

Election 2025: Industry and Technology

March 2025



Key recommendations

Transitional support for industrial transformation: Address recession-like conditions with strategic principles for industry programs, focusing on innovation, ecosystem approach, and simplicity in administration.

Boosting international connectedness: Reform ageing border systems to improve trade-facilitation processes and invest in creating robust supply chains.

Innovation, Science and Technology Strategy: Form a Ministerial Council to coordinate efforts and provide long-term policy certainty, establish a national IP Bank to streamline commercialisation of public sector research and create Technology De-risking Centres for SMEs to explore and test innovations in controlled environments. Ensure transparency in Research and Development Tax Incentive decision-making and align payments with Business Activity Statements.

Uplift digital capability: Support cybersecurity legislative amendments and deepen engagement with industry. Invest in AI capability and implement moderate guardrails.

Accelerate Decarbonisation: Streamline national environmental approvals and ensure adequate resources for faster outcomes. Continue packaging regulatory reform and prioritize e-stewardship at a national level, considering the circular economy's broader impact on Australia's transition to net zero.

Support a robust and responsive skilled migration program.

The challenge

Australian industry is currently experiencing recession-like conditions with several industries – including mining, manufacturing, wholesale trade, accommodation and food – reporting contracting output on an annualised basis. The slowdown in private business investment, which has fallen from a 6.7% to 1.3% p.a. growth rate over the past year, is of particular concern.

Sluggish growth in business investment augurs poorly for a durable economic recovery in 2025/2026.

Ai Group's members face significant challenges in maintaining innovation and competitiveness during a period of economic transformation. Without substantial reform, Australian industry will lack the confidence to invest, innovate and undertake the transformation required in the increasingly decarbonised, diversified and digitalised global economy.

Despite the critical importance of innovation, science and technology for future economic growth – particularly as traditional exports like iron ore and coal face declining demand – Australia's business innovation has been trending downward since 2008, with Business Expenditure on Research and Development (R&D) falling to 0.89% of GDP in 2021-22, the lowest rate in 20 years. This decline has seen Australia drop from 12th to 19th place in the OECD R&D rankings, now performing lower than all G7 major economies.

Instead of pursuing their organisation's innovation goals, companies tell us they are consumed by regulatory compliance (red, green and grey tape); cost pressures and fundamental business model challenges presented by the "Three Ds": decarbonisation, diversification and digitalisation. This environment has led executives to scrutinise their R&D programs, external partnerships and technology investments during this transformational period.

Priority areas for action

Transitional support for industrial transformation

Australia is not unique in requiring an effective policy lever to accelerate and shape our industrial transformation. However, to deliver the greatest results, any intervention will need to be innovative, networked and adaptable.

Too often in Australia, short-term funding cycles have prevented industry programs from achieving lasting transformation. Cuts to the Entrepreneurs' Programme (EP) announced in the October 2022 Budget are an example. For eight years, the EP successfully helped thousands of SMEs through commercialisation, management and research coaching services. There currently lies a critical gap in Australia's industry policy framework to provide a management capability uplift to ensure Australian companies remain internationally competitive.

Ai Group suggests these strategic principles for any industry program:

- Needs a distinctive role in the marketplace
- Takes an ecosystem approach to industrial transformation
- Takes a 'sovereign adaptability' approach to industrial transformation
- Is realistically shaped to respond to the issue. Not all problems require money; regulatory reform may be the correct solution.
- Is a stepping stone towards an internationally competitive capability

- Simple to administer and to access

Boosting international connectedness

As we enter a time of expected disruption to international markets, Australia's ongoing commitment to positive trading relationships will be essential to advance Australia's economic interests. The normalisation of our trading relationship with China has been a welcome development and a demonstration of Australia's strength of conviction and ability to withstand economic coercion.

Open trade and consistent global trading rules have been vital in ensuring that businesses can compete in international markets. Australia enjoys the added advantage of a comprehensive architecture of free trade agreements, providing companies with access to new and existing markets. We welcome the first FTA in the Middle East with the Australia-UAE Comprehensive Economic Partnership Agreement (CEPA) and ongoing negotiations to upgrade the existing FTA with India. Our research shows that the FTA with India has already resulted in increased trade.

But while FTAs are important head-turning events, it is the day-to-day grind of trade that will determine our status as a trading nation. The Simplified Trade System Unit was a positive step to address the challenge of whole of government reform to our borders; however, we are concerned that since its funded work has ended, momentum for change has also ended. Research shows that improving trade-facilitation processes has 10 times the positive economic impact of reducing tariffs. Administrative burden and time delays are absorbed by traders, ultimately leading to higher-priced goods for consumers.

We recommend a renewed investment and focus on reforming our ageing and disconnected border systems.

Resilient supply chains

During a time of increased protectionism fuelled by supply chain disruptions and geopolitical tensions, the International Trade Remedies Forum and the Anti-Dumping Commission have a significant role to play in ensuring that Australian companies compete on a level playing field.

The International Trade Remedies Forum has approved a package of reforms, and we encourage the government of the day to advance these reforms as required. These reforms focus on improving transparency and certainty for both industry and importers as well as aligning timelines and practices to global standards.

While supply chain issues are recovering from their acute status during Covid, there is no room for complacency. Australia still risks shortfalls in critical areas that impact food and water supply. Increased attention needs to be given to creating robust supply chains and empowering industry to proactively adapt to the risk of disruption. We recommend the continued investment in the Office of Supply Chain Resilience.

Development of a long-term national Innovation, Science and Technology Strategy

Australia's innovation, science and technology sectors are crucial for future economic growth and global competitiveness. However, the country lacks a long-term strategy, resulting in

fragmented policies and duplication. We propose the Government form a Ministerial Council for Innovation, Science and Technology to facilitate collaboration and provide long-term policy certainty. This council will coordinate efforts and create a supportive environment for research and development (R&D).

The council should be informed by the current Strategic Examination of Research and Development. Feedback indicates the need for innovative solutions that fundamentally reshape R&D support and commercialisation processes. Key priorities include boosting private sector R&D investment and removing barriers to innovation.

Uplift in commercialisation

Despite leading in R&D, Australia's public sector research commercialisation rates are low. To remain financially sustainable, research institutions must diversify revenue streams and strengthen industry connections. Programs like Australia's Economic Accelerator (AEA) should drive necessary cultural changes, making the sector more client-focused and aligned with industry needs.

We support establishing a national IP Bank to commercialise intellectual property created by public sector research organisations that isn't already tied to industry partners. By creating a central repository for IP funded by the public purse, this bank would streamline commercialisation while enabling universities to concentrate on their core strength: research.

Technology De-risking Centres (TDCs)

Small and medium enterprises (SMEs) face challenges in adopting new technologies. TDCs offer controlled environments for SMEs to explore and test innovations, mitigating risks associated with tech integration. These centres should be staffed by private sector professionals and be technology-agnostic.

R&D Tax Incentive (RDTI)

The RDTI is vital to Australia's innovation ecosystem. Any exclusions should be based on robust economic analysis and clear policy objectives. Transparency in decision-making is essential, with detailed reasoning and impact assessments published for public scrutiny.

Members note that the program's narrative, often driven by consultants, makes it seem risky without assistance. We support reviewing RDTI funding distribution to ensure policy effectiveness and taxpayer value. Aligning payments with Business Activity Statements (BAS) could provide more consistent funding, reducing cash flow challenges for companies.

Analysis of R&D Tax Incentive data could identify emerging technology clusters and research patterns, revealing opportunities for collaboration and strategic investments in underserved niches.

Boosting cybersecurity capability

Ai Group welcomes and supports the proposed amendments to the Security of Critical Infrastructure Act 2018 and the Intelligence Services Act 2001. As cyber threats continue to evolve, these changes become more important. However, the Government must deepen

engagement with industry if these legislative changes are to fully deliver on improving cyber security outcomes for individuals and businesses.

We welcome the establishment of the Cyber Incident Review Board (CIRB), an independent advisory body conducting no-fault, post-incident reviews of significant cyber security incidents in Australia. It is imperative that the board consists of a diverse range of experts with a depth of expertise. As part of its structure, the Board must have industry representation – including both vendors and users of cyber security technologies – to ensure comprehensive no-fault reviews are conducted holistically.

Ai Group calls for a balanced approach to cyber security regulation that supports business innovation and minimises compliance burdens, particularly on SMEs, which do not pose systemic threat risks and should not be burdened with onerous compliance with which they often do not have the capability to comply. By ensuring regulation is proportionate and directed, the Government can build national security while supporting business growth, innovation and technology adoption rates.

Lifting artificial intelligence adoption

The creation of the National AI Centre as a vehicle to drive adoption of artificial intelligence in Australia has been a success. While technological change always has an element of organic growth due to market forces, the general nervousness among the Australian populace meant that an agent of change was required, and so the NAIC has proven to be. Our research tells us that despite Australia's general anxiety about AI, 52% of businesses already report adoption of bespoke AI technologies. Services leads industrials in AI uptake due to lower barriers to entry, but all business leaders view AI investments in the same terms as general tech – a means to improve efficiency and drive productivity outcomes. We will continue to work with the NAIC to lift capability and adoption rates.

While our members have indicated they want some guardrails to provide them with the confidence that they are using AI safely, we remain cautious at the scale and scope of the proposed regulatory framework and its potential impact on SMEs and supply chains more generally. While some regulation is required, we must be alert to the risks that onerous and invasive regulation has on innovation and investment.

We recommend continued investment in lifting Australia's AI capability and moderate guardrails on the use of AI.

Environmental approval reform

Faster approvals and workable product stewardship are needed. Efforts to decarbonise the economy are being frustrated by the lack of certainty and lengthy timelines of approvals.

The next government should complete the work of streamlining national environmental approvals, delegating enforcement of national standards to accredited states and ensuring adequate operational resources at all levels to provide speedier outcomes. A new 'climate trigger' for approvals is inappropriate, but enabling approvers to consider projects' climate benefits would expand the ways to say 'yes' to the developments Australia needs.

Circular economy and product stewardship

The next government should continue to pursue and implement packaging regulatory reform while there is momentum and high engagement. It is key that businesses have notice well in

advance of any changes to the proposed directions, as changes to existing packaging and investment in new machinery and processes take time.

Work should be prioritised on e-stewardship at a national level, as it is:

- a growing waste stream
- potentially hazardous in nature
- a source of valuable and critical materials
- impacted by bans from landfill across several jurisdictions.

Overarching this, work towards a circular economy needs to take a whole-of-economy view, to ensure well-intentioned interventions do not have negative interactions with other regulations, significant negative externalities or result in regrettable substitutions.

Work in this policy area needs to be complimentary with Australia's transition to net zero more broadly. This will take all of Australia to transition successfully and will take time, government policy to foster the change, business willingness to adapt and consumers to understand their part.

Skilled migration program

Critical to supporting industry is a robust and responsive skilled migration program. Skilled migrants generate great benefits to the Australian community as they contribute directly to our national employment and skills base. Many also bring specialist knowledge that provides even bigger benefits by deepening our entrepreneurship, innovation and international linkages.

We appreciate the announcement of the Core Skills Occupation List (CSOL) that identified 456 occupations that will be critical to the economy in 2025. The Government needs to keep a focus on immigration to help address the apparent shortages, particularly in trades and technicians.

About Australian Industry Group

Ai Group and partner organisations represent the interests of more than 60,000 businesses employing more than 1 million staff. Our membership includes businesses of all sizes, from large international companies operating in Australia and iconic Australian brands to family-run SMEs. Our members operate across a wide cross-section of the Australian economy and are linked to the broader economy through national and international supply chains.

Our purpose is to create a better Australia by empowering industry success. We offer our membership strong advocacy and an effective voice at all levels of government underpinned by our respected position of policy leadership and political non-partisanship.

With more than 250 staff and networks of relationships that extend beyond borders (domestic and international), we have the resources and expertise to meet the changing needs of our membership. We provide the practical information, advice and assistance you need to run your business. Our deep experience of industrial relations and workplace law positions Ai Group as Australia's leading industrial advocate.

We listen and we support our members by remaining at the cutting edge of policy debate and legislative change. We provide solution-driven advice to address business opportunities and risks.

Australian Industry Group contact for this paper

Louise McGrath

The Australian Industry Group

T: + TBD

E: TBD

© The Australian Industry Group, 2025

The copyright in this work is owned by the publisher, The Australian Industry Group, 51 Walker Street, North Sydney NSW 2060. All rights reserved. No part of this work may be reproduced or copied in any form or by any means (graphic, electronic or mechanical) without the written permission of the publisher.

