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Friday 25 July 2025

Australian Government
The Treasury

Via ReformRoundtable@treasury.gov.au

Dear Sir/Madam,

Economic Reform Roundtable

Thank you for the opportunity to contribute to the Economic Reform Roundtable (**Roundtable**) process, which aims to unlock new ideas and build consensus on productivity, resilience and budget sustainability.

The Australian Institute of Company Directors (**AICD**) mission is to be the independent and trusted voice of governance, building the capability of a community of leaders for the benefit of society. The AICD's membership of more than 53,000 includes directors and governance leaders of not-for-profits (**NFPs**), large and small businesses (**SMEs**) and the public sector.

The AICD has consulted extensively with members across the public and private sectors on this submission. The AICD commends the Government for undertaking this important work. The AICD is part of a group of 27 membership bodies (chaired by the BCA) who have come together to offer policy recommendations in areas of mutual interest. We endorse the proposals shared in the group's submission[1] and set out additional points in this submission. In parallel, the AICD also lodged a submission to the Productivity Commission's five productivity inquiries, which is available here.

While there is no single or simple remedy for reversing Australia's declining productivity, the AICD's strong view is that the right mix of practical and ambitious reforms can deliver meaningful productivity gains in a budget-neutral manner and help build economic resilience against global uncertainty.

Meeting the scale of the challenge requires a 'Team Australia' approach – a working coalition of government, business, unions and civil society, united not by individual interests, but by a shared commitment to delivering long-term, positive national outcomes. Directors recognise that lifting productivity is essential to creating jobs, attracting investment, raising real wages, and future prosperity. Directors support a system-wide approach to drive reform. Without a clear framework, there is a risk of fragmented action, unintended consequences, and missed opportunities.

Consistent feedback from directors is that Australia is an increasingly difficult place to do business, including attracting capital, making capital investments and driving innovation – a key driver of productivity. The latest AICD Director Sentiment Index (**DSI**) shows directors rank productivity growth as the most important issue for the Federal Government to address in both the short and long term.[2]

Directors and the business community are ambitious and willing partners in reform to achieve a more prosperous and resilient nation – the benefits of which must be distributed widely and fairly. **Attachment A** outlines a framework for the Government to consider in undertaking this work. AICD recommendations are discussed in **Attachment B** and summarised in tabular form in **Attachment C**.

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[1] Joint Group of Industry Associations Submission to the Economic Reform Roundtable (July 2025). Full submission and attachment are available here.
[2] AICD (April 2025), Director Sentiment Index Survey – 1st Half 2025. Page 22. Available here.

Key recommendations include:

- **Economy-wide regulatory stocktake and simplification (see Attachment B, part 1(a)):**
    - Commit to a 25 per cent reduction in regulatory costs by 2030.
    - Undertake an economy-wide regulatory stocktake to reduce duplication and complexity.
    - Lift and index Commonwealth reporting thresholds.
    - Swiftly implement electronic communication across government administration and regulators.
    - Streamline planning processes for clean energy, infrastructure and housing priorities.
    - Prioritise medium-term simplification of the *Corporations Act 2001 (Cth)* (the **Corporations Act**), including establishing a CAMAC-style body to drive expert advice and prioritise simplification.
    - Measures should be driven by a mindset of regulating for growth rather than regulating for risk.
- **Accelerate AI capability (see Attachment B, part 1(b)):**
    - Accelerate Australia's National AI Capability Plan in partnership with industry.
    - Establish regulatory settings that facilitate innovation in AI use and support investment.
    - Streamline approvals and invest in enabling infrastructure (grid and diversified energy supply).
- **Better regulation processes (see Attachment B, part 1(c)):**
    - Develop an accountability cycle for effective regulation that measures, publishes, reviews and adapts regulation as required, which includes measures to:
        - Mandate post-implementation reviews of new regulation.
        - Reform Regulatory Impact Statements to incorporate productivity and growth impact.
        - Extend the Regulatory Initiatives Grid to provide an economy-wide view and sequencing.
        - Mandate minimum consultation periods as part of law reform processes.
        - Issue new regulator Statement of Expectations to elevate innovation, growth and productivity.
- **Develop an Australian business model to boost investment (see Attachment B, part 2(a)):**
    - Articulate a clear vision for growing existing industrial and sector strengths, and building new sovereign capabilities to enhance economic resilience and global competitiveness.
    - Develop a national 'business model' framework that maps current strengths, emerging high-growth and frontier sectors (such as quantum and advanced sustainable manufacturing), and long-term capability investments to sustain prosperity (including via a national R&D strategy).
- **Reset national education and skills (see Attachment B, part 2(b)):**
    - Federal/state prioritisation of student literacy and numeracy performance (trends and international benchmarks) supported by a sustainable funding model.
    - National skills agenda aligned to industry and sector skills framework.
- **Secure fiscal sustainability (see Attachment B, part 3):**
    - A balanced package of spending restraint, growth driven revenue, more efficient taxes, and cautious public borrowing – avoiding reliance on higher or new taxes.
    - Prioritise coordinated, medium-term reform rather than piecemeal change.
    - Establish a credible medium-term fiscal framework, rebalancing the tax system for greater efficiency and intergenerational equity, and strengthening federal-state fiscal coordination.

Please contact Christian Gergis, Head of Policy or Christie Rourke, Senior Policy Adviser for further detail.

Yours sincerely,

Mark Rigotti

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Managing Director and CEO

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Attachment A – Suggested framework

Figure 1: A system-wide, policy-first framework

Develop a sustainable and resilient Australian 'business model'

Develop select existing sectors and new industries, with a focus on ensuring Australia is globally resilient and maintains sovereignty in select critical areas (e.g. energy, AI and advanced manufacturing)

See: Attachment B, part 2(a)

Invest in enablers that help prioritised industries thrive

- *People:* skills, health — See: Attachment B, part 2(b)
- *Technical infrastructure:* energy and infrastructure, data / digital / AI — Attachment B, part 1(b)
- *Regulation:* regulatory simplification to unleash economic dynamism — Attachment B, part 1(a)

Lay foundations that support and sustain industry and enablers

- Investment led growth — See: Attachment B, part 2(a)
- Budget sustainability — See: Attachment B, part 3
- Better regulation processes — Attachment B, part 1(c)

Attachment B: Policy recommendations

Outlined below are recommendations across the three focus areas identified by Treasury.

1. Improve productivity

This section outlines the AICD's recommendations to streamline regulation with the goal of reducing compliance costs, encouraging innovation, attracting international investment and talent and enhancing national productivity. It sets out practical reforms across key areas – corporate law, reporting, digital policy, and the care and housing sectors (refer part 1(a)) – as well as broader improvements to accelerate AI capability (refer part 1(b)) and regulatory processes (refer part 1(c)).

Collectively, these reforms aim to rebalance the regulatory environment to better support strategic focus, long term value creation and economic growth.

(a) Streamlining regulation

As a first step, the AICD recommends that **the Government commit to undertake and publish an economy-wide regulatory stocktake to establish the baseline cost of red tape to business, and commit to a 25 per cent reduction in regulatory costs by 2030**. Similarly steps are being taken in other jurisdictions, notably the UK and EU.

A central concern among directors is that the cumulative weight of federal, state and local regulation is limiting boards' ability to focus on strategy, growth and long-term value creation.[3] Australia is below the OECD average for alignment of our regulatory framework with international best practice.[4]

Imbalanced regulation imposes real and compounding costs on organisations – which are ultimately passed onto Australians in the form of higher prices, lower quality goods or services or reduced productivity in service delivery. While some complexity is unavoidable, more can be done to simplify and harmonise regulation to ensure it is effective, proportionate and fit-for-purpose.

Positive reforms from the pandemic – including regulatory digitisation and changes to continuous disclosure laws – demonstrate the benefits of streamlined modern regulation.

There is a clear case for targeted, budget-neutral reforms to rebalance regulatory settings focused on simplification rather than weakening standards and protections.

The AICD urges Treasury to focus on the following priority areas:

- **Reduce complexity of the Corporations Act**
  - The **AICD urges the Government to prioritise the implementation of the recommendations made by the Australian Law Reform Commission** (**ALRC**) in its final report on Confronting Complexity: Reforming Corporations and Financial Services Legislation (**ALRC Final Report**). Feedback from our members is consistent with the ALRC's findings that the high degree of legislative complexity in Australia, including the Corporations Act, makes it 'harder to operate and innovate' and that reducing this complexity could achieve 'economic efficiencies and enhanced productivity' (without compromising compliance) at a time when slow productivity growth is impacting living standards.[5]

[3] APRA (March 2025). Governance Review Discussion Paper. Page 25. Available here.
[4] OECD (2024). *Product Market Regulation (PMR) indicators: How does Australia compare?* pp.1-2, available here. Note: This uses the OECD PMR database for 2023/2024 and 2018/2019.
[5] Australian Law Reform Commission (January 2024) Complexity: Reforming Corporations and Financial Services Legislation (ALRC Report 141). Pages 48-49. Available here.

- We also **recommend Treasury undertake a broader review of the Corporations Act to reduce complexity and streamline offence and penalty provisions**. The Act spans over 3,900 pages and contributes to a regulatory landscape that is challenging for business to navigate, which can lead to a risk averse corporate culture and stifle productivity. This work could be supported by re-establishing an independent, expert corporate law reform body, such as the former Corporations and Markets Advisory Committee (**CAMAC**) to help support Treasury deliver evidence-based policy reform given the increasing complexity of corporate law in Australia.

- **Undertake a comprehensive review of Commonwealth reporting obligations**
  - A significant driver of rising compliance costs for Australian organisations is the increasing complexity and scope of corporate reporting obligations. These include financial reporting,[6] modern slavery reporting,[7] gender equality reporting,[8] and recently introduced climate-related disclosure requirements.[9]
  - The AICD recommends that any effort to reduce the regulatory burden on business must include **a comprehensive review of corporate reporting frameworks**. A more targeted, risk-based approach is needed to ensure reporting obligations are proportionate to entity size, risk profile, and capacity. Thresholds should be lifted to reduce burden on SMEs. We note that the EU – which has been at the vanguard of new disclosure reporting frameworks – is committed to significantly scaling back requirements to reduce business costs.
  - **Thresholds should be subject to mandatory periodic indexation (e.g. inflation or GDP growth)**, to avoid scope creep. This is a practical reform that would deliver sustained compliance relief while preserving policy objectives of transparency and accountability. Ensuring that reporting regimes remain fit-for-purpose, proportionate, and clearly scoped is essential to maintaining business confidence, encouraging innovation, and supporting long-term productivity growth.
  - For example, the definition of 'large company' – used for both financial and sustainability reporting to ASIC – has not changed since 2019 and remains at $50 million in consolidated revenue, despite significant inflation. This threshold should be lifted and subject to mandatory indexation or periodic review to ensure it remains appropriate and proportionate.[10]

- **Improve cohesion of digital policy**
  - Currently, complex and uncoordinated layers of data retention, privacy and cyber requirements act as a handbrake on boosting innovation and catalysing private investment in technology-based industries. Without clarifying and simplifying these obligations, Australia will not be able to create an enabling environment for AI adoption and more strategic research and development (**R&D**) deployment. Further it is unlikely to meet its goal of reducing the regulatory burden while maintaining high standards. Allens, as a component of the AICD's recent Data Governance Foundations for Boards publication, has estimated there are over 800 federal and state laws imposing recordkeeping, retention, or destruction requirements.[11]
  - The AICD **recommends whole-of-government coordination, led by the Department of the Prime Minister and Cabinet, to improve cohesion of digital policy across data retention,**

[6] Under the *Corporations Act 2001* (Cth).
[7] Pursuant to the *Modern Slavery Act 2018* (Cth).
[8] Under the *Workplace Gender Equality Act 2012* (Cth).
[9] Introduced through the *Treasury Laws Amendment (Financial Market Infrastructure and Other Measures) Act 2024* (Cth).
[10] To support these recommendations, the AICD is commissioning economic research to quantify the productivity impacts of existing corporate reporting requirements and assess the benefits of targeted adjustments. The AICD will also evaluate the impact of mandatory climate reporting thresholds, particularly for Group 3 entities. We have consistently argued that the inclusion of smaller entities lacks a sound cost-benefit basis and should be limited to those with the greatest emissions impact.
[11] AICD, Allens and Melbourne Business School's Centre for Business Analytics (2025). Data Governance Foundations for Boards. Page 39. Available here.

privacy, cyber and AI. This would enable a more consistent, less fragmented, approach and act as a foundation on which to build capabilities in AI and new technologies.
    - We recommend **the Government pause implementation of outstanding *Privacy Act 1988* (Privacy Act) Review recommendations** to allow for review of the costs and benefits of the recommendations in totality, and potential impacts on productivity and innovation.
    - **Harmonising and consolidating data regulatory and retention requirements should be treated as a necessary precondition to any reform of the Privacy Act**.

- **Balanced, principles-based framing of personal liability for corporate misconduct**
    - We recommend that **the Government commit to rebalance board focus between strategic and compliance matters by committing to no new director liability laws for corporate misconduct**,[12] recognising that the Corporations Act provides a clear avenue for personal liability. Directors consistently tell us that director liability laws contribute to the risk averse corporate culture holding back the nation's productivity.[13]
    - Director sign-off requirements in sector specific legislation (e.g. the Australian Prudential Regulation Authority (**APRA**) recently noted there are around 150 separate board requirements within its prudential standards alone) should be urgently reviewed to ensure each is necessary and does not crowd out board agendas.[14]
    - The AICD is currently updating research originally commissioned by the AICD and completed by Allens in 2020, which concluded that Australia's director liability environment was "uniquely burdensome" compared with peer jurisdictions, including Canada, Hong Kong, the United Kingdom, New Zealand and the United States. This research is also reviewing the volume of director sign-off requirements, which in the AICD's view have become excessive over recent years. We will share this research in due course.

- **Accelerate whole-of-government commitment to electronic communication**
    - The AICD recommends that **implementation of whole-of-government electronic communication should be prioritised**, building on the 2023 legislative reforms that modernised Treasury laws (including the Corporations Act) to improve technology neutrality and extend their application across portfolios.
    - Many government and regulator systems and processes still mandate paper-based physical lodgement of forms, fax communication or the use of cheques, including some ATO and health-related processes. Wet ink signatures are still required for some compliance and legal filings and company and property registries often have high search fees, poor user interfaces and are fragmented across jurisdictions. These impose unnecessary administrative burdens and reduce efficiency, particularly for SMEs. Streamlining and digitising these processes would deliver significant productivity gains across the economy. Government has an important role to play as a significant market participant.

- **Reduce duplication and increase support for the care economy**
    - The AICD agrees with the Government that the interdependent nature of the care economy with providers operating across health, aged care and National Disability Insurance Scheme (**NDIS**) means that appropriate regulatory settings need to be carefully managed.[15]

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[12] Directors have a broad duty of care and diligence in overseeing a company's regulatory compliance obligations. Refer to AICD Practice Statement, Directors' oversight of company compliance obligations and a legal opinion by Michael Hodge KC and Sonia Tame, commissioned by the AICD.
[13] The AICD's Director Sentiment Index from April 2025 highlights that compliance and regulation is also the leading factor impacting boards' risk appetite, well ahead of cost-of-living pressures by almost 20 percentage points. Available here.
[14] APRA (March 2025). Governance Review - Discussion Paper. Available here.
[15] Department of Prime Minister and Cabinet (May 2024). Care and support economy – State of play. Available here.

- Directors in the sector advise that registration, accreditation and audit, incident reporting, worker screening and workforce requirements[16] are key areas where reducing duplication and providing better coordination could reduce the regulatory impost across the care economy, especially for those organisations operating in multiple sectors and jurisdictions.
- Directors also highlight the importance of increased stability in funding arrangements through longer-term contracts and appropriate indexation to reflect the real costs of service delivery. Organisations are often required to absorb operational and regulatory costs, while also meeting increasingly complex compliance requirements, in delivering services on behalf of government.[17]
- The AICD recommends that **the Government commit to undertake and publish a regulatory stocktake (federal and state) within the health, aged care and disability portfolios that identifies regulatory areas for alignment and reduction in regulatory duplication**, whilst continuing to uphold high standards of safety and high quality of care. Part of this analysis should be considering what the increased cost of regulation will mean for the cost and availability of quality services, noting the projected increase in demand. The deferred implementation of the new Aged Care Act from 1 July 2025 to 1 November 2025 provides a timely opportunity to assess its regulatory impact on the availability and affordability of quality care.
- It should be noted that many board directors of care service providers serve on an unpaid, voluntary basis, making it critical that liability settings do not deter well-intentioned and skilled individuals from such roles.

- **Streamline environmental approvals to unlock clean energy investment and faster housing development**
  - The AICD supports reforms to *the Environment Protection and Biodiversity Conversation Act 1999* (**EPBC Act**) that enhance environmental protections while streamlining approval processes. As outlined in the Independent Review of the EPBC Act in 2020, led by Professor Graeme Samuel AC (the **Samuel Review**), Australia's environment regime is not currently achieving its intended outcomes for the environment, for the private sector, or the community.[18] Directors tell us that well-designed reforms have the potential to deliver significant productivity benefits and facilitate timely investment in clean energy infrastructure and new housing, to support the broader net zero transition, the significant energy and infrastructure demands of AI and address housing supply challenges. We encourage **the Government to prioritise EPBC Act reform and the recommendations of the Samuel Review, including the establishment of National Environmental Standards as a priority.** Our members are concerned that without faster approvals processes, Australia risks falling short of its national emissions targets in what is already a highly complex economic transition.
  - In the absence of clear and enforceable National Environmental Standards, approval processes remain fragmented and inconsistent across jurisdictions. The AICD has received feedback from directors that prolonged approval timelines (often exceeding two to three years) are a significant barrier to investment in infrastructure and clean energy projects. We understand investors view regulatory uncertainty and delay as key barriers to capital allocation in Australia, further impacting productivity.

[16] Ageing Australia (June 2025). Productivity Commission Inquiry into delivering quality care more efficiently. Regulatory burden across the aged care, disability and health sectors. Submission. Page 2. Available here.
[17] Department of Social Services (November 2024). Not-for-profit Sector Development Blueprint. Initiative 4b: Progress and monitor government actions to deliver full cost funding as sought by the NFP sector, including the application of appropriate indexation, and minimum term contract and renewal periods in all areas of service provision. Available here.
[18] Department of Climate Change, Energy, the Environment and Water (January 2021). Professor Graeme Samuel AC "Independent Review of the EPBC Act – Final Report". Available here.

  - Reforms should also include clear guidelines and procedural fairness, including in the issuance of Environment Protections Orders (**EPOs**), to reduce the risk of unnecessary delays and costs for businesses.

- **Revitalised National Competition Policy and addressing regulatory complexity in the property sector**
  - The AICD strongly supports recent steps to revitalise National Competition Policy (**NCP**) through agreements signed between the Commonwealth and states in November 2024, including the $900 million National Productivity Fund. The first iteration of the NCP in the mid-1990s is widely accepted as having driven material productivity gains, particularly through the removal of complex and inefficient state-based regulation.
  - The Productivity Commission's 2024 report *National Competition Policy: modelling proposed reforms* presents a strong policy case for the potential significant economic benefits from an ambitious set of reforms, ranging from commercial planning and zoning to the adoption of trusted overseas standards.[19] Our view is that, in time, the size of the National Productivity Fund should be increased commensurate with the number of reforms agreed to between the Commonwealth and the states and territories. A sufficiently large pool of incentive payments is an important component of prompting the states and territories to undertake the often complex and time-consuming reform processes.
  - A revitalised NCP offers particular opportunities in driving improvements in the productivity of property construction and supply in Australia. We note that the regulation and certification processes related to methods of construction would be part of the first tranche of reforms.
  - The AICD's DSI survey shows that 33 per cent of directors' view housing affordability/supply as the top issue that the Federal Government should address in the next three years.[20]
  - Directors have consistently raised state and local government planning complexity and the resulting delays and costs as a key barrier to investment and productivity. Directors have shared with us examples of significant capital investments in new commercial property, such as a hospital expansion, that have faced significant delays and increased costs due to the fragmented and overlapping nature of state and local government responsibility for residential, commercial and industrial property approvals.
  - A significant focus on the existing complexity and inconsistency of planning across states, territories and over 500 local governments has rightfully been on residential property. In Sydney, for example, apartment development applications have grown from 12 pages in 1967 to hundreds of pages long in 2025, requiring structural, environmental, traffic and often heritage assessment.[21] Further, the National Construction Code (**NCC**) and related guidance spans over 2000 pages, is updated every three years, supports multiple policy objectives and is enforced by different state authorities – creating additional regulatory uncertainty.[22]
  - In addition to the impact on housing supply, directors also have concerns with how this planning complexity is inhibiting productivity enhancing investments in new commercial and industrial property developments. We acknowledge the Government's significant steps to incentivise states and local governments to addressing housing supply and planning impediments, including through the New Home Bonus. As noted above we also see the revitalised NCP as a mechanism to address planning and construction issues, including as they impact commercial and industrial property development in Australia.

[19] Productivity Commission (November 2024). National Competition Policy: modelling proposed reforms. Available here.
[20] AICD (April 2025). Director Sentiment Index 1H 2025 Insights Report. Page 22. Available here.
[21] CEDA (May 2025). Size Matters: Why construction productivity is so weak. Page 3. Available here.
[22] Ai Group (May 2025). Research Note: The slow slide of housing productivity in Australia. Available here.

- The **AICD also strongly supports best practice planning principles to speed up application, assessment, and approval processes through the coordinated and consistent implementation of the National Planning Reform Blueprint**.[23] As recommended by the NHSAC, this includes:
  - timeframes for decision making that are reasonable, transparent and enforceable; and
  - fully digitised systems that condense tens of thousands of pages of policy, procedures and standards into streamlined online codes that avoid legal and bureaucratic disputes and confusion over interpretation.

- **Reduce reporting burden under the CATSI Act**
  - The AICD recommends **aligning key aspects of the *Corporations (Aboriginal and Torres Strait Islander) Act 2006* (CATSI Act) with the Corporations Act to streamline regulatory requirements and reduce duplication**.
  - CATSI Act corporations face complex and disproportionate compliance obligations in comparison to Corporations Act entities, which detract from a focus on community and economic development.
  - The AICD supports the sector to uplift governance through partnerships including the *Board Governance Prescribed Body Corporate (PBC) and Indigenous Community Organisation Scholarship Program* which will award up to 250 scholarships to executives and aspiring board directors from Traditional Owner Groups in regional South Australia and Western Australia.[24]
  - The AICD encourages **the Government to revisit and progress reforms recommended in the 2019 CATSI Review and the 2021 Amendment Bill,** which lapsed when Parliament was prorogued in 2022. [25] We also note that Labor Senators had previously recommended that the CATSI Act should be amended to "better reflect the intention to build capacity, promote modern governance and accommodate Aboriginal and Torres Strait Islander tradition".[26]

(b) Digital transformation and adoption of AI

Realising the productive potential of AI depends on a number of factors, including building public trust in AI and cultivating workers' digital skills (see also section 4(b) below for our recommendations on skills development), a regulatory environment that enables, rather than stymies, AI adoption, and investment in enabling infrastructure, among others.

Building Australia's sovereign capability in AI, on the other hand, requires assessment of the areas in which Australia is likely to excel as an 'AI-maker', and the areas where we are satisfied to remain an 'AI-taker'. For example, the National AI Centre's recent AI ecosystem report acknowledges that Australia's AI innovation is more 'evolutionary' than 'revolutionary' and emerges from existing industrial capabilities (such as specialised construction and chemical manufacturing) rather than radical, discrete invention or proprietary foundational software models.[27]

In delivering the National AI Capability Plan, we **urge the Government to pinpoint the high-potential areas of AI development in which Australia is best positioned to compete globally and identify a long-term, practical roadmap to achieve this in partnership with industry** as part of a broader industrial vision for Australia. This should be coupled with:

[23] Treasury (2023). National Planning Reform Blueprint. Available here.
[24] AICD (May 2025). AICD and BHP partner to strengthen first nations director pipeline. Media release. Available here.
[25] AICD (September 2021). Submission on CATSI Act amendments, Available here. These include amendments to allow CATSI Act corporations to incorporate wholly owned subsidiaries, form joint ventures and appoint independent directors, simplify related party transactions, and modernise requirements around AGMs.
[26] Senate Finance and Public Administration Legislation Committee (October 2021). Committee Report. Additional Comments – Australian Labor Party. Page 47. Available here.
[27] National AI Centre and CSIRO (2025). Australia's artificial intelligence ecosystem growth and opportunities. Available here.

- **Innovation-focused regulation for AI**, which should apply only to the extent needed to address regulatory gaps that cannot be easily remedied through additional guidance or targeted amendments to existing laws; and
- The **establishment of an AI Safety Institute**, as the Government committed to do under the 2023 Bletchley and 2024 Seoul declarations.[28] The Institute would serve as an independent technical body focused on advancing AI safety in the public interest, helping build public trust in AI technology and broader responsible AI adoption.

Australia must also address the growing challenge of meeting AI's (and other emerging technologies') significant energy demands. This not only requires reforms to harmonise Australia's complex and fragmented planning and approval processes across local, State and Federal governments (as detailed above) (thereby accelerating data centre development and private investment) but it also requires:

- **Investing in enabling infrastructure**, such as power grid upgrades and sustainable water solutions; and
- **Diversifying energy supply across multiple sources** to help mitigate price surges and contain emissions.[29]

As noted in Section 3, building Australia's digital infrastructure capabilities to support technology development and adoption is also a national security imperative that is increasingly important in a more volatile geopolitical environment.

(c) Better regulation processes

- The AICD encourages **the Government to focus on improving institutional processes for introducing new legislation** as well as examining how existing regulation could be improved or removed.
- It is imperative that all parts of Government work to achieve these twin aims. Specifically, the AICD strongly advocates for an accountability cycle for effective regulation that measures, publishes, reviews and adapts regulation as required. This should include the measures below to reduce unnecessary regulatory accumulation and ensure regulation is proportionate, while also safeguarding against harms:
    - To better understand the impacts and costs of regulation, **the Regulation Impact Statement process should be revitalised** to include a more robust cost/benefit analysis (typically costs are significantly underestimated), a clearer lens on productivity impacts, and greater private sector input;
    - To improve the sequencing and coordination of regulation, **the Regulatory Initiatives Grid should be expanded economy-wide** and a stocktake of implementation and consultation timeframes should be undertaken;
    - To improve the quality of laws passed, **standard minimum stakeholder consultation periods across all Commonwealth policy initiatives** should be set to ensure that poorly drafted, rushed legislation does not create unnecessary compliance costs or unintended consequences;
    - To prevent further regulatory accumulation and overlap, where new compliance requirements are imposed, **a mandatory examination of existing laws** should be

[28] The Bletchley Declaration by Countries Attending the AI Safety Summit, 1–2 November 2023. Available here. Department of Industry, Science and Resources (May 2024). The Seoul Declaration by countries attending the AI Seoul Summit, 21-22 May 2024. Available here.
[29] Ibid.

undertaken to ensure reforms are operating as intended including that the expected cost-benefit outcomes have been achieved;

- To ensure legislation remains adaptive, fit-to-tackle emerging issues and its benefits outweigh the costs, **post-implementation reviews for new legislation** (taking account of evolving innovations) and appropriate monitoring of implementation costs should be adopted; and
- To re-orient regulation and regulators, the Government should issue **refreshed Statements for Expectations for regulators** which explicitly outline the Government's expectations that regulators will appropriately prioritise productivity and economic growth when undertaking their duties.

2. Build economic resilience in the face of global uncertainty

To best position itself for the future, Australia must establish a clear vision of how it will grow its existing industrial strengths as well as build new sovereign capabilities to become more economically resilient and globally competitive. This section highlights the AICD's recommendations for boosting investment and innovation (refer part 2(a)) and improving Australia's human capital and skills development (refer part 2(b)), based on member feedback.

Much like the UK's Modern Industrial Strategy,[30] this requires a bold vision from Government, backed by a clear and actionable long-term plan, that defines how Australia will build on its comparative advantages, build the companies of the future, maximise trading opportunities and invest in critical supply chains.

This will give businesses the clarity and strategic certainty they need to invest for the long-term, innovate and scale-up. It will also give the community confidence in developing the skills needed for the future.

Australia's strength lies in both nurturing (not stymying) successful corporates, and in the distributed innovation that powers Australia's 2.5 million SMEs. Any plan for the future must look to cultivate Australia's entrepreneurial culture across business of all sizes and its unique agility, geography and population distribution to disperse gains as widely and equitably as possible.

(a) Boost investment and innovation

Australia's markets are competing globally for capital. To become a more resilient economy, Australia needs to better invest in, and commercialise innovations. Australia made up just 0.18% of global AI patents over the past 10 years,[31] and gross expenditure on R&D has fallen to 1.68% of GDP compared with an OECD average of 2.7% of GDP.[32] Concerningly, new private business investment more broadly remains below the approximate 13-14% of GDP seen in the early 2000s.[33]

To increase business investment and innovation, Australia should adopt a national 'business model' framework that maps our existing base sector strengths, identifies emerging high-growth and frontier sectors (such as quantum and advanced sustainable manufacturing), and outlines long-term capability investments needed to sustain prosperity. This would help identify where Team Australia should be 'investing in the business of' Australia – focusing on areas that can contribute to national

[30] The UK's Modern Industrial Strategy (June 2025). Available here.
[31] Bratanova, Hajkowicz, Evans, Chen, Bentley, Pham and Hartman, *Australia's artificial intelligence ecosystem: growth and opportunities* (June 2025). Page 29. Available here.
[32] Prior and Brennan, 'R&D and innovation in Australia: 2024 update', published 12 February 2025. Available here.
[33] ABS Australian System of National Accounts 2023-24 and AICD calculations.

economic performance with the right productivity-enhancing reforms. This means business, unions and broader civil society endorsing the choices and accepting the trade offs.

It will also support informed decisions on where to build sovereign capability to reduce reliance on global supply chains and strengthen national security, while mitigating geopolitical risks and conflict. For example, as AI impacts every industry, control over our digital infrastructure becomes a national security imperative. Investment in sovereign cloud capability, AI research infrastructure and quantum computing may not deliver immediate productivity gains, but positions Australia to capture the next wave of technological advancement rather than depend on others.

The clean energy transition is a major productivity opportunity and a foundation for sovereign capability. Renewable energy supports all other economic activity, and co-ordinated investment and policy in this area can deliver broad economic benefits and energy security. Meeting national emissions targets will also need require faster deployment of renewable energy, supported by streamlined approvals and enabling infrastructure.

The AICD recommends these priority sectors should be underpinned by:

- A **whole-of-government effort to align national policy and decision-making** in areas such as education, migration, energy, public procurement, digital and industrial policy, competition and national security behind the Government's uniquely Australian economic vision – effectively backing its commitments across departments and regulators;
- A **cohesive national R&D strategy that catalyses research collaboration between industry and the public sector** to help deliver and commercialise innovations in priority sectors (noting the Strategic Examination of Research and Development work underway);
- Building on the progress made by the *Data Availability and Transparency Act*, further broaden responsible and **secure access to public and private datasets** (noting Australia ranks among the worst of OECD countries for data accessibility and availability);[34]
- Identifying critical **supply chains (or supply chain components) in which Australia should be strengthening its sovereign capability** to grow jobs and reduce global dependence where it is becoming more geopolitically risky;
- New **fast-tracked processes for projects in priority areas** (e.g. renewable energy, data centres).
- **Addressing the high cost of energy**, which is undermining Australia's productive base - particularly in manufacturing. A **coordinated national response is needed to secure, competitively priced energy supply to support industrial decarbonisation** and long-term economic resilience;
- Making **Australia a market of choice for private investment** through a clear, long-term growth strategy that helps give investors confidence in the high-growth, high-return sectors of the future. This will also encourage Australia's institutional investors, with their large pools of capital and varied investment time horizons, to expand their stake in diverse Australian markets and assets; and
- **Growth-focused regulatory settings** (detailed above) that level the playing field by encouraging new businesses to start-up and scale-up at home.
- **Adopting a Team Australia approach** committed to long-term, positive national outcomes.

(b) Human capital and skills development

Australia's long-term economic success depends on our ability to harness new technologies, perform skilled work, and deliver high-quality products and services efficiently. However, persistent labour and

[34] OECD (2023). 2023 OECD Open, Useful and Re-usable data (OURdata) Index: Results and Key Findings, OECD Public Governance Policy Papers. Page 14. Available here.

skills shortages continue to undermine this potential. While concerns peaked post-pandemic, they remain a top issue for directors. The AICD's Director Sentiment Index shows ongoing concern about the lack of workforce skills,[35] particularly in technology, health, construction, trades, and sustainability.

To address structural workforce challenges, the AICD considers we need to enable a more dynamic jobs market and address the following challenges:

- **Better align training with skill needs, promoting labour mobility across sectors and jurisdictions**
  - The AICD supports **greater policy coherence and coordination around adult upskilling and reskilling** noting the current fragmented and overlapping approach between the federal, state and territory governments and public and private providers.[36] In the absence of clear national definitions, dedicated funding streams, and shared accountability frameworks for adult reskilling, efforts remain ad-hoc and reactive rather than strategic.
  - **A clear national workforce strategy, and public-private sector coordination, is critical to disperse the potential benefits of AI across the economy.** Without it, we risk concentrating potential gains in a small group of large corporations[37] and leaving many workers stranded without the skills and capability to adapt to technological developments. For example, recent data shows insufficient staff/skills capability was the most commonly reported factor limiting the use of AI in Australia.[38]
  - The Government's 2023 Migration Strategy described the current system as 'broken', highlighting its failure to attract the skills Australia needs or support an inclusive, prosperous labour market. Directors have raised concerns about the burden of skills recognition, often required for both skilled visas and occupational licences - adding cost, delay and limiting migrant participation. We encourage **the Government to accelerate reforms to attract talent aligned with Australia's evolving economic needs,** including more frequent reviews of the Skilled Occupation List to reflect emerging industries. Improving alignment between skills assessments and licensing, and exploring automatic mutual recognition, would also enhance efficiency and outcomes.
  - Steps should be taken to **create a system where professional or trade licenses are recognised across all states and territories under a national occupational licensing scheme**. The Productivity Commission inquiry into national occupational licensing is a welcome step, and we encourage focus on this reform as a key productivity driver.
  - Workforce shortages continue to exacerbate the shortfall of adequate housing supply with competition from other sectors such as civil construction and government infrastructure which can attract higher wages. We recommend **that federal, state and territory governments continue to prioritise measures to boost the pipeline of skilled workers and apprentices** that will help grow the workforce needed to deliver National Cabinet's ambitious target of building 1.2 million new homes over 5 years.[39]

- **Tackle poor foundational literacy and numeracy in schools**
  - To enable better education outcomes, **tackling poor literacy and numeracy in school-aged children should be a priority, alongside more sustainable public funding models for higher education.** In 2024 around one third of students in Years 3, 5, 7 and 9 were not

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35 AICD (April 2023), Director Sentiment Index Survey – 1st Half 2023, Available here. AICD (April 2025), Director Sentiment Index Survey – 1st Half 2025. Available here.
36 OECD (2025). The role of subnational governments in adult skills systems: Australia. Available here.
37 OECD (2024). 'Assessing potential future artificial intelligence risks, benefits and policy imperatives.' Page 37. Available here.
38 Productivity Commission submission to the Senate Select Committee on Adopting Artificial Intelligence (May 2024). Page 4. Available here.
39 Department of Employment and Workplace Relations (June 2025). Communique - Meeting of Federal, State and Territory Skills Ministers. Available here.

proficient on the annual National Assessment Program - Literacy and Numeracy (**NAPLAN**) tests.[40] The decline in standards is concerning noting that 75 per cent of employers over a decade ago already reported that their businesses were affected by low levels of literacy and numeracy.[41] We note that the states have primary responsibility for the delivery of education, however the Commonwealth has significant funding levers it can use to influence outcomes and approach. We encourage Commonwealth leadership to drive the requisite focus with the states.

- Improving foundational literacy and numeracy is essential for effective adult reskilling and lifelong learning. **Practical responses include developing evidence-based teaching resources and redirecting school funding to small-group tuition for struggling students**. The Grattan Institute estimates that providing one in five students with high-quality tuition could generate $6 billion in lifetime earnings - six times the program's annual cost.[42]

- **Address poor mental health**
  - Mental ill-health affects one in five Australians, with symptoms of anxiety and depression rising sharply since the pandemic.[43] For workers, poor mental health, if unaddressed, leads to reduced productivity, increased absenteeism plus presenteeism, and reduced workforce participation. The Productivity Commission's 2020 Inquiry estimated these costs of mental ill-health to be as high as $70 billion annually.[44]
  - Acknowledging that barriers to improved mental health extend beyond the healthcare system, the OECD advocates for a "mental-health-in-all-policies" approach, emphasising cross-sectoral strategies particularly within education, employment, and social care.
  - To build economic resilience in our workforce, the AICD recommends that Government continue work implementing recommendations from the Productivity Commission's 2020 Inquiry. Particular areas include **early intervention that prioritises prevention and timely treatment, and structural reform that improves system integration and addresses workforce challenges** such as supply shortages, care quality, and equitable service distribution. In parallel, we encourage businesses to make **targeted investment in workplace mental health** with a focus on implementing evidence-based interventions, many of which have positive ROIs.

3. Strengthen budget sustainability

Although Australia's current fiscal and public debt position is comparatively healthier than many of our peers, we face a significant medium-term sustainability challenge, with early warning signs already apparent.

The latest *Intergenerational Report* (**IGR 2023**) projects slower real GDP growth over the next 40 years – potentially a full percentage point less than the previous 40.[45] This slowdown is driven by structural shifts including slower population growth, slower productivity growth, and an aging society. This lower growth trajectory will place pressure on the tax base.

At the same time, structural changes in the economy will likely erode existing government revenue streams. For example, the IGR 2023 forecasts fuel and tobacco excise bases to shrink due to increases

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[40] Analysis by the Grattan Institute of data provided by the Australian Curriculum, Assessment and Reporting Authority. See The Grattan Institute, *The Maths Guarantee: How to boost students' learning in primary school* (April 2025). Page 7. Available here.
[41] Industry Skills Councils (Australia) (ISC) (2011) No more excuses: an industry response to the language, literacy and numeracy challenge. Page 3. Available here.
[42] Grattan Institute (2023) Tackling under-achievement: Why Australia should embed high-quality small-group tuition in schools. Available here.
[43] Australian Institute of Health and Welfare: Prevalence and impact of mental health. Available here.
[44] Productivity Commission (2020) Mental health inquiry report. Available here.
[45] Intergenerational Report (2023). Available here.

in the uptake of electric vehicles and a decline in per capita smoking rates. Company tax, GST and other taxes are forecast to grow no faster than national economic growth at best. Slowing global demand for bulk commodities is expected to reduce resource revenue as a source of company tax receipts. Only personal income taxes are projected to increase as a share of GDP. Furthermore, there is growing consensus that the current tax base is unbalanced and inefficient. There is too much focus on labour and company income tax, and not enough on consumption, land, and, more controversially, on economic rents, natural resources, and carbon. In addition, there is overreliance on taxes with elevated marginal excess burdens, like stamp duty.

These developments will unfold against a backdrop of rising budgetary costs. Demographic ageing alone is estimated to account for around 40 per cent of the increase in Government spending over the next 40 years. The IGR 2023 projected that the five fastest-growing payments would rise from roughly one-third to half of government spending by 2062-63, with their combined share of GDP growing by over 5.5 percentage points. As a result, IGR 2023 projects a future of rising budget deficits from the 2040s.

Noting the changing global geopolitical and economic landscape, fiscal pressure, and the need for greater fiscal buffers, could arise in the shorter term. The May 2025 *IMF Fiscal Monitor* highlights that increased international economic and policy uncertainty, higher yields, and pressures to increase defence spending are all set to amplify fiscal risks over coming years. In the case of geoeconomic uncertainty alone, for example, new IMF research finds that a significant rise is associated with an increase in public debt of around four percentage points of GDP.[46]

Despite the Government's success in delivering two consecutive budget surpluses and improving the public debt trajectory as a result, signs of future pressure are already apparent. The 2025 Budget shows that seven spending categories – NDIS, defence, hospitals, medical benefits, aged care, the Child Care Subsidy, and interest payments – are now growing faster than nominal GDP.

Securing fiscal sustainability will require broad, coordinated reform – not piecemeal changes to the existing tax system. To this end, a package of measures including: spending restraint; higher revenues that are fuelled by increased growth and more efficient revenue-raising mechanisms rather than simply relying on higher or additional taxes; and a cautious approach to public borrowing is required.

In particular, we recommend action on three key fronts:

- **Establish a credible medium-term fiscal framework.** This should clearly link spending ambitions with sustainable revenue sources and ensure projected growth in commitments aligns with available financing. Strengthening this framework will require improved evaluation of Government spending, infrastructure, and procurement, as well as a review of existing commitments. Adopting fiscal anchors, such as a medium-term debt target, should also be considered.
- **Rebalance the tax system.** To improve fiscal sustainability and support economic growth, the tax base must be more durable and the mix more efficient including the current over-reliance on personal income taxation. Reform should also address growing concerns about intergenerational equity under the current system.
- **Review federal–state fiscal relations.** This includes re-examining roles, spending responsibilities, and revenue-raising powers to address Australia’s persistent vertical fiscal imbalance. A practical first step would be to strengthen fiscal coordination mechanisms, improving prospects for replacing inefficient state taxes such as stamp duties and insurance levies.

[46] IMF Fiscal Monitor (May 2025). Available here.

Attachment C: Tabular summary of key AICD recommendations

	Issue	Recommendation	Rationale for reform	Time horizon
	1. Improve productivity			
(a)	Streamline regulation	• **Commit to a 25 per cent reduction in regulatory costs by 2030** (whole of government national priority, to maintain international competitiveness and drive Commonwealth and State focus). • **Undertake an economy-wide regulatory stocktake** to reduce duplication and complexity.	• Creating risk averse boards with limited time to focus on strategy. • For example, Macquarie Group's annual regulatory compliance spend has grown from $545m in FY20 to $1.22b in FY25.	• **Short-term** (commitment to reduce regulatory costs) • **Medium-term** (regulatory stock take)
		• **Reduce complexity in the Corporations Act,** including implementing the ALRC's recommendations, while also considering broader review of the Act. • **Re-establish an expert law reform body** to support long-term simplification and productivity gains such as CAMAC.	• The complexity of financial services law in Chapter 7 of the Corporations Act makes it challenging to navigate and comply with. • Penalty provisions are scattered across the Act, often making them difficult to locate and interpret. Offences and civil penalty provisions often overlap, and similar conduct may result in different penalties.	• **Short-term** (implementing the ALRC's recommendations) • **Longer-term** (comprehensive review of the Corporations Act)
		• **Lift and index Commonwealth reporting thresholds**.	• The $50m consolidated revenue threshold in the 'large company' definition has not been updated since 2019, increasing regulatory burden over time. This should be lifted and subject to mandatory indexation or periodic review to ensure it remains appropriate. • Group 1 climate reporting entities are experiencing high costs and resource constraints. Extension to Group 3 entities is not appropriate given weak cost-benefit analysis.	• **Short-term** (adjusting specific reporting requirements, such as the 'large company' definition and excluding Group 3 entities). • **Longer-term** (comprehensive review of the accumulation of reporting obligations).

	Issue	Recommendation	Rationale for reform	Time horizon
		• **Implement electronic communication** across government administration and regulators	• Paper forms, faxes, cheques, wet ink signatures and fragmented registries impose unnecessary burdens.	• **Short-term** (NSW's regulatory response during the COVID-19 pandemic shows that business and administrative processes can be digitised with speed, where there is sufficient will and cooperation).[47]
		• **Reduce duplication and increase support for the care economy** while continuing to uphold high standards of safety and high quality of care.	• Registration, accreditation and audit, incident reporting, worker screening and workforce requirements can overlap across health, aged care and the NDIS.	• **Short-term** (address aged care as an immediate priority, given the deferred implementation of the new Aged Care Act to 1 November 2025).
		• **Streamline planning processes for clean energy, infrastructure and housing priorities**	• Approvals under the EPBC Act often take in excess of two to three years to obtain and are a significant barrier to investment in infrastructure, clean energy projects and new housing. • Since 2019-20, average construction times (from approval to completion) have increased by three months for detached houses, and by five months for higher density dwellings. • Without reform it is unlikely Australia will be able to meet its national emissions or housing targets.	• **Short-term** (streamline approval processes, such as by instituting a 'fast no' track and enhance protections) **to Medium Term**.
(b)	**Digital transformation and adoption of AI**	• **Accelerate Australia's National AI Capability Plan in partnership with industry**. • **Establish regulatory settings that facilitate innovation in AI use and support investment.**	• Australia shows high AI specialisation and potential in areas of existing industrial strength, such as chemical manufacturing and specialised construction.	• **Short-term**
		• **Streamline planning approvals and invest in enabling infrastructure** such as grid upgrades and diversified energy supply to support AI adoption.	• A typical small one-megawatt data centre that uses traditional cooling methods consumes more than 26 million litres of water each year – enough to supply over 200 UK homes.[48]	• **Medium-term** (investing in enabling infrastructure, diversifying energy supply).

[47] See NSW Productivity and Equality Commission. Lessons from COVID-19 Regulatory Relaxations. Available here.
[48] Australian Water Association (29 May 2025): How can we cut water consumption in data centres? Available here.

	Issue	Recommendation	Rationale for reform	Time horizon
(c)	**Better regulation**	**Improve regulatory effectiveness and reduce business burden** by: • Mandating **post-implementation reviews** of new regulation. • Reforming **Regulatory Impact Statements** to incorporate productivity and growth impact (supported by Productivity Commission guidance). • Extending **Regulatory Initiatives Grid** to economy-wide view. • Mandating **minimum consultation periods** as part of law reform processes. • Refreshing **regulator statement of expectations** to explicitly support innovation, growth and productivity.	• Regulation Impact Statements often underestimate the cost of any regulation. • Many consultation periods are extremely short and do not assess the interaction between existing and proposed obligations. • Many new regulations lead to significant compliance costs and risk analysis at board level, reducing focus on strategy and innovation.	• **Short-term** (many reforms do not require legislative change and can be achieved through better government discipline and regulatory coordination and process).
2.	**Build economic resilience in the face of global uncertainty**			
(a)	**Boost investment and innovation**	Develop a **national 'business model framework** that: • maps current sector strengths; • identifies emerging high-growth and frontier sectors (such as quantum and advanced sustainable manufacturing); • outlines long-term capability investments needed to sustain prosperity (including via a national R&D strategy); and • builds new sovereign capabilities to enhance economic resilience.	• Follow the UK's lead in developing a modern industrial strategy that backs priority sectors. For the UK, these are eight sectors and frontier industries (the IS-8) with the highest potential. The Government is targeting hubs across the UK that support those sectors. • New fast-tracked processes for projects in priority areas (e.g. renewable energy, data centres).	• **Short term** (develop a business model framework and sustainable plan to determine the existing and new sectors in which Australia must build its capability). • **Long term** (executing on this plan to completion; building sovereign capability in critical supply chains).

	Issue	Recommendation	Rationale for reform	Time horizon
(b)	**Human capital and skills development**	• **National skills agenda aligned to industry and sector skills framework**. • Prioritise national **occupational licensing and standards to support labour mobility** and reduce friction and complexity for business and community organisations.	• AICD's Director Sentiment Index shows ongoing concern about the lack of workforce skills, particularly in technology, health, construction, trades, and sustainability.	**Short-to-medium-term**
		• **Federal/state prioritisation of student literacy and numeracy performance** (trends and international benchmarks), supported by a sustainable funding model.	• A 2023 Australian Industry Group survey found that 88 per cent of employers' experience issues due to low literacy and numeracy in their workforce.[49]	**Long-term**
3.	**Strengthen budget sustainability**			
(c)	**Strengthen budget sustainability**	Prioritise coordinated, medium-term reform rather than piecemeal change. Focus on: • Establishing a credible **medium-term fiscal framework;** • **Rebalancing the tax system** for greater efficiency and intergenerational equity; and • **strengthening federal-state fiscal coordination** to support long-term economic resilience.	• The 2025 Budget shows that seven spending categories – NDIS, defence, hospitals, medical benefits, aged care, the Child Care Subsidy, and interest payments – are now growing faster than nominal GDP. • Demographic change implies risks to an ever-rising reliance on taxing personal income. And a relative reliance on less efficient taxes (stamp duty, income tax, company tax) is harmful for medium term growth prospects • The longstanding 'vertical fiscal imbalance' - the disparity between the states' revenue raising capabilities and their expenditure responsibilities – is an ongoing source of potential fiscal vulnerability.	**Short-to-medium term**

[49] Ai Group (October 2024). Counting the cost: Addressing the impact of low levels of literacy and numeracy in the workplace. Available here.