Australian Information Industry Association

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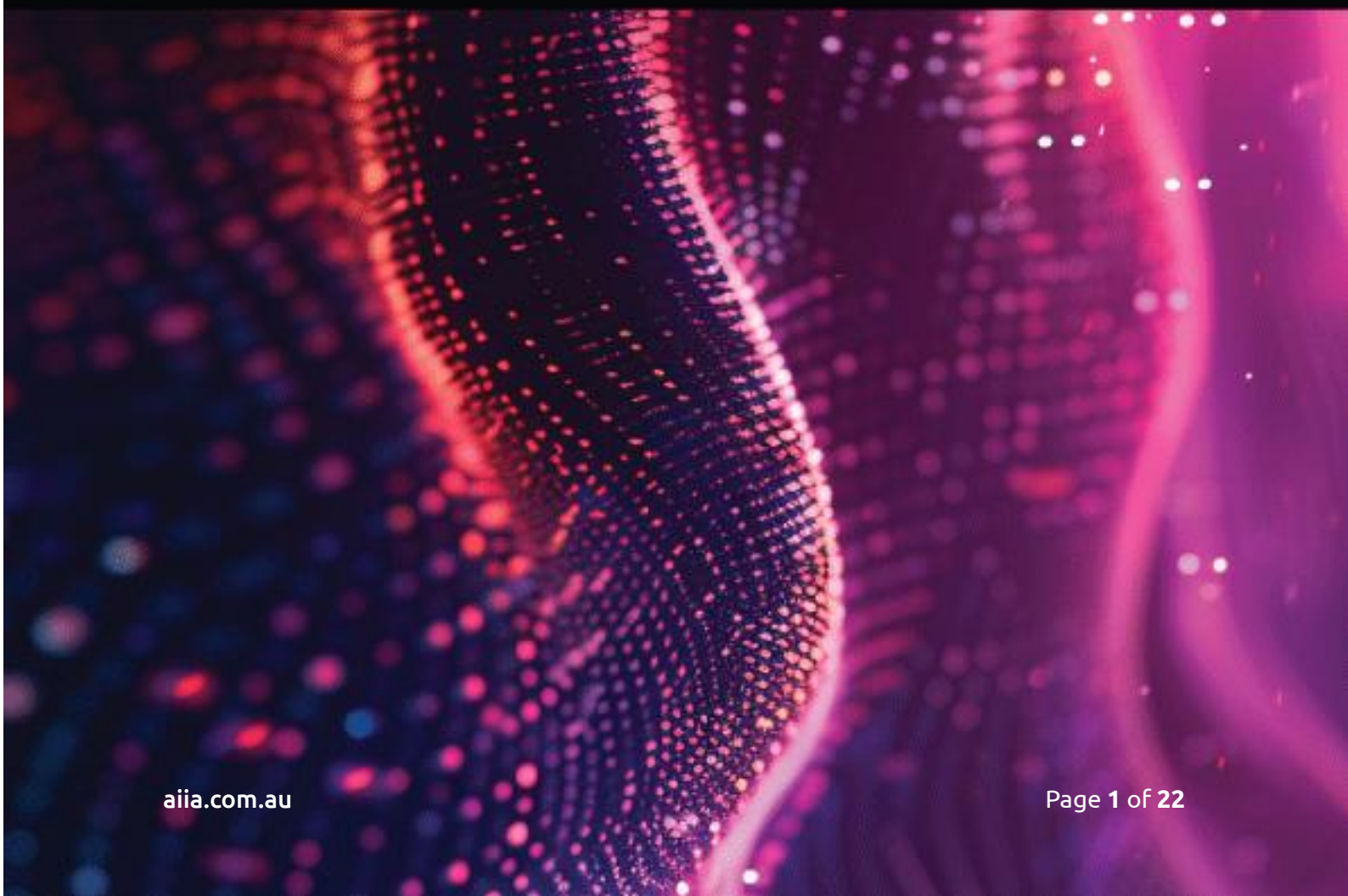
Submission on New South Wales Legislative Council Public Accountability and Works Committee Inquiry into Data Centres



About the AIIA

The Australian Information Industry Association (AIIA) is the nation's peak body for those in the digital ecosystem, leading strategic policy and advocacy to shape a thriving digital sector. Through strong engagement with government, industry, and the broader community, the AIIA ensures the voice of its members informs decision-making on technology, innovation, and digital capability.

Membership provides direct access to influential networks, premium events, and opportunities to collaborate on initiatives with the sector's best and brightest to drive industry growth, improve productivity, and secure Australia's place as a global technology leader. AIIA members access real collaboration, real connections, and real outcomes.

Introduction

The Australian Information Industry Association (AIIA) welcomes the opportunity to provide input to the inquiry into data centres being conducted by the Public Accountability and Works Committee.

The rapid expansion of data centre infrastructure has become a defining feature of the modern digital economy. Data centres now underpin a wide range of economic and social systems, supporting everything from cloud computing and artificial intelligence to financial services, healthcare platforms and digital government services.

This inquiry provides an important opportunity to examine the role that digital infrastructure plays in the economic and technological development of NSW. In doing so, it is important that the discussion moves beyond a narrow, media-worthy focus, and instead considers their broader strategic significance.

Data centres must be understood as foundational digital infrastructure that enable modern economies to function. They provide the computational capacity, secure data environments and network connectivity required to support artificial intelligence development, enterprise digital services, cybersecurity systems and modern government operations.

For this reason, the development of digital infrastructure should be considered alongside other essential economic systems such as energy networks, transport infrastructure and telecommunications systems. These systems enable economic activity.

This submission therefore seeks to assist the Committee by outlining the broader strategic importance of data centre infrastructure and highlighting the economic, technological and workforce benefits that can flow from well-designed policy settings.

The submission focuses on three central themes:

- the role of data centres as critical infrastructure enabling the digital economy

- the broader economic and ecosystem impacts generated by digital infrastructure investment
- the opportunity for NSW to strengthen its position as a regional hub for digital infrastructure and advanced digital industries.

The AIIA believes that thoughtful coordination can allow NSW to capture the economic and technological benefits of digital infrastructure while responsibly managing environmental and infrastructure considerations.

This submission aims to support that objective.

2. Strategic Framing: Data Centres as Critical Digital Infrastructure

In considering the matters set out in the Terms of Reference, this inquiry presents an important opportunity to frame the issue correctly at the outset.

Public discussion about data centres is often framed narrowly around land use planning, electricity consumption, or the physical footprint of facilities. These considerations warrant attention but applying too much weight to these elements' risks overlooking the broader strategic and economic significance of data centres in the modern economy.

Data centres are foundational digital infrastructure that underpin the functioning of contemporary economies and the delivery of modern government services.

Virtually every digital interaction ultimately relies on the secure storage, processing and transmission of data. Data centres provide the physical infrastructure that makes these digital systems possible. They host the computational capacity, data storage systems and secure digital environments that power the modern economy.

For this reason, data centres should be treated as infrastructure. These systems enable economic activity.

Infrastructure for the AI and Cloud Economy

The strategic importance of data centres is pertinent in the context of artificial intelligence and advanced computing. Modern AI systems require computational resources to train models, process data and run large-scale applications. These capabilities are delivered almost entirely through large-scale data centre infrastructure.

Similarly, cloud computing, the backbone of modern enterprise IT, relies on geographically distributed data centre networks. Governments, large corporations and small businesses alike now depend on cloud platforms to run core systems, store data and deploy digital services. Without access to reliable data infrastructure, the development and deployment of advanced digital technologies become extremely difficult. Data centres are the heart of cloud computing.[1]

In this sense, data centres represent the industrial infrastructure of the digital age.

Cybersecurity, Sovereignty and System Resilience

Secure domestic infrastructure allows governments and businesses to store and process sensitive information within trusted environments subject to Australian regulatory frameworks.

[1] Caishan Guo *et al*, 'Integrated energy systems of data centers and smart grids: State-of-the-art and future opportunities' (2021) 301 *Applied Energy* 117474.

This capability is particularly important for sectors such as:

- government administration
- financial services
- healthcare systems
- critical infrastructure operators
- defence and national security functions.

As essential services become increasingly digitised, the reliability and security of underlying data infrastructure becomes a matter of economic performance, public safety, and national resilience.

Enabling Enterprise Productivity and Innovation

Data centres are a key driver of productivity across the broader economy.[2] They enable the deployment of advanced digital tools that allow organisations to operate more efficiently and innovate more rapidly. Data centres are crucial for digital transformation, providing the computational capacity and connectivity needed for advanced digital solutions, enabling the benefits that such technologies offer.[3]

Many Industries, from agriculture to healthcare, are becoming increasingly reliant on high-capacity digital infrastructure to remain competitive, as digital technologies enable firms to build and maintain competitive advantage by improving adaptability and performance.[4] These developments are occurring against a backdrop of rising global competition as countries and corporations race to secure leadership in producing and applying these strategic technologies.[5] Data centres therefore enable innovation and productivity gains across multiple sectors rather than within a single industry.

Public Sector Digital Transformation

Government itself is increasingly dependent on robust digital infrastructure.[6] Digital identity systems, online service delivery platforms, emergency response systems, data sharing frameworks and modern administrative systems all rely on secure and resilient data centre capacity.

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[2] CEFC, Getting the balance right: data centre growth and the energy transition, 2025, 4.
[3] Copenhagen Economics, Assessment of socio-economic benefits of the data centre sector in Portugal, April 2025, 4.
[4] Mahda Gamaki *et al*, 'Big data analytics capability and contribution to firm performance: The mediating effect of organizational learning on firm performance' (2023) 36(5) *Journal of Enterprise Information Management* 1161; Eivind Kristoffersen *et al*, The effects of business analytics capability on circular economy implementation, resource orchestration capability, and firm performance' (2021) 239 *Journal of Production Economics* 108205.
[5] *See generally* McKinsey and Company, Technology Trends Outlook 2025.
[6] Australia's sustained investment in governance, shared platforms and user centred services across government has been recognised on the global stage, ranking 2nd overall in the OECD's 2025 Digital Government Index as of February 2026.

As governments pursue digital transformation agendas aimed at improving service delivery and operational efficiency, reliable data infrastructure becomes essential to effective operations.

International Experience

International experience demonstrates that regions which successfully attract and scale digital infrastructure often become major technology and innovation hubs.

Examples will be expanded in Section 4 to illustrate jurisdictions that successfully develop digital infrastructure ecosystems often capture significant economic spillovers, including investment, high-value jobs, research capability and technology sector growth.

Implications for Policy

Recognising data centres as strategic infrastructure has important implications for public policy. It requires governments to balance legitimate considerations with the broader economic and strategic importance of digital infrastructure.

The central policy question for governments is how to ensure that data centre development occurs in a way that maximises economic and technological benefits while responsibly managing environmental and community impacts.

Framed correctly, the expansion of data centres should be understood as part of a broader economic transformation. Data infrastructure will underpin the next phase of the digital economy in a future defined by artificial intelligence, cloud computing, secure digital systems and data-driven public services.

Ensuring that NSW can support and host this infrastructure will be central to the state's future economic competitiveness and technological capability.

3. Economic Impact and Ecosystem Effects

Some discussion about the economic impacts of data centres is framed in terms of construction employment or short-term investment cycles. This framing does not fully capture the broader economic contribution of digital infrastructure.

The more important economic impact of data centres lies in their role as enabling infrastructure for the digital economy. Technology touches almost all industries in some way. By providing reliable, scalable computing capacity and secure data environments, data centres allow industries to operate and grow within a jurisdiction.

Data centres have invested $3.1billion in grid infrastructure since 2020 and forecast a further investment of $7.2billion by 2023. This includes $1.1billion of excess capacity for communities and other industries.[7] Deployable data centre capacity is due to rise by more than double to 3,100MW by 2030.[8] This potentially translates to a need for at least 17 new hyperscale centres in Australia over the next five years.[9] Due to this demand, it is prudent to take a broad view of the economic benefits of this infrastructure.

Direct Economic Contribution

Private capital is driving the development of large-scale data centre infrastructure. Major facilities frequently involve capital expenditure in the hundreds of millions of dollars, covering specialised construction, electrical systems, cooling infrastructure, fibre connectivity and advanced computing equipment.

This investment supports a wide network of suppliers and contractors during the construction phase, including engineering firms, electrical specialists, mechanical trades and infrastructure providers.[10]

As stated, the economic contribution of data centres extends well beyond construction.

Once operational, data centres support a range of ongoing activities including facility management, infrastructure maintenance, network operations, cybersecurity monitoring and systems engineering. These roles tend to be highly specialised and require advanced technical skills, creating long-term employment opportunities.

Data centre operations also generate stable commercial activity through long-term leasing arrangements with cloud service providers, enterprise customers and technology

[7] Mandala, Data Centres as Enabling Infrastructure, November 2025, 1.
[8] Mandala, Empowering Australia's Digital Future, Data Centres: Essential digital infrastructure underpinning everyday life, October 2024, 8.
[9] Data centre valuation: The billion dollar question <https://www.pwc.com.au/real-estate/data-centre-valuation.html>.
[10] Data centres are a gold rush for construction workers <https://www.wsj.com/business/data-centers-are-a-gold-rush-for-construction-workers-6e3c5ce0>.

platforms. These long-term contracts provide predictable revenue streams and encourage continued investment in digital infrastructure capacity.

Taken together, these factors mean that data centres represent not only a source of initial capital investment but also a long-term economic asset supporting sustained technology sector activity.

Indirect and Ecosystem Effects

The most significant economic contribution of data centres often occurs through their broader ecosystem effects.

Digital infrastructure tends to attract complementary industries that rely on secure and scalable computing capacity. Companies operating in areas such as artificial intelligence, cybersecurity, software development and digital services frequently prefer to locate near high-capacity data infrastructure to reduce latency, improve connectivity and access specialised technical ecosystems.[11]

As a result, data centres often serve as anchor investments that help attract and support a range of high-growth technology sectors, including:

- artificial intelligence start-ups
- cybersecurity firms
- software-as-a-service (SaaS) providers
- financial technology (fintech) companies
- digital health and medical technology platforms
- education technology (edtech) firms
- advanced manufacturing operations using digital and automation systems.

The presence of large-scale digital infrastructure can also attract major global technology companies and hyperscale cloud providers.[12] These firms typically require extensive computing capacity and network connectivity, making proximity to established data centre ecosystems a key factor in investment decisions.

Once established, these technology clusters create a reinforcing cycle of innovation, investment and talent attraction. Research institutions, start-ups and established technology companies benefit from proximity to infrastructure, specialised suppliers and skilled workers.

Data centres exert a “gravitational pull” within the digital economy, helping to anchor technology ecosystems that generate broader economic activity and innovation.

[11] *See generally* Nasif Fahmid Prangon, ‘AI and Computing Horizons: Cloud and Edge in the Modern Era’ (2024) 13(4) *Journal of Sensor and Actuator Networks*’ 44.
[12] *See generally* Fernando van der Vlist et al, ‘Big AI: Cloud infrastructure dependence and the industrialisation of artificial intelligence’ (2024) 11(1) *Big Data and Society* 1.

Skills and Workforce Development

One of the most significant and often overlooked economic contributions of digital infrastructure lies in its impact on workforce development and skills formation.

Data centre infrastructure creates sustained demand for a range of highly skilled technical roles. These roles sit at the intersection of traditional engineering disciplines and advanced digital technologies, creating opportunities for both new entrants to the workforce and mid-career professionals seeking to transition into higher-value technology roles.

The growth of digital infrastructure can also support the development of formal training pathways. Programs focused on electrical systems, network engineering, cybersecurity and cloud infrastructure can align directly with industry demand created by data centre operations.

In addition, data centre construction and maintenance provides opportunities for apprenticeships and technical training in areas such as power systems, cooling technologies and digital infrastructure operations. These pathways allow students and tradespeople to develop specialised expertise within an emerging sector of the digital economy.

From a community and workforce perspective, the Microsoft–TAFE NSW Data Centre Academy[13] is a practical example of how data centre investment can translate into local skills development and employment pathways. This initiative demonstrates how industry-education partnerships can build a pipeline of job-ready talent, support regional workforce capability, and ensure that the benefits of digital infrastructure investment are embedded within local communities.

Importantly, this skills ecosystem extends beyond the data centres themselves. As digital infrastructure expands, related industries also grow, further increasing demand for skilled technology professionals. This dynamic highlights an important strategic point that digital infrastructure drives demand for digital skills.

Jurisdictions that support the development of digital infrastructure tend to see corresponding growth in technology employment and workforce capability. Conversely, jurisdictions that fail to develop sufficient digital infrastructure risk limiting the growth of their domestic technology sectors.

If the state wishes to expand its technology workforce and create more high-value digital jobs, it must also support the infrastructure that enables those industries to operate and grow.

[13] TAFE NSW Datacentre Academy <https://www.tafensw.edu.au/partnerships/datacentre-academy>.

Supporting digital infrastructure is one of the most effective ways to stimulate demand for advanced digital skills and technology employment.

4. New South Wales's Competitive Position in the Global Digital Infrastructure Economy

Digital infrastructure expansion is occurring within a highly competitive global investment environment. Technology companies, cloud providers and infrastructure investors make location decisions based on a combination of factors including energy availability, regulatory certainty, connectivity, land use planning and proximity to major markets.

As a result, jurisdictions around the world are actively positioning themselves to attract large-scale data centre investment as part of broader digital economy strategies.

Data centre infrastructure is expanding rapidly across the globe, so the question is whether NSW will capture a meaningful share of that investment and the associated economic benefits, or whether those benefits will accrue to other jurisdictions.

Global Competition for Digital Infrastructure

Framing data centre investment as Sydney versus Melbourne misses the point. Capital is globally mobile, and Australia is competing against international players, and not itself on a domestic level. The industry is not static, and investment decisions are made over decade-long horizons, and operators undertake rigorous multi-jurisdictional assessments before committing capital. Regulatory predictability, energy availability, water access, planning efficiency, and workforce depth are all scored. NSW is currently competing against a set of jurisdictions that have made deliberate, strategic choices to win this investment. The following case studies illustrate what effective policy settings look like in practice.

Singapore

Singapore demonstrates how a land and energy constrained city-state can remain globally competitive by treating data centre capacity as a strategically allocated resource. In 2019, the Singapore Government implemented a temporary pause on the growth of data centres while it reviewed sustainability parameters, explicitly acknowledging that data centres are intensive users of land, water and energy.[14] Following that review, Singapore introduced competitive capacity allocation mechanisms, led by Singapore Economic Development Board and Infocomm Media Development Authority, including successive "Data Centre Call for Application" rounds which assess proposals for sustainability performance as well as strategic and economic contribution.[15] Under the 2025 DC-CFA2 framework, the government set quantifiable requirements, including mandatory Green Mark Platinum certification for data centres, and expectations that at least half of new capacity be

[14] Singapore Economic Development Board and Infocomm Media Development Authority, 'EDB and IMDA launch pilot data centre call for application to support sustainable growth of data centres' (media release, 20 July 2022).
[15] Ibid.

powered through eligible green energy pathways.[16] In parallel, Singapore's Green Data Centre Roadmap explicitly links continued growth to accelerated energy efficiency and green energy deployment, while the Digital Connectivity Blueprint frames compute infrastructure, including cloud and data centres, as increasingly critical to daily digital services and therefore requiring resilience and security aligned with international best practice.[17]

These integrated settings have supported continued investment despite constraints which will be explored below. Singapore is a regional data centre hub with more than 1.4GW of data centre capacity and more than 70 cloud, enterprise and colocation facilities, including facilities hosting higher intensity AI workloads.[18] The same policy framework sets an ambition to unlock at least 300MW of additional capacity in the near term, with further growth contingent on green energy deployments.[19]

The experience in Singapore provides a clear caution for New South Wales. Following the lifting of its 2019 data centre moratorium, Singapore implemented a tightly controlled capacity allocation process that has materially constrained new investment and introduced sustained uncertainty for market participants.

NSW should avoid adopting a similar approach. Replicating such a model would risk signalling to investors that access to capacity is administratively limited and subject to ongoing discretion, rather than governed by transparent, scalable, and predictable frameworks. In a globally mobile sector, this creates a direct risk that future data centre investment will be diverted to competing jurisdictions with clearer and more reliable pathways to development.

Ireland

Ireland presents a different, but equally instructive model. Hyperscale investment attraction is paired with energy infrastructure co-planning and explicit sustainability principles. In July 2022, the Irish Government published a whole of government statement which characterises data centres as "core digital infrastructure" and acknowledges their indispensable role across economic and social activity.[20] Crucially, that statement also acknowledges short term electricity system capacity constraints, indicating that near term growth would need to be accommodated in regional locations and should assist national

[16] Infocomm Media Development Authority, 'Launch of second data centre call for application (DC-CFA2)' (factsheet, 1 December 2025).
[17] Infocomm Media Development Authority, Singapore's Digital Connectivity Blueprint (report, June 2023) (compute infrastructure, including cloud and data centres, as critical; emphasis on resilience and security).
[18] Infocomm Media Development Authority, 'Charting green growth pathways at scale for data centres in Singapore' (factsheet, 30 May 2024); Infocomm Media Development Authority, Green Data Centre Roadmap (May 2024).
[19] Ibid.
[20] Government of Ireland (Department of Enterprise, Trade and Employment), *Government Statement on the Role of Data Centres in Ireland's Enterprise Strategy* (July 2022).

ambitions for an efficient, low carbon energy system.[21] It set national principles to guide development, including preferences for projects that make efficient use of grid capacity, demonstrate renewable electricity additionality, and co-locate or locate proximate to future-proof low carbon energy supply.[22] The statement further flags that these principles are intended to be reflected across planning and regulatory decisions, signalling a deliberate alignment between economic development settings and energy system deliverability.[23]

That alignment has since been operationalised through grid connection policy. The Irish Commission for Regulation of Utilities decision paper on large energy user connections states that new data centres connecting under the updated policy will be required to provide new renewable and dispatchable electricity generation, with those generation projects participating in the wholesale market.[24] Consistently, EirGrid has stated that offers of new connections for data centres without existing connection agreements are contingent on the applicant's ability to bring onsite dispatchable generation and/or storage with capacity equivalent to or greater than their demand, with the result that new data centres are treated as "net-zero demand" from an adequacy perspective.[25]

The outcomes of this approach are visible in Ireland's wider digital export profile. Ireland's Central Statistics Office reports that computer services exports were €228.2 billion in 2023, representing the largest services export category and accounting for 57.2% of total services exports.[26] While data centres may not be the sole driver of this export profile, the Government's policy statement explicitly links data centres to Ireland's position as a strategic international location for IT services and notes that investment in large, long life assets such as data centres can further secure the presence of global technology companies in Ireland.[27]

The experience in Ireland provides a further caution for New South Wales. Policy settings that directly link data centre load growth to the development of local renewable generation have introduced material delivery risks where permitting, grid connection, and construction timelines for renewables do not align with the pace of data centre investment.

In the Australian context, these misalignments are likely to be more pronounced. Renewable energy projects are subject to complex planning approvals, transmission

[21] Ibid.
[22] Ibid.
[23] Ibid.
[24] Commission for Regulation of Utilities, *Large Energy User Connection Policy: Decision Paper* (CRU2025236, December 2025).
[25] EirGrid, *Ten-Year Generation Capacity Statement 2023 to 2032* (January 2024) (connection criteria and "net-zero demand" framing for new data centres).
[26] Central Statistics Office, *International Trade in Services 2023* (statistical release, 16 January 2025); *International Trade in Services 2024* (statistical release, 16 January 2026).
[27] Government of Ireland (Department of Enterprise, Trade and Employment), *Government Statement on the Role of Data Centres in Ireland's Enterprise Strategy* (July 2022).

constraints, and extended build timelines, while data centre investment decisions are highly time-sensitive and globally competitive.

NSW should therefore avoid rigidly coupling data centre approvals to contemporaneous renewable generation build-out. Doing so would risk creating bottlenecks that delay or deter investment, undermine project certainty, and reduce the state's competitiveness as a destination for digital infrastructure.

Ireland demonstrates that co-design and coordinated planning across government, energy systems and industry are prerequisites for data centre investment. Misalignment in power provision and approvals directly constrains development and diverts globally mobile capital elsewhere.

While improved efficiency is supported, highly detailed or technology-specific requirements risk becoming rapidly outdated in a fast-evolving sector, potentially constraining innovation and locking in suboptimal approaches. This is particularly relevant given existing compliance obligations under frameworks such as the National Greenhouse and Energy Reporting Scheme and forthcoming sustainability disclosure regimes.

Layering additional state-based requirements would increase compliance costs, create duplication, and risk regulatory fragmentation. In a globally mobile sector, this may distort investment decisions and reduce NSW's competitiveness.

NSW should instead prioritise outcomes-based, nationally aligned approaches that maintain flexibility while delivering environmental objectives.

United States

In the United States, leading data centre states show how clustering effects can produce "tech corridor" dynamics, but only where policy settings deliver predictable timeframes to land, power and permits.

In Virginia, Northern Virginia's scale is associated with a long-standing, pro-investment environment that includes codified and administratively supported incentive settings. The Virginia Economic Development Partnership and the Virginia Department of Taxation provide a sales and use tax exemption for qualifying data centre equipment, structured through memoranda of understanding and statutory investment and employment thresholds, with legislated time horizons extending into the 2030s and, for very large commitment cases, beyond.[28] These settings reduce policy risk by making eligibility criteria clear and durable.

The economic and strategic outcomes of this cluster are well documented. Northern Virginia remains the largest US data centre market, with approximately 2,930MW of total

[28] Virginia Economic Development Partnership, 'Data Center Retail Sales and Use Tax Exemption' (guidance); Virginia Department of Taxation, 'Sales Tax Exemptions: Data Center Equipment' (guidance).

inventory in 2024 and extremely low vacancy.[29] AI workloads are transforming demand and AI-related occupiers are increasingly prioritising markets with scalable power capacity and advanced connectivity, influencing site selection, design and operational requirements.[30] This corridor effect is reinforced as supply tightens, with development and site acquisition extending along the I-95 corridor toward markets such as Richmond.[31]

In Texas, the policy proposition is similarly geared towards certainty and scale, combining a business-friendly operating environment with explicit incentive and grid planning settings. The Texas Comptroller of Public Accounts sets out a state sales tax exemption framework for qualifying data centres, including clear thresholds (at least 100,000 square feet, minimum job creation, and minimum capital investment), with exemptions lasting 10 or 15 years depending on investment levels and subject to audit verification.[32] In parallel, the Electric Reliability Council of Texas has publicly documented that updated long term load forecasts have been materially revised upward, with transmission operators attributing a large share of new forecast load growth to future data centre demand.[33] Market evidence aligns with these settings, with the Dallas-Fort Worth market on track to materially expand, with hundreds of megawatts under construction and strong preleasing, along with demand from hyperscalers and AI providers remaining strong.[34] More broadly, market analysis forecasts that Texas, taken as a single market, could overtake Northern Virginia by 2030, driven by energy resources, land availability and a business-friendly operating environment.[35]

The central lesson for NSW is not to copy US incentive models wholesale, but to recognise what investors value: long-run policy durability, transparent qualification frameworks, and predictable pathways to power and approvals that allow cluster economics to develop tech corridors.

Risk of Inaction

The risks to NSW from policy inaction are practical and foreseeable. Data centres are capital-intensive, long-life assets which require multi-year delivery and long horizon operating assumptions.

Hyperscalers are turning to secondary markets when core markets face constrained supply and persistent power constraints, with power constraints in legacy markets forcing

[29] CBRE, 'North American Data Center Construction Hit New Heights in 2024 Amid Surging Demand' (press release, 2025) (market scale, vacancy, AI influence, and expansion beyond core submarkets).
[30] Ibid.
[31] Ibid; CBRE, 'Global Data Center Trends 2025' (press release, 24 June 2025).
[32] Texas Comptroller of Public Accounts, 'State Sales Tax Exemption for Qualified Data Centers' (guidance).
[33] Electric Reliability Council of Texas, *Long-Term Load Forecast Update 2025 to 2031 and Methodology Changes* (April 2025).
[34] CBRE, 'North America Data Center Trends H2 2024: Market Profile Dallas-Ft. Worth' (market profile).
[35] JLL, 'North America Data Center Report: Year-end 2025' (analysis of Texas trajectory and drivers).

hyperscalers to seek new frontiers, with power ultimately determining where infrastructure can scale.[36] Poor grid planning and long connection wait times in traditional hubs can shift data centre geography, with reported grid connection timelines in some legacy European hubs averaging 7 to 10 years.[37]

Concrete examples demonstrate that when planning approvals, grid access or environmental standards become contested or unclear, investment can be delayed, diverted, or repriced. Singapore's temporary pause on data centre growth prompted a reallocation of regional expansion toward neighbouring markets, and market reporting identifies Johor as a beneficiary of these constraints.[38]

NSW faces a comparable competitive pressure, including within Australia. Developers and operators are already reviewing regional areas and emerging markets, including parts of Queensland, where "power availability" and "speed to market" are viewed as major advantages.[39] Accordingly, if NSW policy settings remain unpredictable or slow in planning approvals, constrained by grid delays, or unclear on environmental standards, investment will rationally migrate toward jurisdictions that offer clearer pathways to approval and connection, whether interstate or offshore. The strategic cost is not limited to lost capital expenditure. It includes the gradual relocation of associated high-value digital activity, supply chain capability and AI-adjacent investment to jurisdictions that provide the certainty required for decade-long commitments.

Strategic Opportunity for New South Wales

NSW already possesses several structural advantages in the digital infrastructure economy. Sydney is the largest technology market in Australia and hosts a significant concentration of technology companies, financial institutions and research organisations.

The state also benefits from strong international connectivity, a highly skilled workforce and proximity to major Asia-Pacific markets. These characteristics create a strong foundation for positioning NSW as a leading digital infrastructure hub within the region.

However, maintaining this position will require policy settings that recognise the strategic importance of digital infrastructure and support its sustainable expansion.

If NSW can successfully balance infrastructure development with responsible energy and planning frameworks, it has the potential to strengthen its position as a centre for digital

[36] CBRE, 'Global Data Center Trends 2025' (press release, 24 June 2025).
[37] Reuters, 'Poor grid planning could shift Europe's data centre geography, report says' (18 June 2025) (reported connection timelines and geography shifts).
[38] Singapore Economic Development Board and Infocomm Media Development Authority, 'EDB and IMDA launch pilot data centre call for application to support sustainable growth of data centres' (media release, 20 July 2022); CBRE, 'Global Data Center Trends 2025' (press release, 24 June 2025).
[39] JLL, 'Australia's Data Centre Market' (1 December 2025) (observations on expansion beyond traditional availability zones and the role of power availability and speed to market).

innovation, technology investment and artificial intelligence capability in the Asia-Pacific region.

Particular attention should be paid to the alignment between any NSW policy settings and emerging Commonwealth expectations and principles for the data centre sector. A fragmented approach, with differing state-based rules, risks creating a patchwork of inconsistent regulatory requirements that increase complexity, elevate compliance costs, and undermine investment confidence. In contrast, a nationally coherent framework, supported by high-level federal and state roadmaps, would provide greater certainty for investors and enable more effective long-term planning across infrastructure, energy, and workforce development.

5. The Importance of Clear Signals from Government

Large-scale digital infrastructure investment from international technology leaders is highly sensitive to signals from government.[40] Data centres represent long-term capital investments that typically involve hundreds of millions of dollars in construction, specialised engineering systems and digital infrastructure. Investment decisions are therefore influenced not only by market demand but also by the policy environment in which that investment occurs.

For operators in this space, investing hundreds of billions of dollars in advanced computing resource, regulatory clarity and policy certainty are key determinants of investment location. Companies must have confidence that the jurisdiction in which they invest recognises the strategic value of digital infrastructure and is committed to maintaining a stable and predictable policy and regulatory framework.

Strategic Recognition

One of the most important signals governments can provide is clear recognition that digital infrastructure forms part of the state's long-term economic strategy.

When governments explicitly recognise data centres as essential enabling infrastructure, it signals to investors that the jurisdiction understands the role that digital infrastructure plays in supporting economic development, technology capability and digital services.

This recognition does not imply that development should occur without oversight or safeguards. Rather, it indicates that digital infrastructure will be considered within a strategic policy framework that balances economic opportunity with responsible infrastructure management.

Investment Confidence

Infrastructure investors typically make decisions based on multi-decade investment horizons. Leading data centre operators build facilities to operate for 30 years minimum and require continuous capital reinvestment in computing systems and digital infrastructure. As a result, even subtle signals from government can influence investor confidence.[41]

[40] Urgent Reforms Required to Boost Investment in Digital Infrastructure <https://www.austelco.org.au/urgent-reforms-required-to-boost-investment-in-digital-infrastructure>.

[41] For every $1 an Australian data centre operator spends in construction and operations, key cloud and AI customers spend $6-9, depending upon the nature of the deployment. Based on the global standard costing of AUD$15 million per megawatt to construct a data centre, a 100MW data centre could see $10b+ in capital expenditure.

Where government policy is uncertain or inconsistent, investors may delay or redirect capital to jurisdictions that offer clearer long-term frameworks. Conversely, when governments provide clear signals that digital infrastructure is strategically important, it can significantly improve a jurisdiction's attractiveness for technology investment.

In a global market where jurisdictions compete to host digital infrastructure, policy certainty becomes an important competitive advantage.

Strategic Positioning for the Digital Economy

Finally, government signalling plays a broader role in positioning jurisdictions within the global digital economy.

Around the world, governments are increasingly recognising that digital infrastructure underpins emerging technology sectors. As a result, many jurisdictions have begun explicitly incorporating digital infrastructure into their economic development strategies.

For NSW, clear policy signals about the importance of digital infrastructure can help reinforce the state's position as a leading technology and innovation centre within the Asia–Pacific region.

Such signals communicate that the state intends to remain a competitive destination for technology investment, digital infrastructure development and advanced digital industries.

6. Policy Recommendations

The expansion of data centre infrastructure presents a strategic opportunity for NSW. The state can capture significant economic, technological and workforce benefits from digital infrastructure investment, if we recognise that these facilities now play a major strategic role in the modern economy.

The following recommendations are intended to support the sustainable development of digital infrastructure while maximising the broader economic and technological benefits for NSW.

Recommendation 1

Recognise Data Centres as Essential Digital Infrastructure

The NSW Government should formally recognise data centres as critical digital infrastructure within state economic and infrastructure policy frameworks.

This recognition would align digital infrastructure with other foundational systems such as energy networks, transport infrastructure and telecommunications networks. Formal recognition would also provide clarity to policymakers, regulators and investors that digital infrastructure plays a central role in enabling the state's digital economy.

Recognising data centres as critical infrastructure would support more coordinated policy development across government, particularly in areas relating to digital economy strategy, infrastructure planning and technology investment.

Recommendation 2

Align Digital Infrastructure Policy with AI and Digital Economy Strategies

The NSW Government should explicitly integrate digital infrastructure development into its broader digital economy and artificial intelligence strategies.

Artificial intelligence, cloud computing and advanced digital services all depend on the availability of reliable compute infrastructure. Ensuring that sufficient data centre capacity exists within the state will be essential for supporting the growth and development of the sector.

Recommendation 3

Support the Development of Digital Infrastructure Ecosystems

Policy settings should recognise that data centres act as anchor infrastructure for broader technology ecosystems.

The presence of scalable compute infrastructure attracts complementary industries including artificial intelligence companies, cybersecurity firms, software developers and

digital service providers. These industries in turn generate additional economic activity, investment and high-value employment.

Government policy should therefore consider the broader ecosystem effects of digital infrastructure investment, rather than assessing data centres solely as individual infrastructure projects.

Encouraging the development of digital infrastructure clusters can strengthen the overall technology sector and support the growth of innovation-driven industries within NSW.

Recommendation 4

Strengthen Workforce and Skills Pathways Linked to Digital Infrastructure

The expansion of digital infrastructure will increase demand for specialised technical skills across engineering, network architecture, cybersecurity and digital infrastructure management.

The NSW Government should support the development of training and workforce pathways aligned with this demand, co-designed and delivered in partnership with industry, universities and vocational education providers. This should include targeted programs focused on areas such as:

- electrical and mechanical infrastructure systems
- cloud and network engineering
- cybersecurity and data infrastructure operations
- advanced digital infrastructure management.

These initiatives would help ensure that the growth of digital infrastructure also contributes to the development of a highly skilled domestic technology workforce.

Recommendation 5

Position NSW as a Regional Hub for Digital Infrastructure Investment

NSW should seek to position itself as a leading centre for digital infrastructure investment within the Asia–Pacific region.

The state already possesses many structural advantages, including a large technology market, strong international connectivity and a highly skilled workforce. With appropriate policy coordination, these advantages can support the development of a globally competitive digital infrastructure ecosystem.

A clear policy commitment to supporting digital infrastructure development would help attract investment from global technology companies, cloud providers and digital service firms, strengthening the state's role in the regional digital economy.

Conclusion

Data centres are often discussed primarily in terms of their physical footprint, electricity demand or planning considerations. While these issues are important and warrant careful attention, they represent only one dimension of a much larger transformation.

Digital infrastructure now underpins modern economic activity in the same way that electricity networks, transport systems and telecommunications infrastructure supported earlier phases of industrial development. Data centres provide the computational capacity, secure data environments and connectivity that enable artificial intelligence, cloud services, cybersecurity systems and digital public services.

For NSW, the expansion of digital infrastructure presents a significant strategic opportunity. The presence of scalable compute infrastructure can attract global technology investment, support the development of advanced digital industries and create high-value employment opportunities across the state's technology workforce.

At the same time, the growth of data centre infrastructure requires thoughtful policy frameworks that balance economic opportunity with responsible planning, environmental considerations and infrastructure coordination.

The central challenge for NSW is to ensure that data centre expansion occurs in a way that maximises long-term economic and technological benefits for the state.

By recognising data centres as critical digital infrastructure and aligning policy frameworks accordingly, NSW can position itself as a leading centre for digital innovation and technology capability in the Asia–Pacific region.