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### More Smart Investment in Recovery Needed

ASR's Executive Director Andrew McCredie says: "the Government's Nation Building and Jobs plan should take the opportunity to 'flick the innovation switch to high. Investment in innovation creates sustainable jobs and will stimulate the Australian economy to develop world leading and innovative services which can be exported to the world."

ASR appreciates the need to respond rapidly to the deteriorating global economic situation, and is pleased that the proposed plan recognises that strategies are required to maintain and build Australia's productive capacity, especially in the services sector which comprises 80 per cent of the economy.

Andrew McCredie says: "investment in innovation is now critical, as only innovation investment delivers both economic stimulus and productivity growth. In difficult economic times there is a real risk that the business community may reduce its investment in innovation to reduce costs."

ASR acknowledges that investment in building and infrastructure, such as schools and public buildings, is an important element of the Nation Building package. Infrastructure Australia is also developing a major work program for COAG to address the gaps, deficiencies and bottlenecks in the nation's infrastructure. However, enhanced application of smart technologies, advanced skills and innovation would deliver better outcomes from these works, and should be an integral part of the package. Market-based incentives such as proposed by the building industry can also encourage technically 'smart' and 'green' investment. ASR urges the Government to use more of such approaches.

Gaps in skills and innovation capabilities have led to productivity stagnation in the 2000s, and are impeding the Australian service sector winning jobs in global markets. The issues are well canvassed in the Cutler, Mortimer and Bradley Reviews commissioned by the Government, and a start in implementation of their important policy recommendations is urgent.

It is worth noting that the new Obama Administration has given strong support for innovation, human capital and smart technology (broadband, smart energy grids and ehealth) in its American Recovery and Reinvestment Plan, recently passed by the House and before the Senate. ASR urges the Australian Government to adopt a similar approach in Australia.

The Government's Nation Building and Jobs plan is a step towards sustainable economic recovery, but a greater focus on innovation, advanced skills and smart technologies could deliver significantly greater productivity and export outcomes.

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