Phone companies have a new best friend: The tablet.

Wireless companies have been jockeying for new subscribers in a market where there are more active cellphone plans than there are people, a predicament that led to slowing growth and increased competition. Carriers have found the answer in tablets, which represent one of the few places where the industry can wring out a new source of revenue after the companies have nearly tapped out smartphone upgrades. The companies are offering aggressive promotions to get customers to sign up. But the new tablet connections aren't as attractive as smartphones for two reasons: they don't generate as much revenue as smartphones and they aren't bringing in new customers. Rather, the majority of tablet sales are upgrades to existing customer plans. The lifetime value of a tablet customer to a wireless carrier is $761, about one-third of that of a handset customer, according to New Street Research. Subscriber figures "no longer have the same meaning as they used to," said Paul de Sa, a senior analyst at Bernstein Research, in a research note this week. "They now represent success in up-selling tablets to the base, rather than reflecting shifts in subscriber market share between carriers."

Verizon Communications Inc. is giving away some tablets free. The devices led the company to add 1.4 million of the most lucrative postpaid customers in the second quarter, the vast majority of which—or a record 1.15 million—were for new tablets. During the first quarter, tablet sales at Verizon offset a decline in handset connections. "Tablets are extremely good for the industry, not just for Verizon," said Verizon Chief Financial Officer Fran Shammo on Tuesday. More than 85% of AT&T Inc.'s postpaid customer additions during the past four quarters have come from tablets, and Sprint Corp. has recently relied on tablet sales to offset significant subscriber losses. And last year, T-Mobile US Inc. began giving away a chunk of free data to lure tablet customers.

The boom in tablets is fueled in part by a proliferation of cheaper and smaller alternatives to Apple Inc.'s iPad. When the iPad launched in 2010, it was the first of its kind but these days consumers have a wide range of choices from companies like Samsung Electronics Co. Overall, in the first three months of the year, tablets made up roughly 70% of net retail subscriber additions, according to New Street Research, a trend that is likely to continue as carriers search for new ways to grow. AT&T reports second-quarter earnings on Wednesday. T-Mobile and Sprint report next week.

Mr. Shammo defended the economics. Tablets represent only about 5% of Verizon's total postpaid connections. Customers who have them are more likely to pay for a larger data bucket and are less likely to switch carriers, he said. At the same time, the company spends less subsidizing the cost of the device. "We have a great opportunity with these devices to generate growth," Mr. Shammo said. But most consumers don't buy data plans with their tablets and rely on Wi-Fi networks instead. More than 70% of all tablets shipped globally in 2013 were Wi-Fi only, according to research firm IDC, which expects there to be some growth in tablets sold with cellular connections. "Wi-Fi will still be the de facto connect method for the majority of tablets," said Carrie MacGillivray of IDC.

Tablets made up 8.7% of device connections in the U.S. last year, according to Cisco Systems Inc., a figure expected to climb to 13.9% by 2018. On average, a tablet generates 70 times more mobile data traffic a month than a basic handset while a smartphone generates 42 times more, according to Cisco. Robert Orth, of Omaha, Neb., is exactly the type of customer wireless carriers are looking for. On Monday, Mr. Orth went to a local Verizon store looking to replace his broken smartphone with a new

pennlive.com **Rick Santorum: 'I'm definitely considering' another run for GOP nomination**	one. A sales representative convinced him to get a Verizon Ellipsis 7 tablet free of charge and switch his plan from one with unlimited data to a pricier plan that has a 10-gigabyte limit shared among all his devices. His new monthly bill will be $150 a month, up from $120. "When I walked in originally, I had one device that would use up data and I walked out with three," said the 52-year-old utility worker, who also got a mobile hot spot and a Samsung Galaxy S5 smartphone. Mr. Orth has only had his tablet for a day, but says he expects he'll eventually upgrade to a better one. "I like it," he said. "So they're probably going to get a lot more money out of me." – ***Wall Street Journal***; _____ Ever since his News Corp survived a bruising liquidity crisis in the early 1990s, Rupert Murdoch has been careful to avoid getting overextended financially. But his pursuit of Time Warner Inc. could test that philosophy. To win over Time Warner's board, which rejected an initial offer from Mr. Murdoch, his entertainment company, now called 21st Century Fox, would have to raise its stock-and-cash offer from its initial $85 a share, and likely increase the cash component as well. But to do so may require Fox to take on so much debt that its investment-grade credit rating could be downgraded, analysts say. A lower credit rating increases a company's borrowing costs. Fox wants to protect its investment-grade credit rating, according to people familiar with Fox's thinking, and thus is prepared only to consider a bid of between $90 and $95 a share. But it is unlikely to be willing to raise the percentage of cash in the deal much beyond the 40% in the original offer, the people said. That offer may not be high enough for Time Warner. The company wants the offer raised to above $100 a share, with a higher portion of cash than originally offered, according to a person close to Time Warner. Whether Fox can go that high is a big question. "I think it's hard to argue that the deal makes sense above a hundred bucks," says Nomura analyst Anthony DiClemente, who says such a scenario would force Fox to take on too much debt. Time Warner alluded to this quandary facing Fox in a statement it issued last Wednesday, explaining it had rejected the offer because its board felt its own strategic plan could create more value for shareholders than any proposal Fox "is in a position to offer." People close to Time Warner have hinted that it would prefer an all cash and higher offer from a deep-pocketed technology company—but there isn't such an offer available right now. For Fox, the difficulty of going above $100 a share was highlighted by credit ratings firm Moody's Investors Services in a note Monday analyzing the financial implications of a deal. Moody's said that Fox likely would have to raise its offer to $105 a share to secure a deal if Fox retained the same mix of 40% cash and 60% stock as the initial offer. Under that scenario, Fox would need $35.3 billion in cash, Moody's estimated. Even if Fox were to fund nearly half of that cash requirement by selling off assets, Fox would still end up raising its debt past the level seen as appropriate by Moody's for its current credit rating. Moody's says Fox could avoid a downgrade—or be downgraded only a notch while still remaining investment-grade—if it proposes a solid plan for paying down debt. This scenario would likely push Mr. Murdoch well beyond his historical comfort zone when it comes to the balance sheet, said Moody's senior Vice President Neil Begley. "He's never carried less than a couple billion dollars [of cash] on his balance sheet at any period, certainly in the last 15 years, and I think that stems from those days when he got in trouble when he was beholden to the banks," Mr. Begley said of Mr. Murdoch. In the early 1990s, News Corp ran into a cash crunch that forced it into a lengthy

period of negotiations with its banks, ending with a restructuring of $7.6 billion of debt. News Corp later sold some assets and issued new shares to reduce debt. Last year News Corp split in two, with the bulk of the company being renamed 21st Century Fox while its print media businesses, including The Wall Street Journal, were carved off in a separate company retaining the News Corp name. Fox now has a conservatively financed balance sheet, with about $5.5 billion of cash and about $23 billion in what Moody's counts as debt. Time Warner has a slightly higher level of earnings and debt, the agency estimates.

To finance a Time Warner deal, Fox has lined up a $25 billion loan from Goldman Sachs and J.P. Morgan, according to a person familiar with the matter. Fox has several ways to raise additional cash. The company is expected to raise between $7 billion and $9 billion by selling its interest in two European satellite TV businesses, Sky Deutschland and Sky Italia, to its 39%-owned U.K. satellite-TV affiliate BSkyB. That deal, news of which surfaced in May in a Bloomberg report, is close to being finalized. Fox executives are negotiating final numbers with the BSkyB board, according to a person familiar with the matter.

While people close to Fox have said that the sale of the Sky assets isn't related to the company's bid for Time Warner, analysts have trouble making the math work without it. "If they don't sell" those assets "that pulls the rug out from underneath our hypothesis," Mr. Begley said. Another variable: the value of Time Warner's CNN, which people close to Fox have indicated it would sell to avoid regulatory issues that could arise from Fox's existing ownership of CNN rival Fox News channel. While some analysts have estimated CNN could be worth between $8 billion and $10 billion, a person close to Fox said the company would expect to get only about $6 billion for it. – ***Wall Street Journal***;