CMA
Competition & Markets Authority

Appendix P: Egress fees internal documents

P.1 In this appendix, we set out the evidence from cloud providers' internal documents on their commercial strategies in relation to egress fees, including their rationale for charging these fees.

P.2 Cloud providers' internal documents show that:

(a) Decisions regarding egress fees are usually discussed together with other networking services such as internal transfer fees, and that internal transfer fees appear to be lower than egress fees.[1]

(b) When setting their networking fees, the cloud providers usually consider both their own costs and/or margins and their competitors' pricing amongst other factors.[2]

(c) There is evidence that cloud providers identify egress fees as a concern or potential barrier for some customers, and as being a factor that can influence customer behaviour and/or decisions:

(i) [✂] internal document shows that [✂] discussed setting egress fees to zero to gain a strategic advantage over its competitors. In doing so, [✂] internal document framed the question as whether to be the 'no lock-in cloud' which indicates that [✂] sees egress fees contributing to lock-in. The proposal to set egress fees to zero was explored, but this strategy would be 'easily matched by competitors and it was too costly [✂] and the industry as a whole'. We note that [✂] was discussing egress fees in general and not just egress fees paid specifically for the purpose of switching and/or multi-cloud.[3]

(ii) A Microsoft internal document discusses that data transfer costs (not egress specifically) make up a sizeable percentage of total spend for customers who rely on data transfer as a core component of their business, [✂].[4] The document identifies bandwidth to and from the

[1] Responses to the CMA's information requests [✂].
[2] Responses to the CMA's information requests [✂].
[3] [✂] response to the CMA's information request [✂].
[4] Microsoft's submission to the CMA [✂].

internet (ie egress) as playing a key role in customers' networking bills.[5] The document also notes that [✂].[6]

(iii) An AWS internal document shows that [✂]. However, ultimately AWS decided that [✂].[7] AWS submitted that this document shows it did not consider that data transfer pricing alone would alter customer behaviour. AWS submitted that based on prior experience, it knows [✂].[8]

(iv) An AWS internal document also discussed [✂].[9]

(v) Another AWS internal document setting out [✂].[10]

(vi) AWS' [✂] for its data transfer services comments that the [✂].[11]

(d) On the relevance of egress fees:

(i) The Microsoft internal document discussing data transfer costs also has analysis of FY22 customer spend data which shows that customers [✂]. The analysis shows that for most customers ([✂]) data transfer was less than [✂] of their Azure bill, but for [✂] customers it was between [✂] of their bill and for [✂] customers it was over [✂] of their bill.[12] Another Microsoft internal document has data showing bandwidth charges are [✂] of customer bills on average, but that this can be substantially higher for certain industries ([✂]).[13]

(ii) A Google internal document shows that Google estimates that its multi-cloud revenues are around [✂], as at March 2024.[14] The document also says that Google forecasts multi-cloud revenues and traffic to grow at [✂].[15]

(iii) [✂] and [✂] internal documents [✂] show that direct connections are seen by cloud providers as being used to target multi-cloud customers. [✂] documents also suggest that direct connections are useful for customers to reduce the cost of egress when migrating content to another cloud provider.[16]

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[5] Microsoft's submission to the CMA [✂].
[6] Microsoft's submission to the CMA [✂].
[7] AWS's response to the CMA's information request [✂].
[8] AWS' submission to the CMA [✂].
[9] AWS' response to the CMA's information request [✂].
[10] AWS' response to the CMA's information request [✂].
[11] AWS' response to the CMA's information request [✂].
[12] Microsoft's submission to the CMA [✂].
[13] Microsoft's submission to the CMA [✂].
[14] [✂]. Google's response to the CMA's information request [✂].
[15] Google's response to the CMA's information request [✂].
[16] Responses to the CMA's information request [✂].

P.3 AWS submitted that it has considered, and in some cases executed, [✂]. AWS submitted that [✂].[17]

P.4 We sought evidence for AWS' submission that reducing egress fees did not result in the expected or aimed for change in data transfer traffic or customer demand. AWS provided [✂] as evidence for this.[18] Our review of this document [✂]. Our review of AWS' other internal documents [✂].

P.5 [✂].

P.6 AWS' submissions and related internal documents are focussed on influencing customer traffic across AWS regions,[19] rather than assessing customer traffic in response to changes in egress pricing at a national or global level, or for transfers to other cloud providers.

P.7 Microsoft submitted that its internal documents supported customers' views that egress fees are negligible compared to customers' overall cloud spend and therefore are barely a factor in choosing a cloud provider.[20] This is based on the analysis in Microsoft's internal document, noted above, showing that [✂] of its global customers spend less than [✂] of their Azure bill on data transfer.[21] We do not consider a proportional spend of less than [✂] to be the boundary at which costs become 'negligible' and it does not provide information on whether the egress cost has been a factor in customers' decision-making, particularly for switching or multi-cloud use. We also note that the analysis still indicates a number of customers have more than [✂] of total spend on data transfer, and the number of customers spending over [✂] of their bill is substantially higher than those spending between [✂].

P.8 Microsoft also submitted that its internal documents evidence that egress fees are required to recoup its costs for providing the data transfer service.[22]

P.9 Our review of Microsoft's internal indicates that Microsoft primarily considers: revenue and margin impacts at least as much as costs for data transfer decisions; data transfer services overall rather than egress fees specifically; and whether Microsoft can establish a competitive edge over competitors by [✂].[23] We note that we did not find references or analysis on the need to recoup costs through egress fees.

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[17] AWS' submission to the CMA [✂].
[18] AWS' response to the CMA's information request [✂].
[19] AWS' submission to the CMA [✂]. AWS' responses to the CMA's information requests [✂].
[20] Microsoft response to the Competitive landscape, Committed spend agreements and Egress fees working papers, 1 July 2024, paragraph 89c).
[21] Microsoft's submission to the CMA [✂].
[22] Microsoft response to the Competitive landscape, Committed spend agreements and Egress fees working papers, 1 July 2024, paragraph 97.
[23] Microsoft's submission to the CMA [✂].

P.10 Our review of internal documents indicates that:

(a) egress fees are likely to be a concern and potentially a barrier for some customers and are a factor that can influence customer behaviour and/or decisions;

(b) egress fees may be, or could become, relevant and/or material for some customers, such as those that multi-cloud or operate in high egress usage industries;

(c) AWS, Microsoft and Google set egress fees based not only on costs and margins but also considering other factors, including competitors' pricing and the pricing of their other networking services. This indicates that cloud providers have strategic considerations in setting egress fees, and that they may manage their revenue/cost recovery considering networking services overall, rather than on a standalone service basis; and

(d) we have seen no internal documents that indicate that cloud providers consider future investment or innovation in making their pricing decisions.