

Startup Coalition response to the CMA's provisional decision from its cloud services market investigation

February 2025

ABOUT STARTUP COALITION

Startup Coalition is the policy voice of UK tech startups and scaleups in Westminster. Since 2010, we have worked to engage on behalf of tech startups in public policy debates in the UK across a range of critical priority issues including access to finance, immigration and skills, and technology regulation.

We fight for a policy environment that enables early-stage British tech companies to grow, scale and compete globally. We have over 4000 startups in our community and have been instrumental in building proactive coalitions of businesses and investors on issues that are integral to the health of the UK's startup ecosystem.

OUR RESPONSE

We are pleased to see the CMA recognise the importance of cloud services to the UK's economic growth and the need to ensure that the market works effectively for tech startups and scaleups. Cloud computing has lowered barriers to entry allowing startups to get up and running quicker and easier. It is no exaggeration to say that the UK's startup ecosystem has been built on the platform cloud computing provided. However, ensuring it remains a platform that startups can reasonably build on is vital and we appreciate the constructive engagement from the CMA to make sure that it remains open, competitive (and crucially for our community) reasonably priced.

Below we offer some remarks on the provisional decision of the CMA's market investigation into the supply of public cloud infrastructure services in the UK.

Committed spend agreements

We welcome the CMA's provisional finding on committed spend agreements and cloud credit offers.. Our community has been clear with us that any action to restrict discounting strategies would be unwelcome. Unsurprisingly, startups appreciate the flexible benefits and deal structures offered by providers to lower the baseline cost of cloud services. Startups try to find efficiencies as they look to grow and become revenue generating and therefore derive value from being able to access services, like cloud computing, more cheaply in whatever form that takes - including discounting.

Startup Coalition would not be supportive of any measures that would restrict various forms of discounting e.g. volume-related discounts or setting a maximum duration for any committed spend

discounts.

Egress fees

Startups are rarely impacted by egress fees as currently structured in the market. Our conversations with startups have echoed the CMA's finding that "customer research suggests that egress fees are typically not seen as the most important factor in decisions relating to switching/multi-cloud". The vast majority of UK startups do not pay any egress fees at all due to being in the 'free tier' that providers offer in relation to these fees. Our understanding based on conversations with our community is that the amount of data that would need to be moved to trigger charges would be relatively high (exceeding 100GB or even 200GB in some cases). We therefore don't have a strong view on the role that egress fees do or do not play in deterring competition in this market.

However, if the CMA was to impose a remedy we would request that any work be mindful of where costs may end up getting reimposed. Put bluntly, we would be concerned about a settlement where the egress fees currently mostly paid by larger incumbent companies get reimposed on startups by stealth. Any solution should only be considered if it prevents robbing Startup Peter to pay Corporate Paul.

Technical barriers to switching

We are glad to see the CMA recognise the importance of restrictions through software licensing and interoperability as a principle to open and robust competition. The use of interoperable frameworks give startups opportunities to challenge and build competitive product offerings. Our startups which often seek to disrupt incumbents and entire industries rely on customers having the ability to easily switch and experiment with new products, services and technologies. We look forward to engaging further on any CMA work in this area in the future.

Cloud and AI

It is encouraging to see the CMA take a 'wait and see approach' with regards to the impact of AI on competition in cloud services.

The Startup Coalition is hugely supportive of this Government's ambition for the UK on AI and were delighted with the recommendations made by Matt Clifford in his *AI Opportunities Action Plan*. In it there is a clear recognition of the foundational requirement for computational power (compute). Clifford notes that "countries that enable the build out of AI infrastructure will reap benefits through increased economic growth, the reinvigoration of former industrial sites and ownership of critical strategic assets.¹" The cold hard fact is that whilst we are encouraged to see a strong emphasis on ensuring a diversity of provision of compute under consideration in the future, much of this compute will come from the hyperscalers. As a result of this, whilst it is critical that a competitive environment is maintained, the CMA must ensure that its plans on cloud and AI reflect the need for UK startups to access this compute in order to scale their own AI offerings - and try where possible to avoid damage the investment case for UK compute in the future.

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<https://www.gov.uk/government/publications/ai-opportunities-action-plan/ai-opportunities-action-plan#the-opportunity>