Computer & Communications Industry Association
Open Markets. Open Systems. Open Networks.

ccianet.org • @CCIAeurope

Europe

CALL FOR CONTRIBUTIONS ON GENERATIVE AI AND COMPETITION
CCIA EUROPE'S SUBMISSION - EXECUTIVE SUMMARY

March 2024

The Computer & Communications Industry Association (CCIA Europe) welcomes the opportunity to contribute to the European Commission's call for contributions ("call") on Generative AI and competition.

CCIA Europe represents large, medium, and small companies in the high technology products and services sectors, including computer hardware and software, electronic commerce, telecommunications, and Internet products and services. CCIA Europe is committed to protecting and advancing the interests of our members, the industry as a whole, as well as society's beneficial interest in open markets, open systems and open networks.

CCIA Europe's submission to the call comprises two elements: i) the below executive summary; and ii) a study on AI & competition authored by Copenhagen Economics and commissioned by CCIA Europe.

Generative Artificial Intelligence ("Generative AI") is at the forefront of technological innovation. Diverging from conventional AI focused on data analysis or task performance, Generative AI showcases a remarkable capacity for autonomous content creation. Its impact transcends the creative sphere, permeating domains like medicine, science or finance. Thanks to its unique features, Generative AI has the potential to transform existing businesses and sectors and already pioneers solutions across various industries, contributing to more diverse choices for consumers, and more innovation in Europe.

The Generative AI market is nascent and is developing rapidly. With the increasing availability of high-quality data, computing power, and the growth of machine learning, competition within the Generative AI landscape is highly dynamic and drives competition at all levels of the AI value chain. The diversity of business models and strategies is striking, with a wide range of open-source and proprietary models being developed by large and small companies alike, whether for general or more specific use. This dynamic competition further demonstrates that there is space and growth potential for new entrants.

Many companies active in the Generative AI market have been developing a variety of foundation models for years. They have different characteristics, such as different sizes or specialisations (e.g., summarisation or integration). They are made available on the market with different degrees of openness ranging from fully open to proprietary. This diversity, in turn, powers generative AI tools and systems, and effectively leads to the introduction of more diversified products and choices on the market.

The rapid succession of new technological developments is constantly changing the dynamic, and market conditions in the segment tend to evolve as rapidly as technology. Innovations in graphic processing units (GPUs) are likely to decrease the cost of computing resources. The model size, number of parameters and amount of data required to reach state-of-the-art capabilities are constantly changing. It is already demonstrated that

smaller models can outperform much larger models in a significant number of tasks. Due to their distinct characteristics and unlimited potential, foundation models will continue to evolve further in the future, catering for specific business, or personal needs of users.

In addition to that, we can observe dynamic competition on the level of computing power which can be sourced from, e.g., on-premise, online or hybrid solutions offered by cloud providers. All this further evidences the disruptive character of the Generative AI market and potential for competition in this market to flourish even more in the future.

Furthermore, progress in technology is driving down the expenses and duration required for constructing, training, and launching extensive language models. For instance, the capacity to conveniently adapt a pre-existing model via fine-tuning is hastening the arrival of competitive models. AI vendors, including startups, are also gaining greater access to third-party models and tools, tailored strategies for market entry, optimisation of machine learning frameworks, and other resources.

The Copenhagen Economics study which constitutes a second part of CCIA Europe's submission concludes that the generative AI market is currently diverse and vibrant, with no immediate signs of lack of access to inputs. There are a number of new entrants present with diversified business models and products. Therefore, there are no evident signs of competitive problems. In case any potential competition concern emerges in the future, one can be assessed, if needed, under existing competition rules or the EU Digital Markets Act.

The study also finds that depending on their design, partnerships between large cloud providers and AI startups serve an important purpose but need to be carefully assessed. Such agreements may give rise to competition concerns, in particular if it's combined with leveraging behaviours where large players already possess a certain degree of market power.

As previously mentioned, competition in Generative AI is currently dynamic and rapidly evolving. It is generally working well to deliver value, service, and choice to all types of customers. With that in mind, CCIA Europe emphasises that legislative or regulatory intervention to address any future competition concerns in the Generative AI market would be premature and could lead to stifling innovation in the Generative AI sector and limit consumer choice. Moreover, overly burdensome regulation may make it unnecessarily difficult for competition and innovation to flourish.

It is also important to stress in this regard, that the AI Act, which will enter into force in the coming months, already imposes strict rules on developers of foundation models, as well as downstream deployers and users. In addition, the EU has adopted numerous regulations as part of its EU Data Strategy, such as: the Data Act, the Data Governance Act and European Data Spaces, with a view to increasing the availability of and access to data by businesses and consumers. Monitoring and assessing the impact of those regulations on the market dynamics will be key for regulators.