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Verizon Communications Inc. fell short on its FiOS high-speed internet, phone and pay-TV rollout in Philadelphia by 22,422 single-family homes, the city said Monday.

Verizon and the city government had agreed in 2009 that the telecommunications company would put all Philadelphia homes on the FiOS grid by February 2016 as part of a sweeping citywide franchise that would bring competition for pay-TV and fast internet to Comcast Corp.'s headquarters town. Though Verizon has laid out the fiber transmission lines through neighborhoods, individual homeowners must arrange to have FiOS connected to their dwellings. In addition, the city said Monday, 79,210 condos and apartments could not order FiOS services by the February deadline because Verizon said it had been denied access to the buildings.

The numbers indicate that about 15 percent of the housing units in the city, either apartments, condos or single-family homes, do not have access to Verizon's newest services. Philadelphia expects Verizon to expand FiOS access to those 22,422 homes and to 12,447 condos or apartments, thus leaving 66,763 condos or apartments, about 10 percent of the city's housing units, without FiOS because the company could not obtain access to the premises.

Charles Brennan, the city's chief innovation officer, said Monday that Verizon "did a very good job. The city's desire is to help FiOS build out because we want the competition in the city." He added that Verizon is committed to 100 percent FiOS in the city where it can obtain permits and access from landlords. In some cases, access was denied by the landlords because of existing building-wide contracts with other providers, such as Comcast.

The areas with the least access include parts of Center City, perhaps because of the difficulty of rewiring those neighborhoods for fiber, Brennan noted. Philadelphia reached

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its conclusion on the FiOS rollout after examining corporate documents and conducting a survey of city residents over the summer. Many of those who complained lived in apartments or condos, Brennan said. Verizon spokesman John O'Malley said the telecom company and the city were working "together to complete the build. We are still working out a timetable." O'Malley said there had been a "backlog of permits" in February at the time of the deadline.

To settle issues with the city, Verizon agreed to donate $350,000 to expand "digital inclusion efforts" for low-income children, the city said. Philadelphia has one of the widest digital divides, or percentages of poor children without access to the internet, among U.S. cities. Verizon spent billions of dollars upgrading its copper lines to fiber, which it brands as FiOS. But the company also has retrenched in the FiOS expansion in recent years as it has concentrated its assets in its wireless business. – ***Philadelphia Inquirer***

Last week, Sen. Bernie Sanders urged the Justice Department to block the AT&T-Time Warner deal and said it “would almost certainly lead to price hikes and reduced choice.” As evidence, he pointed to AT&T’s purchase of DirecTV, completed last year. Regulators approved the $67 billion combination with conditions, and they said it could lead to more competition for cable companies and more options for viewers. Yet Sanders said it’s fallen short. “AT&T claimed that such a deal would benefit consumers,” Sanders **wrote** to a top federal antitrust official. “Less than a year later, these benefits are nowhere to be found, and AT&T raised prices for DirecTV services.”

AT&T recently agreed to buy Time Warner Inc. for over $108 billion, which will require a federal regulatory review that could take a year. Many issues will be debated, including concentration of power, preferential treatment and privacy protection. But AT&T's addition of DirecTV, a satellite TV business, shouldn’t be cast as a warning sign. So far, the results are promising -- for consumers and the company.

AT&T introduced several aggressive pricing plans, including a package with TV and wireless on one bill that could save $600 a year. An unlimited wireless plan with video, introduced in January, has attracted almost 7 million subscribers, AT&T said. Free streaming of the NFL Sunday Ticket was added, along with deals for college students. In September, AT&T updated the DirecTV app to include mobile DVR capabilities.

All this, plus a sustained marketing push by AT&T, has paid off in arguably the most important metric: customers. In the year ended in September, DirecTV added 1.2 million subscribers. That’s an increase of over 6 percent. And it comes at a time when the pay TV industry is shrinking slightly, which means that DirecTV is grabbing market share. “Consumers are voting with their feet,” said Christopher Yoo, a law professor at the University of Pennsylvania and director of the Center for Technology, Innovation and Competition.

The most intriguing development, DirecTV Now, will soon offer a mobile-centric platform aimed at cord cutters. It will have over 100 premium channels for $35 a month with no contract and no streaming charges from AT&T. It’s easy to say consumers are being harmed by a big merger, Yoo said. But one of the best ways to gauge that is if they’re buying the product. The subscriber numbers suggest the DirecTV merger has been good for consumers, he said. “Certainly, it’s allowing AT&T to compete more effectively with cable, and they’re also innovating with new packages and pricing,” Yoo said. “That’s another sign of a competitive market.”

DirecTV’s gains have come while pay TV frets about defections and the growth in cord cutters. In the 12 months ended in June, the industry’s largest players lost about 700,000 pay-TV subscribers, less than 1 percent of its customer base, according to the Leichtman Research Group. AT&T is on both sides of the trend. While DirecTV subscribers grew nicely, up 1.2 million in the past year, AT&T’s U-verse customer base declined even more, down 1.3 million over the same time.

DirecTV pays much less for content and has a larger potential market because satellite broadcasting is more flexible. So AT&T has focused on building customers at DirecTV and has backed off incentives for U-verse. From a macro perspective, AT&T's TV business is flat or shrinking slightly. But margins have improved because of DirecTV, executives said. And they believe the bundling offers create stronger attachments with consumers. "We feel really good about the opportunity to improve our trends and get to our goal of positive video net adds for the year," John Stephens, chief financial officer, told analysts in July.

About 70 percent of DirecTV subscriber gains came from U-verse customers in the third quarter. That means many are coming from elsewhere, too. Nationwide, about 9 percent of pay-TV subscribers switched companies in the past year and most were seeking lower prices, said Bruce Leichtman, president of the research firm that bears his name. Under AT&T, DirecTV has much stronger bundles today, he said, and they're crucial to competing with cable companies, the traditional leaders in bundling. A stronger DirecTV also pushes rivals to improve. "Certainly, there are no negatives for consumers," Leichtman said about the AT&T-DirecTV combination.

The U-verse strategy is unusual. While DirecTV is easily adding more new customers than any other pay TV provider, U-verse is losing more business than ever. "It's a great example that the market is not just about consumer demand," Leichtman said. "It's about provider behavior, too. They decided to emphasize DirecTV literally at the expense of U-verse." The average price of pay TV is $103 a month, according to his survey. That's 4 percent higher than last year but not because of merger expenses; pay-TV providers generally face higher costs, he said.

He doesn't agree with Sanders' prediction of price hikes from AT&T-Time Warner. Consumers have so many choices, including low-priced online providers like Netflix and Hulu. Yet 82 percent of TV households still subscribe to pay TV. While that's down from the peak in 2011, it's on par with penetration from about a decade ago. Customers often cite video on demand, DVRs and other advances. "Those with pay TV are getting more than ever before, and they're more satisfied," Leichtman said. – ***Dallas Morning News***

CenturyLink Inc. on Monday said it reached a cash-and-stock deal to buy Level 3 Communications Inc. for roughly $25 billion, a marriage that would give the communications companies more heft to weather a competitive landscape. Level 3 runs one of the largest internet backbones in the world but has turned its focus to small and midsize business customers to reverse slowing sales growth in its core operations.

CenturyLink, traditionally a rural phone company, has sought to upgrade its network with fiber-optic lines in a bid to compete with AT&T Inc., Verizon Communications Inc. and rivals in the cable industry. "The financial benefits speak for themselves," Level 3 Chief Executive Jeff Storey said Monday during a conference call with analysts, pointing to nearly $1 billion of expected cost savings from sharing data lines and cutting overlapping jobs. "I believe scale matters."

The deal would turn CenturyLink—which has grown from a small Louisiana phone provider by scooping up the former Qwest and Sprint Corp.'s landlines—into an even more corporate-focused service provider, with about three quarters of its revenue coming from business customers. The combined company would also keep millions of home internet subscribers, most of whom use slower digital subscriber lines. CenturyLink CEO Glen Post said the company had no plans to spin off its residential business. "That certainly is an option for us, but not an objective," he said. Level 3 will help trim CenturyLink's tax bill by adding nearly $10 billion of accumulated net operating losses to its balance sheet.

Level 3 racked up massive losses for most of its history, as heavy infrastructure costs outstripped its service revenues. The newly profitable carrier has more recently used those past losses to reduce its effective tax rate. The cash-and-stock deal initially valued

	Level 3 at roughly $25 billion, or $69.92, based on closing prices Friday, offering a premium of 49% based on the stocks' closing prices Wednesday, before The Wall Street Journal reported the companies were in advanced talks. Shares of CenturyLink fell 12% on the news in Monday afternoon trading, lowering the deal's value to about $23 billion. Level 3, meanwhile, gained 5%. The deal would add about $11 billion in long-term debt to CenturyLink's roughly $18 billion in debt. Under the deal's terms, CenturyLink agreed to swap $26.50 in cash and 1.4286 shares for each share of Level 3. The company said the deal was worth $34 billion, including debt, and is expected to close by the third quarter of 2017. Mr. Post, a 64-year-old who has led CenturyLink since 1992, will serve as CEO of the combined company, and Level 3's chief financial officer, Sunit Patel, will serve as financial chief. CenturyLink agreed to add four of Level 3's directors to its board at closing. The combined company will be based in Monroe, La., and will maintain a significant presence in Colorado and the Denver metropolitan area, where Level 3 is based. Both companies have historically been acquisitive. In 2014, Level 3 bought TW Telecom for about $6 billion, and in 2011, it bought rival Global Crossing Ltd. for roughly $2 billion. CenturyLink, formerly called CenturyTel, bought Qwest Communications International for $11 billion and Savvis Inc. for $2 billion in 2011. It also purchased Embarq Corp., Sprint's former landline operations, for about $6 billion. Another potentially disruptive regulation is headed CenturyLink's way later this year. The Federal Communications Commission in May floated new "business data services" rules that could cut the fees incumbent telephone companies can charge rivals by as much as 19%. CenturyLink opposes the proposed rate changes and on Monday sent the agency a letter criticizing its transparency. "This drastic rate cut would cripple many providers' ability to continue providing quality service, much less have money left to invest in broadband innovation for the future," the letter said. Level 3 has railed against legacy telephone companies like Verizon and CenturyLink for allegedly overcharging it for access. Level 3 built its network on fiber-optic cables strung between big data centers and downtown business districts, and it relies on local telephone companies to provide the last link to its customers in shops and office buildings not yet hooked up to its backbone. Mr. Post said the looming FCC decision didn't drive the acquisition, though the broader regulatory environment played into both companies' decision. He said he expects that regulators will put tough demands on the carriers but will ultimately approve a deal that allows more competitive prices. The merger partners also reported third-quarter earnings on Monday. CenturyLink reported a profit of $152 million as its revenue fell 3.8% to $4.38 billion. Level 3 posted a $143 million profit on revenue that was flat at $2.03 billion. – ***Wall Street Journal***

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