

19<sup>th</sup> Feb 2025

To whom it may concern,

I am writing on behalf of Rayo (a cloud technology consulting company) regarding the CMA's provisional decision in its cloud services market investigation. As a cloud and AI consultancy working closely with organizations across the UK to realize the benefits of cloud technology, and as someone with over two decades of experience in this sector, I welcome the careful consideration the CMA has given to this important technology.

We are pleased to see the CMA's provisional finding that committed spend agreements and discounts do not present barriers to competition. This aligns with our experience working with customers, where these agreements help organisations of all sizes access enterprise-grade technology in a cost-effective way while maintaining flexibility in their IT choices.

However, we have significant concerns about some of the proposed remedies, particularly around technical barriers and data transfer fees. The CMA appears to have started from a fundamental misunderstanding of how organizations buy and consume IT services. Cloud computing is not a separate market - it is one of several delivery models for IT services that compete directly with on-premises solutions and other approaches. Customers evaluate compute, storage, and other services based on their total cost and value, regardless of whether these are delivered via cloud or traditional infrastructure.

The hyperscale providers have been a disruptive force for good in the UK public sector space, challenging traditional ways of delivering IT services that didn't deliver value or innovation. My own experience working with government agencies has shown how cloud providers have transformed the landscape - where previously agencies might be charged thousands of pounds for simple system changes, they now have access to enterprise-grade technology at a fraction of the cost, backed by thousands of engineers, security experts, and support staff who take away the undifferentiated heavy lifting of running infrastructure.

The CMA's focus on data transfer fees overlooks important market dynamics. These fees affect only a small number of very large customers moving substantial amounts of data (typically above 100GB per month). Most businesses never reach these thresholds. Also, whilst internet based data egress is an obvious way to exit a CSP its not the only one, moving data in bulk is best done with offline devices such as the AWS Snowball, which is a cost effective way of exporting large amount of data. I estimate exporting 110TB of data from AWS London is approx. £6-8k.

While we support transparency around such fees, forcing their elimination could lead to providers spreading these costs across all customers or reducing investment in UK network infrastructure. The proposed interventions would also be limited to two firms, increasing complexity for customers.

Similarly, mandating specific technical interoperability requirements could have unintended consequences. While more seamless integration between providers is always desirable, prescriptive technical standards could increase costs and complexity for customers while potentially limiting innovation, as is recognised in the report. This challenge will not suddenly be eliminated by pushing implementation towards the CMA's new Digital Markets Unit (DMU). Furthermore, what the CMA views as "lock-in" is often the result of customers making valid choices to use native higher-level services to accelerate mission outcomes. Organisations choose to build specialised expertise aligned with the cloud provider(s) that they use because this delivers better business outcomes, not due to

artificial lock-in. At Rayo we help organisations identify their switching costs, and invariably it's better to use native capability and tooling to save money and improve resilience or security whilst being eyes wide open about how to migrate.

The success of cloud computing in driving UK innovation and economic growth is clear. Analysis shows the economic impact of cloud in the UK exceeded £42 billion in 2023. Major providers continue making multi-billion-pound investments in UK infrastructure - investments that have helped propel Britain to the forefront of the global digital economy. We must be careful not to implement remedies that could discourage such investment or make cloud services more expensive for the businesses and public sector customers that depend on them.

Cloud providers have won business from incumbent providers because they offer more functionality, greater reliability, and better value for money. The scale and diversity of their global customer base funds the development of thousands of new features each year - improvements that are immediately available to all customers, mostly at no marginal cost. This is a fundamental advantage over traditional providers who based their offerings on slower-moving technologies with cost models that weren't designed for large-scale usage.

We encourage the CMA to focus on areas that would deliver the greatest benefit to UK organizations and taxpayers - such as examining how large legacy IT contracts could be disaggregated into smaller, more manageable components that foster innovation and competition. This would align with the government's cloud-first policy while promoting the agility and efficiency that cloud computing enables. The real opportunity lies in helping organisations break free from monolithic legacy contracts that often run over budget and behind schedule, rather than imposing restrictions on the very providers driving innovation in the market.

We appreciate the opportunity to provide feedback on these provisional findings and look forward to continued engagement as the CMA finalises its recommendations. The UK's future prosperity and security depends significantly on our ability to lead in emerging technologies like AI, which in turn relies on maintaining our advantage in enabling technologies like cloud computing.

Sincerely,  
Chris Hayman  
CEO, Rayo