6th November 2023

Ms Sarah Cardell Competition and Markets Authority (CMA) The Cabot 25 Cabot Square London, E14 4QZ

Subject: Advocating for a Transparent and Equitable UK Cloud Landscape

Dear Ms Cardell,

I reach out in the backdrop of Ofcom's recent investigations into the potentially monopolistic practices of dominant cloud providers. As the CEO of \gg , a UK founded cloud provider, \gg and my stance aligns with the concerns raised by Ofcom. However, my concerns run much deeper and strongly believe other areas require very close scrutiny in addition to those highlighted by Ofcom. It is imperative that we cultivate a UK cloud ecosystem entrenched in fairness, openness, transparency, and genuine multi-cloud interoperability.

My additional concerns to the four hypotheses you have identified include:

1. The Allure of Excessive Free Credits: A Seemingly Generous Ploy?

The Problem

Major cloud providers, who unlike smaller providers have incredibly deep pockets, offer excessive free credits to startups, portraying a facade of benevolence.

Evidence

AWS's startup program, visible at https://aws.amazon.com/startups exemplifies this manoeuvre and is just one example, as Microsoft and Google have similar incentives. While this web page talks about up to \$100k of free credit, we know of many companies who have had free credits that far exceed this figure and some companies have credits in the millions lasting up to 2 or even 3 years.

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The Impact

While on the surface, these credits appear as an altruistic venture to aid budding startups, in essence they are a sophisticated ruse. Once ensnared and with credits expended, these companies are confronted with exorbitant on-demand prices. Inevitably, they find themselves vendor-locked into proprietary technologies, with little recourse but to succumb to long-term commitments to use their cloud platform.

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2. Strategic Partnerships with VC/PE Firms: Orchestrating a Monopolistic Playground?

The Problem

By forging alliances with venture capital or Private Equity firms, hyperscalers have managed to indirectly, yet firmly, dictate the rules of the market.

Evidence

Consider AWS's Activate program (Microsoft and Google have similar). This initiative partners directly with prominent VC/PE firms, accelerators, and incubators. AWS provides their portfolio startups with a plethora of benefits including promotional AWS credits. The details of this program, its partners, and the benefits offered are readily available on their official website: <u>https://aws.amazon.com/startups</u> (as shown in appendix A, along with similar schemes from Microsoft and Google).

It's not uncommon for free credits to run into several hundred thousand dollars, or even millions in some cases, and run for multiple years.

The Impact

These partnerships aren't merely strategic: they carry the potency to monopolise the market by setting a prejudiced playing field, making equitable competition an insurmountable challenge for other cloud providers and locks in early stage startups and SaaS companies to their platform. The resulting landscape is one where competition is stifled, and innovation is limited.

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3. Hyperscaler Training and Certification: Shaping Early Cloud Allegiances

Problem

Hyperscalers, through comprehensive training and certifications, deeply influence students and professionals, swaying their cloud preferences from an early stage.

Evidence

- Educational Initiatives: AWS's Educate program (aws.amazon.com/education/awseducate](https://aws.amazon.com/education/awseducate) offers students and educators free credits and training. Similarly, Google Cloud's 'Student Sprint Program' grants free lab access. Microsoft Azure has comparable programs.
- **Financial Incentives:** These programs often come with credit giveaways. For example, AWS Educate provides students promotional credits, embedding the idea that their platform is primary and the de facto standard.
- **Certification Support:** AWS has been known to fund individuals' training days for certifications, marketing these programs as career essentials, often with discounts

extended to students or partner firm employees.

• **Early Engagement:** Engaging students early creates an inherent platform bias, grooming a generation biased towards their products.

Impact

Aggressive outreach can create a tech ecosystem where new talent is predominantly trained and biased towards a single cloud vendor, limiting multi-cloud knowledge and curbing future diversification.

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4. Transparency and Data Sovereignty: Whose Data, Where?

Problem:

Despite the inherent nature of cloud computing promising accessibility and transparency, hyperscalers, particularly those US-based, are ambiguous about the exact location and management of user data. Data sovereignty, the concept that digital data is subject to the laws of the country in which it's located, becomes a grey area in the cloud realm.

Evidence

- **Vague Data Handling:** Hyperscalers have vast infrastructures with data centres across the globe. While some data residency assurances are given, the specifics of data movement, backup, and redundancy remain ambiguous.
- **Past Controversies:** For instance, in 2013, the revelation of the US National Security Agency's PRISM program exposed how major tech companies, including several hyperscalers, were implicated in potentially sharing user data with the government, igniting concerns around data privacy.
- **US CLOUD Act:** The US Clarifying Lawful Overseas Use of Data (CLOUD) Act allows US agencies to access data stored overseas by US tech companies, raising sovereignty concerns for non-US clients.

Impact

The perceived lack of transparency fuels distrust. Clients, especially from critical sectors like finance, healthcare, and government, can be reluctant to migrate or place sensitive data in the cloud, fearing legal or compliance repercussions.

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5. Over-Reliance on Hyperscalers: A Ticking Time Bomb for the UK Economy

Problem

The UK's private and public sectors' excessive dependence on a handful of US hyperscalers is a significant risk and vulnerability. Cyber-attacks, combined with the risk of unplanned outages, pose both immediate and prolonged threats to the country's digital infrastructure.

Evidence

Numerous businesses and public sector organisations lean heavily on the major hyperscalers. Their dominance means that even relatively minor disruptions that affect a single provider can often have a ripple effect, crippling essential services and causing widespread disturbance in people's daily lives.

The evolving threat landscape, coupled with hyperscalers' visibility and the global political context, places them on the frontline of potential cyber-attacks. Their US roots further heighten the risk, considering geopolitics and the complex web of international relations.

Impact

By putting too much digital responsibility in the hands of so few, we expose our economy to systemic risks. Failures in their infrastructure can paralyse vital sectors like banking, healthcare, and transportation.

The recent Ukraine war has offered a stark reminder of the dangers of over-dependence, as Europe's heavy reliance on limited energy sources introduced severe economic strain across the UK and Europe. \gg

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6. The Need for a Sovereign UK Cloud

Problem

The dominance of US hyperscalers in the UK's digital market has led to a pronounced migration of the nation's digital resources and data management beyond its shores. This not only signifies a significant outflow of the UK's invaluable digital capital but also puts us in a position of disproportionate dependency on external entities beyond our borders. **Evidence**

Research and market trends indicate a clear skew towards these hyperscalers, capturing a lion's share of the UK's cloud market. Their extensive marketing, seemingly attractive deals, and global reputation overshadow local competitors, pushing potential challengers to the peripheries. The economic implications of this are palpable, with vast sums that could be channelled into local reinvestment being directed overseas. This often occurs through convoluted corporate structures that potentially minimise their tax contributions within the UK, further straining our domestic economy.

Impact

Beyond the evident economic repercussions, such overwhelming reliance jeopardises our digital autonomy. In a world where data is paramount, ceding control can inadvertently place the UK at the mercy of external corporate or political influences. Retaining sovereignty over our digital assets, particularly in sectors deemed critical, is essential for upholding national security, ensuring regulatory compliance, and fostering sustained economic prosperity.

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In conclusion, the overarching implications of the dominance of hyperscalers (in particular AWS, Microsoft and Google) on the UK's digital trajectory cannot be ignored. I humbly urge the CMA to delve deep into these concerns, shaping the future of our digital landscape with foresight and prudence.

Yours sincerely,

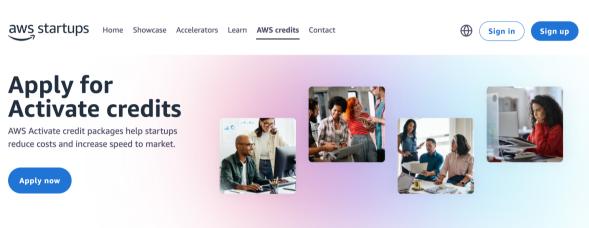
≫ CEO, ≫.

Appendix A - Evidence showing excessive credits being offered

Although publicly the following startup programs mention up to \$300k of credits, we know in reality to certain companies they have offered way more than that. We don't have hard evidence to back this up, but when we have talked to potential clients about moving to \gg , we have often been told they have no interest in moving right now as they have hundreds of thousands of dollars, or even millions of dollars in credits in some cases.

Amazon Active program

https://aws.amazon.com/startups



AWS helps startups bring their ideas to life through AWS Activate. As you build and scale your business, Activate credits grow with you to support your changing needs. If you're an AWS Activate member, you may be eligible for up to \$100,000 in credits to help offset your AWS bill.

Microsoft for Startups Founders Hub

https://www.microsoft.com/startups https://startups.microsoft.com/blog/credit-levels/

Microsoft for Startups Founders Hub

A platform that grows with you.



Accelerate innovation through Microsoft AI

Infuse AI into your product with **free OpenAI credits** and up to **USD\$150k towards Azure's leading AI services** for all skill levels—from beginner to expert.



Ship faster with essential tools and technology

Get the tools and tech your team needs to build with up to **USD\$150k in Azure credits**, GitHub, Microsoft 365, LinkedIn Premium, and more.



Unblock barriers with expert guidance

Solve business and technical challenges quickly with **unlimited 1:1 meetings with experts** from Microsoft.

Ideate

You are refining your startup idea and prototyping your product.

\$1k

in Azure credits now and up to \$150k as your usage and company grow Develop You know your solution has value and you are jumping into developing a minimally

\$5k

company grow

in Azure credits now and up

to \$150k as your usage and

viable product.



Grow

You have launched your

shipping features and

winning customers.

product and are focusing on

in Azure credits now and up to \$150k as your usage and company grow

Scale

You have product market fit and are ready to focus on scaling your company.

\$150k

in Azure credits now

Google Startup Program

Start and Scale with the Google for Startups Cloud Program

- ✓ Up to \$200,000 USD (up to \$350,000 USD for AI startups) in cloud credits over 2 years
- \checkmark Access to technical training and hands-on labs
- Meet with dedicated startup experts, connect with startup communities, and access Google-wide discounts

Start my application

Learn more about the program



Streamline your application with these pro tips and best practices