# 2nd ECCO Report on Broadcom Appendix

May 2025

## Overview and update on unfair software licensing practices

Following the acquisition of VMware, Broadcom unilaterally modified the licensing terms of essential VMware software, leading to an exponential increase in prices for users. The new licenses imposed by Broadcom include:

1. The discontinuation of certain products in favour of bundled offers, without introducing new technical features or improvements. Customers can no longer purchase only the software they need and are forced to pay for software they do not require.

    a. The end of perpetual licenses (and the monthly 'pay-as-you-go' pricing model) for VMware software, replaced with three-year annual subscriptions with a predetermined base price. Billing is no longer based on actual usage, contrary to the fundamental operating principle of cloud computing.

    b. To understand the effect of those abusive practices, it is as if an electricity provider that previously charged customers based on actual consumption decided to bill them assuming that their heating systems (the 'software' in this case) run 24/7 at maximum power, without accounting for real usage—and forcing customers to pay for a full year in advance.

2. To compel customers to accept these new terms, Broadcom unilaterally and without sufficient notice terminated existing licensing agreements, some of which had been in place for over 10 years.

3. These changes resulted in exponential and unjustified increases in licensing costs, imposed on thousands of European businesses, including hospitals and public services.

   a. For example, in the United States, AT&T reported price increases of approximately 1,050%.

   b. CISPE members reported price hikes to the Commission ranging from 800% to 1,500%. Prices have often increased tenfold.

   c. When firms agree to three-year fixed contracts, Broadcom typically offers a discount of 30% to 50% on the price hike.

4. The viability of certain businesses and cloud service providers—highly dependent on these unique software solutions—has been threatened with some predicted EBITDA reduced to zero.

5. To minimize the financial impact of these abuses, some CISPE members have been forced to massively restructure their infrastructures and purchase new equipment. These costs have been absorbed internally (at the expense of innovation) and externally (at the expense of consumers).

6. With one exception, all CISPE members were compelled to accept Broadcom's new licensing terms due to the extremely short notice periods imposed, the rapidity of these changes, and the essential nature of VMware software.

   a. Most CISE members made significant changes and adaptation to their software and hardware environment in order to reduce their reliance on VMware software and reduce the price increase created by the new licensing terms.

   b. The only CISPE member that fully and successfully exited VMware's software environment did so because the nature of its servers ('workloads') allowed for an alternative and because the price hikes created a life-threatening situation. They invested several months of software development involving all 400 employees of the company and were able to implement an open-source solution adapted for their use case after significant hardware and software development efforts.

   c. For other businesses, this was not feasible. Broadcom was fully aware of this since it has detailed knowledge of the workloads used by each of its customers.

7. Currently, and for most enterprise business cases, there are no real alternatives offering equivalent functionality to VMware software. Customers primarily seek VMware solutions when migrating to the cloud to avoid having to completely restructure their infrastructure.

    a. Some alternatives exist from hyperscalers (Microsoft, Google, AWS) and a few virtualization software providers (such as Nutanix), but these solutions are not suitable for most workloads. Even if they were, it would mean that European cloud providers and their customers would be forced to move their workloads to hyperscalers, thereby facing further price increases.

    b. In the coming years, we anticipate that alternative to VMware will be implemented by competitors. However, at the moment where the decision was made to terminate all contracts and impose new onerous terms, Broadcom was fully aware that such alternatives did not exist and would take years to develop and be certified by major vendors, as it was already the case for VMware.

8. The lack of equivalent alternatives with VMware's virtualization solutions (risks of technical lock-in, inferior functionality, etc.), and the fact that VMware's virtualization solutions remain the only ones certified for certain workloads—such as SAP database software—confirms their essential nature.

Recent concessions by Broadcom do not change the reality of these abuses. In this context, the first (2025) report from the European Cloud Competition Observatory (ECCO) issued a "red card" against Broadcom for its harsh, exploitative practices. Recent developments and changes to the Broadcom program have exacerbated the abusive, even if additional price hikes were eventually abandoned, for now.

ECCO believes that regulatory action remains necessary and should include measures, including the reinstating of previous contract, the suspension of ongoing litigations should be considered by the Regulator.

## About ECCO

The European Cloud Competition Observatory (ECCO) was created as part of CISPE's anti-competition settlement agreement with Microsoft. ECCO is an independent monitoring body comprising CISPE members plus the support, as observers, of European customer organizations, such as Cigref in France and Beltug in Belgium. It operates as an independent body under the auspices of CISPE.

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