

Public cloud infrastructure services market investigation

Notice of provisional findings made under rule 11.3 of the Competition and Markets Authority Rules of Procedure (CMA17)

1. On 5 October 2023, the Office of Communications (**Ofcom**), in exercise of its powers under sections 131 and 133 of the Enterprise Act 2002 (the **Act**), as provided for by the Communications Act 2003, made a reference to the Competition and Markets Authority (**CMA**) into the supply of public cloud infrastructure services in the UK.¹
2. By a notice dated 19 September 2024 and acting under section 137(2A) of the Act, the CMA inquiry group appointed to consider this reference (the **Inquiry Group**) extended the period within which the CMA is due to prepare and publish its report on the reference by four months to 4 August 2025.

Provisional findings

3. The Inquiry Group has provisionally found, pursuant to section 134(1) of the Act, that there are features of the relevant markets which individually or in combination, prevent, restrict or distort competition in the supply of cloud services in the UK and accordingly that there are adverse effects on competition (**AECs**) within the meaning of section 134(2) of the Act.
4. The Inquiry Group has provisionally found that:
 - (a) high levels of market concentration and barriers to entry and expansion have enabled each of the two largest providers, AWS and Microsoft, to hold significant unilateral market power in these markets. This gives rise to an AEC in cloud services in the UK because it is harder for alternative cloud suppliers to enter and grow in these markets and customers face a limited choice of suppliers. This harm is exacerbated by the features we have found arising from technical and commercial barriers.
 - (b) there are technical barriers and commercial barriers in the form of egress fees to switching and multi-cloud that give rise to an AEC in cloud services in the UK by locking customers into their initial choice of provider

¹ [Terms of Reference](#) (Ofcom.org.uk)

which may not reflect their evolving needs and limiting their ability to exercise choice of cloud provider. These barriers can restrict customers from responding to attractive offers or accessing innovative new services from another provider, leading to weaker competition between providers.

- (c) Microsoft's licensing practices are partially foreclosing AWS and Google which is having an impact on their competitive positions and that this gives rise to an AEC in cloud services in the UK. It also exacerbates the AEC that we have provisionally found arising from high market concentration and barriers to entry and expansion in relation to Microsoft's significant unilateral market power.

Provisional decision on remedies

- 5. The CMA has new powers² under the Digital Markets, Competition and Consumers Act 2024³ to establish a new pro-competition regime for digital markets. These powers enable the CMA to designate firms as having 'strategic market status' (**SMS**) in relation to one or more digital activities; and impose forward-looking requirements and other pro-competition interventions to guide the conduct of firms designated with SMS.
- 6. In light of the commencement of these powers, the Inquiry Group has provisionally decided the following remedies.
 - (a) Remedy 1: a recommendation to the CMA Board to prioritise commencing an SMS investigation of AWS' digital activities in respect of cloud services, and if an SMS designation is made to consider imposing appropriate interventions such as those identified in its report;
 - (b) Remedy 2: a recommendation to the CMA Board to prioritise commencing an SMS investigation of Microsoft's digital activities in respect of cloud services, and if an SMS designation is made to consider imposing appropriate interventions such as those identified in its report.

Next steps

- 7. The Inquiry Group now invites interested parties to submit reasons in writing as to why these provisional findings should not become final (or should be varied). Comments should be made by email to CloudMI@cma.gov.uk.

² The Digital Markets, Competition and Consumers Act 2024 (Commencement No. 1 and Savings and Transitional Provisions) Regulations 2024 (SI 2024/1226). See also [Digital markets competition regime guidance](#)

³ Digital Markets, Competition and Consumers Act 2024.

8. Unless otherwise specified to a party, these reasons should be received by the Inquiry Group no later than **23.59hrs on 18 February 2025**.
9. Unless a different date is agreed with any party, the Inquiry Group will have regard to any such reasons provided by this date in making its final decisions in this investigation.

Kip Meek

Group Chair

28 January 2025

Note: A copy of this notice and the provisional decision report will be published on the CMA's website on 28 January 2025 or shortly thereafter. The published version of the provisional decision report will not contain any information which the inquiry group considers should be excluded from the report, having regard to the three considerations set out in section 244 of the Act.