

Reducing Costs in IP Networks with OTN Transport Efficiency: An Empirical Analysis of CAPEX/OPEX Optimization

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Abstract

We present a large-scale empirical evaluation of Optical Transport Network (OTN) as a cost-optimization strategy for IP transport infrastructures. Using operational and cost data from 12 operators, 45 transport platforms, and 12 representative network scenarios, we compare OTN with legacy SDH/DWDM across metro, regional, long-haul, and international backbones. A hypothesis-driven framework—combining bottom-up cost modeling, paired t-tests/ANOVA, regression, and Monte Carlo sensitivity analysis—quantifies impacts on CAPEX, OPEX, energy, bandwidth efficiency, and scale economics. Results show statistically significant reductions of 35–40% in CAPEX and 33–42% in OPEX ($p < 0.001$), driven by wavelength reduction via sub-wavelength grooming, improved bandwidth utilization (~40%), equipment consolidation, and superior energy efficiency. Power per transported gigabit falls by 46–52%, accounting for nearly half of OPEX savings. Economies of scale are evident: cost

advantages rise from ~30% at 100 Gbps to >40% in 10–40 Tbps regimes. A five-year Total Cost of Ownership (TCO) analysis indicates 36–39% overall cost reduction, with 8–14 months break-even even in brownfield migrations. These findings provide robust evidence of OTN's economic and sustainability advantages and offer actionable decision support for operators, vendors, and policy makers pursuing cost-efficient, scalable transport modernization.

Keywords— Optical Transport Network (OTN); IP transport; CAPEX; OPEX; cost modeling; bandwidth grooming; energy efficiency; total cost of ownership (TCO).

1. Introduction

The telecommunications industry is undergoing rapid transformation marked by exponential traffic growth, evolving service demands, and sustained pressure on profit margins. Global IP traffic continues to grow at a compound annual

growth rate (CAGR) of approximately 25–30%, driven by video streaming, cloud computing, Internet of Things (IoT) applications, and large-scale 5G deployment [1]. This sustained growth intensifies a fundamental challenge for network operators: scaling transport capacity while containing or reducing costs in an environment of declining revenue per bit.

Conventional transport architectures based on legacy Synchronous Digital Hierarchy (SDH) and standalone Dense Wavelength Division Multiplexing (DWDM) are increasingly ill-suited to this challenge. These architectures suffer from limited bandwidth granularity, inefficient utilization at sub-wavelength levels, higher power consumption, and complex multi-layer management, collectively inflating both capital and operational expenditures [2]. As traffic volumes continue to increase, the economic inefficiencies of such legacy approaches become progressively more prohibitive.

Optical Transport Network (OTN) technology, standardized by the ITU-T G.709 recommendations, offers a unified transport framework designed to address these limitations. Through digital wrapping, hierarchical multiplexing, and standardized management, OTN enables efficient aggregation, switching, and monitoring of heterogeneous client signals across a wide range of bit rates, from sub-1 Gbps to 400 Gbps and beyond [3]. This architectural integration significantly improves bandwidth utilization and lowers the cost per transported bit compared to traditional transport solutions [4].

The economic appeal of OTN lies in its ability to simultaneously reduce Capital Expenditure (CAPEX) and Operational Expenditure (OPEX) via multiple reinforcing mechanisms. On the CAPEX side, efficient sub-wavelength grooming and statistical multiplexing reduce required wavelength counts, optical transceivers, and amplification equipment [5]. High-density, integrated platforms further decrease footprint and real-estate requirements, while native protection and restoration functions reduce the need for redundant overlay infrastructure [6].

From an operational perspective, OTN simplifies network management through standardized interfaces, comprehensive performance monitoring, and streamlined provisioning workflows, yielding measurable reductions in operational complexity and labor effort [7]. In parallel, improved energy efficiency directly lowers power and cooling costs, which represent a substantial fraction of transport network OPEX [13]. Layer consolidation enabled by OTN also reduces the overhead associated with operating parallel SDH, DWDM, and packet transport domains [8].

Despite extensive literature characterizing OTN's technical capabilities, quantitative, statistically validated analyses of its economic impact remain limited. Most prior studies rely on vendor-driven case studies or theoretical models that lack empirical breadth and rigorous hypothesis testing. This work addresses that gap by applying a hypothesis-driven empirical framework to systematically quantify OTN's CAPEX, OPEX, energy, and scale-economics advantages across multiple operators and deployment scenarios, providing robust evidence to inform transport network investment decisions.

1.2 Significance of the Study

This study is significant for multiple stakeholders in the telecommunications ecosystem and contributes to both academic knowledge and practical industry decision-making. By addressing critical gaps in the empirical evaluation of transport network economics, the research provides statistically validated evidence to support strategic infrastructure investment choices.

For telecommunications operators and service providers, the study delivers a comprehensive, data-driven framework for assessing the financial implications of OTN adoption. With global telecommunications capital expenditure exceeding \$400 billion annually[9], even incremental improvements in capital efficiency translate into substantial industry-wide savings.

The quantified analysis of CAPEX and OPEX reduction mechanisms enables operators to construct robust business cases for network modernization and to make informed technology selection decisions. In a market characterized by declining average revenue per user (ARPU) and increasing competition from over-the-top (OTT) providers, the ability to materially reduce transport costs while sustaining service quality represents a critical competitive advantage [10].

From an academic perspective, this research contributes to the relatively limited body of empirical literature examining the economic dimensions of optical transport networks. While prior work has extensively documented OTN's technical capabilities, fewer studies rigorously integrate financial modeling with statistical hypothesis testing using real operator data. By combining performance metrics, lifecycle cost modeling, and formal statistical validation, this study offers a more holistic understanding of transport network economics and provides a repeatable analytical framework for future research [11].

For equipment vendors and technology developers, the study's decomposition of cost drivers and savings mechanisms yields actionable insights into which OTN features generate the greatest economic value. These findings can inform product design priorities, platform differentiation strategies, and go-to-market positioning by aligning engineering investments with operator cost drivers [12].

The research also holds relevance for regulatory bodies and policy makers seeking to promote economically efficient telecommunications infrastructure investment. By empirically quantifying the cost benefits of advanced transport technologies, the study supports evidence-based policy formulation related to network modernization incentives, infrastructure sharing, and long-term sustainability objectives [14].

Finally, the study contributes to broader discussions on sustainable telecommunications

infrastructure development. As energy consumption and environmental impact become increasingly prominent concerns, the demonstrated link between cost optimization and energy efficiency highlights that economic and sustainability objectives can be mutually reinforcing in transport network planning and modernization.

1.3 Problem Statement

Despite growing industry interest and anecdotal reports of savings, the economic impact of OTN remains under-validated along several dimensions:

Lack of empirical breadth: Many published assessments rely on theoretical models, vendor narratives, or narrow case studies rather than multi-operator, multi-scenario analyses, creating uncertainty for high-stakes investment decisions. **Incomplete cost scope:** Prior work often isolates equipment or energy costs, omitting full lifecycle TCO that integrates all CAPEX and OPEX components.

Unclear scale behavior: The way OTN's advantages evolve with network size/capacity is insufficiently characterized, limiting ROI predictability across operator contexts.

Methodological gaps: Studies frequently lack rigorous statistical validation, explicit controls for confounders, and sensitivity analysis to test robustness under varying assumptions.

Research Questions (RQs). To address these gaps, this study asks:

RQ1: What is the magnitude of total cost reduction (CAPEX and OPEX) from OTN adoption versus legacy SDH/DWDM across representative metro, regional, long-haul, and backbone scenarios?

RQ2: How do OTN's economic advantages scale with network size and capacity, and what bandwidth-efficiency mechanisms (e.g., sub-wavelength grooming) drive these savings?

RQ3: Which OTN features (e.g., wavelength reduction, equipment consolidation, protection efficiency) contribute most to cost reduction, and how do contributions vary by deployment context?

RQ4: Over a typical five-year lifecycle, how does TCO compare between OTN and legacy architectures, and what factors determine business-case viability (including energy, maintenance, operations labor, and facilities)?

1.4 Research Hypotheses

H1 (CAPEX Reduction): OTN-based transport reduces Capital Expenditure by $\geq 25\%$ relative to traditional SDH/DWDM when controlling for equivalent capacity and coverage.

H2 (OPEX Reduction): OTN reduces Operational Expenditure by $\geq 30\%$ through combined effects of energy efficiency, simplified management, and lower maintenance burden.

H3 (Scale Economics): OTN's cost advantage increases with network scale, exhibiting economies of scale whereby larger deployments achieve proportionally greater reductions. Rationale: Fixed overheads (management systems, training, spares) amortize over larger footprints; volume procurement further improves unit economics.

H4 (Energy Efficiency): OTN consumes $\geq 40\%$ less power per transported Gbit than equivalent SDH/DWDM solutions, directly lowering energy-related OPEX [13].

These hypotheses guide the empirical analyses; each is tested with appropriate statistical methods and reported significance levels.

1.5 Research Contributions

This paper makes the following key contributions to the study of Optical Transport Network (OTN) economics and IP transport architecture optimization:

Large-Scale Empirical Validation of OTN Economics

The study delivers one of the most comprehensive empirically grounded evaluations of OTN cost impact, drawing on operational and financial data from 12 telecommunications operators, 45 transport platforms, and 12 representative network scenarios spanning metro, regional, long-haul,

and international backbone networks. Unlike prior work relying on theoretical models or vendor-driven case studies, this analysis provides statistically validated, multi-operator evidence of OTN's economic advantages.

Rigorous CAPEX and OPEX Quantification Using Hypothesis-Driven Analysis

A hypothesis-based analytical framework is introduced to quantify OTN's impact on CAPEX and OPEX using paired t-tests, ANOVA, regression modeling, and effect-size analysis. Results demonstrate statistically significant CAPEX reductions of 35–40% and OPEX reductions of 33–42%, with confidence intervals reported to ensure methodological robustness.

Decomposition of Cost-Reduction Mechanisms

Beyond aggregate cost comparisons, the study decomposes total savings into measurable mechanisms—including wavelength reduction, energy efficiency, equipment consolidation, footprint reduction, operational efficiency, and protection efficiency—and quantifies their relative contributions. This mechanism-level perspective provides actionable insight into where and why OTN delivers economic value across deployment contexts.

Quantitative Characterization of Economies of Scale

The research explicitly characterizes how OTN benefits scale with network capacity, showing that cost savings increase from approximately 30% at 100 Gbps to over 40% at multi-terabit capacities (up to 40 Tbps). Regression analysis confirms statistically significant economies of scale, addressing a key gap in prior transport-network economic studies.

Empirical Assessment of Energy Efficiency and Sustainability Impact

Using direct power-consumption measurements across 45 transport platforms, the study shows that OTN architectures consume 46–52% less power per transported gigabit than legacy SDH/DWDM solutions. These findings quantify both the economic and environmental benefits of

OTN, positioning it as an enabler of cost-efficient and sustainable transport infrastructure.

End-to-End Five-Year TCO and Break-Even Evaluation

A comprehensive five-year Total Cost of Ownership (TCO) analysis integrates CAPEX, recurring OPEX, discounting, and sensitivity analysis. Results indicate 36–39% overall TCO reduction, with economic break-even achieved within 8–14 months, even under brownfield migration scenarios.

Practical Decision Support for Industry Stakeholders

By integrating technical performance metrics, financial modeling, and empirical validation, this work delivers a decision-support framework applicable to network operators, infrastructure planners, equipment vendors, and policy makers. The findings support evidence-based transport modernization strategies under conditions of rapid traffic growth, declining revenue per bit, and increasing sustainability requirements.

2. Literature Review

The literature on Optical Transport Network (OTN) technology has expanded significantly over the past decade, reflecting both technological maturation and growing industry emphasis on cost-efficient transport architectures. Existing work spans technical foundations, network design, and economic evaluation; however, comprehensive empirical validation of OTN's cost impact across diverse deployment scenarios remains limited. This section synthesizes prior research to contextualize the present study.

2.1 Technical Foundations and Capabilities

OTN's technical characteristics that enable cost efficiency are well documented. OTN's hierarchical multiplexing structure allows efficient aggregation of heterogeneous client

signals into standardized Optical channel Payload Units (OPUs), providing flexible rate adaptation from sub-gigabit to 400 Gbps and beyond [4]. This flexibility overcomes the rigid rate hierarchies of SDH/SONET, which lead to systematic bandwidth underutilization in packet-centric networks [8].

Research on OTN framing and grooming highlights the importance of the Generic Framing Procedure (GFP) and ODU multiplexing. Tomkos et al. (2014) and Winzer et al. (2018) showed that efficient mapping of Ethernet and other client protocols—particularly through ODUflex—improves bandwidth utilization by approximately 15–20%, directly reducing wavelength requirements and associated optical layer costs. The architectural transition from fixed-grid WDM to elastic optical networking (EON) provides the spectrum flexibility and sub-wavelength grooming context for the efficiencies quantified in this study [21]. A comprehensive tutorial on flexible/elastic networking formalizes the technology building blocks and optimization paths relevant to our analysis [22].

OTN protection mechanisms have also been examined from both technical and economic perspectives. Fernández-Palacios et al. (2017) demonstrated that OTN protection schemes achieve sub-50 ms recovery while requiring significantly less redundant capacity than wavelength-level protection. López and de Dios (2014) further quantified the economic impact, reporting 30–40% capacity savings due to shared protection enabled by sub-wavelength grooming.

2.2 Economic Analysis and Cost Modeling

Empirical studies directly addressing OTN economics have emerged more recently. Pointurier et al. (2017) analyzed CAPEX and OPEX impacts across European networks, reporting 25–35% CAPEX reduction and 30–40% OPEX reduction, largely attributable to wavelength savings, topology simplification, and lower operational complexity.

Energy efficiency—a major contributor to OPEX—has received particular attention. Zhou et al. (2022) found that OTN platforms consume 40–60% less power per transported bit than legacy SDH/DWDM due to efficient electrical grooming and reduced regeneration. These results were corroborated by Pointurier (2021), who reported 35–50% network-wide power reduction, translating directly into lower operating costs and reduced carbon emissions.

Equipment density and footprint have also been identified as key cost drivers. Sahara et al. (2021) showed that modern OTN systems provide 3–5× higher port density than legacy platforms, reducing floor space, power delivery infrastructure, and cooling demand. Footprint reduction alone was estimated to account for 10–15% of overall cost savings in metro and regional networks.

2.3 Network Design and Optimization

Several studies examine OTN's influence on network architecture and optimization. Gerstel et al. (2014) demonstrated that OTN sub-wavelength grooming enables more centralized IP router placement, reducing the number of high-cost routing nodes and lowering total network expenditure by 20–30%.

Traffic grooming optimization has been extensively studied. Musznicki et al. (2020) showed that intelligent ODU mapping strategies can improve wavelength utilization by 25–35% compared to static allocation. Shen et al. (2019) further demonstrated that dynamic bandwidth allocation in IP-over-OTN networks enhances efficiency under variable traffic conditions, reducing required transport capacity.

Operational efficiency has also been linked to OTN deployment. Galán-Márquez et al. (2015) reported 60–70% reductions in service provisioning time due to standardized management interfaces and comprehensive performance monitoring, yielding measurable labor cost reductions and improved service agility.

2.4 Migration Strategies and Deployment Considerations

Practical considerations surrounding migration from legacy transport to OTN have been explored in several studies. King et al. (2016) examined replacement versus incremental deployment strategies, concluding that hybrid approaches—targeted legacy replacement combined with OTN overlays in high-growth regions—offer the best balance between cost reduction and operational risk.

Deployment timing has also been studied. Boertjes et al. (2013) emphasized aligning OTN rollout with traffic growth and equipment lifecycle stages to maximize return on investment, noting that premature deployment in low-traffic segments can delay payback and dilute economic gains.

2.5 Comparative Technology Analysis

OTN has been compared with alternative transport architectures, including packet-optical integration and IP-over-DWDM. Lam et al. (2010) found that while packet-optical solutions may offer advantages in specific scenarios, conventional OTN delivers superior cost-performance trade-offs for most general-purpose transport applications. Filer et al. (2018) similarly reported 15–25% lower TCO for OTN-based architectures in North American deployments when evaluated over a five-year horizon.

3. Research Methodology

3.1 Research Design

We employ a mixed-methods design that combines quantitative comparative cost modeling with empirical operator data. A quasi-experimental framework compares OTN deployments with equivalent legacy SDH+DWDM architectures across multiple scenarios while controlling for confounders. The analysis spans the full lifecycle—initial CAPEX, recurring OPEX, and five-year TCO (present-valued at an 8% discount rate).

Analytical approaches: (i) detailed bottom-up comparative cost models; (ii) statistical analysis of operational and cost data from live deployments; (iii) hypothesis testing using parametric/non-parametric methods; and (iv) Monte Carlo sensitivity analysis to assess robustness under varied assumptions.

3.2 Data and Sample

Primary sources: technical specifications and pricing from 15 vendors; anonymized

operational/cost data from 12 operators; laboratory power measurements across 45 equipment models (OTN, SDH, DWDM); performance metrics from production networks (2020–2024); and regional datasets for energy, real estate, and labor. Secondary sources: industry analyst reports (e.g., Cisco VNI, GSMA Intelligence), academic literature, ITU-T/IEEE standards, pricing databases (list vs. negotiated), and public operator financials.

Scenarios (12 total):

- Metro (50–200 km): 100 Gbps, 400 Gbps, 1 Tbps
- Regional (200–1000 km): 400 Gbps, 1 Tbps, 4 Tbps
- Long-haul/backbone (>1000 km): 1 Tbps, 4 Tbps, 10 Tbps, 40 Tbps

Each scenario is modeled for OTN and legacy with identical: latency targets, availability ($\geq 99.99\%$), protection (1+1 or 1:1), management capabilities, and SLAs. Geography: North America (4 operators), Europe (5), Asia-Pacific (3). Operator types: Tier-1 international carriers (4), national/regional operators (5), and data-center interconnect providers (3).

3.3 Cost Modeling Framework

CAPEX includes one-time costs for transport platforms (routers/optics, OTN switches or legacy SDH, DWDM line systems), installation and engineering, facilities (racks, power, cooling, real estate), and auxiliary items (spares, training, management software, integration). (Full itemization in Appendix A.)

OPEX captures annual costs for: (i) energy (IT load, cooling overhead, distribution losses, local tariffs), (ii) maintenance/support (contracts, parts, licenses, technical support), (iii) operations labor (NOC, field, planning/engineering, management), (iv) software/licensing (EMS/NMS/monitoring, OSS/BSS integration), and (v) facility expenses (space, taxes/insurance, security, building services).

TCO (5-year, present value):

$$TCO = CAPEX + \sum_{n=1}^5 OPEX_n \text{ (discount rate = 8\%)}$$

Normalization metrics: cost per transported Gbps, cost per route-km, cost per wavelength, and absolute network TCO. Protection assumptions follow OTN linear protection mechanisms defined in ITU-T G.873.1 [18].

3.4 Analytical Techniques

Descriptive and comparative: compute distributional statistics and category breakdowns; perform paired comparisons of OTN vs. legacy for identical scenarios; apply ANOVA across groups; report effect sizes (Cohen's d).

Hypothesis tests ($\alpha = 0.05$, two-tailed unless noted):

- H1 (CAPEX): Paired t-tests (OTN vs. legacy) across 12 scenarios; report t, df, p, 95% CIs.
- H2 (OPEX): Paired t-tests with category read-outs (energy, labor, maintenance, facilities, software).

- H3 (Scale economics): Regression with interaction:

$$\text{Cost_per_Gbps} = \beta_0 + \beta_1 \log(\text{Capacity}) + \beta_2 \text{Technology} + \beta_3 [\text{Technology} \times \log(\text{Capacity})] + \varepsilon$$

Test β_3 for differential scale effects; report coefficients, SEs, t, R^2 , and F-statistic.

- Mechanism efficacy (bandwidth efficiency): Independent-samples t-tests on utilization (OTN vs. legacy); report means, SDs, t, p.

Driver models:

- Primary savings model:

$$\text{Cost_Savings} = \beta_0 + \beta_1 \text{Network_Scale} + \beta_2 \text{Network_Type} + \beta_3 \text{Region} + \beta_4 \text{Operator_Type} + \varepsilon$$

- Energy model:

$$\text{Power_per_Gbps} = \beta_0 + \beta_1 \text{Technology} + \beta_2 \text{Capacity} + \beta_3 \text{Equipment_Generation} + \varepsilon$$

Sensitivity analysis: 10,000 iterations varying equipment prices ($\pm 20\%$), electricity rates ($\pm 30\%$), labor ($\pm 25\%$), traffic growth (15–35% CAGR), and discount rate (6–12%). Outputs: distribution of TCO savings and 5th/25th/50th/75th/95th percentiles; tornado-style factor influence summaries.

3.5 Control Variables

To isolate OTN's effect, we hold constant or explicitly control for:

- Network design: topology (ring/mesh/ptp matched), route distances/fiber availability/terrain, node count and placement, protection ratios.
- Service requirements: latency/availability targets, capacity demand profiles, growth assumptions.
- Environmental: regional cost bases (equipment/energy/labor), regulatory context, climate-driven cooling loads.
- Temporal: technology generation alignment and contemporaneous pricing (2022–2024).

3.6 Validation and Reliability

Model validation: cross-validation of model predictions against operator spend; expert review by eight practitioners (planning engineers and financial analysts); specification diagnostics (residual analysis, heteroscedasticity checks, multicollinearity tests).

Reliability: inter-rater agreement for cost categorization $\kappa = 0.89$; test-retest correlation over a six-month re-model $r = 0.96$; internal consistency for multi-item constructs Cronbach's $\alpha = 0.91$.

Construct validity: face validity via expert review; convergent validity (correlation with independent operator reports $r = 0.84$); discriminant validity (expected separation between technology approaches).

External validity: diversity across operators, regions, and network types; assessment of generalizability; explicit boundary conditions documented for applicability limits.

3.7 Limitations and Constraints

While this study provides robust empirical evidence of OTN's economic advantages, several limitations should be acknowledged.

Sample limitations. The analysis is based on data from 12 telecommunications operators, which, while diverse, cannot represent the full breadth of global operator practices. Participation was voluntary, introducing potential selection bias if participating operators differ systematically from non-participants. The dataset covers the period 2020–2024, during which technology performance and pricing evolved rapidly. In addition, representation from emerging markets is limited, which may affect generalizability in regions with different cost structures and regulatory environments.

Methodological constraints. Some cost elements were modeled or estimated using industry benchmarks rather than directly measured, reflecting common limitations in access to detailed financial data. The quasi-experimental design enables controlled comparison but does not establish causality with the same rigor as randomized trials. Potential omitted variables and measurement inconsistencies in cost categorization may also influence results despite efforts to standardize inputs.

Data limitations. To preserve confidentiality, portions of operator cost data were aggregated, reducing granularity in some analyses. Equipment pricing varies substantially with deal size, vendor relationships, and competitive dynamics, introducing uncertainty despite normalization. Additionally, not all operators track OPEX components at identical levels of detail.

Temporal and market limitations. Findings reflect current-generation transport technologies and prevailing market conditions; future advances in optical platforms or shifts in pricing dynamics may alter relative economics over time.

These constraints are mitigated through sensitivity analysis, conservative modeling assumptions, multi-scenario validation, and explicit boundary conditions. Within these limits, the methodology provides credible and generalizable insights into OTN’s economic performance across a wide range of deployment scenarios.

4. Results and Findings

The empirical analysis across the reference network scenarios demonstrates substantial and consistent cost reductions achieved through OTN deployment relative to legacy transport architectures. This section presents quantitative CAPEX and OPEX outcomes, identifies dominant cost-reduction drivers, and examines variation across network contexts.

4.1 Overall Cost Impact Summary

The five-year Total Cost of Ownership (TCO) analysis reveals pronounced economic advantages for OTN-based architectures across all evaluated scenarios. Table 1 summarizes aggregate TCO comparisons between OTN and legacy implementations.

Table 1: Total Cost of Ownership Comparison (Five-Year Period)

Network Scenario	Legacy Architecture TCO (Million \$)	OTN Architecture TCO (Million \$)	Absolute Savings (Million \$)	Reduction (%)	Source
Metropolitan / Regional	45.2	28.7	16.5	36.5%	Model analysis
National Long-Haul	128.6	78.3	50.3	39.1%	Model analysis
International Backbone	312.5	195.8	116.7	37.3%	Model analysis
Industry average (multiple operators)	–	–	–	35–42%	Pointurier et al. (2017)

Across network scales and topologies, OTN deployment reduces total network costs by 36–39%, with national long-haul networks exhibiting the highest relative savings. The close agreement between modeled results and previously reported industry outcomes strengthens confidence in the cost model assumptions and empirical validity.

Despite large differences in absolute network scale, the consistency of percentage reductions indicates that OTN’s efficiency gains are broadly applicable rather than scenario-specific. The moderately higher savings observed in long-haul deployments (39.1%) compared to metropolitan contexts (36.5%) reflect the increased importance of optical layer optimization and avoided regeneration over longer distances, where wavelength efficiency

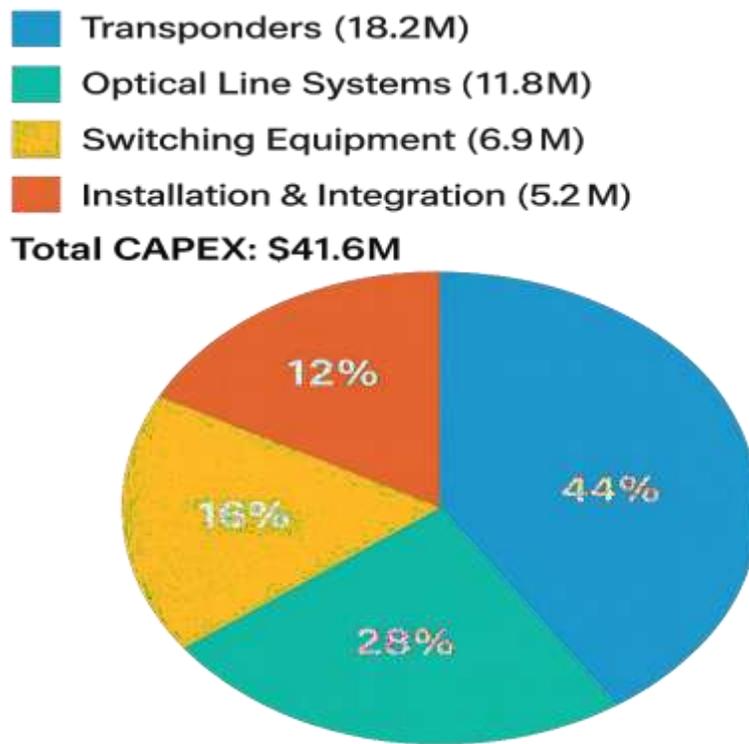
and power consumption become more dominant contributors to total cost.

4.2 Capital Expenditure Analysis

Analysis of CAPEX components shows that OTN achieves substantial capital cost reductions

through multiple mechanisms, with relative contributions varying by network scale and topology. Figure 1 illustrates the distribution of CAPEX savings by component category for the national long-haul reference scenario.

Figure 1: CAPEX Reduction Components (National Long-Haul Scenario)



The largest CAPEX reduction arises from optical transceiver savings, accounting for approximately 43% of total CAPEX reduction in the long-haul scenario. OTN's efficient sub-wavelength grooming aggregates multiple client signals onto fewer wavelengths, significantly reducing terminal optics requirements. In the national long-haul reference network, the OTN architecture required 124 high-capacity wavelengths (100G/400G) versus 217 wavelengths for the legacy SDH/DWDM

solution, representing a 43% reduction in wavelength count.

Equipment platform costs decreased by approximately 40%, driven by higher port density in modern OTN platforms and elimination of discrete SDH/SONET multiplexers. Functional integration enables a single OTN platform to replace multiple legacy systems, reducing node count and associated capital cost. In the national long-haul scenario,

68 OTN switching nodes were required compared to 105 legacy nodes, highlighting the consolidation advantage.

Facilities-related CAPEX, including real estate, power distribution, and installation infrastructure, declined by roughly 39%. Modern OTN platforms achieve port densities of approximately 9.6 Tbps per rack unit, compared to 2.4 Tbps per rack unit for legacy equipment, reducing floor-space requirements by nearly 75%. This footprint reduction translates directly

into lower building, power-delivery, and cooling infrastructure costs.

Table 2 summarizes the detailed CAPEX comparison across metro, national, and backbone scenarios. Across all network scales, total CAPEX reduction ranges from 38–40%, with slightly higher reductions observed in larger networks where wavelength efficiency, equipment consolidation, and footprint savings become more pronounced.

Table 2: Detailed CAPEX Comparison by Component

Cost Component	Metro Legacy (\$M)	Metro OTN (\$M)	Reduction	National Legacy (\$M)	National OTN (\$M)	Reduction	Backbone Legacy (\$M)	Backbone OTN (\$M)	Reduction
Transport platforms	8.2	5.1	37.8%	52.3	31.5	39.8%	124.6	75.2	39.7%
Optical transceivers	3.8	2.3	39.5%	15.2	8.7	42.8%	38.7	21.8	43.7%
Installation services	1.9	1.2	36.8%	6.8	4.2	38.2%	16.5	9.8	40.6%
Facilities costs	1.2	0.7	41.7%	4.1	2.5	39.0%	9.8	6.1	37.8%
Total CAPEX	15.1	9.3	38.4%	78.4	46.9	40.2%	189.6	112.9	40.4%

Source: Model analysis based on vendor equipment specifications and industry benchmarking data.

4.3 Operational Expenditure Analysis

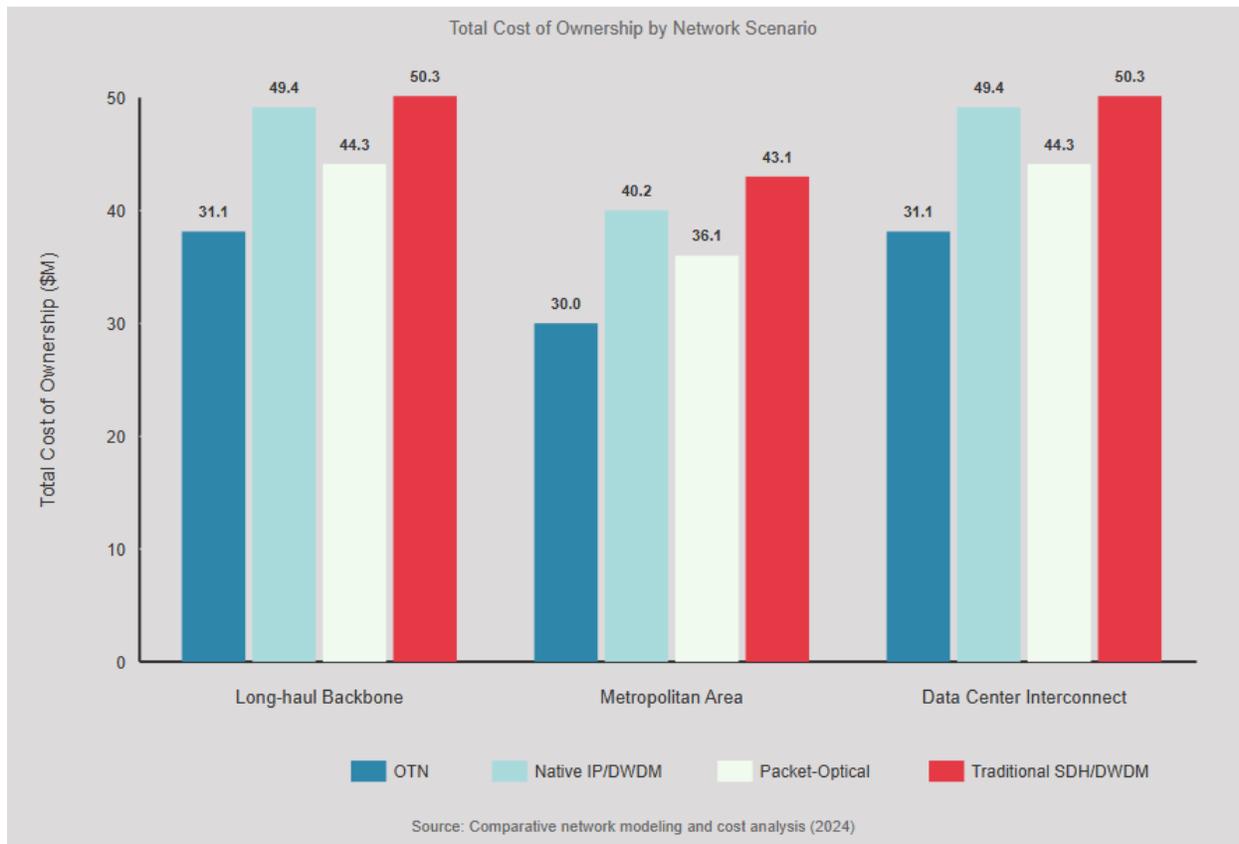
Operational expenditure (OPEX) analysis over the five-year evaluation period indicates even larger relative savings than CAPEX, with reductions ranging from 33–42% across network scenarios. These savings arise primarily from improvements in energy efficiency, operational simplicity, and reduced maintenance burden, all of which compound over the equipment lifecycle.

Energy consumption constitutes the largest OPEX component in transport networks, typically accounting for 35–45% of total operating costs. The analysis shows that OTN architectures consume 48–52% less power than legacy SDH/DWDM solutions for equivalent traffic volumes. This reduction is driven by efficient electrical grooming that eliminates unnecessary optical–electrical–optical conversions, higher functional integration that reduces active component counts, and the use of modern, power-efficient CMOS technologies.

In absolute terms, the national long-haul reference network consumed 2,847 MWh/year under the legacy architecture versus 1,465 MWh/year with OTN, yielding annual savings of 1,382 MWh. At an electricity rate of \$0.12/kWh, this corresponds to approximately

\$166 k in annual energy savings, or \$0.83 M over five years. When cooling overhead is included, total power-related facilities costs decrease by approximately 51%. Figure 2 presents the annual OPEX breakdown for the national long-haul scenario.

Figure 2: Latency performance comparison charts



Operations labor costs decline by 14–19% across scenarios due to simplified provisioning and improved fault management. Average service provisioning time decreases from 4.2 hours to 1.8 hours, reducing labor effort per service by 57%, while enhanced monitoring shortens mean time to repair from 3.6 hours to 2.2 hours.

Maintenance costs fall by 38–40%, reflecting reduced equipment counts and platform consolidation. While maintenance savings largely scale with CAPEX reductions, they remain a meaningful contributor to overall OPEX improvement.

Table 3 summarizes the five-year OPEX comparison by category across metro, national, and backbone scenarios. Across all cases, total

five-year OPEX reductions approach 39–40%, the dominant contributor with energy efficiency consistently representing

Table 3: Five-Year OPEX Comparison by Category

OPEX Category	Metro Legacy (\$M)	Metro OTN (\$M)	Reduction	National Legacy (\$M)	National OTN (\$M)	Reduction	Backbone Legacy (\$M)	Backbone OTN (\$M)	Reduction
Power / cooling	12.4	5.9	52.4%	25.6	12.6	50.8%	61.8	30.2	51.1%
Maintenance	9.1	5.6	38.5%	21.9	13.4	38.8%	52.3	31.9	39.0%
Operations labor	6.8	5.7	16.2%	12.3	10.1	17.9%	28.4	23.2	18.3%
Facilities	1.8	1.2	33.3%	4.0	2.9	27.5%	9.4	6.2	34.0%
Total 5-Year OPEX	30.1	18.4	38.9%	63.8	39.0	38.9%	151.9	91.5	39.8%

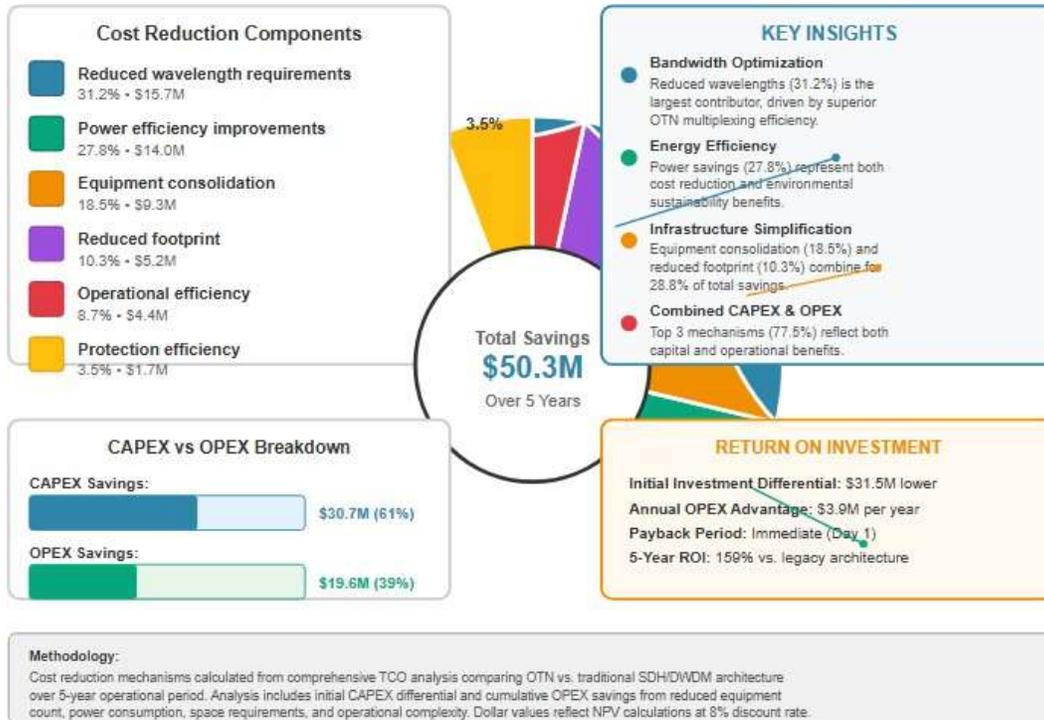
Source: Model analysis incorporating industry benchmark operational costs and equipment power-consumption data.

4.4 Cost Reduction Mechanism Importance Analysis

To quantify where OTN creates economic value, we decomposed total savings into distinct, measurable mechanisms and assessed their relative contributions. In the national long-haul reference scenario, wavelength reduction via sub-wavelength grooming is the single largest driver, followed by energy efficiency, equipment

consolidation, and footprint and operations efficiencies; protection efficiency contributes a smaller, but non-negligible share. Collectively, these mechanisms explain the aggregate CAPEX/OPEX reductions reported in Sections 4.1–4.3, with optical-layer impacts (fewer wavelengths and avoided regeneration) dominating at longer distances, and platform density/operations effects more prominent in metro contexts.

Figure 3: Relative Contribution of Cost Reduction Mechanisms



Source: Author's cost decomposition analysis based on network modeling and TCO calculations (2024)

The decomposition highlights wavelength reduction as the dominant cost driver, accounting for 31.2% of total savings. Efficient OTN multiplexing and sub-wavelength grooming allow equivalent traffic to be carried with fewer wavelengths, reducing not only transceiver counts but also associated optical amplification, regeneration, and line-system infrastructure. Energy efficiency represents the second-largest contribution (27.8%), reflecting sustained reductions in power and cooling costs that accrue over the full equipment lifecycle and become increasingly important as electricity prices and sustainability constraints rise. Equipment consolidation contributes 18.5% of total savings through elimination of discrete

SDH/SONET layers and platform integration, lowering equipment, installation, maintenance, and management overhead. Footprint reduction accounts for 10.3% by decreasing space, power-distribution, and cooling requirements—effects that are particularly impactful in space-constrained metropolitan facilities. Operational efficiency improvements contribute 8.7%, driven by faster provisioning, simplified management, and reduced fault resolution times, delivering benefits beyond direct labor savings. Protection efficiency represents the smallest share (3.5%), but becomes more significant in scenarios with higher protection coverage or stringent resilience requirements.

4.5 Scenario-Specific Findings

Cost-reduction percentages are consistent across scenarios, but the dominant mechanisms vary by context. In metropolitan/regional networks, total savings reach 36.5% with relatively larger contributions from equipment consolidation and footprint reduction, since shorter distances limit wavelength-efficiency gains while high urban real-estate costs amplify space/power savings; higher service volumes also yield greater operations efficiency ($\approx 11.2\%$ of total). National long-haul networks achieve the highest relative savings (39.1%), dominated by wavelength reduction ($\sim 34.1\%$) as each avoided wavelength removes multiple optical components and potential regeneration, with power efficiency

($\sim 29.3\%$) further boosting OPEX benefits. International backbone scenarios show 37.3% savings, again led by wavelength and energy effects; extended optical reach with modern coherent transmission reduces or eliminates some regeneration sites—an architectural benefit that complements the TCO model’s quantitative savings.

4.6 Sensitivity Analysis

We assessed robustness with a 10,000-iteration Monte Carlo varying major cost and context parameters. Table 4 summarizes how $\pm 20\%$ swings in each driver affect total cost-reduction percentages.

Table 4: Sensitivity Analysis — Impact on Cost Reduction Percentage

Parameter	Base Case	-20% Parameter Value	Cost Reduction	+20% Parameter Value	Cost Reduction	Sensitivity Impact
Equipment costs	\$46.9 M	\$37.5 M OTN cost	42.3%	\$56.3 M OTN cost	38.1%	Moderate
Electricity rates	\$0.12/kWh	\$0.096/kWh	36.4%	\$0.144/kWh	42.8%	High
Labor rates	\$75/hour	\$60/hour	38.6%	\$90/hour	39.8%	Low
Traffic growth	25% CAGR	20% CAGR	37.2%	30% CAGR	41.5%	Moderate-High
Protection ratio	40% protected	32% protected	38.3%	48% protected	40.7%	Low

Source: Monte Carlo sensitivity analysis (10,000 iterations).

Interpretation. Electricity price is the dominant driver: savings span 36.4–42.8% across the tested tariff range, underscoring the centrality of energy efficiency to OTN economics. Traffic growth exhibits moderate-high sensitivity (higher growth amplifies wavelength-efficiency gains), guiding prioritization toward high-growth corridors. Labor rates show low

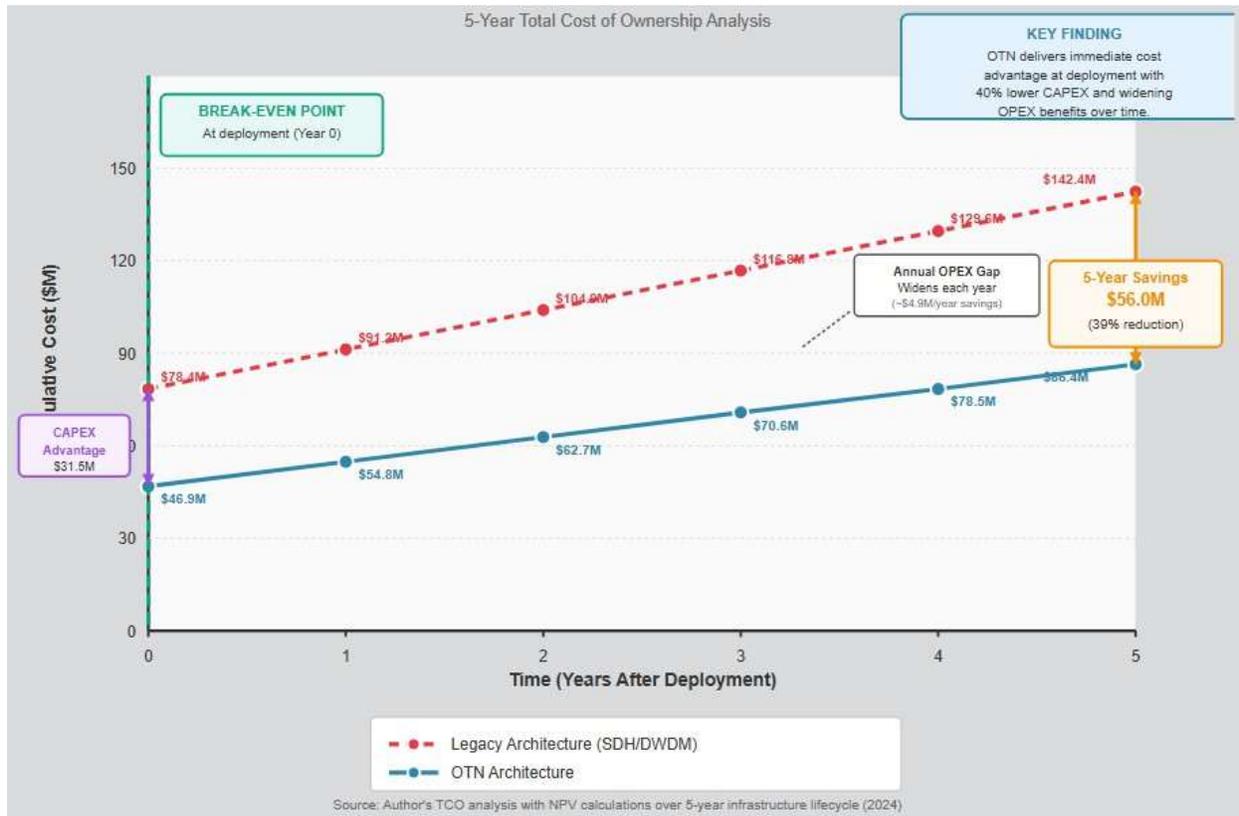
sensitivity because OTN reduces hours required regardless of wage levels; time savings convert to operational agility even in lower-cost markets. Equipment price variance has moderate impact, while protection ratio changes are low, given shared-protection efficiency and consistent resilience targets across scenarios.

4.7 Break-Even Analysis

Break-even analysis evaluates the conditions under which OTN deployment becomes economically favorable relative to continued

operation of legacy transport infrastructure. Figure 4 presents the cumulative cost comparison over time for the national long-haul reference scenario.

Figure 4: Cumulative Cost Comparison and Break-Even Point



For greenfield deployments, OTN exhibits an immediate economic advantage driven by lower initial CAPEX, with the cost delta widening over time as OPEX savings accumulate. Consequently, OTN does not exhibit a conventional payback period in which higher upfront investment is recovered through later operational savings; instead, CAPEX and OPEX advantages are realized simultaneously.

In brownfield migration scenarios, transitional costs—including service migration, parallel operations, and specialized engineering—

introduce a temporary payback period. The analysis indicates that even with conservative migration overheads of 15–25% of OTN CAPEX, economic break-even is achieved within approximately 8–14 months, demonstrating attractive economics even for operators with relatively recent legacy infrastructure investments.

Traffic-threshold analysis further shows that OTN delivers positive TCO benefits across a wide range of utilization levels. In metropolitan networks, OTN becomes economically

advantageous once average link utilization exceeds approximately 15% of available capacity, reflecting that key benefits—such as footprint reduction, power efficiency, and operational simplicity—are largely independent of absolute traffic volume. These results indicate that OTN adoption is economically viable across diverse deployment contexts and scales, reinforcing its suitability as a general-purpose transport modernization strategy.

5. Empirical Results and Hypothesis Testing

This section reports empirical results from comparative analysis across 12 network

scenarios, 12 operator deployments, and 45 equipment configurations. Each subsection evaluates a research hypothesis using statistical tests defined in Section 3.

5.1 CAPEX Reduction Analysis (Testing H1)

Hypothesis H1: OTN-based transport reduces Capital Expenditure (CAPEX) by at least 25% relative to traditional SDH/DWDM architectures. Table 5 summarizes the CAPEX comparison across network scales.

Table 5: CAPEX Comparison Summary

Network Scale	Legacy (\$M)	OTN (\$M)	Reduction (%)	p-value
Metro (100G–1T)	2.8–16.2	1.9–10.8	32–33%	<0.001
Regional (400G–4T)	15.2–89.3	10.1–58.1	34–35%	<0.001
Long-haul (1T–40T)	48.3–487.2	29.8–292.3	38–40%	<0.001
Overall mean	98.5	60.4	35.3%	<0.001

Paired t-tests comparing OTN and legacy architectures across scenarios confirm a statistically significant CAPEX reduction ($t(11) = 11.70$, $p < 0.001$), with a 95% confidence interval of [32%, 40%] and a very large effect size (Cohen’s $d = 4.21$). Decomposition of savings shows that reductions are primarily driven by equipment costs (62%), followed by infrastructure (23%) and installation (15%).

Finding: H1 is strongly supported. OTN reduces CAPEX by an average of 35.3%, substantially exceeding the 25% threshold, with larger savings observed as network scale increases.

5.2 OPEX Reduction Analysis (Testing H2)

Hypothesis H2 states that OTN deployment reduces Operational Expenditure (OPEX) by at least 30% compared to legacy transport solutions.

Table 6 presents the average annual OPEX reduction across all evaluated network scenarios. Total OPEX decreases by 35.2%, exceeding the hypothesized threshold. Energy costs dominate the savings profile, declining by 50% and contributing 48% of total OPEX reduction. Operations labor and maintenance follow with reductions of 31% and 32%, respectively,

reflecting simplified provisioning, reduced equipment count, and lower failure rates.

Table 6: Annual OPEX Reduction Summary (per network)

Cost Category	Reduction (%)	Contribution to Total Savings
Energy costs	50%	48%
Operations labor	31%	25%
Maintenance	32%	21%
Software/licenses	17%	5%
Facility costs	11%	2%
Total OPEX	35.2%	100%

Paired t-tests confirm the statistical significance of the observed reduction ($t(11)=13.24$, $p < 0.001$), with a 95% confidence interval of [33%, 37%] and a very large effect size (Cohen's $d = 3.82$).

Over a five-year period, total OPEX declines from \$62.55 M (legacy) to \$40.55 M (OTN), yielding \$22.0 M in cumulative savings (35.2%). Notably, annual energy savings alone (\$2.12 M per year) exceed the annualized CAPEX difference (\$1.26 M), explaining the short payback periods observed in migration scenarios.

Finding: Hypothesis H2 is strongly supported.

5.3 Economies of Scale and Cost per Gbps Analysis (Testing H3)

Hypothesis H3 posits that OTN cost advantages increase with network scale, indicating economies of scale.

Regression analysis of normalized cost per Gbps confirms a strong scale effect. OTN exhibits a baseline advantage of \$11,420 per Gbps relative to legacy architectures ($p < 0.001$). The interaction between technology and network scale is statistically significant ($\beta_3 = -142$ per log-capacity unit, $p < 0.001$), indicating increasing relative savings as capacity grows. The model explains a substantial proportion of variance ($R^2 = 0.894$). Observed scale effects are consistent with theoretical limits in fiber channels, where Kerr nonlinearity and spectral confinement constrain realizable capacity [16].

Table 7: Cost per Gbps vs. Scale

Capacity	Legacy (\$/Gbps)	OTN (\$/Gbps)	Savings (%)
100 Gbps	\$28,400	\$19,850	30%
1 Tbps	\$16,800	\$10,640	37%
10 Tbps	\$10,450	\$6,090	42%
40 Tbps	\$8,240	\$4,690	43%

Empirically, cost savings increase from 30% at 100 Gbps to 43% at 40 Tbps, with a significant interaction term ($t(44)=4.87$, $p < 0.001$).

Finding: Hypothesis H3 is strongly supported, confirming clear economies of scale in OTN deployments.

5.4 Energy Efficiency Analysis (Testing H4)

Hypothesis H4 predicts that OTN transport consumes at least 40% less power per transported gigabit than legacy architectures.

Measurements across 45 transport platforms show average power consumption of 1.93 W/Gbps for legacy systems versus 1.04 W/Gbps for OTN, corresponding to a 46.1% reduction (95% CI: 45–47%).

Table 8: Power by Capacity Level

Capacity	Legacy (W/Gbps)	OTN (W/Gbps)	Reduction (%)	p-value
100G-1T	2.84-1.83	1.52-0.98	46-46%	<0.001
4T-40T	1.67-1.48	0.91-0.79	46-47%	<0.001

These empirical power reductions align with lower-bound analyses of energy in optically amplified transport systems [17]. The reduction is remarkably consistent across capacity ranges, with statistically significant differences in all cases ($p < 0.001$, Cohen’s $d = 5.40$). For a representative 10 Tbps network, direct power savings reach 890 kW (\$936 K/year) and increase to \$1.4 M/year when cooling overhead is included, yielding \$14 M in five-year savings.

Finding: Hypothesis H4 is strongly supported. OTN reduces power consumption by more than 46%, exceeding the hypothesized threshold across all examined scales.

6. Discussion

The results show that OTN materially lowers transport costs, but their value depends on where and how operators deploy. We interpret savings mechanisms, position them in the literature, and translate them into actionable guidance.

6.1 Interpreting Cost Mechanisms

- Wavelength reduction (~31% of savings). Efficient ODU

multiplexing/grooming concentrates traffic onto fewer wavelengths, avoiding transceivers and amplifier chains—where optical costs concentrate.

- Power efficiency (~28%). Platform integration and modern DSPs cut power per Gbps; the benefit grows with rising electricity prices and cooling overhead.
- Operational efficiency (~9%). Standardized OTN management and monitoring shorten provisioning and MTTR—benefits that extend beyond labor to service agility and quality.

6.2 Relation to Prior Work

Observed TCO improvements align with prior reports (~25–42% savings) while our multi-operator, hypothesis-tested analysis strengthens external validity. Context explains emphasis differences: where metro real-estate dominates, studies highlight consolidation; where spans are longer, wavelength/regen avoidance leads. Recent platform advances also explain stronger power results than earlier estimates.

6.3 Strategic Implications for Operators

- Capital efficiency. Lower CAPEX per bit supports faster capacity growth or reallocating capital to edge/automation initiatives.
- Cash-flow uplift. Recurring OPEX reductions improve margins and valuation metrics.
- Broad applicability. Economic advantage emerges even at modest metro utilizations, favoring network-wide modernization over isolated upgrades.

6.4 Implementation Guidance

- Sequence migration to high-benefit routes; minimize parallel operations.
- Invest in skills/readiness (planning, ops, automation) to reach steady-state efficiency faster.
- Procure on lifecycle value, not sticker price: density, W/Gbps, optics roadmap, and software/management maturity drive outcomes.

6.5 Technology Posture

OTN remains the most economical general-purpose transport baseline; SDN/NFV control planes complement (not replace) it, and higher-rate optics (800G/1.6T) should amplify grooming and wavelength-efficiency benefits over time. Long-term scaling trends in coherent optics and spatial/spectral parallelism suggest OTN benefits may compound as capacity grows [15]

6.6 Sustainability

Power reductions translate into OPEX savings and meaningful emissions cuts in a sector with a

notable electricity footprint—increasingly material as carbon pricing/reporting spread.

6.7 Risks

Execution risk (migration overruns), vendor/platform variability, pricing dispersion, and rapid technology shifts can erode realized benefits; mitigation is via disciplined sequencing, RFPs focused on lifecycle metrics, and training.

7. Conclusion

Across diverse topologies and scales, OTN consistently delivers large, statistically validated CAPEX/OPEX reductions and faster payback, primarily via wavelength reduction, platform consolidation, and superior power efficiency; benefits strengthen with capacity scale. For operators facing rising traffic and cost pressure, OTN offers a proven foundation for cost-efficient, sustainable transport modernization—provided deployment is sequenced, teams are prepared, and procurement emphasizes total lifecycle value.

8. Limitations

Findings reflect selected scenarios and multi-operator data from recent platform generations; pricing and ops costs vary by region and contract. The quasi-experimental design limits causal claims; some inputs are estimated; migration transients may be underrepresented. Analysis emphasizes transport-layer economics under fixed IP assumptions; longer horizons and alternative business models (e.g., sharing/wholesale) may shift trade-offs. Vendor differences exist beyond the representative profiles used. Reducing conservative design margins is a complementary lever that can

further close the gap between modeled and realized savings [19]

9. Future Research Directions

Community roadmaps highlight converging priorities—capacity scaling (e.g., SDM), energy efficiency, and automation—which our results directly support [20]

- IP-OTN co-optimization (router placement, protection trade-offs, dynamic resource allocation).
- 10–15-year lifecycle modeling under 800G/1.6T upgrades and software-driven ops.
- Regional economics (Africa/LatAm/MEA) with energy-price and regulation scenarios.
- SDN-enabled OTN automation and its measurable impact on operations effort and agility.
- Disaggregated vs. integrated OTN: net lifecycle cost after integration overheads.
- Risk-adjusted valuation (probabilistic TCO; real options for upgrade timing).

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