

Report Regarding Cloud Services

June 28, 2022
Japan Fair Trade Commission

1. Purpose

As the economy and business activities have been more digitized in recent years, new forms of services and business models that leverage data and digital technology continue to be developed in various sectors. In such a competition environment, information systems, which form the foundation of business activities, must provide prompt and flexible support to meet the need of the frontline workforce, which changes rapidly. The use of cloud services is expanding as one of the solutions to such need of businesses.

While the cloud service sector is about to see the expansion of its market, cloud service providers (CSPs), which carry out digital platform businesses either by themselves or through their group companies, are about to become important players who provide the foundation of business activities to a number of enterprises by providing a wide range of services.

Considering the above situation, the Japan Fair Trade Commission (JFTC) conducted a fact-finding survey regarding trade practices in the cloud service sector (hereinafter, “the survey”) to identify both the trade practices involving digital platform operators (DPOs) and the state of competition in the cloud service sector, in order to promote efforts to prevent acts that violate the Antimonopoly Act (AMA) in the sector and ensure fair and free competition environments implemented by concerned parties by demonstrating the JFTC’s views regarding the AMA and competition policy.

(1) What kind of trades the JFTC focused on

Of the classifications of cloud services by service model, the JFTC focused on Infrastructure as a Service (IaaS) and Platform as a Service (PaaS) with a focus on their roles as the foundation or a component of the digital market (and the survey also mentions Software as a Service (SaaS), as required).

(2) How the JFTC conducted the survey

The JFTC conducted the survey as described below. In March 2022, the JFTC also held the “Opinion Exchange Meeting on Cloud Services” (chaired by Professor Yosuke Okada, Graduate School of Economics, Faculty of Economics, Hitotsubashi University) to listen to opinions of academics and experts in cloud services and to exchange ideas about issues and views regarding cloud services in relation to the AMA and competition policy in order to compile its report.*

Through the process of the survey, the JFTC issued orders to submit reports,

based on Article 40 in the AMA.

(* Reference [Japanese language only])

Opinion Exchange Meeting on Cloud Services (March 30, 2022)

<https://www.jftc.go.jp/soshiki/kyotsukoukai/kenkyukai/cloud/index.html>

(a) Voluntary interview

The JFTC interviewed 25 CSPs, 33 introduction support providers, 6 third-party software vendors, 18 user companies and 20 experts and trade associations that had expertise in the cloud service sector.

(b) Questionnaire survey

The JFTC used a questionnaire to survey cloud service customers (CSCs) of IaaS, PaaS and SaaS (limited to services that provided groupware functionality or services that provided CRM functionality) from July to August 2021.

(c) International cooperation

Through the process of compiling this report, the JFTC exchanged opinions with the Netherlands Authority for Consumers and Markets, the French Competition Authority and the Directorate-General for Communications Networks, Content and Technology of the European Commission.

2. Results

Please see the report, attachments and summaries as attached.

3. Future initiatives

- (1) Actively inform CSPs and CSCs of details of this report, including the efforts recommended in the report which should be made by each concerned party, in order to prevent concerning negative effects of concentrated market shares and ensure the fairness and transparency of trade.
- (2) Actively inform relevant government offices that make efforts related to this report of its details and also ensure the competition environment in the cloud service sector through collaboration with the relevant government offices as required.
- (3) Continue to watch the state of competition in the cloud service sector and also continue to respond strictly and appropriately to concrete cases that become problematic under the AMA, including the acts that restrict competition, which are commented in this report.
- (4) Exchange opinions with competition authorities in other countries and regions and also use opportunities offered by organizations such as the Organization for Economic Cooperation and Development (OECD) and International Competition

Network (ICN) to promote continuous collaboration with relevant overseas authorities and develop competition environments.