



2024-25 Pre-Budget Submission

5 February 2024

Innovate or stagnate – reviving Australia’s productivity growth

The 2024-25 Federal Budget is an opportunity for the Government to set out an ambitious plan to revive Australia’s dwindling productivity growth and create a more dynamic, competitive and innovative economy. This is the only sustainable path to provide Australians with a future of higher living standards – with higher wages, stronger businesses and lower prices which will ultimately improve cost-of-living over the medium-to-longer term.

As the Productivity Commission has observed, average annual labour productivity growth in Australia over the decade to 2020 was the slowest in 60 years. Driving greater technology creation and adoption, including of emerging technologies like AI, is essential to turn the tide on our productivity performance.

Tech companies, large and small, are a key productivity driver in the Australian economy. They: i) create new products and technologies that improve business processes and efficiency, reduce costs and support business innovation (e.g. AI tools, accounting tools, workforce management tools, graphic design tools); ii) introduce competition across the economy which drives traditional firms to innovate (e.g. FinTech firms in the financial services sector); and iii) tend to be more innovative than more established firms.

Tech workers are also a key productivity driver across the economy. Tech jobs have the second highest hourly productivity in the Australian economy behind jobs in agriculture, fisheries and forestry¹ and over 60% of Australia’s tech workers are found outside of the direct tech sector.² Tech also drives productivity growth in the public sector by helping to digitise interactions between government and citizens, streamline internal processes and enable the use of data analytics to improve decision-making and administration of government programs and spending.

The Government is making welcome progress on boosting the tech sector, tech jobs and tech adoption on a number of fronts – including by lifting investment through the National Reconstruction Fund and Industry Growth Program, addressing skilled workforce shortages through migration reform and supporting easier and safer customer transactions through digital ID. However, there is much more that can be done.

The Tech Council is Australia’s peak industry body for the tech sector, representing around 160 companies from a diverse cross-section of Australia’s tech sector, including startups, scale-ups, investment funds and global tech companies. We have identified five key policy platforms and a series of associated recommendations that will meaningfully support technology creation and adoption and, in-turn, boost Australia’s productivity growth.

Summary of recommendations

1. Create and scale new high-productivity companies and industries
 - a) Overhaul administration of the Foreign Investment Review process.
 - b) Make better use of public spending to drive innovation in the economy, including by scaling the Business Research and Innovation Initiative.
 - c) Consider targeted reform of venture capital tax incentives to ensure they remain fit-for-purpose in a changing tech investment market.

¹ Tech Council of Australia 2023, *Shots on Goal*

² Tech Council of Australia 2023, *Tech Jobs Update*

- d) Establish an “education pathway” for investors to qualify as a wholesale client and ensure any potential changes to qualify as a “sophisticated investor” minimises impacts on startups.
 - e) Continue to support delivery of the National Quantum Strategy, with priority given to investments in quantum commercialisation and adoption.
 - f) Invest in the digital infrastructure that underpins our modern economy, including initiatives that enable 5G adoption and development.
2. Develop a comprehensive AI plan for Australia
- a) Continue to develop a proportionate and risk-based regulatory approach to AI, including by standing up a permanent AI Expert Group.
 - b) Create a whole-of-government National AI Investment Plan to drive AI development and adoption across the Australian economy.
 - c) Position the Australian Government as an exemplar in AI adoption and use.
3. Build a skilled tech workforce
- a) Continue to invest in reform of the migration system to support delivery of the Government’s Migration Strategy.
 - b) Invest in the detailed design and implementation of a modern Digital Apprenticeships program as part of the Digital and Tech Skills Compact.
 - c) Implement the recommendations of the independent Diversity in STEM Review.
4. Accelerate digital transformation of Government
- a) Implement the independent myGov User Audit’s recommendation to provide an uplift in ongoing annual funding of myGov to reflect its role as critical national infrastructure.
 - b) Deliver ongoing investment in the Australian Government Digital ID System.
 - c) Develop a new funding vehicle, similar to the NSW Digital Restart Fund, to drive and coordinate digital transformation projects across Government.
 - d) Continue to invest in a paperless public service and economy, including through continued investment in delivery of the Simplified Trade System.
5. Support trust in technology
- a) Provide an appropriate uplift in resourcing for the Office of the Australian Information Commissioner.
 - b) Increase resourcing for Defence’s export controls function to support efficient implementation of the Government’s new defence trade regulations and permit system.
 - c) Continue to increase investment across the public service to harden Australian Government cyber security and improve cyber resilience.

1. Create and scale new high-value companies and industries

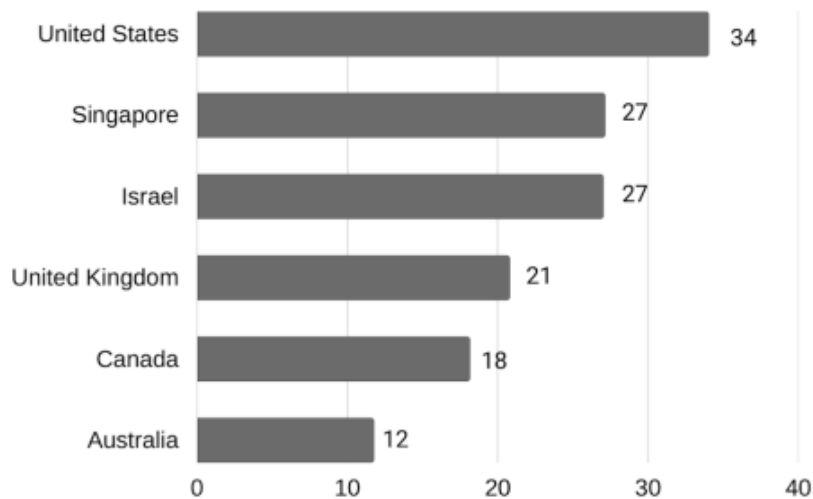
Over the last 20 years, Australia has built a strong tech ecosystem that has enabled more start-ups to grow and flourish. This growth has been underpinned by a range of factors, including significant improvements in the investment environment, supported by evidence-based Government policy interventions.

While we remain well behind leading nations like the US, Singapore, UK and Canada on a per-capita basis, we have seen a high rate of growth in early-stage funding over the last decade (see Exhibit 1).

Exhibit 1: Angel and seed funding comparison

Angel and seed stage funding per capita

\$m per capita, February 2021

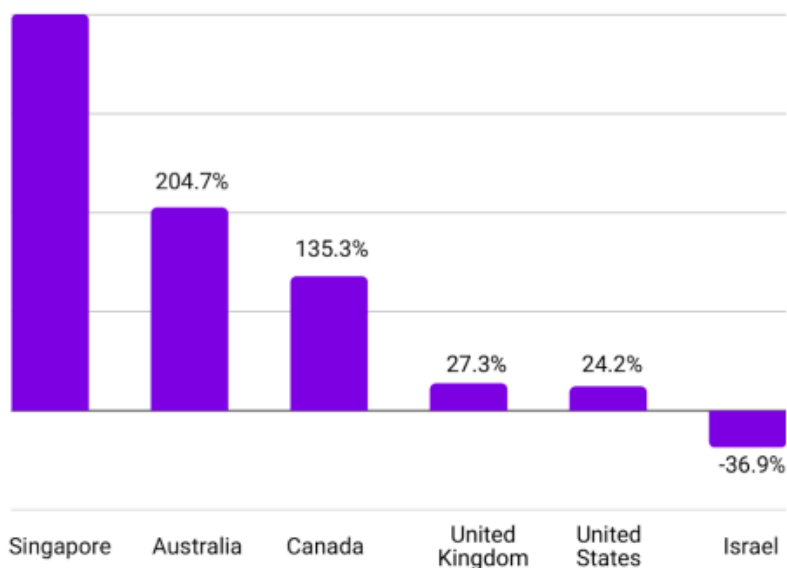


Source: Dealroom

Growth in angel and seed funding

2013 - 2021

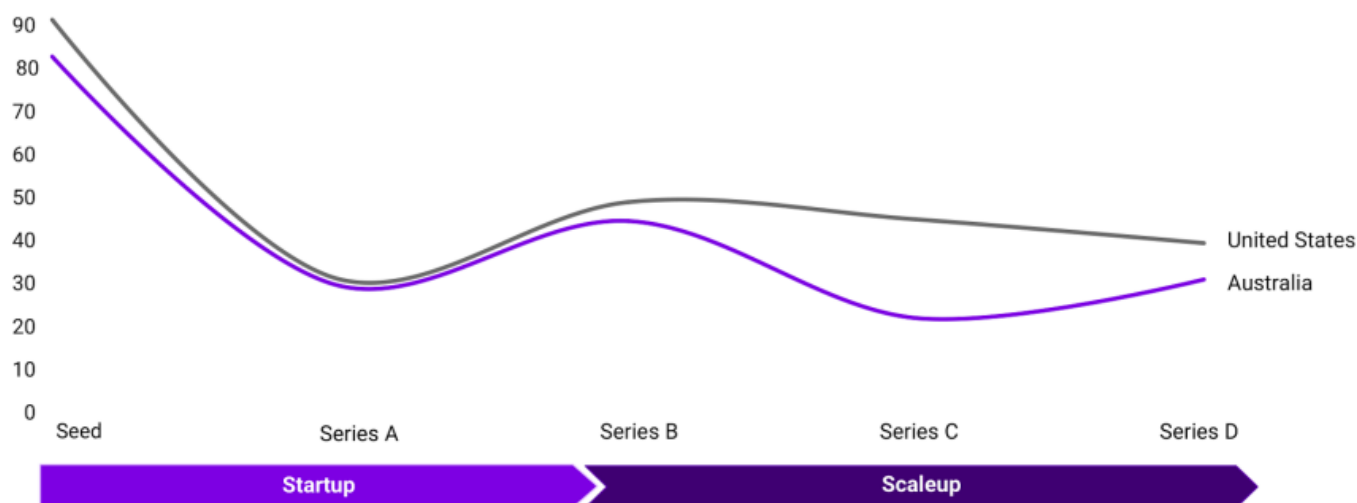
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While early-stage funding is growing fast, there is a more significant gap in scale-up funding (from series B onwards). This contributes to comparatively higher tech firm failure at the scale-up stage in Australia compared to leading markets like the US (see Exhibit 2).³ Our findings are consistent with research from Industry Innovation and Science Australia, which found that Australia has a “missing middle” in its industry structure, meaning the scaling of innovation and realisation of commercial benefits either fails or is taken offshore.⁴

Exhibit 2: Survival function for tech firms

Probability of achieving next funding round given previous one has been achieved for firms started in 2013-15



Source: Crunchbase, TCA analysis

This is a fundamental issue given scale-up businesses provide an outsized contribution to jobs generation in SMEs. It also harms Australia’s capacity to diversify its economy.

Successive governments have made important policy interventions to enhance Australia’s ability to create and scale tech companies. This includes important tax incentives like the VCLP and ESVCLP programs, reforms to Employee Share Schemes, direct funding programs and, more recently, the creation of the National Reconstruction Fund and the Industry Growth Program.

Our recommendations are aimed at complementing these important initiatives and maintaining strong growth in start-up creation, while addressing scaling challenges.

Recommendation 1.A: Overhaul administration of the Foreign Investment Review process to provide more certainty, improve timeliness for investors and reduce unnecessary costs and red tape.

Foreign investment makes up around two thirds of investment in Australian tech companies. In turn, two thirds of this foreign investment comes from Five Eyes partner countries, particularly from the United States. It is particularly imperative for critical technology industries, such as quantum, biotech, AI, and cybersecurity.

The TCA supports the objectives and the need for foreign investment reviews. Our member companies and investors are accustomed to working with these regimes in markets around

³ Tech Council of Australia 2023, *Shots on Goal*

⁴ Industry Innovation and Science Australia 2023, *Barriers to Collaboration and Commercialisation*

the world. However, there is significant scope to improve the administration and productivity of Australia's current system. Despite contributing 50% of the total amount of venture capital investment in Australia,⁵ overseas investors report significantly more difficulty with foreign investment reviews here compared to the UK and US. Some major investors have said this is the single biggest barrier they face to investing in the Australian tech sector. Resolving these difficulties will be critical to ensuring we can continue to attract trusted foreign investment.

Feedback from tech sector companies and investors, supported by our research, has identified three main issues with the Foreign Investment Review process that make Australia less attractive for trusted investors and more challenging for founders: 1) the process is too slow; 2) the process is too uncertain; and 3) the process is too costly.

There are a range of options the Government could consider:

- In the short term, the Government could take action by: conducting an independent service design review / user journey mapping of the FIRB process; waiving fees for small firms; reintroducing the pre-2021 model of requiring investor consent for second and subsequent extensions to decision periods; and making better use of data to enhance transparency around administration of the scheme.
- In the medium to longer term, the Government could pursue deeper reforms such as: streamlining the process for low-risk investors from likeminded countries (e.g. AUKUS partners); introducing risk-based criteria for government to extend decision periods unilaterally; introducing time-bound automatic approvals for non-complex approvals in industries of national priority; and excluding foreign limited partners in VCLPs or ESVCLPs from the Foreign Investment Review process.

Recommendation 1.B: Make better use of public spending to drive innovation in the economy, including by scaling the Business Research and Innovation Initiative beyond a pilot-level program into a fully-fledged Australian-style Small Business Innovation and Research program.

R&D intensive firms in Australia not only face more challenges attracting investment compared to other markets like the US, but they can also find it difficult to attract early customers who are willing to wear the risk of experimental / innovative technologies. This creates further barriers to scaling.

International experience, particularly from the US, shows that specialised government procurement programs (e.g. the US Small Business Innovation and Research program) can play an important role in addressing this problem. These specialised programs are often created because traditional procurement processes and rules are not well suited to dealing with these circumstances. Australia has a policy gap in this area, having only established some small, pilot-style initiatives at a national and state level, including the Business Research and Innovation Initiative (BRII).

Scaling the BRII beyond its current budget of around \$22 million over 4 years (e.g. to \$100 million or more) could help capture and grow strategic, economically-valuable emerging tech sectors and jobs in Australia and provide innovative solutions to large-scale challenges. It would also support the Government's Buy Australian Plan.

Any increase in funding should be accompanied with potential design improvements for the program. This could include options to streamline access to government funding

⁵ DISR 2023, *Venture Capital Dashboard FY 2022/23*

opportunities for BRII grant recipients and enabling companies to directly pitch proposals to Government like SA's Go2Gov program. Government could also consider upgrading the digital backend systems required for delivery of these sorts of grants programs.

Recommendation 1.C: Consider targeted reform of venture capital tax incentives to ensure they remain fit-for-purpose in a changing tech investment market, support the co-investment objectives of the NRF and help address funding gaps for later-stage investments.

The Venture Capital Limited Partnership (VCLP) and Early-Stage Venture Capital Limited Partnership (ESVCLP) schemes have been effective in achieving their objectives to increase domestic and foreign investment into Australia's venture capital sector. The ESVCLP program in particular has been highly successful at catalysing early-stage company funds, which is supporting start-up growth and job creation.

These programs must be maintained, but given Australia's challenges in scaling companies, there is also a case to consider adjustments to further incentivise scaling capital.

This could include clarifying the capital account treatment on investment returns once an ESVCLP company exceeds \$250 million in total assets (noting this is currently not clearly defined and creates uncertainty for fund managers and underlying investors). It could also include revisiting whether the investment thresholds under the programs (currently \$250 million for VCLP and \$50 million for ESVCLP) remain appropriate, noting these thresholds were set over a decade ago.

Technical amendments should also be considered. For example, Australian start-ups frequently use a corporate structure with a main operating company based in Australia and a holding company set-up in a second country (commonly in the US), which helps maximise pools of venture capital and other sources of funding the company can access. However, the ESVCLP program requires holding companies to be based in a restricted list of countries and prevents that holding company from carrying-on any business other than to support the primary activity of the Australian subsidiary company. This creates challenges when Australian-based companies begin to scale internationally to jurisdictions beyond just Australia and the location of the holding company.

Recommendation 1.D: Establish an "education pathway" for investors to qualify as a wholesale client and ensure any potential changes to qualify as a "sophisticated investor" are targeted and minimise impacts on the tech sector.

The Tech Council understands the Government may be considering increasing the "sophisticated investor" net asset and income thresholds in response to concerns over consumer protection, as part of its review of the regulatory framework for Managed Investment Schemes. This could have a material impact on tech funding, especially for very early-stage startups, while also presenting individual investors with fewer and worse options for investing.

The vast majority of Australian venture capital funds (including ESVCLPs) require investors to be wholesale / sophisticated investors. A blunt increase to the sophisticated investor income and asset thresholds would have an outsized impact on the tech sector by reducing the flow of investment by individuals into these funds and subsequently the flow of capital into Australia's start-up ecosystem.

As a second order impact, sophisticated investors are eligible for tax breaks under the Early

Stage Investment Company (ESIC) scheme. Angel investors falling under the changed thresholds will no longer be eligible for these tax breaks, likely impacting the flow of capital into early-stage companies.

We have identified three key policy options that Government could consider to reduce the impact of potential sophisticated investor changes on Australian startups:

- Firstly, there should be an education pathway for investors to qualify as a wholesale client. The current approach focuses on whether someone has wealth. This does not necessarily mean that someone has the knowledge or experience required, and it also excludes less wealthy individuals even though they may have the requisite knowledge or experience. This could be addressed by introducing a new education pathway that provides a clearer and more objective test for determining whether an individual has the knowledge or capability to invest in these products, such as participation in start-up investment training through certified third-party providers.
- Secondly, if the Government is inclined to increase the asset and income thresholds, any potential changes to the asset and income test must be grandfathered.
- Thirdly, if the Government is inclined to increase the thresholds, it should consider more targeted reform options focused on the asset threshold, recognising that increasing property prices have largely been the reason for the broader growth in investor eligibility. Only a very small proportion of Australians (approx. 2%) fall above the current \$250,000 income threshold.

Recommendation 1.E: Continue to support delivery of the National Quantum Strategy, with priority given to investments that support the commercial development of quantum technologies and their uptake across government and key sectors.

Australia is a leader in quantum research and we now have university-spinouts and private sector commercialisation ventures that are becoming world-leading in their respective specialisations. Australia is home to more than 3% of global quantum start-ups, almost double our 1.7% share of tech start-ups, on average, according to TCA research.⁶

However, Australian quantum start-ups, scale-ups and commercialisation ventures are competing with international peers whose governments are investing substantial sums in quantum commercialisation. Globally, government funding accounted for 90% of quantum investment in 2022, with total investment (both public and private) reaching \$55b.

Building on the recent National Quantum Strategy, Australia needs to continue investing in the commercialisation and scaling of quantum technology to capitalise on our capabilities and ensure we do not lose our lead to other nations.

Recommendation 1.F: Invest in the digital infrastructure that underpins our modern economy, including initiatives that enable 5G adoption and development.

The digital transformation of our society and industries is underpinned by enabling digital network infrastructure. Fixed and mobile network connectivity, such as that provided by 5G networks, are an important backbone of our economy and society.

⁶ Tech Council of Australia 2022, *Turning Australia into a Regional Tech Hub*

Low latency technology like 5G was designed to enable business transformation in addition to providing faster connectivity for consumers. However, the gap between enterprise awareness of 5G's benefits and current levels of adoption suggests there are notable barriers to implementation, which may include ecosystem availability, education, awareness, cost/complexity and security concerns.

An opportunity exists in this Budget for Government to consider championing enterprise digitalisation enabled by 5G. This could include allocating funding for R&D and demonstration projects through a competitive funding process.

2. Develop a comprehensive AI plan for Australia

The potential economic and productivity opportunities of AI are significant. Generative AI alone is forecast to provide up to \$115 billion in economic value to the Australian economy each year by 2030 largely through productivity improvements to existing industries and the creation of new AI products and services (Exhibit 3).⁷

The Productivity Commission has recently observed that while adjustment and experimentation is needed, over time AI could significantly improve the productivity of the services sector, which has a history of poor productivity growth.⁸

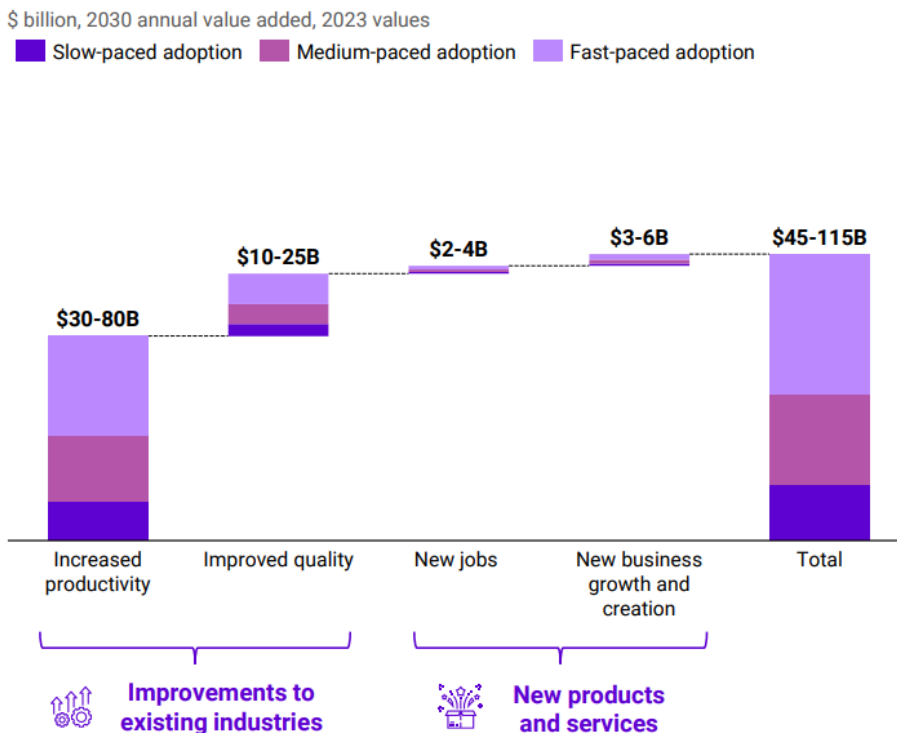
Australia needs a comprehensive plan to capture these economic benefits.

The Tech Council welcomes the Government’s decision to adopt a risk-based and proportionate approach to AI regulation. Providing clarity on AI regulation is good for business and consumer confidence. It means businesses can better plan for building, investing in and adopting AI products and services, and the public can take confidence that AI risks are being safely managed and regulated in Australia.

While regulatory certainty is critical, to fully realise the potential of AI, Australia must also look beyond regulation towards actions that will enable uptake of the technology and position Australia to develop AI technologies in areas of comparative advantage.

This will require Australia to build our tech talent pipeline, upskill our workforce, coordinate investment in AI research, development, and commercialisation, provide organisations with the right AI tools and assurance frameworks, and build digital literacy across the community. It will also require Government to be an exemplar in how it adopts and uses AI.

Exhibit 3: The economic opportunity of Generative AI in Australia in 2030



⁷ Tech Council of Australia and Microsoft 2023, *Australia’s Generative AI Opportunity*

⁸ Productivity Commission 2024, *Making the most of the AI opportunity*

Recommendation 2.A: Continue to develop a proportionate and risk-based regulatory approach to AI, including by standing up a permanent AI expert group to uplift capability and support our regulators to take an informed, coordinated, and consistent approach to regulating AI.

The TCA supports the Government’s announcement that it will take a risk-based approach to AI regulation, which is focused on considering potential mandatory guardrails for AI development and deployment in high-risk settings, alongside improved guidance, standards and other voluntary measures in lower-risk settings. We also support the Government’s commitment that it will look to leverage existing requirements for any high-risk settings where mandatory guardrails already exist.

In developing this regulatory framework, we welcome the acknowledgement that Australia has a range of existing laws relevant to AI and expert regulators that regulate products using AI, including in areas such as health, financial services, competition and privacy. These regulators need support to provide guidance on how these existing laws apply to the development and adoption of AI technologies and to undertake appropriate compliance and enforcement action.

Our view is this will require the Government to stand-up a permanent AI Expert Group to ensure regulators take an informed, coordinated, and consistent approach to regulating AI. It is important that this body comprises technical experts from a variety of relevant backgrounds, including legal, academic and industry experts from Australia and/or abroad.

Recommendation 2.B: Create a whole-of-government National AI Investment Plan to drive AI development and adoption across the Australian economy.

To maximise the economic potential of AI development and adoption in Australia, we recommend the development of a whole-of-government National AI Investment Plan. The plan could help better coordinate action across Government to position Australia as a leader in AI and send a clear signal of our ambition to investors and businesses, as has been done in other countries like the US, UK, and Singapore.

There are a number of priorities that will need to be addressed as part of this plan:

- **Enhancing investment in Australia’s AI development capabilities:** The Plan should identify the AI research and industry investment priorities that leverage Australia’s comparative advantages. It should also seek to align relevant funding initiatives across Government to support public and private co-investment into these areas.
- **Upskilling the workforce to drive AI adoption:** Upskilling of the workforce will be essential to drive AI adoption across the economy. This will need to include a mix of improving management and governance skills at senior levels, as well as more general digital upskilling across the broader workforce. A range of policy options could be pursued, but in the immediate term, the Government could consider extending the Skills and Training Boost for SMEs beyond June 2024 as a more targeted “Future Tech Skills Boost.” The program could also be opened to all training providers, recognising the critical role of non-ASQA and TEQSA registered training organisations in providing practical, job-relevant digital training.

- Pro-growth reforms: In addition to identifying regulatory reforms to support safe and responsible AI, the Government should identify targeted regulatory reforms that would better enable AI growth in Australia. This may include reforms to develop our data assets and capabilities, such as amending the Data Availability and Transparency Act to enable safe and secure sharing of Australian Government data with accredited private sector organisations. It could also include the introduction of text and data mining fair dealing exceptions in copyright law.

Recommendation 2.C: Position the Australian Government as an exemplar in AI adoption and use.

As the Productivity Commission noted in its recent AI research report, governments are a significant user of technology and holder of data and can have a large impact on innovation and deployment by AI providers. Good AI governance and practices within government can also help build public confidence and trust and help encourage business adoption.

As a global leader in digital government, the Australian Government has an opportunity to become an exemplar in AI adoption and use.

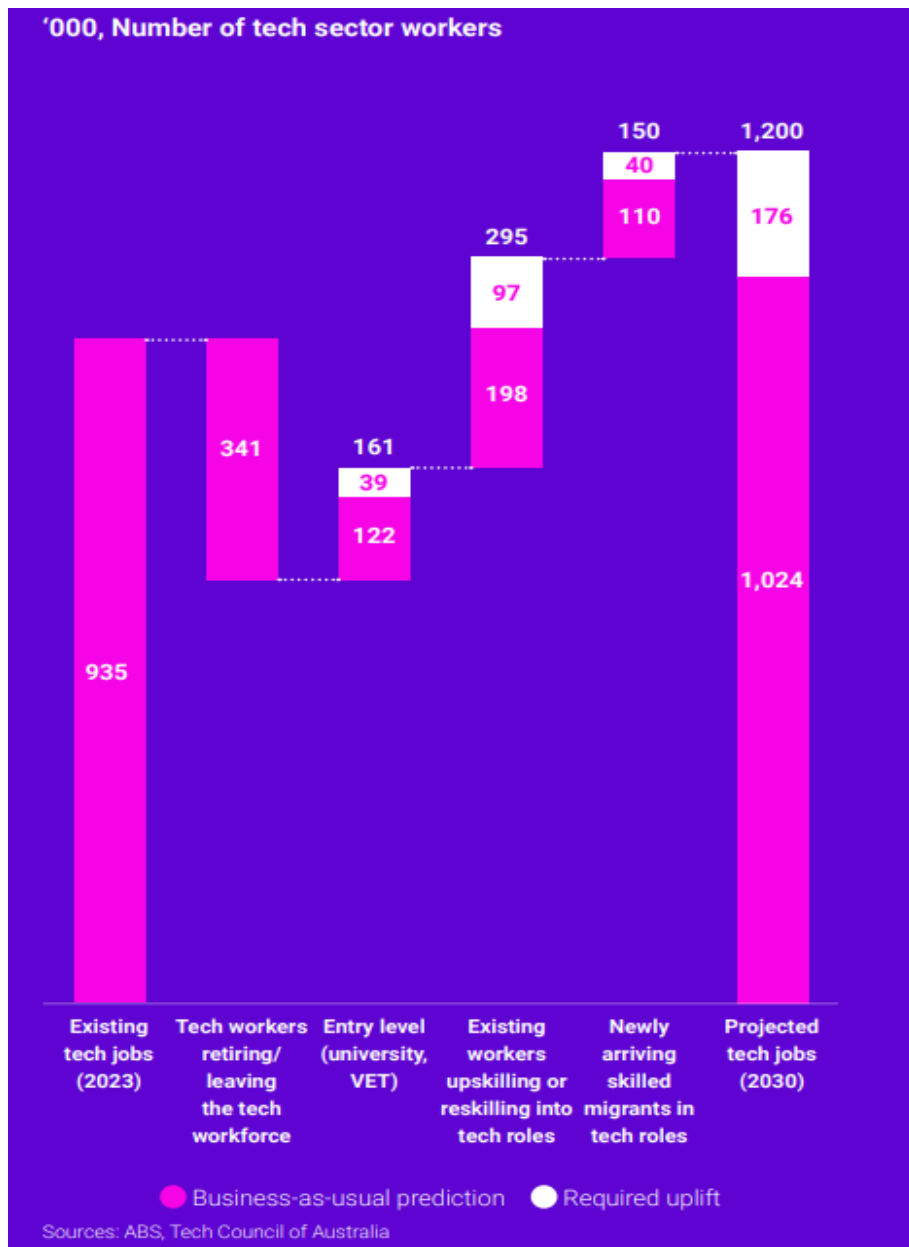
This will require additional steps beyond the interim guidance on generative AI published by the DTA and DISR. It will require an investment in upskilling across the Australian Public Service (particularly in AI governance and procurement), adoption of relevant global best practice standards (including in areas like content credentials and watermarking) and development of best-practice assurance frameworks, such as that in place in NSW.

3. Build a skilled tech workforce

The rise of digital and tech jobs is recognised in the Government’s recent employment white paper as one of the three big transformations that will shape Australia’s future workforce.

Australia currently has around 935,000 tech workers across the economy. The Tech Council and the Australian Government have a shared goal of employing 1.2 million tech workers by 2030. Taking account of people leaving the workforce, this will require an additional 600,000 individuals to join the tech workforce by 2030 (see Exhibit 4).

Exhibit 4: Projected tech sector jobs in 2030



To support digital transformation and the productivity gains it brings, Australia needs to address skills shortages in the tech sector. Our research shows the largest skills gaps in the tech workforce are in experienced and technical roles such as software engineers and cyber security specialists. Addressing these gaps will enable companies to attract and retain the talent they need to scale and operate efficiently.

We have previously identified 5 key barriers to tech workforce growth that require action by both government and industry:⁹

- Australians lack awareness about what tech jobs exist, or how to get into them.
- Current training products and pathways into tech jobs are not always fit for purpose.
- Women, older Australians and regional Australians are under-represented in tech.
- There is a small talent pool of Australians with the skills and experience needed to work in experienced technical roles, which have boomed, and which only skilled migration can meet in the short-term.
- Australia lacks coordinated effort, analysis and planning for the tech workforce.

Government is making welcome progress on many of these fronts, but there is an urgency for further action, with tech jobs continuing to grow at around double the rate of all jobs across the economy, with 8% growth in the 12 months to February 2023.¹⁰

Recommendation 3.A: Continue to invest in reform of the migration system to support delivery of the Government’s Migration Strategy, including the establishment of the new Specialist Skills Pathway under the Skills in Demand visa.

Australia has some of the best tech talent in the world, but we do not have enough to meet demand. Shortages are concentrated in highly technical roles requiring experience, which is a gap that only skilled migration can meet in the short term.

The inefficient administration of Australia’s migration system has long constrained our ability to attract these experienced tech workers. Long processing times and limited paths to permanent residency make Australia far less attractive than countries like the UK and Canada, which have expedited paths for tech workers.

The Government’s recently announced Migration Strategy takes important strides forward, with reforms that will help make Australia a globally competitive destination for highly skilled workers by creating a faster, more responsive and more attractive system. This includes the creation of the new Specialist Skills Pathway under the Skills in Demand visa, with the removal of occupation lists, guaranteed pathways to permanent residency, streamlined labour market testing and a 7-day average visa processing standard. Implementation of this strategy in 2024 will be critical for all tech-employing businesses across the economy.

Recommendation 3.B: Invest in the detailed design and implementation of a modern Digital Apprenticeships program as part of the Digital and Tech Skills Compact, to deliver a new, fit-for-purpose pathway into tech jobs.

Beyond skilled migration reform, we strongly encourage the Government to pursue reforms that will help grow the domestic pipeline of tech workers, particularly through the establishment of a modern Digital Apprenticeships program.

Despite tech jobs being amongst the fastest growing jobs in the economy, domestic training models, qualifications and course content have not kept pace with emerging jobs and skills

⁹ Tech Council of Australia 2022, *Getting to 1.2 million – our roadmap to creating a thriving Australian tech workforce*

¹⁰ Tech Council of Australia 2023, *Tech Jobs Update*

and they are not producing the volume of workers that are required.

Around the same number of domestic Australian students were in higher education IT courses in 2022 as there were in 2002. Growth in higher education completions has been predominantly driven by enrolments from international students, 50% of which leave Australia upon graduating. VET course completions, meanwhile, are declining and students are reporting poor employment outcomes, with only 1 in 2 going on to get a better job once they have completed their study.

The Tech Council welcomes the progress made under the Digital and Tech Skills Compact Working Group convened by the Ministry for Industry and Science and the Minister for Skills and Training following the Jobs and Skills Summit. We encourage the Government to build on this work by continuing to support the detailed design and implementation of a Digital Apprenticeships program in collaboration with industry and employee groups.

Recommendation 3.C: Support implementation of the recommendations of the independent Diversity in STEM Review, including reforms to improve leadership and governance, lifelong learning, culture and the impact of relevant funding programs.

Tech jobs are an important new source of economic opportunity for Australians, particularly women and older Australians. They are some of the most well-paid jobs in Australia, but there are significant groups that are under-represented in the tech sector, whose talents and interests are not being identified and promoted. The starkest example of this is the underrepresentation of women in tech jobs. Just 1 in 10 people studying a university qualification in tech are women, and only 1 in 4 people working across the industry are women.

The Tech Council broadly supported the draft recommendations of the independent review of Diversity in STEM. The draft recommendations set the right direction to achieve the objectives of improving overall diversity in STEM, STEM leadership and the STEM-skilled workforce.

We encourage the Government to use this Budget to act on the final outcomes of the review. This includes adjusting relevant funding programs as necessary so that successful programs can be consolidated and scaled as necessary to achieve greater impact.

4. Accelerate digital transformation of government

Tackling Australia's productivity challenge will require an equally strong focus on improving the efficiency and quality of government services.

The Productivity Commission notes that Australia's services sector productivity has lacked that of the goods sector. Government services, in particular, have seen very low productivity growth.¹¹ Digital transformation has an important role in making inroads here.

Importantly, this is not just about productivity, it is also about meeting growing citizen expectations regarding the quality of digital government service delivery, which are the highest they have ever been, particularly in the wake of the COVID-19 pandemic.

Australia has been a reasonable performer on digital transformation, as evidenced by our recent top 5 ranking in the OECD Digital Government Index. However, this is not an excuse to be complacent.

The new Data and Digital Government Strategy creates the right strategic framework for action, but it must be supported with the requisite funding commitments in this Budget to support its implementation.

We have identified four key proposals that should be a priority for digital transformation funding this year.

Recommendation 4.A: Implement the independent myGov User Audit's recommendation to provide an uplift in ongoing annual funding of myGov to reflect its role as critical national infrastructure, ensure it meets world-class standards and is inclusive for all Australians. Also establish a "myGov development fund" to support the onboarding of new services and improvement of existing linked services.

Recommendation 4.B: Deliver ongoing investment in the Australian Government Digital ID System at the required level to deliver a world-class experience for Australian citizens and to ensure quick integration of private operators into the system.

Recommendation 4.C: Develop a new funding vehicle, similar to the NSW Digital Restart Fund, to drive and coordinate important digital transformation projects across government. This would provide an out-of-budget funding cycle mechanism to fund incremental innovation in government services, allowing Government to achieve better value-for-money outcomes through a more strategic, competitive process, rather than a siloed project-by-project approach. It could also be designed in a way to support co-investment between the federal government, states and territories and industry to drive innovative joined-up data and digital projects across the nation.

Recommendation 4.D: Continue to invest in a paperless public service and economy, including through continued investment in delivery of the Simplified Trade System.

¹¹ Productivity Commission 2024, *Five-year Productivity Inquiry: Advancing Prosperity*

5. Support trust in technology

Government and industry have a shared responsibility to build trust in technology in the national interest.

Government has a particularly important role in providing appropriate resourcing for regulators. This enables regulators to provide clear guidance and enforcement in areas like privacy and security which, in-turn, can help build regulatory certainty and consumer trust in tech development and adoption.

Appropriate resourcing has the additional benefit of ensuring regulators are administratively efficient when dealing with industry and don't unnecessarily constrain economic activity.

Government also needs to take steps to invest in its own capabilities and safeguards to avoid major incidents that can undermine broader public trust in technology.

The Tech Council has identified three key "trust in tech" funding priorities in the coming Budget:

Recommendation 5.A: Provide an appropriate uplift in resourcing for the Office of the Australian Information Commissioner to effectively deliver its privacy compliance and enforcement functions, and to support education, outreach and privacy uplift across the economy.

Recommendation 5.B: Increase resourcing for Defence's export controls function to provide the necessary personnel and ICT improvements to implement the Government's new defence trade regulations and permit system as efficiently and effectively as possible, with the objective of delivering 7-day permit processing (consistent with recent changes to visa processing).

Recommendation 5.C: Continue to increase investment across the public service to harden Australian Government cyber security and improve cyber resilience, building on recent commitments through the 2023-2030 Australian Cyber Security Strategy. Also consider expansion and scaling of the "Secure G" facility to allow critical sectors to test end-to-end security of their applications prior to deployment at scale.