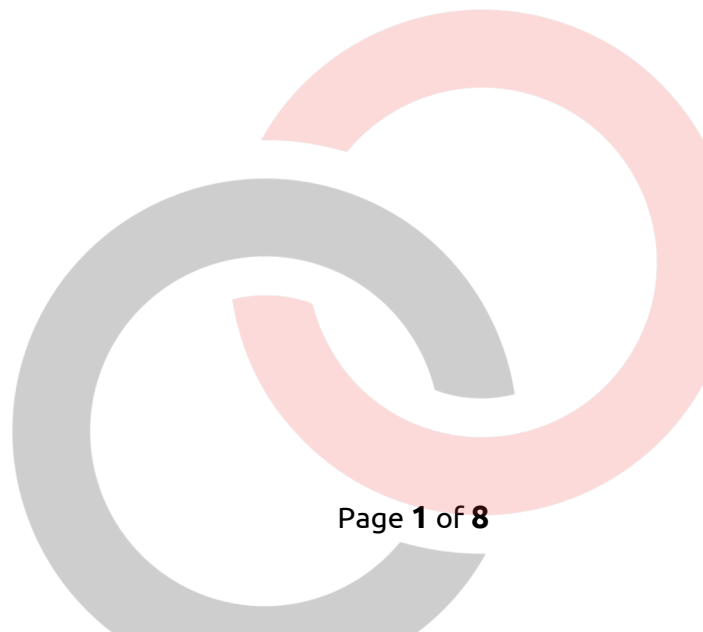




Australian Information Industry Association

2025-2026 Pre-Budget Submission

31 January 2025



Introduction

The Australian Information Industry Association (AIIA) thanks the Treasury for the opportunity to provide this 2025–26 Pre-Budget Submission. The AIIA is committed to building a resilient digital economy and ensuring that Australia remains an attractive destination for global and local technology investment that drives GDP growth.

This submission outlines our key recommendations for boosting productivity, modernising government technology (including the adoption of Artificial Intelligence (AI)), funding meaningful research for public benefit, raising public awareness of AI, and unlocking the potential of Australia’s public data sets. Through these measures, we believe Australia can maintain and enhance its global competitiveness, foster innovation, and improve the productivity and standard of living for all Australians.

1. Australia’s Declining Productivity

Australia’s productivity growth has been trending down, with significant implications for national prosperity and global competitiveness. According to the Productivity Commission’s latest quarterly productivity bulletin in December 2024, labour productivity declined by 0.5% in the September quarter and by 0.8% over the year, affecting both market and non-market (government-dominated) sectors.¹ The bulletin highlighted several key opportunities to reverse these trends:

- **Dynamic and Competitive Economy:** Introducing policies that promote greater dynamism and competition.
- **Skills Improvement:** Enhancing the workforce through better education quality, both pre-employment and on-the-job.
- **Data and Digital Technologies:** Increasing investment in and effective use of data, AI, and digital tools across all sectors.
- **Government Productivity:** Identifying ways to improve productivity within the non-market sector, including healthcare, education, and essential services.

However, recent Federal Government actions have created a dampening effect on adoption. In particular, the long process of government AI regulation has placed a stronger emphasis on risk mitigation rather than adoption and innovation. Furthermore, the Government’s 2024–25 Budget allocated \$39.9 million over five years (approximately \$8 million per annum) towards AI-related activities—primarily for internal reshaping the National AI Centre (NAIC) and internal studies to coordinate policy development.² This investment compares unfavourably to other countries, with Canada and Singapore announcing AI budgets of \$2.7 billion and \$5 billion for AI development and adoption respectively over similar time frames. The minimal funding for

¹ Productivity Commission, [Quarterly Productivity Bulletin, December 2024](#).

² Commonwealth Budget 2024-25, [Budget Paper No 2](#) (page 141).

directly driving AI adoption undermines Australia's ability to harness data and digital technologies effectively.

AIIA strongly urges the Government to rectify this underinvestment to ensure Australia remains competitive on the global stage. A well-resourced and future-focused AI and digital strategy would be a major step towards reversing our declining productivity trends.

We note and welcome the proposed development of a National AI Plan and call for this Plan to be completed inside the scheduled end of 2025 timeframe so any initiatives that require funding can be considered in the 2026/27 budget.

2. Call for Significant Investment in AI Research and Commercialisation and Unlocking (De-identified/Derisked) Public Data Sets

The AIIA understands that not one ARC Centre of Excellence 2026 funding bid that had AI at its core of research was successful from the applications from leading Australian research universities reinforcing the need for a new approach and model specifically for AI research in Australia. The recently announced National AI Capability Plan should consider this imbalance and research funding gap, but the AIIA calls on the 2025/26 budget to start allocating funding rather than waiting until 12 to 24 months.

The AIIA therefore proposes that a separate funding model be allocated outside the flawed ARC CoE process that omits any software related technology and AI research and create a dedicated AI Centre of Excellence (CoE) that importantly brings leading research capability with industry that prioritises commercialisation of research in Australia. Specifically, it should:

1. **Focus on "creating AI"** (fundamental research and development), which is differentiated from "using/customising AI" (application to solve sector-specific problems)
2. **Fund AI Projects Aligned with National Priorities and Public Interest:** Addressing cultural preservation, economic growth, social equity, health and ageing and emerging challenges such as climate adaptation.
3. **Unlock Public Data Sets:** Facilitate secure and ethical sharing of data in sectors like health, disability care, and social services, reducing duplication and accelerating research.
4. **Support in-Australia Industry and Research:** Provide computational resources and foster global partnerships.
5. **Ensure Diversity:** Prioritise inclusion and equity across AI lifecycle phases, in line with the US 'Global AI Research Agenda' principle of inclusive research processes.³

³ United States Department of State et al, [Global AI Research Agenda \(GAIRA\)](#) (2024)

The allocated funding amount needs to match the CoE objectives but at a minimum this should be \$150 million. Notwithstanding, should the CoE scope include making available AI computational capabilities to research (Australia wide) and government agencies the amount required would need to increase to build this infrastructure.

3. Task Force to Evaluate Public Data Sets

Building on our recommendations for data utilisation, the AIIA supports forming a cross-agency task force to identify the highest-impact public datasets for productivity improvements. The task force would:

- Assess data readiness, standardisation, and opportunities for interoperability.
- Develop a roadmap for strategic investment in AI tools and data analytics platforms.
- Prioritise sectors like healthcare, disability services, transport, and clean energy.
- Invest in corresponding cyber security measures to protect public data assets.

By optimising public data assets, the Government can deliver more efficient services, reduce operational costs, and foster innovation in the private sector. The work being done, for example, in creating a National Disability Data Set between the federal and state governments needs accelerating to gain the intended benefits and insights – AI will be a powerful multiplier in making these data sets inform public policy and drive productivity and efficiency in the public sector and across the economy. This extends to health care, aged care and disability care sectors.

4. Modernising Technology in Government (Non-market) Sector and Digital Health Initiatives

There should be substantial increase in funding to support the development and adoption of AI and digital technologies—aligned with the Productivity Commission’s key findings—to lift Australia’s productivity trajectory. This includes investments in latest AI-powered, cloud-based and secured by design software and improving data interoperability to drive its own productivity.

The area of government corporate systems is well positioned to leverage the optimisation and efficiency gains from the application of AI technologies to improve process and efficiency. With the lifting of the Enterprise resource planning (ERP) moratorium last year, agencies now need budget to modernise these systems.

In particular, we acknowledge the Albanese Government’s \$251.7 million investment to establish the Australian Centre for Disease Control (CDC). This move aims to consolidate critical health data, coordinate national health responses, and enhance preparedness for future health emergencies. Following Covid-19 epidemic and inquiry, the AIIA strongly supports further

modernisation of digital infrastructure to strengthen data collection, interoperability, and predictive analytics in the health sector.

5. Modernising the Grid and Supporting the Future Made in Australia Act (FMiA)

Australia's ambitious green energy targets and the Future Made in Australia Act (FMiA) will require robust digital infrastructure and advanced modelling to integrate diverse energy sources. For example, delays of 3–5 years in new generator modelling is a lag on the economy; modern digital tools such as digital twins can reduce these timelines to 1–2 years.

We call for:

- **Defining a clear role for technology** to enable FMiA and supporting in-Australia capabilities, where feasible and critical.
- **Investing in AI and Data Tools:** Enhance existing planning and operational models to improve efficiency and reduce costs.
- **Enhanced Government Modelling Capabilities:** Use digital twins to accelerate integration of renewable energy sources, aligning with national emissions targets.
- **Task Force on Grid Digitalisation:** Dedicated to identifying technology gaps, exploring advanced modelling solutions, and making targeted investments.
- **Co-ordinating with Commonwealth and State governments** to streamline approvals and facilitate investment.

6. Strengthening Cyber Security and Supply Chain Resilience

A robust cyber security posture is vital to protect national interests and maintain public trust in digital services. To achieve this, the AIIA recommends:

- **Zero Trust Implementation:** Allocate specific funding to promote and implement Zero Trust (ZT) principles across the Federal Government, in alignment with the forthcoming Cyber Security Strategy.
- **AI-Driven Defences:** Fund and incentivise Government adoption of industry-developed AI/ML technologies for cyber defence at scale, ensuring agencies leverage the most advanced and proven solutions.
- **Commercial Off-the-Shelf (COTS) Preference:** Emphasise a “procure rather than build” approach to ICT projects. Government entities should justify any decisions not to source capabilities from the market.

- **ICT Supply Chain Security:** Provide targeted funding to improve transparency and integrity in vendor practices and product development, reducing exposure to vulnerabilities in the ICT supply chain.
- **Updated Procurement Standards:** Amend the Commonwealth Procurement Rules and other key procurement policies to explicitly reference cyber security and supply chain security requirements.

By adopting these measures, the Government can enhance Australia’s digital resilience, strengthen the nation’s cyber defences and foster a secure environment for public services and industry alike.

7. Securing Budget for the Circular Economy Transition

The transition to a more circular economy will require policy settings that support collaboration between all actors including industry and government. The AIIA encourages the Government to:

- Provide a secure budget allocation for developing a regulatory environment that enables and drives the circular economy transition.
- Engage broadly with industry, environmental groups, and community stakeholders.
- Ensure trade-alignment of requirements and standards such as packaging and battery regulations to streamline implementation.

An integrated circular economy framework is crucial to minimising environmental harm, supporting resource circularity, and bolstering Australia’s economy and green credentials.

8. Call for a Public Awareness Campaign on AI and Uplifting Digital Capability Across the Nation

AI is poised to be one of the most disruptive technologies of our lifetime. It can significantly boost national productivity, yet public perception in Australia is increasingly marked by fear and uncertainty. According to Ipsos’ 2023 Global Advisor survey, 69% of Australian respondents felt nervous about AI—well above the 52% global average.⁴

Media stories often emphasise risks—such as job losses or high energy consumption—without adequate insights on new pathways for individuals to upskill or the industry’s progress on “green AI” solutions. In this climate of fear, those already experiencing digital disadvantage risk being left behind, exacerbating economic and social inequalities.

⁴ Ipsos, *Global Advisor Survey on AI*, [Australians most nervous globally about AI](#) (2023).

We recommend a national public awareness campaign to:

- **Explain AI Benefits and Disadvantages:** Provide balanced, plain-language information.
- **Outline Legal Protections:** Highlight existing and new safeguards such as the *Privacy Act 1988* (Cth) on AI transparency obligations and the *Criminal Code Act 1995* (Cth) relating to deepfakes and AI-driven decision-making. The campaign should also reference and talk to the Government's soon to be announced regulatory response or AI guardrails.
- **Promote Upskilling Resources:** Direct the public to government programs, such as digital literacy courses and micro-credentials, which will help them thrive in an AI-enabled world.
- **Foster Social Inclusivity:** Tailor messages to culturally and linguistically diverse (CALD) communities and other vulnerable groups at risk of digital exclusion.

Such a campaign is inevitable, much like the recent '*Stop, Check, protect*' campaign by the ACCC which was launched only after multiple years of billions in losses to scams to help citizens learn to protect themselves against scammers. The AI campaigns are essential in aiding adoption, protect against deepfake scams or misinformation, and ensuring social equity in a rapidly evolving digital landscape.

9. Funding Digital Cadetships and Digital Skills Development

Digital capability is no longer optional—Australians require competency in AI, cybersecurity, and other core digital skills to thrive in the modern economy. The AIIA's 2024 Digital State of the Nation found projections of flat or small revenue growth have nearly quadrupled to 26%, with skills shortages named as the second reason for barrier to expanding businesses, behind government spending retraction.⁵

Proposal for 100,000 Digital Cadetships by 2030.

The AIIA calls for the Government to allocate dedicated funding to significantly expand AI and digital skills training and realise the digital cadetships ambition following from the Government's Jobs and Skills Summit. Central to this is a proposal for 100,000 new digital cadetships, incorporating wage subsidies for small and medium enterprises (SMEs) to enhance TAFE and university completion rates and boost job readiness for graduates.

- **Work-Integrated Learning:** Integrate AI-focused modules, including generative AI, cybersecurity, and ethical use of AI, into practical training.

⁵ AIIA, [Digital State of the Nation](#) (2024).

- **Targeted Support for SMEs:** Offer wage subsidies and reduce administrative burdens to encourage SMEs—vital drivers of job creation—to participate.
- **Flexible Pathways:** Support micro-credentials and short courses to ensure rapid upskilling, especially in fast-evolving areas like AI.

Reinstating Digital Traineeships as a Priority

We recommend that digital traineeships be listed under the Australian Apprenticeships Priority List to ensure access to the highest tier of employer incentives. This approach can help address the urgent national need to boost digital skills and keep pace with other global innovators.

Conclusion

Australia's future prosperity (productivity) hinges on our ability to embrace technological advancements, invest strategically in AI research and adoption, and foster a digitally skilled workforce. The AIIA strongly recommends that the Government significantly expand its commitments to AI, data utilisation, cyber security, public awareness, and digital infrastructure to secure Australia's position as a global leader in innovation. By taking decisive action in the 2025–26 Budget, Australia can transform its productivity outlook, drive economic growth, and enhance social well-being.

We thank the Treasury for the opportunity to present these views and look forward to ongoing collaboration to ensure Australia capitalises on the transformative potential of the technology sector. Should you require further information, please contact Ms Siew Lee Seow, General Manager, Policy and Media, at siewlee@aiaa.com.au or 0435 620 406, or Mr David Makaryan, Advisor, Policy and Media, at david@aiaa.com.au.

Yours sincerely

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About the AIIA

The AIIA is Australia's peak representative body and advocacy group for those in the digital ecosystem. Since 1978, the AIIA has pursued activities to stimulate and grow the digital ecosystem, to create a favourable business environment for our members and to contribute to Australia's economic prosperity. We are a not-for-profit organisation to benefit members, which represents around 90% of the over one million employed in the technology sector in Australia. We are unique in that we represent the diversity of the technology ecosystem from small and medium businesses, start-ups, universities, and digital incubators through to large Australian companies, multinational software and hardware companies, data centres, telecommunications companies and technology consulting companies.