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AI 2035

Australia's Opportunity Playbook

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AI 2035: Australia's Opportunity Playbook

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Executive Summary

Australia faces a simple choice: we can be an AI leader, or an AI follower. This playbook presents a practical path forward built on three foundations – **economic growth, security and setting up Australia as a world-leader in AI** – to secure Australia's prosperity in the AI era ahead.

AI has been decades in the making, but the 2022 release of ChatGPT 3.5 reignited public imagination and pushed the technology into everyday life within months. While this technology has the potential to add \$600 billion annually to the Australian economy by 2030, only 30% of Australians believe its benefits outweigh the risks. This trust deficit threatens to leave Australia as a digital outpost, dependent on foreign AI systems and lacking sovereign compute capability and data centres, while trailing our competitors in shaping the emerging digital landscape.

The recent National AI Plan (released 2 December 2025) has done little to pave a clear path away from this reality, despite Australia being one of the last developed countries to release a national AI plan. To expand on the Plan, this paper proposes a series of policies to support AI in Australia that don't require significant government spending or heavy-handed regulation. Instead, we put forward ways to leverage Australia's natural advantages: our educated population, ample space, wealth, strong institutions, and trusted international standing. These policies will better position Australia as a leader in AI and ensure we secure a proportionate share of the significant global capital being directed towards data centres and compute capability – the hardware, energy, and infrastructure required to train and deploy advanced AI systems.

Three practical pillars guide our approach:

First, boosting economic productivity and growth by unleashing private sector innovation that will make AI adoption accessible to businesses of all sizes. By removing barriers to adoption and growth and using targeted tax incentives, we can let the private sector drive productivity gains without leaving workers or regional centres behind. We must also move quickly to establish data sovereignty and streamline approvals for the construction of data centres and associated energy infrastructure. Australia is already missing out on the wave of global capital being deployed for these assets and cannot afford further delays.

Second, protect democratic and individual freedoms by empowering Australians to recognise deepfakes, question algorithmic decisions, and use AI tools with confidence at work and in daily life. Protecting individual and democratic freedoms through robust data safeguards and education will transform concern and uncertainty into trust and informed opportunity.

Third, advancing Australia's interests in the global era by positioning Australia as the indispensable middle power in global AI governance. The Government can do this by establishing Australia as a trusted convenor between competing superpowers, a regional hub for testing and implementing democratic AI standards, and an advocate for Indo-Pacific nations navigating the tension between digital sovereignty and technological dependence.

This is about ensuring that Australian values – fairness, transparency, democratic accountability – become competitive advantages, rather than competing with Silicon Valley or Shenzhen on their terms.

The window for decisive action is narrowing. Seventy-seven nations have launched AI strategies while Australia debated. Just four companies – Google, Amazon, Microsoft and Meta – will spend the equivalent of 80% of the entire Commonwealth Budget on data centres every year for the foreseeable future.

But our timing could prove strategic if we act decisively now – building on our strengths to improve on the Government’s National AI Plan while learning from others’ mistakes, and choosing pragmatic progress over perfect policy.

This playbook invites all Australians – regardless of political stripe – to join the conversation about how to best secure our future in the new AI era. The recommendations aren’t prescriptive mandates but starting points for how we harness AI’s benefits while managing its risks. In the end, AI success won’t be measured by government programs or corporate profits, but by whether Australia is better off in an AI-powered economy. The choice is ours: shape the AI age or be shaped by it. This playbook shows how we choose the former.

Recommendations

<p>1. Incentivise AI investment through a targeted, time-limited R&D and adoption tax boost</p>	<p>Introduce two complementary, temporary tax incentives to accelerate both AI creation and adoption:</p> <ol style="list-style-type: none"> 1. A three-year 20% R&D tax uplift for qualifying AI-related activities (e.g. software and algorithm development, data engineering, AI governance, safety research). 2. A two-year 30% AI adoption offset for SMEs (turnover < \$50m), allowing deduction of 130% of up to \$5m in eligible AI adoption costs (software, cloud inference, systems integration).
<p>2. Support and catalyse the development of AI-ready infrastructure, including data centres and compute capacity</p>	<ul style="list-style-type: none"> • Streamline approvals for data centres, high-performance computing and related energy infrastructure, with full implementation within 12 months. • Give priority access for AI-relevant projects within existing investment vehicles such as the National Reconstruction Fund (NRF), Northern Australia Infrastructure Fund (NAIF) and Clean Energy Finance Corporation (CEFC), especially those demonstrating best-practice energy efficiency or contributing to national compute resilience and sovereign capability.
<p>3. Support a national AI skills uplift</p>	<ul style="list-style-type: none"> • Develop nationally recognised AI competency standards in partnership with Jobs and Skills Australia, industry and the Australian Qualifications Framework to guide curriculum design, certification and workforce planning. • Strengthen micro-credential pathways in line with key competencies for priority occupations.
<p>4. Support AI skills import through a dedicated migration priority stream</p>	<p>Establish a priority stream within the National Innovation visa program for applicants with verified expertise in critical AI occupations (e.g. machine learning, data engineering, AI governance, model safety). To enable this:</p> <ul style="list-style-type: none"> • Quarantine a proportion of the ~4,000 visa places for AI roles based on modelling for future workforce needs • Offer priority processing • Apply a wage floor at or above the 85th percentile of national full-time earnings to target senior talent and protect local labour markets.

5. Embed AI in Federal Government service delivery and procurement	<p>Make the Commonwealth a lead adopter of AI.</p> <ul style="list-style-type: none"> • Require that each department and agency explicitly consider how it can adopt AI-enabled systems that improve service quality or efficiency, and justify any decision not to adopt such tools. • Establish a cross-agency and Commonwealth-state implementation program for collaboration, identifying use cases and sharing lessons. • Use procurement to prioritise Australian-developed solutions where competitive.
6. Launch a National AI Capability Accelerator	<p>Establish a Cooperative Research Centre to develop distinctive Australian AI applications in areas of comparative advantage – such as climate modelling, agriculture, and mining automation.</p>
7. Launch a National AI Literacy Initiative	<p>Create, and deploy within six months, a national AI literacy platform focusing on building resilience – a single, publicly accessible website coordinated by the Commonwealth (Department of Industry, Science and Resources via the National AI Centre) providing:</p> <ul style="list-style-type: none"> • Free and trusted short e-learning modules on topics such as: <ul style="list-style-type: none"> • Identifying AI-generated/synthetic media; • Understanding rights and redress in automated decisions; • Recognising AI-enabled scams and misinformation; and • Using AI tools to improve productivity and employability. • Content developed with universities, TAFEs and industry with latest research on the benefits and impacts of AI on everyday Australians.
8. Introduce a clear and practical AI transparency framework	<p>Use existing regulators (e.g. ACCC, OAIC) to create a transparency framework:</p> <ul style="list-style-type: none"> • Require organisations to disclose when AI materially influences automated decision-making that affects individuals (e.g. hiring, credit, access to services). • Mandate plain-English explanations of how such decisions are made and how they can be challenged. • Provide one online portal (new or existing) that explains people’s rights and pathways for review regarding AI.
9. Safeguard democratic integrity through transparency and education	<p>Modernise electoral integrity settings to address AI-enabled manipulation:</p> <ul style="list-style-type: none"> • Ban the use of AI-generated audio, video or imagery when used in campaign material to depict a real person. • Resource and establish an AEC rapid response protocol to flag and label (or downrank) misleading or foreign AI-generated content. • Coordinated public misinformation awareness campaigns leading up to state and federal elections.

10. Expedite full legislative reform of the Privacy Act	<p>Establish and publish a clear, time-bound roadmap for completing Privacy Act reform – covering all ‘agreed in principle’ measures from the Government’s 2023 response. This includes:</p> <ul style="list-style-type: none"> • Legislating modern accountability requirements; • Disclosure of automated decision-making; and • Stronger controls over cross-border data flows. <p>Enforcement powers to be strengthened through faster investigative timelines, interim orders, higher penalties, and direct rights of action for individuals.</p>
11. Expand AISI’s remit and ensure adequate funding to address the upcoming security challenges	<p>Expand the remit of the Australian AI Safety Institute (AISI) to the Australian AI Safety and Security Institute (AISSI). This would ensure the Institute can address upcoming AI-specific security challenges. The AISSI should also cooperate with the Quad Critical and Emerging Technology Working Group and AUKUS Pillar II partners to share safety methodologies, model evaluation techniques, and compute-security best practice.</p>
12. Integrate AI into systemic risk management	<p>Allocate funding to Home Affairs to expand the Critical Infrastructure Protection Framework to address AI-specific vulnerabilities such as algorithmic manipulation, data poisoning, and malicious model use. The AISSI will be a close partner in this work.</p>
13. Strengthen AI supply chain security	<p>Onshore, secure and/or diversify supply of critical AI components. Partner with trusted allies and close partners to avoid dependence on any single nation. Cooperation, coordination and agreements can be made through the existing Quad and AUKUS Pillar II lines of effort.</p>
14. Ensure strategic data sovereignty	<p>Designate critical datasets as national assets requiring secure, domestic storage and processing, and establish guidelines for value-sharing where public data is used for AI training.</p> <p>Negotiate and sign agreements for more onshore data storage options with major cloud vendors like Amazon, Google and Microsoft.</p>
15. Launch an Indo-Pacific AI Fusion Centre	<p>Establish a regional fusion centre hosted in Australia to coordinate AI governance and security knowledge-sharing, capability-building and cooperation across the Indo-Pacific. Focus on creating a trusted AI Certification Framework with multilateral consensus on recognised standards for AI safety, security, transparency and ethics that likeminded nations can adopt.</p>

1. Where are we now?

Australia stands at a critical juncture in the global AI revolution. We have a narrow window to secure our technological independence and a voice in shaping the rules that will govern the next wave of development. The risk of inaction is becoming digitally dependent on other countries – importing solutions designed elsewhere and missing out on the opportunity to innovate and solve uniquely Australian problems in sectors such as agriculture and mining. With national leadership and concerted action, Australia has the opportunity to help drive the AI age and ensure we benefit domestically.

For decades, the Turing test served as a thought experiment about whether a machine could convincingly imitate human conversation; and for just as long, AI remained confined to university laboratories and specialist technology teams. This changed dramatically when ChatGPT 3.5 became publicly available in November 2022, and the threshold outlined by Turing had comprehensively been reached.¹ ChatGPT is powered by a sophisticated computer system trained on vast amounts of text – books, articles, online discussions – enabling it to predict and generate human-like responses at remarkable speed. Suddenly, anyone with an internet connection could ask complex questions and receive polished, comprehensive and precise answers within seconds.

Three developments followed rapidly. First, access became universal: within two months, ChatGPT had attracted one hundred million users worldwide.² By comparison, it took Instagram two and a half years to get one hundred million users, while TikTok took nine months. Other generative AI platforms, such as Google's Gemini, have since followed. Second, the technology's potential became evident: the same systems could draft professional reports, write computer code and create images – promising substantial productivity improvements across many industries. Third, serious challenges emerged: sophisticated fake content, privacy vulnerabilities, and an urgent need for protective measures. AI systems now speak our human languages fluently. Yet the underlying logic of how they operate, make decisions, and interact with each other remains opaque to most of the world's population – including most decision-makers.

This 'ChatGPT moment' triggered a worldwide sprint to capture opportunities while managing risks. Dozens of nations have launched comprehensive strategies, combining regulatory frameworks with substantial investments in computing infrastructure and data centres. The AI industry is expanding rapidly, with technological capabilities advancing at an exponential pace.

The economic stakes are substantial. AI and automation technologies are projected to contribute up to \$600 billion annually to Australia's GDP by 2030. Australia already hosts approximately 650 AI companies, and between 2018 and 2023, \$7 billion in foreign investment flowed into Australian AI technology firms. In 2023 alone, \$2 billion in venture capital was invested in Australian AI applications.³

Yet these impressive figures mask a troubling reality: the benefits are not translating into widespread advantages for many Australian businesses and workers. Notably, public confidence in AI technology lags behind our international peers. A 2025 survey across 47 countries found that just half of Australians regularly use AI tools, and only 36% trust the technology (compared to 82% in India, 79% in China and 49% in the USA).⁴

1 <https://www.nature.com/articles/d41586-023-02361-7>

2 Chow, A. (2023, February 8). *How ChatGPT Managed to Grow Faster Than TikTok or Instagram*. TIME.

3 Department of Industry, Science and Resources. (2024, December 13). *Developing a National AI Capability Plan*. Australian Government.

4 Gillespie, N., Lockey, S., Ward, T., Macdade, A., Hassed, G. (2025). *Trust, Use and Attitudes towards Artificial Intelligence: A Global Study 2025*. The University of Melbourne and KPMG

Business adoption remains patchy, with just 37% of small and medium enterprises and 52% of businesses overall deploying AI systems.⁵ However, according to Jobs and Skills Australia, around 21-27% of workers are undertaking shadow AI use – the unapproved or unauthorised use of AI at work⁶ (though the authors of this paper estimate it's likely higher). This means a large portion of employees are adopting AI faster than their workplaces.

The demand for AI specialists is surging, with roles like AI ethics specialists and AI data scientists among the hardest to fill.⁷ But the real challenge is that everyone – both at home and abroad – is competing for the same limited pool of talent. Australia has long had a chronic technology skills shortage, which means there is a significant need to both fill the widening skills gap and ensure Australia retains homegrown talent.⁸ The opportunities for upskilling are enormous – and the responsibility for reskilling workers will largely fall on employers.

Meanwhile, comparable regional partners have moved decisively. South Korea has pledged US\$71 billion to position itself as a top three global AI powerhouse⁹, targeting 70% private sector adoption and 90% public sector adoption by 2030.¹⁰ Japan's 2025 AI Promotion Act establishes an 'innovation-first' regulatory framework that minimises bureaucratic barriers¹¹, favouring government guidance and voluntary industry cooperation to drive economic growth. This proves nations can prioritise prosperity while managing risks rather than treating safety and economic development as competing objectives.

Since 2017, over 77 nations have released national AI strategies, 16 since ChatGPT was released with a dozen added in 2024 alone.¹² Of note, New Zealand released its 2025 AI Strategy prioritising responsible adoption, business capability, and alignment with international norms. It adopts a pragmatic approach that seeks to build confidence in AI use across the private sector and position New Zealand as a trustworthy, well-governed adopter.¹³

The previous Coalition Government released an extensive, proactive and generally well-regarded national AI Action Plan in 2021, before the public release of ChatGPT 3.5. The current Government effectively shelved this plan when releasing their National AI Plan on 2 December 2025. Despite coming four years after the announcement of the initial AI Action Plan, the new Plan has not made much progress in improving a whole-of-government approach to making Australia a global AI leader.¹⁴

5 Bratanova, A., Hajkowicz, S., Evans, D., Chen, H., Bentley, S., Pham, H., & Hartman, S. (2025, June). Australia's artificial intelligence ecosystem: Growth and opportunities. Department of Industry, Science and Resources, National Artificial Intelligence Centre, CSIRO.

6 Jobs and Skills Australia 2025, *Generative AI Capacity Study: Final Report Overview*, Canberra

7 McKinsey & Company. (n.d.). *The State of AI*. Retrieved from <https://www.mckinsey.com/capabilities/quantumblack/our-insights/the-state-of-ai>

8 Australian Computer Society. (2024, October 22). *Report shows Australia needs to boost cyber and AI skills*.

9 Woo, S. (2025, June 8). Korean President to invest 100 trillion won in artificial intelligence (AI). *Maeil Business Newspaper*. <https://www.mk.co.kr/en/society/11336916>

10 Ministry of Science and ICT. (2024, September 26). MSIT presents blueprint for Korea's AI innovation to achieve AI G3 status. *Press Releases*. Government of the Republic of Korea. <https://www.msit.go.kr/eng/bbs/view.do?sCode=eng&mId=4&mPid=2&pageIndex=&bbsSeqNo=42&nttSeqNo=1040&searchOpt=ALL&searchTxt=&ref=newsletters.qs.com>

11 Future of Privacy Forum. (2025, July 12). Understanding Japan's AI Promotion Act: An "innovation-first" blueprint for AI regulation. *Future of Privacy Forum Blog*.

12 Oxford Insights. (2024). *Government AI Readiness Index 2024*. <https://oxfordinsights.com/ai-readiness/ai-readiness-index/>

13 Department of Industry, Science, Energy and Resources. (2021, June). *Australia's AI action plan*. Australian Government.

14 Department of Industry, Science and Resources. (2024, December 13). *Developing a National AI Capability Plan*. Australian Government.

Table 1:
Comparison of Labor Government’s 2025 National AI Plan to the Coalition’s 2021 AI Action Plan:

2021 AI Action Plan – Focus Areas ¹⁵	2025 National AI Capability Plan – stated objectives ¹⁶
<p>1. Developing and adopting AI to transform Australian businesses – support to help businesses develop and adopt AI technologies to create jobs and increase their productivity and competitiveness.</p> <p>2. Creating an environment to grow and attract the world’s best AI talent – support to ensure our businesses have access to world-class talent and expertise.</p> <p>3. Using cutting edge AI technologies to solve Australia’s national challenges – support to harness Australia’s world-leading AI research capabilities to solve national challenges, and ensure all Australians have an opportunity to benefit from AI.</p> <p>4. Making Australia a global leader in responsible and inclusive AI – support to ensure AI is inclusive and technologies are built to reflect Australian values.</p>	<p>1. Grow investment:</p> <ul style="list-style-type: none"> a. Review how existing state and federal government support mechanisms work together to hinder or enable, Australia’s AI ecosystem. b. Look for ways to boost private sector innovation and investment in AI capability. <p>2. Strengthen AI capabilities:</p> <ul style="list-style-type: none"> a. Identify strengths and emerging areas of opportunity for Australian businesses. b. Explore new areas of comparative advantage. <p>3. Boost AI skills:</p> <ul style="list-style-type: none"> a. Work to accelerate AI literacy, identifying new skills, training and re-training. b. Ensure workers can reskill throughout their career to take advantage of new employment opportunities. <p>4. Secure economic resilience:</p> <ul style="list-style-type: none"> a. Identify areas where we need sovereign capability or infrastructure to get the most out of AI technologies. b. Learn from the experiences and rights of communities and workers – making AI work for us and not the other way around.

The 2025 National AI Capability Plan – announced a year before release and arriving more than four years after the Coalition’s 2021 AI Action Plan – illustrates the slow and reactive pace of Australia’s AI policy. Given the speed of global AI development, a review-oriented approach (where the reviews have no apparent deadline for action) offers little direction for industry or investors seeking clarity on Australia’s long-term AI vision.

¹⁵ Department of Industry, Science, Energy and Resources. (2021, June). Australia’s AI action plan. Australian Government.

¹⁶ Department of Industry, Science and Resources. (2024, December 13). Developing a National AI Capability Plan. Australian Government.

By contrast, the 2021 Action Plan sent clear market signals, stimulating early private investment and adoption. Taking cues from the 2021 AI Action Plan, this playbook seeks to improve on the 2025 National AI Plan by articulating a national vision, prioritising investment sectors, and setting measurable targets to strengthen investor confidence and position Australia competitively in the global AI economy. We remain well-placed to lead. With world-class researchers, innovative businesses, and trusted institutions, Australia has the capability to catch up – if policy creates the settings for decisive action now.

That requires confronting the reality of Australia's innovation gap. Our researchers excel at developing new AI concepts, but these breakthroughs rarely translate into commercialisation, let alone globally competitive Australian companies.¹⁷ Instead of building and owning our own technologies, we are increasingly reliant on imported AI systems¹⁸ – creating long-term economic and strategic vulnerabilities as national interests give way to foreign reliance. When it comes to physical assets, Australia is receiving only a sliver of the wave of global capital being deployed to construct data centres.

Domestically, a digital divide is emerging: large corporations are accelerating AI adoption, while small and medium enterprises lack the capital and expertise to keep pace.¹⁹ Skills shortages, combined with uncertainty about safety and ethical frameworks, are dampening investment and confidence across sectors.²⁰ These challenges go beyond economics. Without decisive action, Australia risks losing its voice in setting the global norms and rules that will govern AI's future. As a respected middle power, our influence has always depended on credibility, capability, and contribution. Rebuilding all three is essential to secure our digital sovereignty and shape a global AI system aligned with democratic values.

Australia's late start can still be turned into a strategic advantage by learning from others' experiences and working with trusted allies to implement what works. The next decade can be transformative if we act now. The choice is clear: secure Australia's AI independence or accept digital dependence on others' terms. This paper outlines three pillars of actions Australia should undertake:

- **Boosting economic productivity and growth**

Strategic investments in data centres and compute infrastructure, sovereign AI capabilities and skills can unlock AI's potential to contribute \$600 billion annually to Australia's GDP. This includes streamlining approvals for data centres and associated energy infrastructure, incentivising safe and secure AI deployment across our data-rich sectors – mining, energy, agriculture, education and healthcare – and supporting small and medium sized business adoption through targeted tax incentives. By upskilling workers at every career stage, we can achieve the Tech Council's projection of 200,000 AI-related jobs by 2030,²¹ to both retain talent and ensure Australians are equipped to adapt to the changing job landscape.

- **Protecting democratic and individual freedoms**

Australians deserve to make informed decisions about AI's role in their lives. Through expanded public AI literacy programs, targeted skills development and measured legislative updates – we can create the foundation for an AI-literate society, and safeguard privacy, data security and democratic discourse without stifling economic innovation and opportunity.

17 Department of Industry, Science and Resources. (2025, June 25). *Australia's artificial intelligence ecosystem: Growth and opportunities*.

18 Australian Government Department of Industry, Science and Resources & National Artificial Intelligence Centre. (2025, June). *Australia's artificial intelligence ecosystem: Growth and opportunities*.

19 Department of Industry, Science and Resources. (2025, July 2). *AI adoption in Australian businesses for 2025 Q1*.

20 Department of Industry, Science and Resources. (2025, July 2). *AI adoption in Australian businesses for 2025 Q1*.

21 Tech Council of Australia. (2024, July 2). *AI to create 200,000 jobs in Australia by 2030*.

- **Advancing Australia's interests in the global AI era**

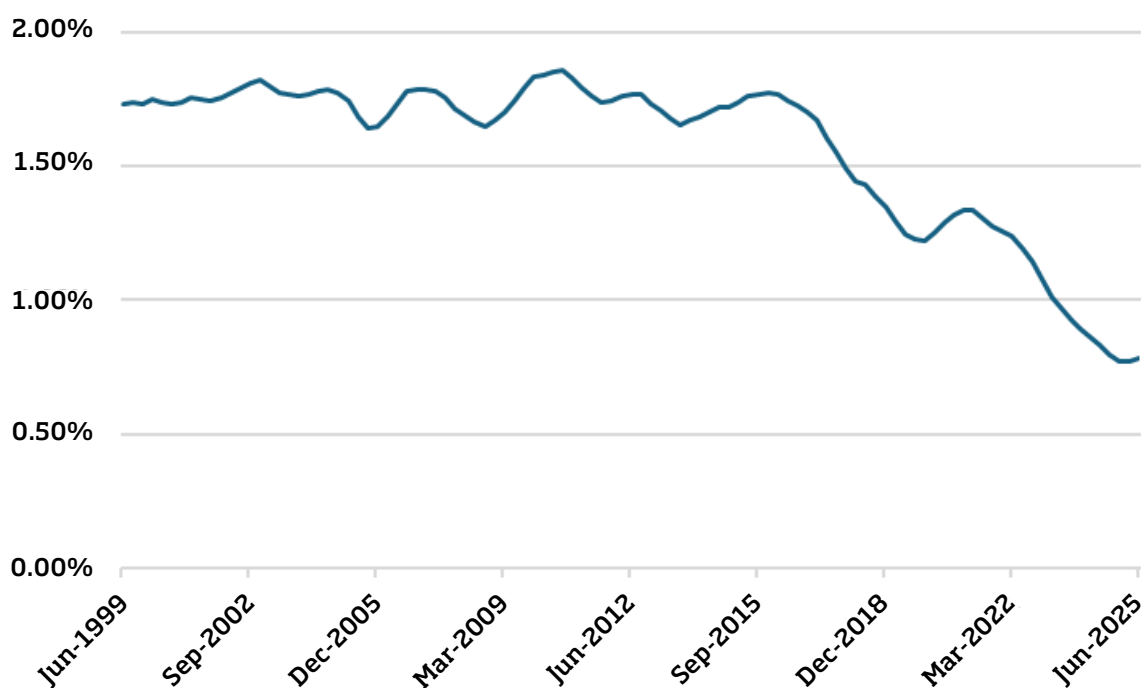
Australia must secure its place as an influential middle power in the global AI landscape. By better focussing on AI security domestically and establishing an Indo-Pacific AI Fusion Centre, we can position Australia as a trusted and capable partner in assessing AI risks and convening like-minded nations – ensuring our values and interests help shape international AI governance.

The pages that follow present an AI Opportunity Playbook designed to ignite public discourse and bipartisan action to lead Australia through a rapidly evolving technological landscape. These are not intended as an exhaustive list of policy solutions or a silver bullet, but as ideas that add to the debate regarding how Australia can embrace AI's transformative potential while managing its challenges. This approach is both optimistic and pragmatic: protecting citizens' rights and democratic values, driving economic productivity and prosperity, and securing Australia's influential voice in shaping the global AI future. The goal is to shift our national conversation from apprehension to opportunity, from fragmented action to confident leadership.

2. Boosting economic productivity and growth

Australia's high standard of living is at growing risk: productivity growth is flatlining at multi-decade lows²² and per capita incomes have barely risen in recent years^{23,24}. Sustaining our prosperity will require reigniting productivity improvements.

Figure 1: Australia: Labour Productivity Growth, 20 year average²⁵



Structural headwinds are growing. An aging population will slow labour force growth and could reduce participation²⁶, removing a key growth driver of the last decade. Meanwhile, the tailwind of high commodity prices cannot be counted on to last.²⁷

Investment and innovation shortfalls are eroding Australia's future competitiveness. National R&D intensity has fallen from around 2.25% of GDP in 2008-09 to an estimated 1.68% by 2021-22²⁸, placing Australia behind both global and regional peers. Weak capital deepening further signals that businesses are not investing enough in new technologies and capacity.²⁹ Although private investment contributed 0.5 percentage points to September 2025 quarter GDP growth, this was largely driven by direct investment in the expansion of data centres³⁰. This presents a clear opportunity for Australia, given that spending on data centres here

22 Australian Bureau of Statistics, *5260.0-Productivity Indicators*, 2024.

23 Australian Bureau of Statistics, *5206.0-Australian National Accounts: National Income, Expenditure and Product*, June 2025 release.

24 Australian Bureau of Statistics, *6202.0-Labour Force, Australia*, June 2024 release.

25 Australian Bureau of Statistics, *ABS Australian System of National Accounts - Table 1 (A2420645R)*.

26 Treasury, *2021 Intergenerational Report: Australia Over the Next Forty Years*, Australian Government, May 2021.

27 Reserve Bank of Australia, *Statement on Monetary Policy*, February 2023.

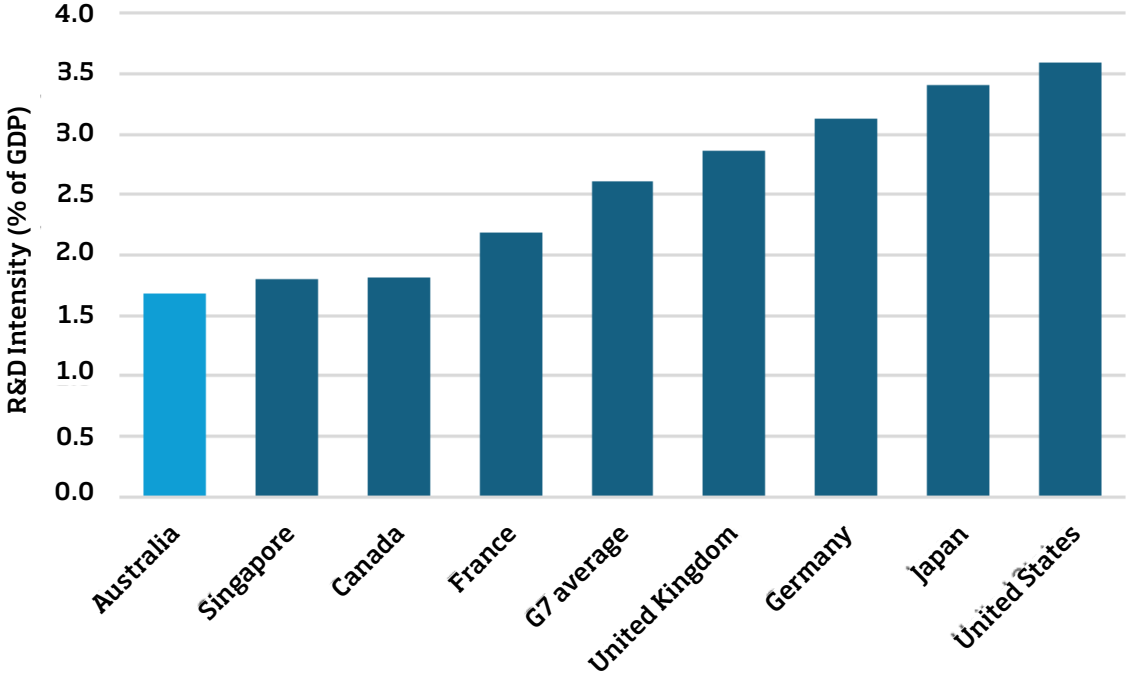
28 Group of Eight (Go8), *Australia's Research and Development (R&D) Intensity: A Decadal Roadmap to 3 Per Cent of GDP*, Group of Eight Ltd. 2024.

29 Organisation for Economic Co-operation and Development, *Compendium of Productivity Indicators*, 2023.

30 Australian Bureau of Statistics. (2025, December 3). *Australian economy grew 0.4% in September quarter*. Media Release. Australian Government.

represents only a sliver of global investment. Australia has considerable unrealised economic opportunities that could be unlocked by attracting greater levels of spending on data centres and other AI-related investments.

Figure 2: R&D Intensity by Country (2022)^{31,32}



To preface, the \$1 billion National Reconstruction Fund commitment for critical technologies, which includes AI³³, is a positive start. However, this funding was committed in the 2022 election, and pales in comparison to the scale of AI-specific investment abroad and does little to signal long-term commitment. Closing the ambition gap with leading nations will be essential to maintaining economic relevance and competitiveness on the global stage.³⁴

The scene is set for one of Australia’s true loves: victory for the underdog. With strategic AI policy and high impact investment and incentives, Australia has the potential to reverse the ongoing trend of lagging productivity and low R&D investment to stimulate the Australian economy and meaningfully improve living standards.

Building credible trust

Modelling shows that adoption speed is a key factor in the realisation of the economic potential of AI, with faster adoption yielding as much as 150% more benefit than slow adoption.³⁵ The reality however, is that Australians are right to be cautious. There are unresolved legal and technical questions, with the threats only increasing as AI is introduced to the mainstream.³⁶ Expert assessments catalogue risks that range from bias

31 Statistics Canada, *Gross domestic expenditures on research and development intensity in the G7 countries, 2022*, *The Daily*, 2023.
 32 National Research Foundation, Agency for Science, Technology and Research (2024), *National RIE Survey of Singapore, 2022*.
 33 Husic, E. (2025, January 29). *NRF backing AI to help improve health outcomes*. Ministers for the Department of Industry, Science and Resources.
 34 Organisation for Economic Co-operation and Development, *Main Science and Technology Indicators, 2023*.
 35 Tech Council of Australia & Microsoft. (2023, July). *Australia’s Generative AI opportunity*. Tech Council of Australia.
 36 MIT Technology Review. (2025, November 10). *Reimagining cybersecurity in the era of AI and quantum*. Massachusetts Institute of Technology.

and error through to misuse and loss of control.³⁷ Some AI scientists even say that AI, in the most extreme of cases, could be an extinction risk to humanity.³⁸

Simply telling people to “trust AI” is not a plan. Perceptions of adequate laws, standards and accountability drive trust, which in turn drives acceptance and use. Where people doubt the guardrails, adoption lags.³⁹

People fly because they have confidence in aviation safety, and they have confidence because there are clear rules (CASA) and independent and ‘no-blame’ investigations (ATSB) that build a safety culture and have a proven track record. This is needed in the AI age.

Fast adoption brings far larger economic gains, but this can only be built upon a culture of trust. Clear liability, a government body overseeing the safety and security of AI, and active international coordination are how Australia earns trust and unlocks the fast-adoption dividend.

From productivity decline to AI-powered growth

The path forward isn’t through government picking winners or massive public spending. It’s about unleashing private sector innovation while ensuring protections for Australians where required. Building on the trust created through national AI literacy initiatives to build public resilience, we can transform the two-thirds of young workers fearing AI displacement into AI-skilled workers, entrepreneurs and innovators driving Australia’s next boom.

The path forward requires concerted action to compete for global data centre investment, secure sovereignty over Australian data and make AI adoption as accessible to a Brisbane bakery as it is to BHP. This means:

- 1. Immediate adoption incentives:** Reducing financial barriers that prevent SMEs from experimenting with and adopting AI.
- 2. Data sovereignty:** Building domestic data centres and compute⁴⁰ capacity so Australian data creates Australian value and ensures it doesn’t have to leave Australian shores.
- 3. Skills at every level:** From micro-credentials for current workers to fast-tracked visas for global talent.
- 4. Government as a customer:** Using public procurement to help de-risk and validate Australian AI solutions.
- 5. National AI Cooperative Research Centre:** catalysing the development and export of AI applications in sectors where Australia holds or could develop a comparative advantage.

³⁷ MIT FutureTech. (2025). *The MIT AI Risk Repository*. MIT FutureTech.

³⁸ Center for AI Safety. (2023, May 30). *Statement on AI Risk*. Center for AI Safety.

³⁹ Gillespie, N., Lockey, S., Ward, T., Macdade, A., & Hassed, G. (2025). *Trust, attitudes and use of artificial intelligence: A global study 2025*. The University of Melbourne and KPMG.

⁴⁰ Compute – the hardware, energy, and infrastructure required to train and deploy advanced AI systems – is now a strategic resource. Without access to sovereign compute capacity, Australia cannot independently evaluate, secure, or scale AI technologies aligned with national interests.

1. Adoption incentives

To accelerate both the creation and diffusion of AI capability across the economy, the Government could introduce two complementary, time-limited tax incentives – one focused on research and development, and the other on commercial adoption:

- **Temporary AI R&D tax uplift:** Increase the existing R&D Tax Incentive by an additional 20% premium for qualifying AI-related activities – including software and algorithm development, data engineering, model governance, and AI safety research. This uplift would apply for a three-year period, encouraging firms to bring forward investment in Australian-based AI research and development.
- **Targeted SME AI adoption offset:** Introduce a temporary 30 per cent investment offset for small and medium enterprises (SMEs) with annual turnover under \$50 million. The offset would allow eligible firms to deduct 130% of qualifying AI adoption expenditure (up to a maximum claimable spend of \$5 million per year) including:
 - Purchase or licensing of AI software or cloud inference credits; and
 - Systems integration and deployment of new AI tools.

The measure would run for two years to accelerate adoption during the current diffusion window, and as a tax incentive would complement the Government's current AI Adopt Program which provides tailored assistance to SMEs.

These time-limited incentives would crowd in private capital, helping close Australia's R&D intensity gap with OECD peers, while giving SMEs a fiscally contained nudge to adopt proven AI solutions.

2. Establishing data sovereignty through AI capacity-building infrastructure

Google, Amazon, Microsoft and Meta are expected to have outlaid around US\$300 billion (A\$453 billion) on data centres and related infrastructure in 2025 alone.⁴¹ Individual project announcements illustrate the scale and speed: These include Google's US\$15 billion (A\$23 billion) commitment to a 1 GW data centre and AI hub in India⁴²; recent A\$10.2 billion⁴³ and A\$9 billion⁴⁴ data-centre investments in the UK and Belgium respectively, and combined commitments of around A\$27 billion by AWS, Google and Microsoft in Malaysia⁴⁵. This investment has been so rapid that Harvard economist Jason Furman outlined "investment in information-processing equipment and software was only 4% of U.S. GDP for the first half of 2025, yet it also accounted for fully 92% of GDP growth over that period,"⁴⁶ a remarkable figure and one indicative of the urgency required to set up incentive structures that attract these levels of investment.

41 Financial Times. (31 July 2025). *Inside the relentless race for AI capacity*. FT Interactive.

42 Google. (14 October 2025). *Our first AI hub in India, powered by a \$15 billion investment*. Company News.

43 Reuters. (2025, September 16). *Google sets out \$6.8 bln UK investment ahead of Trump's state visit*. Reuters Sustainability: Climate & Energy.

44 Reuters. (2025, October 9). *Google to invest 5 billion euros in Belgium, creating 300 jobs*. Reuters Sustainability: Climate & Energy.

45 Malay Mail. (2024, December 13). *2024 in review: Malaysia emerges as regional digital leader with record-breaking RM74.8b investments from Amazon, Google and Microsoft*. Money.

46 <https://fortune.com/2025/10/07/data-centers-gdp-growth-zero-first-half-2025-jason-furman-harvard-economist/>

These are not isolated projects but part of a broader global “wall of capital” moving rapidly into AI infrastructure. In the US, this has led to a considerable shift in how capital is allocated – before the launch of ChatGPT, annual spending on office construction was more than four times higher than on data centres. Today they are almost equal.⁴⁷ McKinsey estimates that technical infrastructure spend will reach around US\$7 trillion by 2030, with investment taps anticipated to be turned off by 2030.⁴⁸

By contrast, Australia is capturing only a small share of this capital and achieved only 36% growth in data-centre investment between 2023 and 2025 (compared to 185% in Malaysia).⁴⁹ Australia was recently ranked second-worst overall for data centre investor-friendliness across the Asia-Pacific because of its “insufficient carrots and burdensome sticks”, including strict foreign investment rules and relatively few incentives for developers.⁵⁰ While recent announcements (such as OpenAI for Australia⁵¹ and AWS’s headline ‘A\$20 billion’ package⁵²) have been positive, much of this spend reflects previously committed funds and expansions of existing data centres.⁵³

Australia has a considerable opportunity to capture the tsunami of global data centre investment and its associated AI ecosystem because of constraints limiting its growth overseas. In particular, pressure on energy infrastructure in the US is intensifying and creating doubts about the ability of the grid to keep pace with the ambitions of the AI hyperscalers, who are ploughing ahead. But this opportunity is time limited.

The opportunity for hyperscale data-centre investments could also accelerate investment in Australia’s energy infrastructure. Large technology companies are increasingly acting as anchor customers and financiers for new energy projects, signing long-term power-purchase and offtake agreements that underwrite grid upgrades, storage and advanced generation technologies. These projects include all types of generation, including gas, nuclear and renewables. The bulk of new US data centres will be powered by gas, which is leading to delivery bottlenecks for large gas turbines.⁵⁴ Evidence from the US and Europe shows that data centres are both helping bring new energy capacity online, and supporting grid stability through sophisticated demand management. Some major US projects have even seen proponents invest in significant greenfield energy generation.

To further realise the great opportunities that the major players of Silicon Valley recognise, Australia must create the right settings to encourage private investors to bring data centres to Australia. This requires national leadership to align State, Territory and Commonwealth government frameworks to streamline approvals and decision making for the construction of both data centres and associated energy infrastructure. The Government’s AI Plan alludes to this but does not outline concrete steps for achieving this. This is something that needs to happen in months, not years, and cannot be held hostage to the usual glacial pace of Commonwealth-state relations.

If Australia fails to secure a meaningful share of new hyperscale and advanced compute infrastructure, it will have a greater reliance on offshore cloud regions, higher latency and cost for local firms, and reduced control over where critical data is stored and how it is governed.

47 [The power crunch threatening America’s AI ambitions](#)

48 McKinsey & Company. (2025). *The cost of compute: A \$7 trillion race to scale data centers*. Technology, Media & Telecommunications Insights.

49 Asia Pacific Data Centre Association. (2025). *Economic impact of data centres to the Malaysian Economy*. APDCA Economic Impact Report.

50 King & Wood Mallesons. (2025). *Navigating data centre opportunities across APAC*. Latest Thinking.

51 OpenAI. (2025). *Introducing OpenAI for Australia*, <https://openai.com/global-affairs/openai-for-australia/>

52 Amazon Web Services. (2025). *Amazon investing AU\$20 billion to expand data center infrastructure in Australia and strengthen the nation’s AI future*. About Amazon: AWS News.

53 Australian Financial Review. (2025, June 15). *Amazon lifts Australian data centre spend to \$20b as AI demand grows*. AFR Politics: Federal.

54 [The power crunch threatening America’s AI ambitions](#)

The national security implications are also material. Today, much of Australia's connectivity and data traffic depends on subsea cables. Public reporting has already documented Chinese and Russian capabilities to disrupt or cut subsea cables at depth, and Taiwan's experience shows how vulnerable communications infrastructure could be in a regional crisis.^{55,56} While on-shore data centres cannot eliminate these risks, robust, secure and redundant domestic infrastructure can help sustain core digital services – including government, healthcare and critical industries – if external links are compromised.

To ensure Australia has the digital infrastructure needed to become globally competitive and secure Australia's data sovereignty, it needs to:

- Streamline planning and approval processes for data centres, high-performance computing sites, and associated energy and cooling infrastructure – reducing lead times for nationally significant AI projects. This should be agreed with the states and territories and implemented within 12 months.
- Prioritise AI-relevant infrastructure projects within existing investment vehicles by giving priority access to Government special investment vehicles such as the National Reconstruction Fund's (NRF) Critical Technologies stream, the Clean Energy Finance Corporation's (CEFC) 'green digital infrastructure' mandate and the Northern Australia Infrastructure Fund (NAIF). Projects should be prioritised where they:
 - Contribute directly to national compute resilience or sovereign capability (e.g. regional redundancy, secure government-grade cloud capacity), or
 - Demonstrate best-practice energy efficiency and grid-stability design (e.g. load-shifting, heat reuse, participation in demand-response markets, development of full- or partial own-source energy).

3. Skills at every level

There is forecast to be a shortfall of 30,000 workers with AI skills within three years. To ensure Australia's workforce can effectively adopt and apply AI technologies, and that economic policies ensure businesses benefit from productivity gains and prevent talent flow overseas, the Government should:

- Ensure that universities, TAFEs and registered training organisations offer relevant micro-credential pathways. These short, stackable courses would target priority occupations (e.g. data analytics, software engineering, manufacturing, health, and public administration) and provide rapid upskilling in practical AI use.
- Establish nationally recognised AI competency standards – developed in partnership with Jobs and Skills Australia, industry and the Australian Qualifications Framework – that draw on international standards and industry needs, are agile, frequently updated and define the core technical and ethical capabilities expected of highly skilled workers using or developing AI systems. These standards could guide course design, certification, and workforce planning, ensuring consistent quality and portability of skills across sectors.

These initiatives would help raise labour productivity and ensure public investment in AI infrastructure and R&D translates into real workplace adoption. The second section of this report proposes additional policies to improve AI literacy for all Australians, ensuring a citizenry that is better equipped to work with AI. Clear, nationally recognised AI competency standards would give employers and educators a shared benchmark, supporting a coordinated, industry-ready skills pipeline.

55 ABC News. (2025, April 28). China's undersea cable cutter raises concerns for Australia and Pacific Islands. Australian Broadcasting Corporation.

56 ABC News. (2025, June 1). Inside the mission to stop Russian "ghost ships" cutting sea cables. Australian Broadcasting Corporation.

However, there remains a skills gap to address immediate shortages of senior and specialised AI talent. In response, the Government should establish a priority stream within the National Innovation visa program specifically for applicants with verified expertise in critical AI occupations (e.g. machine learning, data engineering, AI governance, and model safety):

- Quarantine a defined share (e.g. 20%) of the existing ~4,000 visa places to be specifically for AI-related roles, ensuring predictable access for employers in both industry and research. This share should be reviewed annually based on demand.
- Provide priority processing for eligible AI applicants to maintain competitiveness with other advanced economies such as Canada, the UK, and Singapore.
- Set a wage floor at or above the 85th percentile of national full-time earnings (based on ABS data) to target only senior, high-value talent and protect domestic labour markets.

This targeted migration measure would inject scarce senior AI expertise into Australia's domestic ecosystem, accelerating capability transfer and providing mentorship for local teams without disadvantaging Australian workers. It would also send a clear signal to business and investors that the Government is serious about building national AI capacity and supporting adoption as a driver of long-term productivity and economic growth.

4. Government's role as a lead customer

Integrating AI-enabled solutions across service delivery, operations, and procurement demonstrates practical, responsible use within government and could deliver immediate productivity gains and showcase adoption at scale. Acting as an early, responsible customer would help de-risk Australian-developed AI products, set trusted benchmarks for industry, and build public confidence in the technology's value. Visible government leadership would also signal genuine commitment to digital transformation – aligning with recommendations from the Productivity Commission, which highlight AI's potential to enhance education, healthcare, and public services. [The Menzies Research Centre has previously written](#) about the transformative potential of AI in improving productivity nationally and particularly in delivering public services.

The Government should:

- Require each department and agency to explicitly consider how it can adopt AI-enabled tools or systems that demonstrably improve service quality, administrative efficiency, or data-driven decision-making. Government entities should be required to justify any decision not to adopt such tools.
- Establish a cross-agency AI implementation program with change management expertise, coordinated by the Digital Transformation Agency and the National AI Centre, to identify high-value use cases (e.g. document processing, service personalisation, education delivery, regulatory analytics) and share lessons learned. As previously recommended by the MRC, the Commonwealth Government should also monitor best-practice use of AI in public service provision and disseminate these practices to state and territory governments, especially in areas receiving substantial Commonwealth funding.
- Prioritise Australian-developed AI solutions where competitive, thereby helping domestic vendors achieve scale and export credibility.

5. National Capability Accelerator

Alongside government capability acceleration, Australia should accelerate innovation grounded in national strengths. An AI focused Cooperative Research Centre (CRC) within the existing CRC program would help catalyse the development and export of AI applications. Such a CRC could be focused on sectors where Australia holds or could develop a comparative advantage, such as climate modelling, agriculture, and mining automation. The CRC would connect government, industry, research institutions, and venture capital to fast-track prototypes, provide access to sovereign compute⁵⁷ resources, and help scale commercially viable solutions. Coordination with regional innovation networks or bilateral relationships in the region would amplify impact and open export pathways for trusted Australian technologies into this region.

By combining leadership with targeted procurement, the Government can lift its own efficiency, catalyse national AI capability growth and improve Australian economic growth by investing in Australian technologies.

The following table summarises these five recommendations giving Australia the best chance of realising the economic and productivity gains on offer from AI.

Table 2: Recommendations 1-6 (Boosting economic productivity and growth)

Recommendation	Government Action	Rationale and Outcomes
1. Incentivise AI investment through a targeted, time-limited R&D and adoption tax boost	Introduce two complementary, temporary tax incentives to accelerate both AI creation and adoption: (1) A three-year 20% R&D tax uplift for qualifying AI-related activities (e.g. software and algorithm development, data engineering, AI governance, safety research). (2) A two-year 30% AI adoption offset for SMEs (turnover < \$50m), allowing deduction of 130% of up to \$5m in eligible AI adoption costs (software, cloud inference, systems integration).	Crows in private capital, helping narrow Australia’s R&D intensity gap with OECD peers while nudging SMEs to adopt proven AI tools. Front-loading both innovation and diffusion boosts productivity and strengthens the domestic AI ecosystem without ongoing structural expenditure.
2. Support and catalyse the development of AI-ready infrastructure, including data centres and compute capacity	<ul style="list-style-type: none"> Streamline approvals for data centres, high-performance computing and related energy infrastructure, with full implementation within 12 months. Give priority access for AI-relevant projects within existing investment vehicles such as the NRF, NAIF and CEFC, especially those demonstrating best-practice energy efficiency or contributing to national compute resilience and sovereign capability. 	Attract global capital to address Australia’s sovereign compute deficit, where limited on-shore compute capacity constrains AI research and deployment. Expanding domestic infrastructure lowers costs, enhances data sovereignty, and strengthens national digital resilience without creating new funding bodies.

⁵⁷ Compute – the hardware, energy, and infrastructure required to train and deploy advanced AI systems – is now a strategic resource. Without access to sovereign, compute capacity, Australia cannot independently evaluate, secure, or scale AI technologies aligned with national interests.

Recommendation	Government Action	Rationale and Outcomes
3. Support a national AI skills uplift	<ul style="list-style-type: none"> Develop nationally recognised AI competency standards in partnership with Jobs and Skills Australia, industry and the Australian Qualifications Framework to guide curriculum design, certification and workforce planning. Strengthen micro-credential pathways in line with key competencies for priority occupations. 	<p>Tackles the forecast 30,000-worker AI skills shortfall, raising labour productivity and ensuring public investment in AI infrastructure and R&D translates into workplace adoption. Shared competency standards provide consistency and industry alignment across sectors.</p>
4. Support AI skills import through a dedicated migration priority stream	<p>Establish a priority stream within the National Innovation visa program for applicants with verified expertise in critical AI occupations (e.g. machine learning, data engineering, AI governance, model safety). To enable this:</p> <ul style="list-style-type: none"> Quarantine a proportion of the ~4,000 visa places for AI roles Offer priority processing Apply a wage floor at or above the 85th percentile of national full-time earnings to target senior talent and protect local labour markets. 	<p>Injects scarce senior AI expertise into Australia's ecosystem, accelerating capability transfer and mentorship for local teams. Signals to business and investors that the Government is serious about AI-driven growth, positioning Australia competitively in the global talent market while supporting equitable, productivity-focused development.</p>
5. Embed AI in Federal Government service delivery and procurement	<p>Make the Commonwealth a lead adopter of AI.</p> <ul style="list-style-type: none"> Require each department and agency to explicitly consider how it can adopt AI-enabled systems that improve service quality or efficiency, and justify any decision not to adopt such tools. Establish a cross-agency and Commonwealth-state implementation program for collaboration, identifying use cases and sharing lessons. Use procurement to prioritise Australian-developed solutions where competitive. 	<p>Embedding AI in government services delivers immediate productivity gains and models responsible adoption at scale. Acting as a first customer de-risks domestic AI products, builds public confidence, and demonstrates leadership consistent with Productivity Commission and Microeconomic Reform Council recommendations.</p>
6. Launch a National AI Capability Accelerator	<ul style="list-style-type: none"> Establish a Cooperative Research Centre to develop distinctive Australian AI applications in areas of comparative advantage – such as climate modelling, agriculture, and mining automation. 	<p>Moves Australia from consumer to creator in the global AI economy. Builds sovereign IP and exportable AI solutions aligned with national strengths.</p>

3. Protecting democratic and individual freedoms

AI offers one of the greatest opportunities of our generation: to amplify human ingenuity and create new sources of prosperity. But its promise can only be realised in a society that safeguards individual rights, personal liberties and democratic freedoms.

Whether Australians choose to adopt it or not, AI is already shaping their daily lives – influencing the news they see, the loans they qualify for, the jobs they're offered, and even the political messages they encounter online. This is not a technology of choice like a VR headset or the latest wearable gadget. It is a structural shift comparable to the arrival of the internet: invisible, ubiquitous, and rapidly becoming foundational to how economies, democracies, and societies function.

Yet many Australians remain unaware of the scale of this transformation. A global study of 48,000 people across 47 countries found that just 50% of Australians use AI at least every few months and only 42% believe they have even moderate knowledge of it.⁵⁸ This gap between everyday exposure to AI and informed understanding leaves citizens vulnerable to invisible algorithms, automated bias, and weaponised misinformation.

The reality is sobering. Seven in 10 Australians (70%) believe AI's benefits do not outweigh its risks – second lowest among all countries surveyed – and just 24% have undertaken any form of AI-related training.⁵⁹ Seventy-seven per cent of Australians believe they have noticed more political deepfakes this year, yet only 12% feel confident identifying them.⁶⁰ Over three-quarters (77%) believe AI requires stronger regulation, with four in five (80%) Australians believing the Government should take leadership in this area, signalling a clear public mandate for action.⁶¹

Despite this, Australia continues to behave as though AI's impact is optional – as if citizens can opt out of a digital revolution already underway. This collective denial has left Australians feeling under-prepared and under-protected. A failure to inform, educate, and equip citizens risks creating a nation of passive consumers rather than active shapers of technology. Ignoring or downplaying AI's transformative power will not shield Australians from its effects – it will only ensure those effects are felt on other nations' and foreign actors' terms.

58 Gillespie, N., Lockey, S., Ward, T., Macdade, A., Hased, G. (2025). Trust, Use and Attitudes towards Artificial Intelligence: A Global Study 2025. The University of Melbourne and KPMG

59 Ibid.

60 Adobe. (2025, April). Authenticity in the age of AI: Australia.

61 Gillespie, N., Lockey, S., Ward, T., Macdade, A., Hased, G. (2025). Trust, Use and Attitudes towards Artificial Intelligence: A Global Study 2025. The University of Melbourne and KPMG

1. Equipping Australians to navigate the AI era

Australia can only realise the economic and geostrategic gains from AI when citizens possess AI literacy, know how to weigh risks, and have confidence that there are appropriate safeguards in place to protect them.

To assist the many Australians who have little understanding of or confidence in AI, the Government should establish a national AI literacy platform to boost resilience – a single, publicly accessible website (coordinated by the National AI Centre) that provides free and trusted modular e-learning on key AI capabilities:

- **Spotting synthetic and AI-generated media:** building the ability to recognise AI-generated or manipulated content and verify the authenticity of digital information – particularly political, social or news material.
- **Understanding personal rights and redress in automated decisions:** developing awareness of how automated and algorithmic decisions are made, how they may affect individuals, and what mechanisms exist for transparency, challenge, or redress.
- **Identifying AI-enabled scams and misinformation:** enhancing the capacity to identify AI-enabled fraud, scams, and misuse of personal data, and to apply safe online practices.
- **Basic use of AI tools to boost productivity and employability:** Supporting Australians and Australian businesses to build practical AI and data capabilities that enhance employability, innovation, and productivity across industries.

The platform should include short, video-based learning modules co-developed with the latest research from universities, TAFE, and industry partners – demonstrating the benefits and impacts on everyday Australians. Schools could integrate age-appropriate AI literacy content into Digital Technology, Social Studies and Humanities subjects.

A focused, national literacy effort would improve AI fluency, build confidence, and support workforce productivity. Importantly, it should be light-touch, low-cost, and deployable within six months – acting as the ‘digital hygiene’ campaign equivalent for the AI era and building national resilience to AI-related change over time.

2. Introducing a clear transparency framework

As more organisations and businesses adopt AI tools and technology, Australians will increasingly face an ‘invisible algorithms’ problem. Decisions and workflows are automated while accountability becomes opaque. A practical transparency and disclosure framework would strengthen public trust without imposing a new layer of bureaucracy. The goal is to ensure AI-driven decision making remains transparent, fair, and contestable – especially where it affects livelihoods or access to essential services.

Rather than establishing a new regulator, coordination across existing agencies – such as the ACCC and the Office of the Australian Information Commissioner (OAIC) – would suffice to implement a simple, consistent AI disclosure standard.

- Require organisations to disclose when AI materially influences automated decision-making that affect outcomes for individuals (e.g. loans, recruitment, or public services), including plain-English explanations of how such decisions are made and the circumstances in which they can be challenged.
- Provide a single online entry point (linked to existing regulators) explaining Australians’ rights regarding AI use in both government and private services.

While the recently released National AI Plan notes the National AI Centre has ‘recommended transparency measures’ for businesses, it doesn’t go far enough as there are certain circumstances in which organisations should be required to disclose AI usage – for example, sorting job applications (some companies already disclose this voluntarily).

3. Safeguarding electoral integrity

The AEC has warned it currently has limited legal tools to stop political AI deepfakes and that education is urgently required.⁶² Nearly seven in 10 Australians are already concerned that AI-generated deepfakes could undermine the federal election, and most believe such content is increasing.⁶³

The Government should update existing online misinformation and electoral integrity frameworks to:

- Amend electoral authorisation rules so that political parties, candidates and registered campaigners are banned from using AI-generated audio, video or imagery used to depict a real person in campaign material.
- Formalise an AEC rapid response protocol during election periods to identify and label AI-generated impersonations that could mislead voters about how, when or where to vote, including content likely to originate offshore.
- Require the AEC to run voter-facing myth-busting and AI/media literacy public information campaigns during election periods, so Australians can better recognise inauthentic political content and report it.

Crucially, this should be paired with public education; such as the recommended national AI literacy platform and the single online entry point for explaining Australians’ rights regarding AI. This approach targets two high-risk scenarios – deceptive synthetic content from campaigns and foreign interference operations.

4. Data privacy

It would be remiss of this report not to address data privacy regulation at the same time as equipping Australians to identify AI risks, since inadequate data protection amplifies every other vulnerability in Australia’s digital and democratic systems.

The Attorney-General’s Privacy Act Review Report released February 2023 concluded that it is necessary to overhaul Australia’s privacy laws and a failure to do so would adversely impact the international competitiveness of Australian businesses.⁶⁴ While reviews and “first-tranche” reforms have been introduced,⁶⁵ Australia still lacks the comprehensive, enforceable rights and accountability obligations.

The gap remains painfully clear as shown by a string of recent cyber incidents: the Optus breach (2022)⁶⁶, which compromised the data of roughly 10 million customers; the Medibank breach (2022), which saw sensitive health records of 9.7 million Australians released online⁶⁷, and the Qantas customer data exposures (2024 and 2025)⁶⁸ which impacted millions of customers.

62 Australian Broadcasting Corporation. (2024, May 21). *Federal election regulator warns voters could be exposed to AI-generated material ahead of election.*

63 Adobe. (2025, April). *Authenticity in the Age of AI: Australia.*

64 Attorney-General’s Department. (2023, September). *Fact sheet - Government response to the Privacy Act Review Report.*

65 McCullough Robertson. (2023, December 20). *Australia: Government response to the Privacy Act Review Report.*

66 TelecomLead. (2025, August 8). *Optus sued over 2022 cyber attack that exposed data of 9.5 mn Australians.*

67 Bailey, M. (2022, December 1). *Medibank hackers announce ‘case closed’ and dump huge data file on dark web.* The Guardian.

68 Wilson, T. (2025, July 2). *Qantas hit by cyber-attack, leaving 6 million customer records at risk of data breach.* BBC News.

In each case, regulatory responses were slow, fragmented or still unresolved years later, and few meaningful sanctions have followed. This pattern has eroded public trust and underscores a systemic failure to treat privacy protection as critical national infrastructure.

The Government has suggested that the Attorney-General is working on modernising the Privacy Act 1988. However it should go further and commit to:

- A definitive **time-bound** roadmap for enactment of all ‘agreed in principle’ reforms, with milestones and clear date triggers;
- Introducing transparency requirements so that customers and consumers are informed about high-risk data processing, automated decisions, and overseas data flows in sectors handling Personally Identifiable Information (health, banking, etc.) and national security (defence, government vendors, etc.); and
- Ensuring enforcement regimes are calibrated to large-scale, cross-border data risks (including faster regulatory action, interim orders, higher penalties and clearer individual rights).

Below is a summary table of recommendations the Government should implement to protect Australians’ democratic and individual freedoms.

Table 3: Recommendations 7-10 (Protecting democratic and individual freedoms)

Recommendation	Government Action	Rationale and Outcomes
<p>7. Launch a National AI Literacy Initiative</p>	<p>Create a national AI literacy platform focusing on building resilience – a single, publicly accessible website coordinated by the Commonwealth:</p> <ul style="list-style-type: none"> • Free and trusted short e-learning modules on: <ul style="list-style-type: none"> – Identifying AI-generated media; – Understanding rights and redress in automated decisions; – Recognising AI-enabled scams and misinformation; and – Using AI tools to improve productivity and employability. • Content developed with latest research from universities, TAFEs and industry. 	<p>Builds baseline AI capability across the population, increasing trust, safety and workforce readiness.</p> <p>Low-cost and fast to deploy (within six months), this functions as a core resilience builder for the AI era and underpins long-term productivity.</p>

Recommendation	Government Action	Rationale and Outcomes
8. Introduce a clear and practical AI transparency framework	<p>Use existing regulators (e.g. ACCC, OAIC) to create a transparency framework:</p> <ul style="list-style-type: none"> • Require organisations to disclose when AI materially influences automated decision-making that affects individuals (e.g. hiring, credit, access to services). • Mandate plain-English explanations of how such decisions are made and when they can be challenged. • Provide one online portal (new or existing) that explains people’s rights and pathways for review regarding AI. 	<p>Addresses the ‘invisible algorithms’ problem by informing Australians when they are affected by AI-driven decisions without knowing how or why.</p> <p>A consistent disclosure and redress standard would improve trust, keep AI use contestable and fair – without adding a new layer of regulation.</p>
9. Safeguard democratic integrity through transparency and education	<p>Modernise electoral integrity settings to address AI-enabled manipulation:</p> <ul style="list-style-type: none"> • Ban use of AI-generated audio, video or imagery to depict a real person in campaign material. • Establish an AEC rapid response protocol to flag and label all AI-generated impersonations. • Require the AEC to run voter-facing AI/media literacy messaging during election periods. 	<p>Reduces the risk of AI-enabled disinformation and foreign interference in elections.</p> <p>Targets the two highest-risk scenarios: deceptive synthetic content eroding public trust and foreign political interference operations.</p>
10. Expedite full legislative reform of the Privacy Act	<p>Establish and publish a clear, time-bound roadmap for completing Privacy Act reform – covering all ‘agreed in principle’ measures from the Attorney-General’s 2023 review. This includes:</p> <ul style="list-style-type: none"> • Legislating modern accountability requirements; • Disclosure of automated decision-making. <p>Enforcement powers to be strengthened through faster investigative timelines, interim orders, higher penalties, and direct rights of action for individuals.</p>	<p>The latest major breaches (Optus, Medibank, Qantas) has eroded public trust and highlighted systemic weaknesses in enforcement and corporate accountability. Modernising legislation would bring Australia into step with global norms, restoring confidence in digital services, and safeguarding Australia’s data as it relates to national security.</p>

4. Advancing Australia's interests in the global AI era

Australia has the opportunity to position itself as an influential convenor and credible global leader in the governance and application of artificial intelligence. Yet our position in the global AI landscape is increasingly precarious. While major powers invest billions in the pursuit of AI supremacy – led by the United States and China, which together account for the overwhelming majority of global AI investment – middle powers like Australia risk becoming rule-takers rather than rule-makers.

Our geographic location between competing spheres of technological influence, combined with our democratic values, scientific capability, and resource wealth, makes Australia both strategically important and structurally exposed to AI-enabled coercion, cyber-operations, and information manipulation. To safeguard national interests and shape the norms of the AI era, Australia must move from reactive participation to active agenda-setting – embedding AI leadership within our strategic, economic and diplomatic frameworks.

Australia holds unique advantages: a trusted middle-power reputation, world-class AI researchers, and deep partnerships with both democratic allies and regional neighbours. The issue is not whether we can match superpowers in scale or spending, but whether we can leverage our strategic position to shape global AI norms, safeguard sovereignty, and project our values across the Indo-Pacific.

1. Build sovereign capability for independent action

Global credibility begins with domestic strength. Australia must be able to assess and deploy AI systems on its own terms and contribute distinctive innovations to the global market. Delivering on our 2024 Seoul Declaration commitment – which marked a shift from AI as solely a domestic regulatory issue to needing global-governance, as well as strategically important for innovation – the Government has recently announced a new Australian AI Safety Institute (AISI) and has designated Home Affairs to lead on AI security.

The remit of AISI should be expanded to include security matters and the Institute be renamed the Australian AI Safety and Security Institute (AISSI). The AISSI should collaborate with AUKUS Pillar II partners and the Quad Critical and Emerging Technology Working Group to share safety methodologies, model evaluation techniques, and compute-security best practice in national security applications. This would ensure interoperability with trusted partners while maintaining sovereign oversight.

2. Strengthen resilience against AI-enabled threats

As AI becomes embedded in every sector, it generates both opportunity and vulnerability. The same systems that enhance productivity and innovation can also be weaponised – through cyberattacks, foreign control over key datasets or dependence on overseas technology providers.

To protect Australia's digital sovereignty data must be stored and processed domestically, governed under Australian laws and our own, unique value set. Keeping control of data ensures that the benefits of AI innovation accrue to the Australian economy. In short, Australian data should generate Australian value. However, there should be continued scrutiny over foreign ownership and sufficient domestic investment to support Australian-owned infrastructure. In the interim and going forward, the Government should negotiate

and sign agreements for more onshore data storage options with major cloud vendors like Amazon, Google and Microsoft.

Building resilience also means securing AI supply chains. Australia should prioritise domestic capability in compute, data, and algorithms – what security experts term *selective sovereignty*, while still collaborating internationally. Collaboration with AUKUS Pillar II and Quad technology coordination could further support advancement in computing, quantum, and cybersecurity. This approach balances national control with strategic collaboration, ensuring Australia benefits from global innovation while avoiding dependency on any single nation or supplier.

Finally, Home Affairs' Critical Infrastructure Protection Framework should be updated to address AI-specific threats such as data poisoning⁶⁹, model manipulation⁷⁰, and algorithmic interference⁷¹. Joint research with close regional partners could support detection standards, red-team testing, and incident-response mechanisms across the region. Collectively, these measures would better secure Australia's digital systems and preserve its ability to make independent, trustworthy decisions in the national interest.

3. Shape international norms through principled leadership

With sovereign capability and resilience in place, Australia can lead internationally by shaping the norms that govern AI development and use. The recently released National AI Plan mentions Australia is aligning with international AI standards by actively participating in global standards development. However, Australia should be a leader of the standards development in our region. Establishing an Indo-Pacific AI Fusion Centre, headquartered in Australia, would enable regional collaboration on practical frameworks suited to democratic and mixed political systems – bridging the gap between global principles and local implementation. Working with ASEAN partners and Quad members, the centre would coordinate knowledge exchange, training, research, and policy design to embed transparency, fairness, and accountability across the region.

At the same time, Australia should champion a Values-Based AI Alliance with democratic partners to advance shared standards and provide credible alternatives to authoritarian AI models.⁷² This alliance would promote interoperable safety and ethics standards – the democratic 'gold standard' for trustworthy AI – and provide technical assistance to Indo-Pacific nations seeking to adopt them.

By leading in AI governance through its alliances and strategic partnerships – AUKUS for security, the Quad for technology standards, and ASEAN for regional inclusion – Australia can project influence beyond its size. As an active member of global forums – such as the OECD and APEC, which are advancing AI principles⁷³ and regional initiatives to build capacity, foster innovation, and support information-sharing⁷⁴ – Australia has the opportunity to channel regional experience into global policy development. Together, these efforts reinforce democratic resilience and help ensure that the Indo-Pacific's AI future is guided by openness, fairness, and respect for human dignity.

69 Deliberate corruption of training data.

70 The manipulation of AI models to produce misleading outputs.

71 The covert use of algorithms to influence decision-making.

72 Systems developed within regimes that prioritise surveillance, social conformity, and state control over individual rights.

73 Organisation for Economic Co-operation and Development. (n.d.). AI Principles.

74 Asia-Pacific Economic Cooperation. (2025). *2025 APEC Leaders' Gyeongju Declaration: APEC Artificial Intelligence (AI) Initiative (2026-2030)*.

Table 4: Recommendations 11-15 (Advancing Australia’s interests in the global AI era)

Recommendation	Government Action	Rationale and Outcomes
11. Expand AISI’s remit to address security challenges	<p>Expand the remit of the Australian AI Safety Institute (AISI) to address AI-specific security challenges.</p> <p>Empower the Institute to cooperate with the Quad Critical and Emerging Technology Working Group and AUKUS Pillar II partners to share safety methodologies, model evaluation techniques, and compute-security best practice.</p>	<p>Delivers on Australia’s 2024 Seoul Declaration commitment while acknowledging rapidly evolving challenges, particularly with AI security. Secures Australia’s safety and security in the AI era.</p>
12. Integrate AI into systemic risk management	<p>Expand Home Affairs’ Critical Infrastructure Protection Framework to address AI-specific vulnerabilities such as algorithmic manipulation, data poisoning, and malicious model use.</p>	<p>Reduces vulnerability to supply chain disruption and technological coercion. Builds selective sovereignty while maintaining international collaboration.</p>
13. Strengthen AI supply chain security	<p>Onshore, secure and/or diversify supply of critical AI components. Partner with trusted allies and close partners to avoid dependence on any single nation. Cooperation, coordination and agreements can be made through the existing AUKUS Pillar II and Quad lines of effort.</p>	<p>Multiplies Australia’s influence through collective action.</p> <p>Ensures democratic and rights-respecting AI pathways remain globally viable.</p>
14. Ensure strategic data sovereignty	<p>Designate critical datasets as national assets requiring secure, domestic storage and processing, and establish guidelines for value-sharing where public data is used for AI training. Negotiate and sign agreements for more onshore data storage options with major cloud vendors like Amazon, Google and Microsoft.</p>	<p>Keeps Australian data generating Australian value.</p> <p>Reduces exposure to foreign control over core information infrastructure and underpins national security.</p>
15. Launch an Indo-Pacific AI Fusion Centre	<p>Establish a regional fusion centre hosted in Australia to coordinate AI governance and security knowledge-sharing, capability-building and cooperation across the Indo-Pacific.</p> <p>Focus on creating a trusted AI Certification Framework with multilateral consensus on recognised standards for AI safety, security, transparency and ethics that likeminded nations can adopt.</p>	<p>Positions Australia as the regional convenor for AI governance and supports inclusive capacity building for nations with lower capacity but vulnerable to authoritarian influence.</p> <p>Establishes Australia as a norm-setter in responsible AI and strengthens our influence in global rule-making.</p>

5. Conclusion

The choice before us

The global competition for AI leadership continues to intensify. Australia must not remain a passive observer, but the Government's 2025 National AI Plan lacks the ambition and detail needed to make Australia an AI leader.

Through targeted investment frameworks that enable business innovation and attract global capital, comprehensive literacy programs that empower our citizens, and strategic leadership initiatives that amplify our international influence, Australia can forge a distinctive path in AI development. This would be a uniquely Australian approach that balances innovation with inclusion, competitiveness with compassion, and global engagement with sovereign values.

The growth of AI over the coming decade is likely to reshape significant parts of Australia's economic environment. The critical question facing our nation is whether we will actively harness this transformation or merely react to changes imposed by others and miss out on the economic benefits available whilst other nations get ahead. This playbook advocates for deliberate action and strategic choice. The responsibility for implementation now rests with Australia's leaders, institutions, and citizens.



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