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## AI Regulation Risks Stifling \$116bn Economic Boost, Warns Report

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The Productivity Commission cautions the Australian Labor Party government against heavy-handed artificial intelligence (AI) regulations, projecting a \$116 billion economic uplift over the next decade if adoption is encouraged.

The Productivity Commission's interim report, released on August 5, 2025, urges the Australian Labor Party government to avoid excessive regulation of artificial intelligence (AI), warning it could jeopardize a projected \$116 billion boost to Australia's economy by 2035. The report estimates AI could drive a 4.3% increase in labor productivity, surpassing the 0.9% annual average over the past two decades, potentially rivaling the economic impact of the internet and mobile phones. Commissioner Stephen King

emphasized that “poorly designed” regulations risk placing Australia behind global competitors, limiting innovation and growth, as cited in ABC News.

The report criticizes the Labor government’s proposed mandatory guardrails for high-risk AI, recommending a pause until gaps in existing laws are assessed. These guardrails, part of a consultation led by former Industry Minister Ed Husic, aim to address risks like misinformation and bias amplification, but the Commission argues they overlap with current regulations enforced by bodies like the Australian Competition and Consumer Commission. King noted that new AI-specific rules should only be a last resort, as existing frameworks can often address harms, per the report.

The Commission highlights AI’s potential to transform sectors like health, education, and logistics, citing examples such as AI-driven diagnostics and virtual tutors. However, it warns that Australia’s lagging AI adoption, scoring 3.5 out of 10 in a 2022 Boston Consulting Group survey, stems from regulatory uncertainty and low business confidence. The Tech Council of Australia projects AI could create 200,000 jobs by 2030, but UNSW AI Institute’s Toby Walsh noted businesses hesitate due to unclear rules.

Treasurer Jim Chalmers acknowledged AI’s potential at an upcoming economic roundtable but insisted on balancing innovation with safety. Critics, including Shadow Treasurer Angus Taylor, argue the Labor government’s delay in clarifying AI policy risks investor confidence, with global competitors like the EU advancing risk-based frameworks. The Commission urges alignment with international standards to avoid isolating Australian developers, emphasizing a “stepped, gradual approach” to regulation.