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# The Register talks to Microsoft's European cloud rivals about getting a fair deal

What do we want? Open standards, just licensing and a level playing field, say OVHcloud, Scaleway and others

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If you're a cloud specialist in the EU, things like licensing, Euro digital sovereignty project Gaia-X, and a creating a level playing field are all front of mind.

As far as licensing goes, Microsoft recently had an **apparent awakening concerning its practices in Europe** and vowed to make concessions – accusations of anti-competitive behavior can focus the mind.

Yet a cloud rival *The Register* spoke to, who asked to remain anonymous, complained that Redmond's proposed changes fail to "move the needle" and ignore the company's "other problematic practices."

## It's protectionism

**101. The US is doing**

**it in a massive way.**

**The EU is not doing**

**it at all.**

European cloud vendors and software suppliers have long complained of the dominance of the US tech giants, and particular ire is being directed at Microsoft through EU courts. In November last year, **Nextcloud (along with other vendors) filed a complaint** with the EU over the bundling of OneDrive with Windows.

While the core of Nextcloud's complaint is regarding Microsoft 365, CEO of Nextcloud Frank Karlitschek told *The Register* the company decided "to focus on one specific thing that is easy to understand by politicians and lawyers" – which was OneDrive.

The lawsuit will have been a factor in Microsoft's recent policy changes in the EU, but some of the other antics of the hyperscalers have left EU cloud companies raising more than an eyebrow. The great hope of open standards and interoperability, **Europe's data infrastructure initiative Gaia-X**, has also come under scrutiny.

Nextcloud is a founding member, and Karlitschek commented that "it is not going well," noting the length of time the process is taking – time that the hyperscalers could use to build an even more dominant position.

## Taming the beasts with Gaia-X

"The idea," he told us, "was really to build infrastructure, and software, like a marketplace and everything to compete with the big cloud providers."

Karlitschek added: "And, I don't know, at some point the whole idea, to be created with open source software, somehow disappeared. This whole

marketplace somehow disappeared. And then I think it moved into like a certification/standards organization.

"Which is really not that helpful ..."

Michel Paulin, CEO of OVHcloud, was a little blunter in his assessment during an interview with *The Register*, using the word "sabotage" with reference to the behavior of some Gaia-X players. "In fact," he claimed, "they don't want to make, in practice, the [stated] objective, which is to create an open cloud."

With respect to Gaia-X, Paulin is keen on openness, "reversibility, interoperability."

"If someone really wants to do these objectives, they are welcome. The red line is if they don't want to achieve that. Then they should be excluded."

Yann Lechelle, CEO of cloud provider Scaleway, was blunter still. Scaleway memorably **departed the Gaia-X project last year** and Lechelle told *The Register* that he continues to believe the departure was the right move "for two reasons. The first is because... we have better things to do.

"The market is not asking for us to be Gaia-X compliant. The market is asking us to keep our velocity in terms of our roadmap and our ability to provide a regional alternative to public cloud solutions that are largely American.

"The second reason," he added, "is that Gaia-X is confusing as hell for everybody. There were a lot of fantasies about Gaia-X providing a European cloud, a sovereign cloud. This has never been the case. It will never achieve that.

"Cloud providers should not be inside there at all. None of them. US cloud providers, European cloud providers alike. Gaia-X should be defined and governed by data producers."

*The Register* contacted British open source collab org OpenUK to get its take on the Gaia-X situation, but we were told the group had nothing to share.

### **A level playing field or the specter of protectionism**

As for the predicament of EU cloud infrastructure and software providers, the solution for Nextcloud is to even competition. "It sounds a bit like protectionism," admitted Karlitschek, "which is not a good thing. But, on the other hand, a level playing field is something that is absolutely needed. And in the interest of everybody."

Lechelle was again a little blunter. When asked how the European cloud providers could compete, he said: "To me, it's protectionism 101. The US is doing it in a massive way. The EU is not doing it at all. So, protectionism 101 is to me liberal. It's liberal protectionism, which is to ensure a certain amount of public sector buying, which sets the example, has a minimum threshold geared toward local, regional, small companies.

"And that doesn't have to apply to Scaleway particularly. To me it's universally necessary."

### **Fixing the licensing problem**

Microsoft has **created** five European Cloud Principles and has agreed to change licensing. This includes allowing software such as Windows 11 and Microsoft 365 Apps to be hosted on a European cloud provider's infrastructure with no cost penalties for the customer; tweaking Software Assurance agreements to provide more flexibility in deployment options; and relaxing rules pertaining to legacy wares in which licenses were tied to physical hardware.

One rival uncharitably described the fresh set of policies as "window dressing."

CISPE (Cloud Infrastructure Services Providers in Europe) was similarly unimpressed and stated: "We cannot rely on the goodwill or even the charity of any gatekeeper. Microsoft must abide by the law including competition law."

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"The Initiative," it said of Microsoft's changes, "fails to tackle in any meaningful way the unfair licensing practices at the heart of complaints and concerns among cloud infrastructure service providers and customers across Europe. It does nothing to end the anticompetitive tying of productivity suites with cloud infrastructure services.

"The Commission must continue its investigation for the sake of European cloud customers."

"This definitely doesn't go far enough," Karlitschek told *The Register*.

"Microsoft agreed to license Office 365 to cloud providers but is offering the same [itself] for a cheaper price," he went on. "And the general dependency and lock-in effects are not solved at all."

"Nextcloud," he said, "submitted an antitrust complaint to the EU regarding the bundling of different services and software. For example the bundling on OneDrive with Windows 10 and 11."

"Microsoft didn't address these concerns at all."

OVHcloud told *The Register* it regretted that there had to be action from the authorities before Microsoft reacted.

Another cloud vendor, who spoke to *The Register* on condition of anonymity, complained that the changes were rooted in expanded participation of the existing CSP program and that nothing had been done with regard to the bundling and tying of Windows and Office and products to drive the adoption of Azure. ®

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