CANADIAN
SIP TRUNKING
MARKET REPORT

2012 EDITION

**NBI / MICHAEL SONE
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1.1 <u>Introduction</u>

Over the last decade, Session Initialization Protocol (SIP) has emerged from its Internet roots to become the signalling technology of choice for the control of real-time multimedia communication via private and public, wireline and wireless, IP networks.

The SIP protocol was first used for presence (the ability to display one's current availability to accept telephone calls and messages) and instant messaging because of its ability to set up real-time sessions easily. These Internet applications allowed users to check each other's on-line status and converse by sending text messages back and forth.

However, SIP can also enable IP-PBX trunking, peer-to-peer IP telephony, video conferencing, unified communications and other telecommunications applications.

Of these, this report focuses on SIP trunking, now an emerging telecommunications network service. The technology permits an organization to carry all of its data and voice traffic — local, long-distance and internal branch-to-branch communications — over a single IP connection that provides access to the organization's wide area network, the Internet and the public switched telephone network (PSTN). This eliminates the need for separate voice and data network connections, offers significant potential savings when compared with multiple PRI (Primary Rate Interface) connections to the PSTN, and prepares the organization to deploy new communications technology.

This NBI/Michael Sone Associates report initiates our coverage of the Canadian market for SIP trunking services by examining the current state, size and composition of the market. We anticipate that there are multiple audiences for this report, including:

♦ Service providers currently offering, or considering the offering of, SIP trunking services;
♦ Networking equipment manufacturers offering business telephone systems including key systems, PBXs, and IP-PBXs;

♦ Interconnects that sell, install and service business telephone systems and associated network services; and,

♦ New entrants focused on Internet, data and VoIP services such as cablecos, ISPs, ITSPs and VoIP service providers.

This report is organized into three sections.

Section 1, "*Introduction & Industry Background*", presents an introduction to SIP trunking, the role of signalling in telephony, industry background, challenges experienced by service providers and customers related to SIP signalling, and the business rationale for SIP trunking.

Section 2, "*Canadian Market Overview*", shows the state of the market in Canada, discusses the major trends that are germane to the adoption of SIP Trunking, and quantifies the sector, detailing industry revenues, the number of trunks in service and market shares for each major provider through 2013.

Section 3, "*Service Provider Profiles*", presents descriptions of the 10 leading providers of SIP trunking services active in the Canadian market.

Although many networking products now support the SIP protocol, any discussion of such products beyond generalities is beyond the scope of this report.

This report is part of NBI/Michael Sone Associates' series of research reports on the Canadian telecommunications industry. Other reports cover Datacom services, Wireless services & devices, PBX, Ethernet equipment, Unified Communications, Local telecom and VoIP services, Internet services and Digital & IP-TV services.

As with all NBI/Michael Sone Associates reports, information has been gathered from primary sources. The information contained in this report is the result of numerous interviews, primarily with the SIP trunking service providers themselves.