



Import Replacement: Local Prosperity for Rural Atlantic Canada

--- Report Brief ---

The full report is available in PDF format at:
<http://centreforlocalprosperity.ca/studies/>

Import Replacement is a leading-edge local economic development strategy that seeks to produce locally those goods and services that are currently imported into a community or region as a way to keep money and wealth circulating in the region. This report is the result of a two-year project to explore the **potential for import replacement in Atlantic Canada**, particularly in small, rural and local communities.

Like national economies, local economies function through both exports and imports. Exports are important to the economic health of local communities, bringing in new money that can be channeled into more investment and a broader variety of goods and services. **Not every economy is fortunate enough to have exports** that can be produced and transported competitively. This is particularly true for many rural economies in Atlantic Canada.

But while the export model has dominated politics, public policy, and economic development discourse, an alternative, complementary model has begun to gain recognition as ‘the other side of the coin.’ The model is called **Import Replacement**.

This project knits together the findings of **two separate empirical investigations**:

- The first investigation determined ‘**economic leakage**’ using IMPLAN, a regional input-output statistics model using data from 110 sectors of the economy. The full leakage analysis report, *Prosperity Through Self-Reliance*, is available at: <http://centreforlocalprosperity.ca/studies/>
- The second study collected data from **eight focus groups** conducted with business leaders, community leaders and residents in four communities: Shelburne, NS, Souris, PE, Miramichi, NB, and the Burin Peninsula, NL. This full report, *Import Replacement Theory and Practice*, is also available at: <http://centreforlocalprosperity.ca/studies/>

In 2012, **Atlantic Canada imported \$11 billion more than it exported**, with each of the region’s four provinces running a negative trade balance (or trade deficit). This deficit remains significant, and harmful to local communities in the long run, but it also creates an opportunity for import replacement—a more appropriate and approachable strategy for many smaller communities that lack immediate, affordable opportunities for export.

The IMPLAN-based leakage analysis discovered that Atlantic Canada’s overall level of leakage is 40% -- that is, **four out of every ten dollars spent leave the economy**. The levels of leakage are

somewhat higher in New Brunswick (45%) and Prince Edward Island (44%) and somewhat lower in Newfoundland (38%) and Nova Scotia (35%). There are two ways to think about these leaks. A pessimistic interpretation is that Atlantic Canada has a high degree of economic fragility. An optimistic interpretation is that there are opportunities for import-replacing development in most sectors of the economy.

The **impact of a 10% shift** in demand in each of the four Atlantic provinces towards local goods and services was calculated. Overall, the region would experience more than **43,000 new jobs, \$2.6 billion in new wages, and \$219 million in new tax revenue**. The GDP of the region would grow by \$4.7 billion. Given that roughly 121,000 residents in Atlantic Canada were unemployed as of June 2016, a 10% shift thus could provide more than enough jobs to reemploy more than third of those currently unemployed.

The municipal governments, businesses and residents realize that more can and should be done to **build awareness and incentives for local procurement and support of local industry**. Across the four case study communities, focus group participants from all of these demographics identified **policies that are biased against small, locally-owned businesses** as the most significant barrier in the way of local production. Such barriers were identified not only in terms of ordinary household needs, but also in terms of institutional procurement. Discussions revealed local consumption “ethics” that compel people and institutions to try to satisfy their needs for products and services close to home, but also highlighted the challenges and desires—most notably for specialized products, convenience and cost-savings—that lead people to compromise on their values and acquire goods and services further afield. These findings suggest some specific strategies and policy changes that could help tip the balance toward locally-owned, import-replacing businesses.

There are **many excellent Atlantic Canada examples** of efforts at the community and regional levels to shift to meeting local needs with local production. The examples show that initiatives can be **driven at all organizational levels**, including municipal, provincial, business-government partnerships, foundations or cooperatives. In addition to the examples cited below, there are many other examples that should be recognized.

- **Energize Bridgewater, Bridgewater, NS – Local Energy:** This initiative is accelerating the transition to a local, renewable energy economy, and it is the Town’s economic development plan. An investment of \$500M over 32 years will result in more money in the Bridgewater economy and could result in becoming a net-exporter of energy.
- **Summerside, PE – Local Energy:** Summerside has the distinction of being a community with the highest percentage of renewable energy on the continent - 46% of Summerside’s electricity comes from wind power. These results have been gained through wind power, and their “Heat for Less Now” smart grid program.
- **ACFOR, NB – Local Energy:** ACFOR is a small ecological forestry company and social enterprise using selective harvesting methods to maintain the Acadian forest type. ACFOR utilizes thinnings from these operations for space heating of public sector buildings, providing locally-sourced sustainable heating fuel.
- **Shorefast Foundation, NL – Value Added Social Enterprise:** As a registered charity, Shorefast’s mission is to build economic and cultural resilience on Fogo Island. The Foundation manages three businesses which return their profits for reinvestment into the community – Fogo Island Inn, Fogo Island Shop and Fogo Island Arts.

- **Shorefast Economic Nutrition Label, NL – Education:** This product label is modeled after the nutrition label on food items. The label describes percentages of inputs that went into creating the product. It provides information on how the benefits of those inputs distribute locally, provincially, nationally and to the rest of the world.
- **Pan Cape Breton Food Hub, NS – Local Food Network:** Founded in 2015, this co-operative is a regional food hub linking 40 producers, 400 products, 200 consumers and a dozen restaurants across Cape Breton.
- **Cooperation in Agri-Food NB (CANB) and Food Security and Education Program, PE – Local Food Procurement:** CANB is a multi-stakeholder, non-profit co-operative formed in 2017 targeting 30% local food in New Brunswick schools and other institutions. The PE food program, launched in 2017, also seeks to increase local food in schools.

The importance of a community’s “social narrative” should not be underestimated. Having conversations about the future of a community can lead to **strong positive narratives** that inspire new directions - the single most important element affecting community change - forming a critical lens for how a community sees opportunities for import replacement. Community **conversations can occur at any level** – from neighbours sitting down in a coffee shop to a town hall meeting hosted by the town council. There are a number of ways to begin community conversations such as deliberative democracy or participatory systems change. A historically based process is the traditional Town Hall Meeting. Participatory Budgeting is a process in which community members decide how to spend part of a public budget.

One new focus needs to be on local economic development and on **locally owned, import-substituting (LOIS) businesses**. Locally-owned independent businesses generate more sustainable and meaningful benefits for local communities in good jobs, tax revenues, and products and services that are responsive to local needs.

The following is a **variety of import replacement guidance tools**:

What Local Communities Can Do Today

1. ***Start having conversations.*** Hold community focus groups to empower engaged residents to help assess available assets and import replacement opportunities.
2. ***Start a Community Import Replacement Working Group.*** Import replacement, like any effective community effort, needs to be pursued by a group of people who meet regularly and engage public and private stakeholders. The expectation that economic development must be done primarily by governments is obsolete. It can begin by a group of engaged residents.
3. ***Inventory Community Assets.*** Inventory local assets, such as resident’s skills, vacant buildings, volunteer organizations, local natural resources, underutilized or arable lands, community meeting places, government programs, and other features of the community. Also inventory existing businesses, entrepreneurial skills and mentors, and local investment potential.
4. ***Inventory Economic Leakage and Import Replacement Opportunities.*** Assess local leakages. Survey local businesses and anchor institutions about their largest imports, and then systematically pair them with local suppliers. Ascertain which suppliers might be prepared to expand into import-replacing markets through an identified opportunity.

5. **Educate the Community about the Leakage.** Local blogs, social media, community newspaper articles and public signage can point out the leakage and loss of wealth caused by shopping at a distance. The education can feature locally available goods and services and highlight producers, vendors and service providers closer to home.

6. **Identify Roadblocks, and Find Solutions or Creative Work-Arounds.** Identify government policy or regulatory barriers that disadvantage locally-owned import-replacing businesses relative to non-local, larger corporations. In some cases, creative work-arounds have been used to achieve these outcomes.

7. **Start with the Low Hanging Fruit.** Communities can target just one key unmet local need, even if it seems isolated, knowing that it will have multiplier effects and attract new momentum. Once there is an early success, build on it through public awareness.

8. **Celebrate the Real Innovators.** Identify, celebrate, and spread business models that are especially beneficial to the community.

How to Share the Wealth through Community Cooperation

Locally-owned import replacing businesses must be able to compete on cost, convenience and/or quality with bigger, multinational players. Cooperation builds wealth and aggregates power quickly.

1. **Alternative business ownership models**, such as producer or worker co-operatives, can help locally-owned businesses both compete internationally and remain connected and accountable to the local community.

2. Businesses can also collaborate to form **networks, hubs, partnerships**, non-profits and/or co-operatives around select activities, such as buying and marketing.

3. **Co-working spaces** and hubs help entrepreneurs who cannot afford an office, and it can also facilitate networking and collaboration.

4. Locally-owned businesses should seize on the convenience of **online shopping** and find ways to serve even local markets via online sales platforms.

5. Common **business networking** organizations include the Chamber of Commerce, local business alliances, downtown business associations, and sector-specific organizations (e.g., associations of retailers or manufacturers) should be recruited for import replacement.

How to Put ‘Buy-Local’ Campaigns on Steroids

Turn ‘buy-local’ campaigns into year-round, multi-pronged efforts – they can become “**Think Local First**” campaigns - and can include:

1. **Branding** the effort for community pride, with taglines such as “Think local. Buy local. Be local.” Create a logo and a unique community tagline.

2. **Labeling** locally-produced goods and services. These efforts can include putting signage in locally owned business’ windows, and creating a locally-owned directory posted on-line.

3. **Educating consumers** about the economic and social benefits from buying local through social media and local newspapers. Educational efforts at local schools are important.

4. **Local currencies** or mutual-discount notes keep the money circulating in town where it counts. Local scripts are becoming more popular in many regions.

5. Start a **Buy-10% club** where members commit to purchasing at least 10% of their foods or other goods locally.

6. Local credit unions can offer a **“Go Local” certificate of deposit**, pledging to re-invest the funds in local business.

How to Encourage Import Replacement Support Systems

1. Create, mentor, coach and **support import replacement champions** (through training and mentorship programs).
2. Work with **local entrepreneurs** to have them offer local entrepreneurship courses in both formal and informal settings to students of all ages.
3. **Finance early import replacement opportunities** through the expanding universe of local investment tools such as crowdfunding and pre-selling.
4. Move savings from nonlocal banks to community **credit unions**, to increase the flow of capital to local businesses.

Self-Financing LOIS Pollinators

A “pollinator” is a **self-financing enterprise** committed to boosting local business. Some pollinators are for-profit businesses, some are nonprofits, but they all allow a community to undertake key economic-development functions with far greater efficacy and at a substantially lower cost than typical, taxpayer-funded programs. Here are some examples:

- **Planning** Pollinator -- www.mainstreetgenome.com analyzes data from local businesses to help them get better prices from suppliers and sharing the savings with clients.
- **Purchasing** Pollinator— www.shopcity.com licenses a web platform to three dozen American and Canadian cities that draws consumers to local goods and services.
- **People** Pollinator -- www.fledge.co leads three cohorts of promising local entrepreneurs each year through intensive trainings.
- **Partnership** Pollinator -- www.reapcalgary.com directs consumers to local ethical businesses through ads and an online directory.
- **Purse** Pollinator -- www.farmworks.ca is an example of one of over 60 investment funds in NS and NB that permits locals to reinvest tax-deferred retirement savings into local business.

Role of Municipal Governments

1. **Revamp your procurement practices** to give appropriate credit to local bidders. Examine your current goods and services procurement policies and switch to local purchasing in as many ways as possible.
2. Create or **enhance public spaces**, public building and centres. These venues can become networking hubs leading to localization activities.
3. **Facilitate local investing** by moving your own municipal government banking to community credit unions; helping residents move more of their investments into self-directed RRSP’s with a local asset mix; and explore municipally-supported local investment funds.
4. Create **homeowner and business incentives**, such as rebates or grants for installation of alternative energy, investment into underutilized assets or even for community gardens.
5. Remove all government money and tax breaks given to promote corporate attraction and retention, so that local businesses can **compete on a fair playing field**.

6. Revamp zoning rules to encourage **more home-based businesses** or facilitate mixed-use development.
7. Make further policy recommendations annually. Publish an annual **State of Community report**– measure and show your balance of trade trend line.

Role of Provincial Governments

1. Allow for **more municipal autonomy**, through changes requested by progressive municipalities to the municipal governance acts.
2. Provide options for upgraded **decentralized grids** or local grids, to provide an economic incentive for communities to generate electrical power locally.
3. Implement **new regulatory regimes** (especially for food) that are right-sized and appropriate to the scale of a business and the attendant risk.
4. **Focus existing entrepreneurial programs** more towards import replacement, and teach the benefits of these opportunities to local entrepreneurs.
5. The best innovations within Atlantic Canada, such as **CEDIFs, CEDC's** and other local investment tax credits should be adopted by all the provinces.
6. Allow flexible formats which introduce residents to meet local **businesses looking for capital** through monthly gatherings, and through providers of self-directed RRSPs.

Import replacement can be **a crucial economic driver** for small, rural and local communities looking for a new and different economic future. A community's willingness to be resourceful in providing what it needs opens up enormous long-term community benefits. The results of this project show that **everything we need is right here**. The rest is up to us.

About the Centre for Local Prosperity (www.centreforlocalprosperity.ca): The Centre for Local Prosperity is a registered non-profit organization networking with leading voices in Atlantic Canada and internationally in order to help guide rural communities and organizations in finding ways to implement new economic models that address climate change, declining population, and global supply disruption. We work with rural municipalities in assessing community needs and in drafting strategic plans that provide economic, ecological and democratic solutions to fulfill those needs. More information is also available on our website: www.centreforlocalprosperity.ca

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