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Online exchange threatens cloud computing profits

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By Luke Collins

Cloud computing resources will soon be traded over online exchanges, making them cheaper for buyers but less profitable for sellers, according to the head of managed network services at Tata Communications.

“Every new product that has been launched in the telecoms industry has been commoditised,” said James Walker in a keynote speech at the NetEvents press and analyst summit in Frascati, Italy. “I would be surprised if five years from now we don't see a live stock market for computing services. If I could go on to such a market and use Chinese servers for three hours and then Egyptian servers for the next two hours, that becomes very interesting.”

Walker argued that when such online exchanges get built, cloud computing services will rapidly become commoditised, to the point that it no longer makes sense for telcos, which have been trying to combine their connectivity and their data centres to offer cloud services, to do so.

“We don't want to make multi-billion dollar investments that will be commoditised within two years,” he said.

Walker believes that companies selling services that run on cloud resources will also want to be independent of the underlying infrastructure.

“Service providers will want to be able to write an application programming interface (API) to a commodity platform,” he added, allowing them to offer their services as widely as possible. “If the infrastructure providers don't [offer such APIs] a third party will write a series of APIs to interface to the largest infrastructure providers.”

However, Phil Tilley, vice president marketing EMEA at Alcatel-Lucent, was not persuaded. “I disagree with the vision of an exchange where you can trade services,” he said, “because of things like service-level agreements and understanding that your service provider has an interest in how well your applications are running.”

According to Peter Hall, principal analyst at Ovum, the market for cloud computing, which includes software-, platforms- and infrastructure-as-a-service, was worth \$14bn in 2010 and will grow 29 per cent a year to reach \$66bn by 2016.