

# Smartphones to run operators into the red in 3 years

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Rising investment costs to handle exploding data traffic combined with lower revenue per unit of data could begin to drive some operators into the red in as soon as two years, Tellabs said it calculated based on independent analyst data.

"Carriers can spend themselves bankrupt well before users run out of hunger for capacity," said Tellabs chief executive Rob Pullen.

"Our study shows that simply adding dumb capacity is unsustainable. To avoid the 'end of profit', carriers must bring intelligence to their networks -- it is critical to carrier survival," he was quoted as saying in a statement.

A number of industry players expect mobile data traffic, driven mostly by smartphones, to nearly double each year for the next several years.

While operators are investing heavily to add capacity and roll out fourth-generation networks, they are having difficulty earning money from data transfer and forecasts see falling revenue per unit of data transferred if current trends continue.

Dozens of companies such as Tellabs are offering [mobile operators](#) solutions to manage network traffic, reducing needed investments and opening possibilities to capture more revenue through priority services.

"Mobile carriers face a stark choice about their [business models](#): it's either the smart mobile Internet or an unsustainable dumb-pipe business," said Vikram Saksena, Tellabs' [chief technology officer](#).

Tellabs' findings come days before the [mobile industry](#) holds its annual gathering in Barcelona, where a smartphone-driven boom in [data traffic](#) overwhelming networks and capturing revenue from data are set to be at the top of the agenda.

Tellabs did not analyse specific mobile operators, but used a model that generalised costs and revenue structures in three major regional markets.

It found that operators in North America were most vulnerable to

changes wrought by [mobile Internet](#) and that some could plunge into unprofitability as soon as the beginning of 2013, others at the end of that year based on median cost and revenue assumptions.

For developed Asia-Pacific markets, operators would enter the red from the third quarter of 2013 to the third quarter of 2014.

Western European operators are forecast to enter unprofitability from the beginning of 2014 or 2015.

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