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Artificial Intelligence and Competitive Dynamics in Downstream Markets

- Session I -

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This contribution is submitted by Australia under Session I of the Global Forum on Competition to be held to be held on 1-2 December 2025.

More documentation related to this discussion can be found at: oe.cd/aidm.

Mr Antonio Capobianco [Antonio.Capobianco@oecd.org].

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Australia

Submission contribution to OECD session on 'AI and Competitive Dynamics in Downstream Markets' – October 2025

1. The ACCC has considered AI's impact on competition in downstream markets in the context of its Digital Platform Services Inquiry (DPSI). In particular, the final DPSI report (March 2025) examined generative AI technologies and included analysis regarding the potential impacts of generative AI on competition in related markets. This submission provides an overview of this work, as well as noting some new developments since that time.

1. Potential impacts of generative AI on competition in related digital markets

2. Major digital platforms are increasingly integrating generative AI tools into their core digital products and services, including general search, productivity software, social media, online private messaging and online marketplaces. The ACCC considers these related markets could be 'downstream' markets for the purposes of this discussion. In this respect, the ACCC notes that the line between 'the market for AI systems' and 'other, downstream markets' (as envisioned in the OECD's call for contributions)[1] is somewhat blurred – many digital platform services now integrate AI not only as an input, but as a consumer-facing feature forming part of the overall product. For example, many platforms have integrated AI assistants into their email applications to assist with summarising email conversations, drafting and editing emails, etc.

2. General observations

3. Given the adoption of generative AI is in its infancy, a definitive assessment of the impact of generative AI on competition in related digital platform service markets is not possible at this stage of market evolution. However, the ACCC notes generally that:

- As platforms integrate more generative AI features into their core digital products and services, this potentially creates a new 'standard' for these products and services. This has the potential to further raise the existing barriers to entry and expansion which already make digital platforms tend towards concentration in these markets.[2] On the other hand, consumers may value these integrated service combinations.[3]

[1] The OECD call for contributions notes that the roundtable "will explore the mechanisms through which AI influences competitive dynamics in *other, downstream markets, i.e. markets whose primary output is not related to AI, but where AI is used as an input*" (emphasis added).

[2] Digital Platform Regulators Forum, DP-REG joint submission to Department of Industry, Science and Resources' AI discussion paper, 26 July 2023, accessed 13 March 2025.

[3] CMA, AI Foundation Models: Initial Report, 18 September 2023, pp 73-74.

- Vertically integrated firms may have incentives to foreclose competition in related markets if the profit they stand to make from attempting to monopolise the related market exceeds what they can make from licensing their foundation models.[4] This can occur, for example, if vertically integrated firms degrade the foundation models they provide to competitors who rely on them as suppliers. As the monetisation strategies of generative AI models are still evolving, it is difficult to predict what impact generative AI will have on other digital platform services markets.
- If access to AI models and capabilities becomes a necessity in certain digital platform services markets but is restricted or controlled by a few large private companies facing insufficient competitive constraint, this may frustrate competition and innovation in other digital markets.[5]

4. The remainder of this section outlines the ACCC's observations of the potential impact of generative AI on competition in particular related digital platform service markets.

3. General search services

5. As part of the DPSI Report on Revisiting General Search Services (September 2024), the ACCC examined the integration of generative AI in general search services. The ACCC found:

- While AI has the potential to disrupt traditional search services and allow smaller players to better challenge large incumbents, the impacts as at September 2024 appeared to be limited. Google and Microsoft's participation in several layers of the generative AI supply chain, as well as their established positions in general search, mean they are each well placed to leverage generative AI into their own search offerings.[6]
- Similarly, the implications for search quality remain uncertain. As search engines incorporate this technology into their services in different ways, generative AI may lead to a new era of more relevant, efficient, and intuitive search. It could also raise new challenges for consumers seeking credible, reliable, unbiased, and verifiable information.[7]
- Social media is also becoming a new way for some consumers (particularly young people) to search for information on specific topics.[8] The integration of generative AI-powered summaries within social media platforms' search functions has the potential to accelerate this trend by providing more direct and effective responses to user queries. This could elevate the competitive constraint these social media services pose on traditional search services (such as Google).

[4] CMA, AI Foundation Models: Initial Report, 18 September 2023, p 74.

[5] US FTC, Generative AI Raises Competition Concerns, 29 June 2023, accessed 13 March 2025.

[6] ACCC, Digital Platform Services Inquiry Ninth Interim Report, 4 December 2024, p 6.

[7] ACCC, Digital Platform Services Inquiry Ninth Interim Report, 4 December 2024, p 90.

[8] ACCC, Digital Platform Services Inquiry Ninth Interim Report, 4 December 2024, p 14.

4. Productivity software

6. AI-powered productivity software could evolve towards customised ecosystems integrated with other adjacent AI-powered services, such as search functionality.[9] For example, users on Copilot enterprise plans can now search their organisation's SharePoint or OneDrive files within Bing search on Edge browsers – appearing as a button on Bing's search results page.[10] This trend may raise barriers to entry and make it difficult for other firms to compete as a standalone service in both markets. However, consumers may value these types of integrated services,[11] which have the potential for pro-competitive effects (for example, Microsoft's integration of Copilot into Bing and Edge may allow it to better challenge Google's dominance in search and browser markets).

4.1. Social media

7. The integration of AI into existing social media advertising services has the potential to further entrench the dominance of incumbent social media platforms. For example, during an April 2024 earnings call, Mark Zuckerberg stated that 50% of Instagram content was now AI-recommended, and that AI was helping improve consumers' ad engagement.[12]

4.2. Online private messaging

8. Digital platforms are working on applications of generative AI to support business users of online private messaging services, by driving efficiencies and lowering the cost of direct business-to-consumer messaging.[13] While the likelihood of these features emerging is uncertain, a future increase in the uptake of business-to-consumer messaging in Australia (facilitated by generative AI) could strengthen the position of certain digital platforms as a critical messaging gateway for businesses to reach consumers.

4.3. Online marketplaces and app marketplaces

9. The use of generative AI to search for, compare or recommend products and services has the potential to exacerbate existing competition issues related to self-preferencing in markets offering intermediary and navigation services – such as online marketplaces and app marketplaces. Vertically integrated firms may have incentives to self-preference their own products and services when providing AI-generated searches, comparisons or recommendations.

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[9] CMA, AI Foundation Models: Initial Report, 18 September 2023, p 61.

[10] Microsoft, How Microsoft Search in Bing helps keep your info secure, accessed 13 March 2025.

[11] CMA, AI Foundation Models: Initial Report, 18 September 2023, pp 73-74.

[12] Meta, Meta Platforms, Inc. (META) First Quarter Results Conference Call, 24 April 2024, pp 2-3.

[13] For example, WhatsApp Business by Meta enables direct business-to-consumer messaging through an app or API. Businesses can set up a profile to advertise directly on Meta's platforms and communicate with customers during the purchase process. See Meta, WhatsApp Business, 2025, accessed 13 March 2025.

10. The anticipated development of advanced AI agents embedded on devices could potentially further disrupt competition in these types of intermediary markets, particularly online marketplaces. The ability of an AI agent to plan and execute a series of multi-step tasks (such as purchasing an item or booking a trip) may replace consumers' need to access these intermediary platforms directly, with implications for advertising revenue in those markets.[14]

4.4. Advertising technology services

11. Generative AI has the potential to impact customers and competition dynamics on both sides of the advertising technology services market.

- For advertisers: Generative AI has led to a greater number of AI-driven web crawlers that scrape data from websites; for example, for training foundation models or for research. One effect of this trend is that there has been an increase in invalid traffic rates, where the web crawlers generate impressions that do not represent genuine human engagement, which may artificially increase the amount that advertisers pay to publishers for their online advertising space.[15]
- For publishers/content creators: If consumers begin relying more on generative AI applications to access information rather than using traditional search, this may reduce publishers' traffic and advertising revenue. For example, In February 2025, an education technology company called Chegg filed an antitrust complaint against Google in Washington D.C., claiming that Google's AI-generated summaries of search results (including Chegg's own content) have reduced its traffic and revenue.[16] In addition, in October 2025, ABC News, a prominent Australian news organisation, recently obtained data showing "the combined readership of the top news sites in Australia is much lower than it was a year ago" before Google had rolled out AI Overviews in Australia.[17] This may reduce the monetisation of news websites that use an advertising-based revenue model.

4.4.1. Potential impacts of generative AI on competition in other areas of the economy – algorithmic collusion

12. Several regulators have noted the risk that generative AI could facilitate coordinated conduct between competitors in non-digital markets, in particular allowing competitors to fix prices, which may result in higher prices for customers.[18]

[14] T Hoppner and S Uphues, 'On the Antitrust Implications of Embedding Generative AI in Core Platform Services', *CPI Antritrust Chronicle*, Vol 1 (July 2024), pp 4-6.

[15] Double Verify, 'AI Crawlers and Scrapers Are Contributing to an 86% Increase in General Invalid Traffic', *Marketing Blog*, 9 January 2025, accessed 13 March 2025.

[16] J Godoy, Google's AI previews erode the internet, US edtech company says in lawsuit, *Reuters*, 26 February 2025, accessed 13 March 2025.

[17] J Purtill, How Google's AI Overviews are affecting Australian news websites, *ABC News*, 8 October 2025, accessed 14 October 2025.

[18] French Competition Authority, Opinion 24-A-05 of 28 June 2024 on the competitive functioning of the generative artificial intelligence sector, 12 July 2024, p 10; JFTC, Generative AI and Competition (Discussion Paper), October 2024, pp 15-16; European Commission, UK Competition & Markets Authority, US DOJ and US FTC, Joint statement on competition in generative AI foundation models and AI products, 23 July 2024, accessed

13. Recent research by the Australian Energy Market Commission notes that the characteristics of the national energy market make it increasing vulnerable to algorithmic collusion, which creates risks of higher prices. When making bids to offer electricity supply to the market, algorithms and auto-bidding software used by electricity generators may be able to co-ordinate (including tacitly) so that all generators can earn a higher price.[19]

14. As part of consultation for the final DPSI report, the Information Technology & Innovation Fund, citing comments by US FTC officials in 2017,[20] submitted to the ACCC that existing antitrust principles are already well equipped to deal with algorithmic collusion concerns, and that algorithms do not by themselves create novel liability scenarios.[21]

15. However, the ACCC notes that algorithmic collusion may make it easier for firms to avoid detection, or to effectively coordinate, where doing so may otherwise be too complicated such as in relation to two large sets of pricing data, resulting in higher prices for customers.

13 March 2025; Competition Bureau Canada, Consultation on Artificial Intelligence and Competition: What We Heard, 27 January 2025, accessed 13 March 2025.

[19] Australian Energy Market Commission, Addressing the risk of algorithmic collusion (staff working paper), July 2024, pp 14-15

[20] M K Ohlhausen, Should We Fear The Things That Go Beep In the Night? Some Initial Thoughts on the Intersection of Antitrust Law and Algorithmic Pricing, 23 May 2017, p 11.

[21] Information Technology and Innovation Foundation, Submission to the Final Report, 11 October 2024, p 6.