

CMA says it has 'real concerns' about Big Tech's grip on foundation models

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Press release

CMA outlines growing concerns in markets for AI Foundation Models

The CMA has outlined 3 key risks to effective competition on AI Foundation Models and has set out plans for further action in the market.

From:

Competition and Markets Authority

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CMA outlines growing concerns regarding foundation models in CEO speech and update paper, as the market continues to develop at a "whirlwind pace"

CMA identifies 3 key interlinked risks to fair, effective, and open competition

CMA CEO: "When we started this work, we were curious. Now, we have real concerns."

The move from the Competition and Markets Authority (CMA) follows its initial report on AI Foundation Models (FMs) last year. The report proposed a set of principles to help sustain innovation and guide these markets toward positive outcomes for businesses, consumers, and the wider economy.

Speaking at a conference in Washington DC, Chief Executive Officer Sarah Cardell shared highlights from the CMA's update to its FMs work. In her remarks, Sarah Cardell describes the transformative promise of FMs as a potential "paradigm shift" for societies and economies. She also outlines a range of fast-moving developments across FM markets which, underpinned by the CMA's deepening understanding of the FM ecosystem, have prompted a marked increase in concern.

The speech highlights the growing presence across FM markets of a small number of incumbent technology firms which already hold positions of market power in many of today's most important digital markets. The firms have strong positions in both the development of FMs (including through the supply of critical inputs like compute, data, and talent), and in the deployment of models, through key access points or routes to market, like apps and platforms.

The CMA is concerned that some firms may have both the ability and the incentive to shape these markets in their own interests – both to protect existing market power and to extend it into new areas. This could profoundly impact fair, open, and effective competition in FM-related markets, ultimately harming businesses and consumers, for example through reduced choice, lower quality, and higher prices, as well as stunting the flow of potentially unprecedented innovation and wider economic benefits from AI.

The CMA's update paper, to be published today, identifies an "interconnected web" of over 90 partnerships and strategic investments involving the same firms: Google, Apple, Microsoft, Meta, Amazon, and Nvidia (which is the leading supplier of AI accelerator chips). The CMA recognises the huge wealth of resources, expertise and innovation capability these large firms can bring to bear, and the role they will likely have in FM markets, as well as the fact that partnerships and arrangements of this kind can play a pro-competitive role in the technology ecosystem.

However, the CMA cautions that powerful partnerships and integrated firms should not reduce rival firms' ability to compete, nor should they be used to insulate powerful firms from competition. Maintaining diversity and choice in the market is also vital for safeguarding against the risk of over-dependence on a handful of major firms –

particularly considering the breadth of potential use for FMs, across all sectors of the economy, such as finance, healthcare, education, defence, transport, and retail. The benefits of AI for businesses and consumers are much more likely to be realised in a world where the most powerful technology firms are subject to fair, open, and effective competition – both from potential challengers and between themselves – rather than one where they are able to leverage FMs to further entrench and extend their existing positions of power in digital markets.

Reflecting on the decade of experience the CMA has gained in digital markets, where “winner takes all dynamics” led to the rise of a small number of powerful platforms, Sarah Cardell says the CMA is “determined to apply the lessons of history” at this pivotal moment in the emergence of a new, potentially transformative technology.

The speech and update paper highlight 3 key interlinked risks to fair, open, and effective competition:

firms controlling critical inputs for developing FMs may restrict access to shield themselves from competition

powerful incumbents could exploit their positions in consumer or business facing markets to distort choice in FM services and restrict competition in deployment

partnerships involving key players could exacerbate existing positions of market power through the value chain

The CMA's update paper provides details on how each risk would be mitigated by its principles, as well as the actions the CMA is taking now, and considering taking in the near future, to address these concerns. This includes existing measures, like market investigations and merger review, but also consideration of developments in FMs as the CMA decides which digital activities to prioritise for investigation under the Digital Markets, Competition and Consumers Bill. The speech also highlights examples of current relevant work, such as the CMA's ongoing cloud services market investigation , which includes a forward-looking assessment of the potential impact of FMs on competition in cloud services, and its review of Microsoft's partnership with OpenAI to understand how it could affect competition in various parts of the ecosystem.

Sarah Cardell notes that the CMA is “keeping very close watch on current and emerging partnerships”. This includes use of merger control powers to assess whether, and in what circumstances, these kinds of arrangements fall within the merger rules and whether they raise competition concerns – particularly given the complex and opaque nature of some partnerships and arrangements.

Sarah Cardell remarks, “By stepping up our merger review, we hope to gain more clarity and that clarity will also benefit the businesses themselves.”

Sarah Cardell, CEO of the CMA, said:

When we started this work, we were curious. Now, with a deeper understanding and having watched developments very closely, we have real concerns.

The essential challenge we face is how to harness this immensely exciting technology for the benefit of all, while safeguarding against potential exploitation of market power and unintended consequences.

We're committed to applying the principles we have developed, and to using all legal powers at our disposal – now and in the future – to ensure that this transformational and structurally critical technology delivers on its promise.

The CMA's more detailed technical update report on FMs, including its finalised principles, will be published next week.

For more information, visit the AI Foundation Models case page .

Notes to editors

Sarah Cardell's remarks can be read in full [here](#). The CMA's update paper will be published later today and will be available on the AI Foundation Models case page . A more detailed technical update report will be published next week.

The CMA has not yet taken any provisional decisions on which areas to prioritise for investigation under the new DMCC Bill, and any designation would be subject to a prior investigation.

A CMA independent group of panel experts is already examining the conditions of competition in the provision of public cloud infrastructure services, as part of the ongoing Cloud Market Investigation.

All media enquiries should be directed to the CMA press office by email on press@cma.gov.uk , or by phone on 020 3738 6460.

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