

Allied for Startups' contribution

European Commission's Call for Contributions on competition in generative AI

1. **What are the main components (i.e., inputs) necessary to build, train, deploy and distribute generative AI systems? Please explain the importance of these components.**

To build, train, deploy and distribute generative AI systems, startups need three things: quality data, computational resources, and reliable and simple regulatory frameworks.

- **Data access:** Startups thrive on innovation, and quality data is their gateway to compete with leading tech companies. Access to high-quality datasets allows startups to train (or use) generative AI systems effectively, fostering adaptability and enhancing their products' relevance. In a landscape where resource efficiency is paramount, quality data empowers startups to iterate quickly, ensuring their generative AI solutions meet the highest standards.
- **Computational resources:** Startups face the challenge of optimising limited resources for maximum impact. Adequate computational resources, tailored to the specific needs of generative AI, are crucial. The ability to access scalable compute capacity allows startups to focus on refining their generative AI applications without the burden of excessive infrastructure costs.
- **Simple and reliable regulatory frameworks:** Regulatory frameworks that understand and respect the unique challenges and opportunities of startups in the generative AI space are essential. Tailored regulations foster a supportive environment, allowing startups to navigate compliance efficiently and focus on innovation. A balanced regulatory approach ensures that startups can contribute to the generative AI ecosystem without being hindered by unnecessary bureaucratic complexities.

2. **What are the main barriers to entry and expansion for the provision, distribution or integration of generative AI systems and/or components, including AI models? Please indicate to which components they relate.**

To enter and expand in the provision, distribution, or integration of generative AI systems, startups encounter two significant barriers: overburdening regulations and the lack of investment.

- **Overburdening regulation:** Startups, by nature, have less resources to comply with complex regulation. Navigating through these regulatory complexities proves challenging, hindering startups' ability to access necessary resources for developing and integrating generative AI systems. Compliance issues can stifle innovation and increase entry barriers for startups in this sector.

- **Lack of investment:** This is a formidable obstacle for startups aiming to provide, distribute, or integrate generative AI systems. Given that sound regulatory frameworks alone are insufficient, startups need financial support to navigate regulatory complexities, innovate, and compete effectively. Inadequate and insufficient investment not only hampers their ability to grow but also constrains their capacity to scale operations efficiently.
3. **What are the main drivers of competition (i.e., the elements that make a company a successful player) for the provision, distribution or integration of generative AI systems and/or components, including AI models?**

In driving competition for the provision, distribution, or integration of generative AI systems, successful players are characterised by their ability to **incentivise AI production**. The capacity to stimulate and sustain the creation of cutting-edge AI models and components becomes a key driver, allowing companies to lead the market in innovation and meet the evolving demands of the generative AI landscape.

4. **Which competition issues will likely emerge for the provision, distribution or integration of generative AI systems and/or components, including AI models? Please indicate to which components they relate.**

Competition issues in the provision, distribution, or integration of generative AI systems are likely to emerge due to the resource constraints faced by startups. The **disproportionate burden on startups**, often amplified by their limited resources, hinders their ability to access quality data, comply with complex regulations, and compete on an equal footing with more established companies. This resource disparity impedes the growth and innovation potential of startups in the generative AI ecosystem, creating challenges for fair competition and hindering their overall contribution to the evolving landscape.

5. **How will generative AI systems and/or components, including AI models likely be monetised, and which components will likely capture most of this monetization?**

N/A

6. **Do open-source generative AI systems and/or components, including AI models compete effectively with proprietary AI generative systems and/or components? Please elaborate on your answer.**

Open-source generative AI systems and components play a crucial role in the startup ecosystem, offering a cost-effective alternative to proprietary solutions. For startups,

open-source software is invaluable as **it eliminates licensing costs, fostering accessibility and promoting innovation**. While proprietary systems may offer unique features and support, the collaborative nature of open-source initiatives spurs a diverse and dynamic generative AI landscape. Startups benefit from the flexibility, transparency, and community-driven development inherent in open-source solutions, enabling them to compete effectively with proprietary alternatives without the financial constraints associated with licensing fees.

7. What is the role of data and what are its relevant characteristics for the provision of generative AI systems and/or components, including AI models?

N/A

8. What is the role of interoperability in the provision of generative AI systems and/or components, including AI models? Is the lack of interoperability between components a risk to effective competition?

N/A

9. Do the vertically integrated companies, which provide several components along the value chain of generative AI systems (including user facing applications and plug-ins), enjoy an advantage compared to other companies? Please elaborate on your answer.

Vertically integrated companies in generative AI gain advantages in streamlined development and comprehensive user experiences. However, startups, known for agility and innovation, typically opt for **specialisation over full vertical integration**, leveraging unique strengths within niche areas.

10. What is the rationale of the investments and/or acquisitions of large companies in small providers of generative AI systems and/or components, including AI models? How will they affect competition?

In the right competitive market, **partnerships and acquisitions are not only welcomed but desired**. This fuels innovation and accelerates the development of generative AI systems. Large companies investing in small providers, often startups, can access cutting-edge technologies, novel AI models, and specialised expertise. The 'startup mafias' (networks of talented individuals from successful startups) can bring a wealth of knowledge and fresh perspectives. These investments not only drive innovation but also encourage competition: they foster collaboration, spur advancements, and create synergies.

11. Do you expect the emergence of generative AI systems and/or components, including AI models to trigger the need to adapt EU legal antitrust concepts?

The existing EU legal antitrust regulatory framework, including the Digital Markets Act, the EU Merger Regulation, and Regulation 1/2003, appear **robust and capable of addressing any potential concerns** arising from the emergence of generative AI systems and components, including AI models.

12. Do you expect the emergence of generative AI systems to trigger the need to adapt EU antitrust investigation tools and practices?

Until we have a clear understanding of the challenges that may or may not emerge from the generative AI ecosystem, it is prudent for the EU to exercise caution and **refrain from premature regulatory actions**. The current investigative tools and practices, including those outlined in the EU's antitrust framework, appear sufficiently effective in addressing potential concerns related to generative AI systems.