

PROTECTING AI AND CLOUD COMPETITION IN DEFENSE ACT OF 2024

The AI and cloud computing industry is highly concentrated, with a few dominant companies controlling critical market components like cloud infrastructure, foundation models, and data. As the Department of Defense (DOD) expands its use of these technologies, it is important that DOD encourages innovation through competition.

DOD has already awarded \$9 billion in contracts to Google, Oracle, Microsoft, and Amazon to build its cloud computing network and has requested an additional \$1.8 billion for AI programs for fiscal year 2025. As it enters into new contracts, DOD must avoid terms that will make it difficult or expensive to switch to alternate technology solutions in the future. DOD should also ensure that its procurement decisions encourage competition and avoid consolidation that can lead to higher prices, concentration of risk, and the stifling of innovation.

The Warren-Schmitt *Protecting AI and Cloud Competition in Defense Act* would ensure DoD procurement of AI and cloud computing tools enhances rather than discourages resiliency and competition. The bill would:

- Require DOD, when contracting with cloud, foundation model, or data infrastructure providers that enter into contracts of \$50 million or more with DOD annually, to:
 - Administer a competitive award process;
 - Ensure that the government maintains exclusive rights to access and use of all government data; and
 - Consider multi-cloud technology where feasible and advantageous.
- Require DOD's Chief Digital and Artificial Intelligence Office (CDAO) to ensure that:
 - Government data provided for the purpose of development and operation of AI products to DOD will not be disclosed or used without DOD authorization; and
 - Such government data, if stored on vendor systems, is appropriately protected from other data.
- Requiring DOD to publish a report every four years on competition, innovation, barriers to entry, and market power concentration in the AI sector, with recommendations for legislative and administrative action.

The *Protecting AI and Cloud Competition in Defense Act* is endorsed by Encode Justice, Open Markets Institute, Economic Securities Project Action, and the American Association of People with Disabilities.