



17th February 2025

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Dear CMA team,

CMA Cloud Services Market Investigation Provisional Decision: Civo's Response.

Thank you for the opportunity to respond to the CMA's provisional findings on the ongoing Cloud Services Market Investigation. The CMA's provisional findings confirm the realities that challenger cloud providers face every day: market concentration, barriers to entry and anti-competitive practices are stifling the UK's cloud market.

Egress fees, unfair software licencing practices and lack of technical interoperability have played a significant role, and Civo fully supports the CMA's provisional findings in respect of these Theories of Harm.

Fundamentally, this market dysfunction is a significant disincentive for challenger cloud providers to invest here in the UK. For example, Civo has very recently chosen to invest and expand its operations to India, Asia and shortly South America, where there are less barriers to entry and significantly more opportunity.

Civo agrees that referral of AWS and Microsoft to the DMU to consider their respective potential designations as an SMS, with consequent ongoing regulatory oversight, is a sensible and workable approach in the long term – provided that the process is accelerated to prevent further distortion of a dysfunctional market that the CMA has already found to be anti-competitive.

Overall, Civo recommends that the DMU process is fast tracked, investigating conduct requirements concurrently with the SMS investigation and exploring interim enforcement action under existing competition law.

Nonetheless. Civo is not in agreement with all of the CMA's provisional findings, and requests that the CMA reconsiders the following:

- 1) **Cloud Credits:** the CMA's provisional conclusion that cloud credits cloud credits benefit smaller customers and do not result in harm to competition in the cloud services markets (but may do so in the future) fundamentally misunderstands the impact of excessive cloud credits on both customer and provider:

- Cloud credits are a mechanism for customer acquisition and, given the multitude of other anti-competitive practices that accompany these credits, become anti-competitive. They are the Trojan Horse to vendor lock-in;
- Providers like Civo are already being harmed by these excessive credits. Civo has lost business to the value of many hundreds of thousands of pounds – and while the customer always promises to return once the credits have been consumed, the reality is that the customer never does, because the value of excessive credits are sufficient to guarantee that the customer is locked in;
- Although the CMA correctly points out that Civo offers cloud credits, the value of these credits is insignificant compared to the scale of the credits offered by the dominant cloud providers. Excessive cloud credits align to the core concept of predatory pricing that drives up the cost of customer acquisition for smaller providers, creating barriers to entry and where, ultimately, customers that have become locked in will face “take it or leave” pricing with little, if any, opportunity to negotiate;
- **Recommendation:** the provisional findings should not be finalised until the long-term impact of cloud credits on competition has been re-examined. The CMA should consider caps on credit values coupled with easier migration pathways once cloud credits have been consumed.

2) **Committed Spend Agreements (CSAs):** the CMA’s conclusion CSAs may not cause current harm (but may do so in the future) ignores the foreclosed markets where there is intense concentration on one or two cloud providers and increasing reliance on CSA’s as a method to control costs:

- The UK Public Sector is a classic example, where the “One Government Value Agreement” (OGVA) with AWS has foreclosed the UK public sector cloud market to challenger cloud providers for at least 6 years (9, if the agreement is renewed in 2026);
- When the OGVA was renewed in 2023 (OGVA2), contracts subsequently and almost immediately [awarded under the deal](#) had, in some cases, almost quadrupled, and all had significantly increased in value from those contracts awarded under OGVA’s first iteration;
- This is classic example of a significant increase in sticky demand and a significant decrease in contestable demand – precisely the CSA conditions that the CMA believes will harm competition in its provisional findings;
- **Recommendation:** given the above and given the CMA’s acknowledgement in its provisional findings that the UK public sector cloud market is concentrated on Microsoft and AWS, the CMA should re-evaluate the impact of CSAs and determine if the market foreclosure seen in the public sector is mirrored in other market verticals. The CMA should explore remedies such as limiting discount periods and capping discount levels.

3) **Public Sector Procurement:** Civo appreciates that the CMA has made the time to look at public sector procurement of cloud. Nonetheless, the CMA's report lacked evidence and detail – in particular the extent of the business being awarded via direct award/G-Cloud/Enterprise Licence Agreements versus competitive tender through other routes such as Cloud Compute

- **Recommendation:** the CMA should revisit its work on Public Sector Procurement to consider the extent of cloud business awarded without competition versus cloud business that is legitimately competed. The CMA should also consider the extent that policies such as the “Public Cloud First” policy has contributed to the high concentration of public sector business on AWS and Microsoft.

I am of course happy to discuss further if that would be helpful.

Yours sincerely,

Mark Boost,

CEO Civo Ltd