

Outline of Infra Cloud Market Survey in UK

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The UK Competition and Markets Authority (CMA) published its [final report](#) on the market survey of the UK cloud market in July 2025. The CMA recommends utilizing [the Digital Markets, Competition and Consumers Act](#) (DMCC Act), enacted in May 2024 and partially implemented since January 2025, to address competitive concerns arising from cloud migration costs (egress fees), software licensing practices, and other issues. This article highlights the key points of the final report and discusses implications for Japan.

1. Outline of the Final Report

(1) Survey Subjects and the UK Cloud Industry

- The CMA's market survey covered cloud services used as public clouds, including IaaS and PaaS (paras. 1.16-1.24).
- In the UK, £10.5 billion was spent on these cloud services in 2024, representing an increase of approximately 29% compared to 2020. The UK and EEA market shares for IaaS and PaaS (based on supply revenue) are as follows (2024) (paras. 2.1-2.51, 3.178-3.193).

Table 1: IaaS

Name	Share
AWS	30-40%
Microsoft	30-40%
Google	5-10%
Others (Oracle, IBM, Independent Software Vendor (ISV), etc.)	10-25%

Table 2: PaaS

Name	Share
AWS	20-30%
Microsoft	10-20%
Google	5-10%
Others (Oracle, IBM, ISV, etc.)	40-65%

- Cloud services addressing AI-related demand are becoming an important part of cloud service providers' offerings (e.g., a key consideration for customers when selecting a cloud service provider). However, they have not yet had an impact significant enough to dramatically alter the competitive landscape in cloud computing services (paras. 4.134-4.142).
- Public procurement of cloud computing services has had a certain impact on competition in the cloud

computing services market (paras. 5.146-5.155, Appendix K).

- In the UK, Microsoft and AWS hold significant market shares for cloud computing services in the public sector, consistent with their positions in the overall market.
- The Crown Commercial Service (CCS) accounts for over 5% of UK IaaS and PaaS revenues through the Government Cloud (G-Cloud) framework, which is the UK government's unified procurement framework for cloud-related services. CCS has signed Memoranda of Understanding (MOUs) with six companies—AWS, Microsoft, Google Cloud, Oracle, IBM, and HP—establishing a baseline for procurement terms, raising concerns that these agreements create barriers to entry.
- While competitive bidding is not required for procurement under G-Cloud, the new cloud initiative Cloud Compute 2 (launched November 2023) mandates competitive bidding in principle. However, in practice, G-Cloud remains the preferred choice for UK governmental authorities.
- No public sector customers were identified as having migrated between different cloud computing services. The current trend continues to focus on migrating traditional IT environments to the public cloud rather than migrating existing cloud environments to another provider.

(2) Cloud Computing Service-Related Pricing and Costs

- Currently, only a very small number of customers have undertaken cloud migrations, which face both commercial and technical barriers (paras. 3.420-3.457, 6.28-6.594)¹.
 - A key commercial barrier is the existence and level of egress fees (data transfer charges for outgoing data) required for data migration when switching between cloud computing services.
 - Technical barriers include differences in cloud computing service features and interfaces, latency between cloud computing services, lack of transferable skills, and uncertainty regarding methods of migration and overcoming technical obstacles.
- These technical and commercial barriers contribute to anti-competitive effects in the UK cloud computing services market. These barriers risk locking customers into their initial provider choice, limiting their ability to select a cloud provider that reflects their changing needs. Furthermore, these barriers may prevent customers from taking advantage of attractive products or innovative services from other providers, potentially weakening competition.
- No evidence was found in this market survey that cloud credits (discount services) offered by Microsoft, AWS, and Google have a negative impact on competition, as these credits do not obligate customers to use cloud computing services (paras. 5.111-5.132).
- Committed spend agreements are widely used and influence customer choice. However, competition among cloud service providers over such pricing agreements remains possible, and they do not currently restrict competition in the cloud services market (paras. 8.1-8.131).

¹ In Japan, it was argued that transferring personal data (of workers) when switching PaaS providers might violate restrictions on third-party transfers and/or the prohibition on unfair use of personal information, thereby creating a barrier to switching. However, the Tokyo District Court held (Judgment of March 27, 2025, Case No. 2024 (Gyo-Ku) 5021) that, considering factors such as the fact that the relevant personal data was not acquired or provided solely for use on a specific PaaS, no such barrier exists and that this does not constitute a justifiable reason to restrict switching between PaaS services. The CMA's Final Report explains that there was no indication that restrictions on the transfer of personal data under the UK GDPR constitute a barrier to switching between infra-cloud providers (paras. 5.139-5.140).

(3) Software Licensing Practices

- Microsoft provides a wide range of software used by customers of cloud computing services, such as Microsoft Windows Server, Microsoft SQL Server, Microsoft Windows 10/11, its productivity software, and Microsoft Visual Studio, either through its own Azure cloud computing service or through licensing to other cloud computing service providers. Microsoft holds significant market power in the global markets for these individual software products, and they have become indispensable to cloud computing services (paras. 7.110-7.507).
- Accordingly, the CMA examined whether Microsoft's software licensing practices influence customers' choice of cloud computing service providers and whether such practices effectively prevent AWS, Google, and others from attracting customers who already use Microsoft's software in their cloud environments, thereby hindering competition.
- The survey found significant differences in price and quality when customers use these software products on AWS or Google's cloud computing services compared to Microsoft's cloud environment. For example, AWS and Google pay to Microsoft higher licensing fees for certain software products than some Microsoft cloud customers pay. Furthermore, AWS and Google generally charge their customers more than Microsoft, since they must pass on part of these procurement costs. While profit margins are not necessarily the decisive factor in determining anti-competitiveness in the cloud computing services market, the CMA's estimates of AWS and Google's margins on services incorporating Microsoft's software are consistent with a situation in which anti-competitive effects have arisen (paras. 7.508-7.567, 7.605-7.658, Appendix T).
- Microsoft does not provide certain software products to AWS and Google through licensing agreements, and customers purchasing existing licenses cannot, in most cases, run these software products on AWS's or Google's cloud computing services. As a result of these restrictions, the usage rates of certain software products on Azure are disproportionately higher than their usage rates on AWS or Google cloud computing services (paras. 7.568-7.604).
- These software licensing practices have the effect of reducing competition in the cloud computing services market. This adversely affects the competitiveness of AWS and Google in providing cloud computing services, particularly their ability to compete for customers who already rely on Microsoft software as inputs, have made related investments, and intend to purchase cloud services. Furthermore, no effective alternative measures are available to counteract these effects. Consequently, anti-competitive effects have emerged in the UK cloud computing services market (paras. 7.680-7.699, 7.742-7.776).

(4) Recommendations

- The CMA recommends prioritizing the launch of an investigation into whether Microsoft and AWS, the two leading providers, should be designated as operators with Strategic Market Status (SMS) under the DMCC Act. The CMA intends to consider this matter in the first half of 2026.
- In doing so, it must also consider the need to mitigate risks of regulatory divergence with measures adopted in other jurisdictions, including those under the EU's Data Act (paras. 36-42, 10.18-10.26, 10.58).

2. Implications for the Cloud Computing Service Industry in Japan

- Regarding competition law issues related to infrastructure cloud software licensing practices and migration

costs, the OECD has published a policy paper², and similar market surveys and investigations have been conducted in EU member states such as France, as well as in other jurisdictions, including South Korea. In certain jurisdictions, certain settlements have been achieved³. Furthermore, as previously noted in our newsletters⁴, the Japan Fair Trade Commission (“JFTC”) has also published market survey reports on IaaS and PaaS in the private sector⁵ and on SaaS in the public sector⁶.

- The CMA's final report is fundamentally aligned with these international developments. For Japan, the UK shares common ground not only in the level of infra-cloud adoption/penetration in society but also in aspects such as the development of specific government procurement frameworks for cloud computing services and the promotion of AI development, including Government AI. Therefore, the CMA's final report likely contains measures that can serve as references for Japan's competition law assessments, such as the cost-benefit analysis of software licensing practices conducted independently by the CMA. Furthermore, the process of preparing the CMA's final report, which involved considering a wide range of opinions from both cloud computing service providers and customers, could also serve as a reference point for the JFTC's policy advocacy, such as establishing reporting channels for Japanese cloud customers to share information about the impact of such practices⁷.
- On the other hand, compared to the UK, Japan may already be ahead in addressing certain issues such as advancing legislation on data sharing and utilization inspired by the EU's Data Act⁸. As such, infra-cloud business operators in Japan should not only monitor these global policy trends but also assess whether the competition issues highlighted in the CMA's final report require immediate action in Japan or remain more distant concerns, given Japan's specific circumstances and policy environment.

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² OECD, [COMPETITION IN THE PROVISION OF CLOUD COMPUTING SERVICES](#), May 20, 2025.

³ CISPE, [CISPE Secures Landmark Licensing Reform in Agreement with Microsoft](#), July 18, 2025.

⁴ For details on these JFTC's reports, EU developments, and related matters, please see [“Cloud Utilization and Challenges - Based on the Latest Trends in Competition Policy in Japan and Europe”](#) (June 23, 2023), [“Latest Developments in EU Digital Competition Policy: Cloud, Privacy/Data Protection, and Platforms”](#) (July 10, 2023), “DX and Cloud Utilization in Japan - Implications for Competition Policy” NBL No.1221 (July 2022).

⁵ JFTC, [Report Regarding Cloud Services](#), June 28, 2022.

⁶ JFTC, [Report Regarding IT System Procurement](#), February 8, 2022.

⁷ JFTC, [Toward the Proactive Promotion of Competition Policy Responding to Socioeconomic Changes Including Digitalization: Coordination and Strengthening of Advocacy and Enforcement](#), June 16, 2022, and JFTC, [Chair Chatani's Inaugural Press Conference from Chair Chatani Eiji](#), May 2025.

⁸ Digital Government Reform Council, [Basic Policy on the Framework for Data Utilization](#), June 13, 2025.