

## Consultation response form

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<b>Consultation title</b>	Cloud services market study, Interim report
<b>Full name</b>	Max Schulze
<b>Contact phone number</b>	[X]
<b>Representing (delete as appropriate)</b>	Organisation
<b>Organisation name</b>	Sustainable Digital Infrastructure Alliance e.V. (a non-profit association)
<b>Email address</b>	[X]

## Confidentiality

We ask for your contact details along with your response so that we can engage with you on this consultation. For further information about how Ofcom handles your personal information and your corresponding rights, see [Ofcom's General Privacy Statement](#).

<b>Your details: We will keep your contact number and email address confidential. Is there anything else you want to keep confidential? Delete as appropriate.</b>	Nothing
<b>Your response: Please indicate how much of your response you want to keep confidential. Delete as appropriate.</b>	None
<b>For confidential responses, can Ofcom publish a reference to the contents of your response?</b>	Yes

## Your response

<b>Question</b>	<b>Your response</b>
<b>Question 4.1 Do you agree with our assessment of how customers buy cloud infrastructure services and how cloud providers seek to acquire customers?</b>	<p><i>Is this response confidential? No</i></p> <p><i>Yes, we agree and welcome the assessment outlined in the study.</i></p>
<b>Question 4.2: Do you agree with our characterisation of the market outcomes in supply of cloud infrastructure services?</b>	<p><i>Is this response confidential? No</i></p> <p><i>Yes, we agree to the characterisation of the market outcomes outlined in the study (please see our detailed comments in the documents attached)</i></p>

<p><b>Question 5.1: Do you agree with our analysis of potential barriers to switching and multi-cloud? As part of this:</b></p> <p>a) Please provide your views on the extent to which, and in what ways, egress fees are a barrier to switching and multi-cloud. Please also provide your views on the extent to which egress fees currently charged relate to the incremental cost of providing egress.</p> <p>b) Please provide your views on whether specific business practices of cloud providers, particularly the hyperscalers, exacerbate technical barriers to switching and multi-cloud.</p> <p>c) Please provide your views on how committed spend discounts are set and the impact these discounts have on the incentives of customers to multi-cloud.</p>	<p><i>Is this response confidential? No</i></p> <p><i>We agree with the overall analysis of the barriers identified.</i></p> <p>a) <i>We believe egress fees are a form of export tax charged by hyperscale cloud providers and should not be permitted. Aside from hindering multi-cloud use cases, they hinder any form of data exports (be it local backups, migrating to another provider or simply combining services/resources from other providers). This export tax should not be levied by cloud providers, and we support regulatory action.</i></p> <p>b) <i>We believe the packaging (bundling) of software and infrastructure (IaaS, digital resources) together is a practice that significantly impacts the ability for regional and national actors to compete and should not be permitted. We believe it is important to recognize IaaS as a commodity deriving from digital infrastructure and we are strong advocates for unbundling that commodity from the service to enable a public market that creates price and demand transparency.</i></p> <p>c) <i>Incentivising spending is equal to incentivising organisations or individuals to consume more energy. The increased consumption of digital resources (IaaS) equates to increased energy and materials use. Hence, any form of discounted/ heavy incentivises regarding the consumption of resources should be scrutinized by governments and regulators.</i></p>
<p><b>Question 5.2: Do you agree with our analysis of potential barriers to entry and expansion?</b></p>	<p><i>Is this response confidential? No</i></p> <p><i>Yes, we agree and as outlined in our comments and attached papers. We are strong advocates for replicating best practise policies from the energy infrastructure sector to address these barriers, most importantly by creating a public marketplace for digital resources (IaaS).</i></p>

<p><b>Question 5.3: Do you agree with our analysis of the hyperscalers' relationship with ISVs? As part of this, please provide your views on whether our analysis of the hyperscalers relationship with ISVs applies to both larger and smaller ISVs.</b></p>	<p><i>Is this response confidential? No</i></p> <p><i>We generally agree with the analysis. However, we believe that over time, the significance (and therefore required scrutiny) of the marketplace will increase — as ISVs are likely to become more and more reliant on the marketplace for customer acquisition. Once that dependency is established, it is probable that hyperscalers will charge fees similar to Apple's App Store or Google's Play Store.</i></p> <p><i>In addition, the marketplace invites further packaging/bundling of services (selling software products which include digital resources/infrastructure/laaS of the cloud provider) which creates further barriers (exclusive "moats") that make it difficult for national and regional actors to compete.</i></p>
<p><b>Question 6.1 Do you agree with our assessment of how well competition is working in cloud infrastructure and what are the potential implications of a lack of competition?</b></p>	<p><i>Is this response confidential? No</i></p> <p><i>We believe there is already a systemic and unhealthy oligopoly in the cloud infrastructure market and have advocated for a more fair, competitive market for some time (please see documents attached).</i></p> <p><i>From our perspective, a sustainable and resilient cloud infrastructure sector is one that is regional and decentralised, with a public marketplace to trade excess capacity, and for large purchasers to buy the resources they require. It is important that cloud and digital infrastructure remains rooted and focused regionally, to enable local integration in the energy system, to create local jobs, to facilitate digitalisation that is fair and sustainable within each region, to allow for a diversified marketplace, and to collect tax revenues national and regional, to name some of the many benefits.</i></p> <p><i>It is not desirable, for the UK, Europe or any nation, to have its digital infrastructure – the key infrastructure for its national digital economy — run by an oligopoly of foreign multinational actors. It is akin to having one's entire energy infrastructure run by another state's energy company.</i></p>

<p><b>Question 8.1</b> Do you agree that egress fees are an area of potential intervention? How might such an intervention be approached?</p>	<p><i>Is this response confidential? No</i></p> <p><i>Yes, as stated above, we believe this is equal to an export tax charged by the cloud providers. We believe this can be addressed either through transparency on the underlying costs or setting caps/ thresholds for the maximum service-charge that can be added on top of the bandwidth costs issued by each provider.</i></p>
<p><b>Question 8.2:</b> Do you agree that interoperability and portability are areas of potential intervention? How might such an intervention be approached?</p>	<p><i>Is this response confidential? No</i></p> <p><i>Yes, however, we believe it is important to focus on market mechanisms such as the unbundling of services/ infrastructure and creating a public market for digital resources/ IaaS — rather than directly regulating for interoperability, as the technical specifications and details will likely increase complexity and delay any meaningful change in the market.</i></p>
<p><b>Question 8.3:</b> Do you agree that committed spend discounts are an area of potential intervention? How might such an intervention be approached?</p>	<p><i>Is this response confidential? No</i></p> <p><i>Yes, we agree. Please refer to our response under 5.1 c)</i></p>
<p><b>Question 8.4:</b> Do you agree that transparency of billing is an area of potential intervention? How might such an intervention be approached?</p>	<p><i>Is this response confidential? No</i></p> <p><i>Yes, we agree. We believe a public marketplace could create such transparency on pricing and demand.</i></p>
<p><b>Question 8.5:</b> What, if any, potential unintended consequences do you anticipate might be associated with the interventions set out above, and how might they interact with each other if implemented?</p>	<p><i>Is this response confidential? No</i></p> <p><i>There is the potential side effect of fragmenting the cloud and digital infrastructure market when applying regulation, without creating a public marketplace, that is able to aggregate and simplify procurement for large-scale UK enterprises.</i></p> <p><i>Otherwise, we see most of the significant risks coming from taking no action on the growing market power of the reviewed actors.</i></p>

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