

The major mistake Australia must avoid around big tech and AI

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Sep 25, 2025 – 2.15pm



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Australia must act with authority on AI regulation, a new report has warned, or risk ceding the benefits of the artificial intelligence boom to international big tech companies while absorbing all the risks.

The report by the Human Technology Institute at the University Technology Sydney comes in response to the Productivity Commission's [interim report examining the role of AI on productivity](https://www.afr.com/technology/ai-to-boost-economy-by-116b-but-workers-face-painful-transition-20250805-p5mkdi), [https://www.afr.com/technology/ai-to-boost-economy-by-116b-but-workers-face-painful-transition-20250805-p5mkdi] which forecast that AI could add \$116 billion to the Australian economy over the next decade, and recommended government avoid creating new AI-specific laws that might stifle growth.

However, the HTI, led by former human rights commissioner Ed Santow, found the PC report failed to factor in the economic consequences of rogue AI systems or the cost of business delaying investments in the technology as a result of uncertainty surrounding AI regulations.



The government has been warned the PC recommendations would delay AI regulations to pursue measures that assist businesses at the forefront of AI development. **Bloomberg**

The Productivity Commission had proposed the government should pause its plan to introduce “mandatory guardrails” for AI in high settings, until gaps in the current laws are properly identified.

“Whether or not this was the Productivity Commission’s intent, the Interim Report has been widely interpreted as supporting a deliberately permissive approach to regulation for AI,” the HTI response states. “It also makes sweeping proposals regarding privacy and copyright law, which would erode key protections for individuals and content creators.”

The authors warned against following the US path, favoured by President Donald Trump, of taking a “wait and see” approach to harms or reversing existing protections to enable faster AI adoption.

“Australia’s regulatory approach for AI should ensure that economic benefits don’t just flow to big tech companies based overseas. Productivity dividends should be shared fairly among the Australian community and business, and harms associated with AI must be addressed effectively in law,” Santow said.

The debate surrounding Australia’s AI policy comes as Andrew Charlton, the assistant minister for science, technology and the digital economy, begins meeting with unions, business and industry as part of a consultation process for Australia’s national AI capability plan next week.

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Nicholas Davis, the co-director of HTI, said if the government remained passive on AI rules, its duty to support the Australian economy and to protect Australians from harm would be outsourced to other countries.

“Claiming productivity will magically emerge from deregulation while dismissing documented AI harms isn’t sound policy analysis,” Davis said. “It’s dangerously shortsighted thinking that disregards clear evidence.”

HTI argues malicious uses of AI, such as the rise of highly targeted scams, could wipe \$500 million per year from the projected economic benefits the technology is predicted to generate.

The research group also said the PC’s recommendations would delay steps to minimise the risks created by AI, to the benefit of a handful of large companies pioneering AI development, many of which structure their tax affairs in jurisdictions outside of Australia. [<https://www.afr.com/technology/tech-giants-in-the-gun-as-ato-investigates-data-centre-tax-payments-20250715-p5mf66>]

HTI also worked with former Productivity Commission chairman Michael Brennan’s e6l Institute to produce a report that found prolonging this regulatory uncertainty could delay companies from investing in AI.

“AI requires large, complementary and partly irreversible investments with long payback periods. Even small rule changes can materially change expected returns and design choices,” the e6l Institute and HTI report states.

The researchers found that while Australia’s current legal environment is not lawless, its lack of direction and credible commitments has created real uncertainty for firms and workers.

HTI recommended clarification and strengthening of laws in priority areas, including competition and consumer law, discrimination law, online safety, copyright and broader intellectual property law, and employment law and the

privacy act. At the same time, the government should continue designing mandatory guardrails for the most dangerous uses of AI.

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