Submission to the CMA Strategic Market Status Investigation into Microsoft's Business Software Ecosystem

Public-sector evidence of bundling, lock-in and foreclosed choice

To: The case team, Microsoft business software ecosystem SMS investigation (business.software.sms@cma.gov.uk)

From: [redacted]

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Re: SMS investigation under Part 1 of the Digital Markets, Competition and Consumers Act 2024

A note on timing

I recognise that the Invitation to Comment closed on 4 June 2026 and that this submission falls just outside that window. I offer it as evidence for the ongoing investigation, which I understand continues towards a designation decision by February 2027 with a further public consultation to come. The reason for submitting now is that I hold a body of public-sector evidence that I believe is directly relevant to the questions the CMA has set out, and that the CMA is unlikely to obtain from any other source. I would be glad to resubmit it formally at the next consultation stage.

1. Who I am and what I hold

I am an independent researcher who has obtained, through Freedom of Information requests, detailed responses from 24 English local authorities on their procurement and use of Microsoft business software. The dataset covers three years of spend, the procurement routes used, how and when services including Azure, Power BI and Copilot were adopted, whether alternatives were ever evaluated, and the resulting costs. I hold the underlying responses and a comparative analysis and can provide both.

The CMA has said its investigation will assess how Microsoft's position affects public sector organisations, and that it wants to understand whether customers' choices are limited by bundling, lack of interoperability and default settings. The evidence below speaks directly to each of those, from the perspective of the public sector, with figures attached.

2. Why public-sector evidence matters here

Local government is a large, sophisticated, well-resourced class of customer. If even large councils with professional procurement and IT functions are unable in practice to exercise choice in Microsoft business software, that is strong evidence that the constraints on choice are structural features of the market rather than the limitations of any individual buyer. The pattern I have documented is near-universal across the sample, which points to market dynamics rather than local failure. It also quantifies, in public money, the cost of the constraints the CMA is examining.

3. The evidence, mapped to the CMA's questions

3.1 The platform choice is not, in practice, contestable

Of the 22 authorities, 21 confirmed they have never run a competitive process in which the choice of business software platform itself was open; competition was limited to selecting a reseller of Microsoft licences. The single authority that answered otherwise appears, on its other answers, to have competed resellers rather than platforms. In other words, a class of large public customers does not experience the platform as something it can meaningfully put out to the market. This is what market power looks like at the point of purchase. This is not the quirk of a single framework: the same pattern recurs across the different aggregation frameworks the authorities used (the CCS routes, the Kent Commercial Services agreement and others), which makes it a market-wide feature of how the UK public sector buys rather than one buying organisation's design choice.

3.2 Bundling: services are added to the agreement without separate choice

The Enterprise Agreement model allows authorities to add new services to an existing Microsoft agreement as variations. Across the sample, Azure cloud hosting, Power BI, Power Apps, Dynamics 365 and Copilot were almost all adopted this way, bundled into the agreement rather than chosen against alternatives such as AWS, Google Cloud, Tableau, Qlik or other providers. The authorities themselves confirm they hold no value-for-money assessments for these services and conducted no benchmarking against alternatives. The bundle, in effect, makes the adjacent purchase for the customer. This is the bundling and default-choice dynamic the CMA has said it wishes to examine, observable in real procurement behaviour.

There is a structural reason this happens, and it bears directly on foreclosure. The frameworks through which these authorities buy were built around end-user productivity software as a commodity. Each new Microsoft service is then absorbed into the existing agreement as a continuation of that commodity estate rather than treated as a new purchase. The effect is to remove the decision point at which a competing provider could win the business. A rival cloud, analytics or AI provider never reaches a moment at which the customer is actively choosing, because the Microsoft equivalent has already been acquired as an extension of what the customer is deemed to hold. Competition is foreclosed not by explicit exclusion but by the absence of any occasion on which it could occur.

3.3 Lock-in and switching costs

Several authorities explicitly cited the cost of change as the reason they do not move. One county council benchmarked Microsoft against Google some years ago and concluded the cost of change exceeded the savings. By contrast, the authorities that did switch are instructive: a London borough that competitively evaluated the market moved to Google Workspace and pays roughly 4.5 times less per user than a like-for-like Microsoft quotation, and two further boroughs moved to Google Workspace through a shared service expressly to reduce cost. The existence of viable switchers shows the alternative is real; the rarity of switching, and the scale of the cost gap, shows how high the barriers are. This corresponds to the CMA's own finding in the cloud market investigation that moving workloads to a non-Microsoft environment can cost several times more.

3.4 AI: Copilot is being adopted by default, foreclosing challengers, right now

This is the most time-critical point and aligns with the CMA's stated focus on AI. Across the sample, Microsoft Copilot is being added to existing agreements at the moment a competitive market in generative AI assistants exists. Not one authority evaluated a competing AI assistant such as Google Gemini or others before adopting Copilot; it arrived as an addition to the Microsoft estate and was taken by default. If the productivity suite functions as the default channel through which public bodies adopt AI, challenger AI providers are foreclosed from a large customer base before any competition on merit occurs. The window in which this is being decided is now.

3.5 The quantified public-sector harm

Local government spends an estimated half a billion pounds a year on Microsoft. On a conservative basis, applying the savings that genuine competition typically delivers to the contestable portion, avoidable overspend is in the region of £50 million to £100 million per year, and the per-user comparators suggest the true figure may be higher. I present the lower figure as the defensible one. Whatever the precise number, it is public money, and it is the measurable consequence of the constrained choice the CMA is investigating.

3.6 Public-sector frameworks operate as a distribution channel that entrenches incumbency

Stepping back from the individual purchase to the market structure, the aggregation frameworks themselves function as a channel that routes a vast and stable customer base towards a single vendor before competition occurs. The public sector is one of the largest and most reliable sources of demand in the economy. Where the standing mechanism for meeting that demand is built around a predetermined Microsoft choice, the incumbent's position is reinforced by the buying architecture itself, independently of the merits of its products. For a challenger, the difficulty is not only that Microsoft is strong; it is that the principal route through which public bodies buy is structured so that the challenger is never in contention. This is a market-structure feature worth the CMA's attention, because it is one of the mechanisms by which a strong position becomes a durable one.

4. What I can provide

I hold, and can supply to the case team, the full FOI responses for all 24 authorities, a comparative analysis, and the methodology behind the national estimate. I can also provide the named examples of authorities that switched, which may be useful as evidence that the alternative is viable.

5. On potential interventions

Should the CMA proceed towards designation and conduct requirements, the public-sector evidence suggests several would be valuable: genuine interoperability so that non-Microsoft tools can be combined with the Microsoft estate without penalty; transparency of switching costs so that buyers can see the true cost of lock-in; parity of access for competing AI assistants within the productivity suite, rather than Copilot as the embedded default; and unbundling so that adjacent services such as cloud, business intelligence and AI are chosen on their merits rather than acquired automatically through an existing agreement. These mirror, in the public-sector context, the customer-choice concerns the CMA has identified.

6. Closing

The CMA has said it wishes to understand how Microsoft's position affects public sector organisations and whether customer choice is limited by bundling, interoperability and defaults. I hold direct, quantified evidence on all three, drawn from the authorities' own disclosures. I would welcome the opportunity to provide it in full and to contribute to the next stage of the consultation.

Yours faithfully,

[redacted]