

## Egress fees in the Cloud market: a powerful tool to lock users in

*A market study made by the Dutch Consumer and Market Authority (ACM) showed that it is especially complicated for users to switch from one Cloud service to another, or to combine Cloud services from different providers, because of the particularly high egress fees imposed by the market leaders. These excessive costs for consumers represent a significant obstacle to the emergence of a healthy and fair competitive environment, therefore to innovation in a constantly changing market.*

Cloud services allow companies and organizations to use high-quality IT services (such as external storage capacity and computing power) without having to invest in expensive hardware and software. Cloud providers therefore play a key role in the digitization of businesses, where data processing, gathering, storage, and analysis is nowadays crucial.

For the users of these services, a certain number of costs associated with the processing and management of their data should be anticipated and must be expected. On the other hand, additional costs are often imposed by the dominant players, such as the "egress fees", without any real technical and economic justification.

### ▪ What are the egress fees?

Egress fees are the costs charged by a Cloud provider to a customer who wishes to extract his data to another provider in the market, in order to transfer it to another provider, to process it "on-premises" or to use several providers simultaneously (multicloud). These charges apply whenever there is a transfer of data outside the network of the original cloud provider, whether it is:

- To Internet (for a complete transfer to another cloud provider)
- Between geographic areas ("regions", including when data remains with the same provider) or within the same geographic area
- Between providers (in a multi-cloud logic)

### ▪ Which consequences for users?

This means that customers are required to pay any egress fees charged by their former supplier, which can often be disproportionately expensive.

The ACM study shows that the two largest Cloud service providers (Microsoft Azure and Amazon Web Services) each have an estimated 35-40% of the total market. In this economic

environment dominated by these two American giants, it is difficult for other market players to find their place and serenely develop.

Moreover, for users of cloud services, the lack of predictability of egress fees at a given time is an additional obstacle to the free flow of data. Indeed, these costs remain very abstract for the customer, who cannot know at the time of contracting the volume of data that he will host with the chosen cloud provider and the frequency of their transmission. The amount of fees that will be charged for a change of provider or a multi-cloud application is therefore highly unpredictable and discourages any data migration. However, there is no technical or commercial justification for billing separately for data transfer rather than integrating the marginal costs of data transfer into the data storage itself.

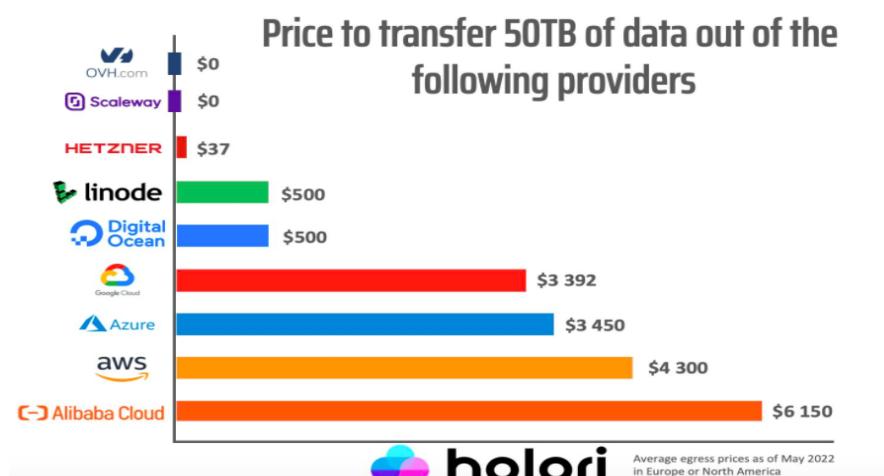
This situation becomes even more problematic given that the excessive egress fees for Cloud services increase the market imbalance. Indeed, thanks to this dissuasive system, the American giants can reinforce their dominant positions and keep their customers choices blocked: this is the "lock-in" effect.

Beyond this dimension of excessive costs linked to the issue of data transfer, technical difficulties may appear. They concern, for example, the data interoperability, or a normative gap between countries, etc.

The European cloud services sector is very dynamic, with many highly successful European cloud players having established themselves on the European digital market. However, the healthy competition on this market is strongly undermined by aggressive commercial practices of all American hyperscalers. In particular, egress fees are an unjustified and unfair practice, which is highly prejudicial to the competitive balance that is essential to allow European players who respect our values to continue to grow.

## ▪ Unjustified egress fees

The following infographic illustrates the differences in egress fee prices charged by some of the key players in the Cloud services market<sup>1</sup>.



<sup>1</sup> [https://twitter.com/holori\\_cloud/status/1526188485144633347](https://twitter.com/holori_cloud/status/1526188485144633347)

The market leaders are the ones who charge the highest egress fees. Other French players, such as OVHcloud or Scaleway for example, do not charge for this type of service.

According to a study conducted by Cloudflare in 2021<sup>2</sup>, the profit realized by AWS on egress fees is estimated at nearly 8000% for data leaving servers located in Europe or the United States. However, the study adds that the wholesale price of data transit services has dropped by an average of 93% over the last 10 years, while the egress fees charged by AWS have only dropped by 25%.

These egress fees are even less justifiable as the cost of data transport is marginal for the cloud provider, and not directly related to the volume of data exchanged.

In conclusion, the overpricing of egress fees can only be rationally explained in terms of a desire to artificially curb the free choice of a Cloud provider.

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<sup>2</sup> <https://blog.cloudflare.com/aws-egregious-egress/>