Startup Coalition response to the CMA's Issues Statement: Public cloud infrastructure services market investigation

BACKGROUND

The Startup Coalition, previously Coadec, is an independent advocacy group that serves as the policy voice for technology-led startups and scaleups in the UK.

Startup Coalition was founded by entrepreneurs, for entrepreneurs, and fights for a policy environment that enables early-stage British tech companies to grow, scale and compete globally. We have over 2,500 startups and investors in our network.

ISSUES STATEMENT RESPONSE

The Startup Coalition welcomes the increased scrutiny of the cloud services market by the CMA. Cloud services increasingly represent a form of critical infrastructure to tech startups - it is vital that they be able to access a thriving and competitive market for these services.

However, we think it is worth starting our response by reflecting on the immense value of the cloud services market - cloud computing has driven the startup revolution in the UK. Not only has it made the cost of setting up and running a startup much cheaper, investing in startups has also been made cheaper. The UK's startup ecosystem is built on the platform cloud computing created.^{1,2,3}

More recently, a 2023 Accenture report estimates 6% of the UK workforce is currently employed by cloud-enabled startups and SMEs. The report also estimates that, by 2030, increased use of the cloud in health, education and agriculture alone will translate into £6.9 bn in value to the economy.⁴

As this market has matured there are, of course, natural risks of concentration and competition which we felt the Ofcom Cloud study did a good job of exploring and identifying. However we want to emphasise the importance that this market plays in the UK's startup ecosystem - and its continued success. Potential for interventions to have unintended consequences that ricochet around the startup ecosystem concerns us.

Having spoken to startups and investors, we look forward to meeting with the CMA's team to discuss the startup perspective on the CMA's Issues Statement. Our initial observations are set out below.

Discounting in the Cloud Market

Cloud services are expensive.

¹ https://www.ft.com/content/fc871bca-58e1-11e1-b9c6-00144feabdc0

² https://www.nytimes.com/2011/10/23/opinion/sunday/friedman-one-country-two-revolutions.html

³ https://hbr.org/2018/10/research-how-cloud-computing-changed-venture-capital

⁴https://assets.aboutamazon.com/18/ea/d6f7674444f58dcd472c63868324/aws-societal-impact-study-gbr-final.pdf

Startups are therefore naturally very protective of any scheme or incentive that enables them to access cloud services more cheaply. For this reason, we would have major concerns with any attempts to remove for competition reasons the ability to discount services effectively for a range of customers - in particular tech startups.

This would include the committed spend discounts raised in the Issues Statement but also any attempt to limit free credits regimes or similar schemes that can provide cheaper and easier access to credits for the startup community in particular. These schemes are an important part of what gives startups an initial boost early in their journey - and allows them to grow more effectively in the current marketplace.

We believe very strongly that moves to restrict discounting strategies would, contrary to the proposed work from the CMA, be highly uncompetitive. Any action in this area would be unlikely to find support in the startup ecosystem.