

PROTECTING AI AND CLOUD COMPETITION IN DEFENSE ACT OF 2025

The AI and cloud computing industries are [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 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 alternative 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 that 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;
 - Mitigate barriers to entry faced by small businesses and nontraditional contractors; and
 - Prioritize multi-cloud technology unless doing so is infeasible or presents a danger to national security.
- 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 for DOD will not be disclosed or used without DOD authorization; and
 - Such government data, if stored on vendor systems, has appropriate protections.
- Require 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 of 2025* is endorsed by Open Markets Institute, and the Economic Securities Project Action.