Creating a more dynamic and resilient economy inquiry

Questionnaire response 18

Name: Australian Information Industry Association

Submission date: 6/06/2025

1. Support business investment through corporate tax reform

1. What features of the Australian business environment have encouraged or restrained investment over the past 10 years?

The participant did not respond to this question.

2. What elements of the corporate tax system encourage and/or discourage investment and risk-taking?

The participant did not respond to this question.

3. Which parts of the corporate tax system do you find the hardest, or most time or cost-intensive to comply with? How could the compliance burden of the business/company tax system be reduced?

The participant did not respond to this question.

2. Reduce the impact of regulation on business dynamism

1. What areas of regulation do you see as enhancing business dynamism and resilience? What are the reasons for your answer?

The AIIA advocates for regulatory frameworks that enhance business resilience and foster innovation, particularly in rapidly evolving technological domains such as Artificial Intelligence (AI). We believe the most effective approach is not through traditional rigid, top-down mandates but via modern collaborative, agile, and principles-based regulation developed in partnership with industry. This ensures that regulatory measures remain relevant, support technological advancement, and are appropriately proportionate/scaled to the risks they seek to address.

Traditional, prescriptive rulemaking often struggles to keep pace with the lightning-fast evolution of technology. This can lead to regulations that are quickly outdated, overly burdensome, or inadvertently stifle the very innovation they should ideally support. In Australia, several consultations on the AI regulatory approach were held over the last two years and yet the mandatory guardrails on the high-risk use of AI have not been formalised. The lack of clarity has caused significant anxiety. In 2025, 59% of AIIA survey respondents identified AI policies that "promote safe and fast adoption" as a key IT policy issue that the government should prioritise. This concern has risen in prominence, climbing from the fourth most cited IT policy priority to the second (and just behind skills policy) within a single year. 68% of respondents believed that federal and state governments do not understand the importance of ICT to the Australian economy. This signals a need for collaboration and information sharing to ensure regulation stays ahead of the technology development.

A modern, more resilient approach involves dynamic mechanisms. Regulatory sandboxes, for instance, offer a strategic tool for government and industry to collaboratively gather valuable data on the impacts of new technologies. They allow businesses, particularly Small and Medium-sized Enterprises (SMEs), to test and refine innovations like AI systems in real-world scenarios without the immediate imposition of full-scale regulatory compliance, thereby de-risking innovation and encouraging experimentation. This is an essential first step to 'test' the assumption that existing laws are inadequate and new laws are indeed required and will not complicate the regulatory landscape. As an example, we note – as with our colleagues in numerous prominent law firms – in our submission to the Select Committee on adopting Artificial Intelligence that Australia's multi-layer regulatory framework, which is primarily technology neutral, is already reasonably exhaustive in terms of seeking to address the types of harms that can occur as a result of the use of AI.

Singapore's AI Verify model exemplifies this beneficial collaborative approach. It fosters public-private partnerships to proactively address risks while cultivating an environment conducive to safe experimentation. This dynamic interaction is crucial given the increasing pace and complexity of AI development. Such models build trust and ensure that regulatory development is informed by practical application and industry expertise.

Conversely, a more traditional, top-down legislative approach, such as the European Union's AI Act, presents a cautionary example. While aiming for safety and trustworthiness, it has also raised significant concerns regarding its potential economic impact and the considerable compliance burden it may impose. Projections indicate that the EU AI Act could lead to substantial costs. For example, a report by the Center for Data Innovation (CDI) estimated that the Act could cost the European economy approximately €31 billion over its first five years and potentially reduce overall AI investments by nearly 20%.The same report, referencing the European Commission's own impact assessment, suggested that a European SME deploying a single high-risk AI system could face compliance costs of up to €400,000, potentially leading to a 40% decline in profits for a business with a €10 million annual turnover. The CDI also projected annual costs to European businesses could reach €10.9 billion by 2025, with an estimated additional overhead of around 17% on all AI-related spending due to the Act.

These significant compliance costs and complexities risk more than just financial strain. A Carnegie report highlighted the existing risk of Europe's most promising AI startups emigrating or being acquired by foreign entities due to a lack of domestic capital. It also pointed to the trend of skilled AI professionals being "lured abroad" by more competitive remuneration and opportunities. The pressures introduced by the EU AI Act could exacerbate these trends, making it harder for European startups to compete globally and potentially increasing the "flight of investment" and talent away from the region.

The AIIA believes that for Australia to enhance business resilience and maintain a competitive edge in the global digital economy, regulation must be pro-safety while remaining balanced and pro-innovation. This means:

• Prioritising Agility and Collaboration: Frameworks should be adaptable and co-designed with industry to reflect the dynamic nature of technology.
• Focusing on Outcomes: Regulation should be principles-based, focusing on desired outcomes rather than prescribing specific technical methods, which can quickly become obsolete.
• Supporting Innovation: Mechanisms like regulatory sandboxes should be employed to

allow for safe experimentation and reduce compliance burdens, especially for SMEs.
• Learning from International Approaches: We should carefully consider the impacts, both positive and negative, of regulatory models in other jurisdictions, like the EU AI Act, to inform a uniquely Australian approach that avoids unintended economic dampening.

By embracing collaborative and flexible regulatory models, Australia can effectively enhance business resilience, support sustainable innovation, and ensure the safe, ethical, and responsible development and deployment of emerging technologies like AI. This requires a sustained commitment to partnership between government and industry, ensuring that regulatory frameworks are fit-for-purpose and contribute positively to our economic and societal goals.

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2. How has your regulatory burden changed over time?

The regulatory burden on Australian businesses, particularly in the technology sector, has demonstrably increased over time. A key driver of this has been the necessary but often reactive response to the evolving cybersecurity landscape. While individual regulatory measures aim to enhance security, the cumulative effect of uncoordinated, layered requirements from multiple agencies has significantly complicated compliance and reporting for businesses. We further caution that growing fragmentation in regulatory approaches across the globe is hindering operational cyber defence and complicating the ability to counter growing cyber threats.

Over time, as new cyber threats have emerged, different government bodies have introduced regulations, sometimes leading to overlapping obligations and a fragmented regulatory environment. This lack of initial, overarching coordination means businesses can find themselves navigating multiple, similar reporting requirements for different agencies. For instance, the AIIA has highlighted the need to streamline reporting compliance among several departments such as the Department of Home Affairs, the Australian Communications and Media Authority and upcoming Cyber Security Incident Review Board, which arose as a result of the spate of cyber or privacy breaches in 2022.

AIIA, 2025 Pre-Election Statement. p.4 (10 March 2025). https://aiia.com.au/wp-content/uploads/2025/03/2025-03-10-AIIA-2025-Pre-Election-Statement-final.pdf

3. What regulations do you find time-consuming, overly complex or otherwise constraining business dynamism and resilience? What are the reasons for your answer?

This situation underscores how reactive, agency-specific responses can inadvertently create inefficiencies.

The AIIA advocates for greater coordination before new regulations are introduced. There's a clear need to harmonise existing and new legislation, such as the Cyber Security Act 2024, with other related frameworks the Digital ID Act 2024, the Privacy Act 1988, the Voluntary AI Safety Standard and upcoming mandatory guardrails for high-risk AI use to ensure policy effectiveness without undue burden. Future efforts must focus on streamlining these processes, reducing duplication, and ensuring that the regulatory framework is as clear and efficient as possible. Australia should also play a globally leading role in facilitating greater alignment of cybersecurity regulations, including as a first step by committing to making this a political priority. The business community is currently advancing this conversation through the OECD.

To facilitate this crucial coordination and drive a more strategic approach to tech regulation, the AIIA had strongly supported the establishment of a dedicated Digital Economy Minister. We believe that this role could provide the necessary whole-of-government leadership to ensure that regulatory development is harmonised, innovation-led, and effectively supports Australia's digital future, preventing the piecemeal layering of obligations.

AIIA, 2025 Pre-Election Statement. p.3- 4 (10 March 2025). https://aiia.com.au/wp-content/uploads/2025/03/2025-03-10-AIIA-2025-Pre-Election-Statement-final.pdf

4. Can you share any specific examples of where you think a regulator has done a good or bad job of understanding and reducing regulatory burden on businesses and why?