

# Learning to be Swiss

It's time for Niagara to embrace a high loonie, rather than shun it



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Time flies when you're having fun. This column marks the fifth anniversary of the Trade Talk column in *Business Niagara*. Back in that very first column, I tackled a pressing and timely issue: the rapid rise of the Canadian dollar. Pointing out that the loonie was being launched into the stratosphere by international demand for oil and other natural resources, I also suggested the U.S. dollar was being dragged down by "expensive foreign wars, poor economic performance and massive government deficits."

Hmmm... No wonder it doesn't seem like five years have passed; the story hasn't changed at all.

Imagine my surprise, then, to see the wave of panic in recent days about the situation. "Bank of Canada alarmed by soaring loonie," cried one headline, followed soon after by banners like "CIBC warns of danger from loonie!" How can something we've been talking about for more than half a decade be such a source of surprise and panic? The rising loonie has been a reality for years now, and a strong loonie will likely be a feature of the Canadian landscape for many years to come.

Perhaps the real panic comes not from the rising loonie itself, but from a sudden, sickening realization on the part of many business owners that the model they've built their businesses on is increasingly shaky. We used to think of a 63-cent dollar as some kind of a competitive advantage, and play off the currency differential between U.S. and Canadian dollars to ensure our companies had healthy profits. In Niagara, we were masters at this game, riffing on the exchange rate for decades to bolster manufacturing businesses and tourism ventures. What we didn't realize was that this didn't make us good business people; it made us good currency traders. And we propped up hundreds of local businesses and thousands of local jobs with currency speculation. Often our product was not manufactured goods or world-class services or tourism experiences; rather, it was currency arbitrage.

And now that the pendulum has swung away from our speculative corner of the currency trading world, many of our businesses are collapsing.

Basically, we spent so much time leveraging currency advantages, we forgot to make our businesses world class. We didn't focus on efficiency, quality or productivity. But don't just take my word for it. The Organization for Economic Cooperation and Development (OECD) recently studied 21 industrialized nations to determine how productivity has improved over time. Canada ranks 19<sup>th</sup>, behind countries like Spain, Portugal and Italy. Even closer to home, the OECD points out that at no time since the end of the Second World War has Canadian output per hour come close to matching that of the U.S. It's a hard lesson for our nationalist sensibilities, but for more than 60 years, Americans have

been, on average, better and more productive workers than we are.

Closing the gap is easy. It involves three principal strategies:

- Invest in leading-edge equipment and processes
- Invest in emerging information and communications technologies
- Invest in skills upgrading, training and employee development

That's it: three simple strategies that amount to "build a better mousetrap." The problem is, over all those years of currency speculation, we never really invested our profits back into improved productivity. Look around Niagara. How many truly state-of-the-art, "best-in-world" manufacturing facilities do we have? How many fully wired and technologically advanced "smart" buildings? How many LEED-certified environmentally friendly facilities? Compare that number to a similar-sized community in South Korea, Norway or Switzerland, and we fall well short.

And maybe Switzerland's an interesting example for us in Niagara, and for Canadians more broadly. I lived for a short time in Switzerland back in the early 1990s, and I know first-hand that the Swiss have had a high-value currency for years. Centuries maybe. But somehow it hasn't hurt them. From consumer goods (like chocolate) to the service sector (like banking) to luxury items (like watches) to high-tech offerings (like pharmaceuticals), Switzerland is an economic powerhouse. The Swiss have built their economic might on quality, productivity and excellence. And a high franc has never hurt them.

Late British actor Peter Ustinov once famously joked to the *Globe & Mail* that "Toronto is a kind of New York operated by the Swiss." He meant this encouragingly, seeing something in Canadian attitudes and approaches that mirrored the positive attributes of the Swiss. Perhaps it's time we embrace a little bit of that "Swiss-ness" and – rather than panicking – find ways to invest in productivity increases that won't necessarily make our products cheaper, but might well make them sought after and admired as the best in the world.

The signs that this strategy can work are all around us, evident in growing Niagara brands like Silicon Knights and Stratus Wines: world-beating companies that have invested in being the best rather than banking on the loonie staying low. And maybe instead of hitting the panic button as the loonie rises, our federal and provincial governments could add tax credits, tax deferrals or improved tax writedowns for investments in capital equipment, workforce skills development or productivity improvements. For the average business, all these things become more affordable with a high dollar. Perhaps it's time we stopped looking at a high loonie as a drag on the economy, and started seeing it as a sign of strength and opportunity. **BN**

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