Three Empire State Plaza  
Albany, New York 12223-1350

**Re: ATC-CVC Joint Petition Case 15-M-0647**

Dear Secretary Burgess:

The New York DPS Advisory Staff are to be commended for their persistent and comprehensive efforts to establish conditions for the approval of the Altice/Cablevision transaction to mitigate any potential harm and deliver significant benefits to the areas served by Cablevision following this acquisition. Nevertheless however impressive and worthy these conditions are in principle and on paper there is solid evidence that Altice is not to be trusted to fulfill their intent or respect their purpose. It is hard to foresee despite the best of intentions how it will be possible to enforce these conditions and deal effectively to stop and redress violations in a timely manner so as to protect and serve the legitimate interests of customers, employees, contractors and others.

The basis for mistrusting Altice has been presented in substantial evidence submitted in both New York State's and the FCC's reviews of this transaction. Altice's amply documented actual performance, as compared to the glowing misrepresentations it has depicted of its achievements, is proof of its selfish ethos and character and its hostility and indifference to the public interest. "Fool me once, shame on you, fool me twice, shame on me" is the adage that comes to mind, given Altice's known record in Europe and elsewhere.

Apparently the FCC and others prefer to believe what Altice tells them and trust in its good faith rather than act upon the findings of independent observers that directly contradict its assertions. One example of a disturbing statement in the Advisory Staff's recommendation concerns the savings to be made post-transaction that are claimed by Altice as a benefit, to wit, *"These synergy savings forecasts have been presented to, and accepted by, financial backers who have placed significant amounts of money at risk."* Experience over the past 20 years or so with the behavior of large financial institutions has apparently not dented an inclination to accept their findings and recommendations as if they are based on high quality, objective due diligence of companies or transactions that deliver a rich flow of fees for them. The behavior of these financial institutions has on many occasions not shown much regard, if any, indeed no more than Altice's, for the public interest or that of stakeholders other than themselves. Whereas these financial backers may argue in their defense that they have no fiduciary responsibility towards other stakeholders, an acquisition of a major broadband operator is supposed to take

account of the public interest and a broad range of stakeholders. Statements or findings about a specific company by organizations with records of ignoring and even harming these interests should not be given any credence when they are known to have received significant financial rewards (fees) from their association with this company, and are motivated to ensure that this flow of fees continues. Remarkably these financial institutions are still being considered, according to the statement just cited, as trustworthy sources of information and opinion on matters (in this case broadband) that affect the public interest profoundly, despite their well-publicized record of at best indifference to it and at worst causing substantial harm.

Altice's record outside the US is extremely disturbing with respect to its efforts and ability to circumvent commitments, and its propensity to neglect the interests of customers and employees and ignore the goals of regulators and public policy. Moreover its one-person sole decider Patrick Drahi and the small team responsible for carrying out his orders elsewhere will direct and manage Altice's actions in the US. There is therefore every reason to expect that Altice will pursue the same goals as it has elsewhere, adjusting its tactics to the different circumstances of the US regulatory and competitive (or rather ineffectively competitive) broadband market environment.

The lawyers hired by Altice and the financial engineers who are its decision makers are much more creative and ingenious than I in figuring out ways to continue to enrich themselves and, if they deem it in their interest, to frustrate the intent of any conditions imposed on them or their assets. The evidence of their activities outside the US includes a mix of legal jiggery-pokery, and repeated tests of the limits and tolerance of others (regulators, employees) regarding interpretations of the language in contracts and conditions. In some cases Altice can simply intimidate interlocutors (much smaller than Altice) to accept changes imposed unilaterally for its own benefit in agreements negotiated earlier, with the threat of expensive and prolonged litigation if the interlocutors do not acquiesce.

A few examples (not predictions but illustrations) of stratagems Altice may employ to nullify the intent and impact of conditions such as those recommended by the Advisory Staff are:

- Excuses to justify not meeting agreed targets for expanding the coverage of networks based on the alleged intransigence or unreasonable demands of property owners, and/or on broad economic factors outside Altice's control;
- Alteration of working conditions in ways that may drive employees to quit "voluntarily" if or when they find alternative sources of employment;
- Demands for sizable discounts from contractors working for and from small cable channels carried by Cablevision in the invoices they submit under the terms of their contracts if they want to be paid, with their only costly and time consuming recourse being via the courts at the risk of serious if not

- crippling adverse consequences for their cash flows if they receive no payment at all until and unless they accept the discount;
- Changes in pricing structures (effective increases) that may be hard for customers to follow and understand (the pricing of cable services is already a notorious source of customer anger and frustration in the US that gives Altice much room for maneuver in this regard in a market that is not effectively competitive.) Ironically the US market is less competitive than cable and other communications services market segments in France that heretofore has been Altice's major country market. So Altice may be able to introduce price increases in the US with less risk of a backlash (decrease in customer base and revenues) than it has encountered in its non-US properties from customers able to switch more readily to a competitive supplier.

“Yes, if you accept these conditions” with the implication that the proverb of “Trust but Verify” is applicable is not a credible outcome or conclusion to a review of Altice's acquisition of Cablevision, given the lack of extensive and proven verification and enforcement mechanisms<sup>1</sup>. The only way to prevent an outcome that will be detrimental to the Greater New York area served by Cablevision is just to say “No” to its acquisition by Altice.

Sooner or later the realities behind Altice's business model and modus operandi will be exposed. Many otherwise innocent stakeholders will pay the price and have to pick up the pieces, not including any principals and investors who have collected their rewards in the interim and have found a way to exit in time. At that point the foolishness of allowing Altice to take over businesses that are dependent on franchises to give them privileged access to scarce public resources to deliver an essential service - broadband - with associated obligations it will do its utmost to ignore will become evident to all. The questions in the ensuing blame game will be why this was not foreseen, why evidence was ignored or downplayed, and who should be held responsible.

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<sup>1</sup> This observation is confirmed, to give but one example, by the finding that Verizon has failed to fulfill its commitments for FiOS rollouts - “De Blasio Administration Releases Audit Report of Verizon's Citywide FiOS Implementation,” <http://www1.nyc.gov/office-of-the-mayor/news/415-15/de-blasio-administration-releases-audit-report-verizon-s-citywide-fios-implementation>. What has changed since the publication of this audit (June, 2015) and is there any reason to believe that enforcement of Altice's obligations would be any more effective?

Sincerely,

A handwritten signature in blue ink, appearing to read "Mark Rade". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

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