

# *Import Replacement:*

---

## **Local Prosperity for Rural Atlantic Canada**

Report prepared by: The Centre for Local Prosperity







*“Healthy municipalities do not march in lockstep. At a given time, each has its own needs and may also have its own particular opportunities for innovative solutions.”*

*Jane Jacobs  
Dark Age Ahead (p. 116) 2005*



CENTRE FOR LOCAL PROSPERITY  
centreforlocalprosperity.ca

# *Import Replacement:*

---

## **Local Prosperity for Rural Atlantic Canada**

**February 2018**

**Robert Cervelli**

Executive Director  
Centre for Local Prosperity

**Dr. Gregory Heming**

Senior Advisor  
Centre for Local Prosperity

**Dr. Karen Foster**

Canada Research Chair in Sustainable Rural Futures for Atlantic Canada  
Department of Sociology and Social Anthropology  
Dalhousie University

**Michael H. Shuman**

Vice President  
Local Analytics  
Washington D.C.



# Table of Contents

---

<b>Executive Summary</b> .....	page 6
<b>Introduction</b> .....	page 8
<b>Report Brief</b> .....	page 9
<b>About the Centre for Local Prosperity</b> .....	page 10
<b>Background</b> .....	page 11
What is Import Replacement.....	page 12
The Old History of New Economics.....	page 13
Imbalance of Trade and Consequences.....	page 14
The Case for Important Replacement.....	page 15
<b>Project Overview &amp; Methodology</b> .....	page 18
Geographic Scope.....	page 18
Report Results and Methodology.....	page 18
i. A Macro Analysis: Regional Leakage & Leak-Plugging Opportunities.....	page 20
ii. A Micro Analysis: Four Community Case Studies.....	page 28
iii. The Importance of Community Conversations.....	page 41
iv. Guidance Tools for Communities.....	page 43
<b>Conclusion</b> .....	page 53
<b>Further Resources</b> .....	page 54
<b>Contact Information</b> .....	page 56
<b>About the Project Team</b> .....	page 57

---

# *Executive Summary*

---

**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 project to explore the potential for import replacement in Atlantic Canada, particularly in small, rural and local communities.

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 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.

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. Examples are cited primarily in the energy and food sectors, which tend to be the easiest places to start. The examples also show that initiatives can be **driven at all organizational levels**, including municipal, provincial, business-government partnerships, foundations or cooperatives.

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. A range of community-conversation processes are described.

A **variety of import replacement guidance tools** have been developed for communities, ranging from immediately actionable items to techniques for aggregating community wealth through co-operation, buy-local campaigns, local business support systems and the roles for both municipal and provincial governments. Additionally, the importance of ‘pollinators’ is highlighted - self-financing enterprises committed to boosting local business – with examples from other communities in North America.

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.



# Introduction

---

**Import Replacement: Local Prosperity for Rural Atlantic Canada** lays out many of the opportunities and obstacles small, rural and local communities in Atlantic Canada might expect to experience if they decide to increase their ability to replace imported goods and services with local goods and services. The path a community travels as it begins to identify, implement and govern a new local economy is a difficult one for sure. Atlantic Canada as a region provides some additional and place-specific challenges. These are clearly laid out in this project report. More importantly perhaps, this report also calls attention to the fact that rural Atlantic Canada is a privileged place. The focus groups, which were an integral part of this project, were an honest and hopeful expression of a love of this place.

“... there is increasing national argument that the experiments of the 1980’s and 90’s based on free market, export-based economics and the like, have transformed and weakened local and regional economies.”

Donald Savoie, 2000,  
Community Development  
in Atlantic Canada: False  
Hope or Panacea.

In March 2003, the **Royal Commission on Renewing and Strengthening our Place in Canada, Regional and Rural Development Strategies** stated, “... rural and regional development has proven a difficult nut to crack. For all the attention paid to rural and regional development strategies, there has been little coherent debate in Canada about the future of rural areas.” In 2010, Donald Savoie, the lead author of Nova Scotia’s **Jobs Here: The Plan to Grow our Economy** describes the challenge this way, “... we are still at the stage of trying various measures to see what works and what does not.”

The economic experiments of the 1980’s and 90’s gave rise to a global market *place* that was placeless. It seemed to be everywhere and therefore nowhere. Because it was without a place - without a community, a locality, even a region - it continued as if it and the earth’s resources were without limits. In 2008, the international financial core that had kept the economy growing burned out. In its wake the future of rural places was left in doubt; the health of the earth much diminished. It was a wake-up call.

Small rural communities were often the first casualties in the long run-up to globalization. Communities in Atlantic Canada certainly did not fare well. As the global economic system continued to pump resources and wealth out of the periphery and into the center, from the countryside into the city, from the poor to the rich, as the economy heated up - as it must do in our system - it became a more common consequence to ruin one place for the sake of another. Rural places took it hard.

While restoring small communities and making them more resilient now and into the future will certainly be difficult, this project report provides data that supports the notion that an export-based economy that does not tend to local needs is thin at best. A community adopting a progressive local economic development strategy – Import Replacement – may find that it broadens and strengthens the community’s ability to respond to global economic and ecologic shocks.

**Import Replacement: Local Prosperity for Rural Atlantic Canada** was undertaken as a way to identify the means by which communities in Atlantic Canada can best determine their willingness and ability to chart a more local course.



# Report Brief

---

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)<sup>1</sup>. While this deficit is both significant and harmful to local communities in the long run, it creates an opportunity for Import Replacement—a more appropriate and approachable strategy for smaller communities that lack immediate, obvious opportunities for export.

This report proposes, as supported through the findings of two investigations, that significant economic gains and more jobs can be found through the promotion of business opportunities for local production of goods and services. Further, such efforts can benefit through new municipal, provincial and federal policies that favour an import replacement direction.

## PROJECT METHODS

This project knits together the findings of two separate empirical investigations.

- The first investigation conducted by Michael Shuman determined 'economic leakage' using IMPLAN, a regional input-output statistics model using data from 110 sectors of the economy.
- The second study conducted by Dr. Karen Foster collected data from a set of eight focus groups conducted with business and community leaders and ordinary residents in four distinct communities across Atlantic Canada: Shelburne, NS, Souris, PE, Miramichi, NB, and the Burin Peninsula, NL. Transcripts from these groups were analyzed for prominent themes, controversies and consensuses.

The balance of the document presents reflections from the Centre for Local Prosperity on the implications of the research findings and the need for new economic thinking in this region, as well as a list of guidance tools for communities that want to begin working toward greater local economic control and self-reliance through import replacement.

This document contains abridged versions of Dr. Karen Foster's and Michael Shuman's reports on their investigations. Readers wishing to access the full reports are invited to read them at <http://centreforlocalprosperity.ca/studies/> or email The Centre for Local Prosperity at [info@centreforlocalprosperity.ca](mailto:info@centreforlocalprosperity.ca) to receive a copy.

---

<sup>1</sup> Shuman, M. (2017) "Prosperity through Self-Reliance: The Economic Value of Import Replacement in Atlantic Canada and How to Achieve It," page 14. Available for download at: <http://centreforlocalprosperity.ca/studies/>



A puffin with a white body, black cap, and a large, colorful beak (orange, yellow, and grey) stands on a dark, porous rock formation. The background is a soft, overcast sky.

# ABOUT THE CENTRE FOR LOCAL PROSPERITY

The Centre for Local Prosperity is a registered non-profit organization drawing on the work and wisdom of Wendell Berry, Jane Jacobs, Fritz Schumacher, Susan Witt and many others who understand how best a local community can begin to re-localize and regain control of their own economic future.

We network 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.

The Centre encourages practical, innovative and experimental rural community development initiatives and sustainable business practices that focus on balancing community purpose with business and industry profit.



# Background

There is a lot to be optimistic about in Atlantic Canada's small towns and villages. Rural main streets in many communities are undergoing revivals, with maker-spaces, farmers' markets, independent cafes and restaurants, and small business "hubs" bringing culture and commerce back into buildings that even a decade ago were shuttered.

But at the same time, the narrative of rural decline—one with which most Atlantic Canadians are intimately familiar—still rings true. Young people are leaving and those remaining are growing old; families are separated by the westward pull of oil economy jobs; major industries and employers are shifting operations to places with lower wages and looser regulations, often leaving tax and consumer bases too depleted to hang on to local schools, grocery stores, hospitals, libraries and community centres.

Historically, Atlantic Canadian economies have been seen as a "problem" to be solved through government policy<sup>2</sup>. Economic development in the region has become an industry unto itself. Yet despite continuous government intervention, from the 'smokestack chasing' of the 20th century to the mantras of 'opportunity,' 'competitiveness' and 'growth' that drive development agendas today, rural populations have steadily declined with only a handful of periods of stability. The reality is that policies and rural economic development mandates are often out of step with what is needed and wanted by smaller communities. Solutions must be right-sized, place-based, locally-lead, achievable and sustainable.

This project begins from an understanding of the importance of re-localizing community economies and defines the powerful economic and social case for using **Import Replacement** as a tool for local and rural economic development. This under-recognized approach has the potential to redefine the future of small communities by increasing their self-reliance, giving them many more options in defining and controlling their future in a rapidly changing world. By simultaneously increasing local self-reliance and multiplying export markets, import replacement can give the small communities in Atlantic Canada significantly more options in defining and controlling their future. If import replacement is seriously embraced, it will require adoption of fundamentally new policies and practices conducted at all regional levels.

Im · port  
Re · place · ment:  
[verb]

1. the act of replacing imported goods or services through local ownership, finance, production and distribution;
2. a community economic, political and social strategy to build long-term economic and ecologic resilience.

**"The slow and steady revival of craft industries, independent business start-ups, local food and community ownership models shows that Atlantic Canadians understand the benefits of increasing local production, ownership and consumption."**

<sup>2</sup> Neill, R. (1991). *A History of Canadian Economic Thought*. New York: Routledge.

## WHAT IS IMPORT REPLACEMENT?

**“Economic life develops by grace of innovating; it expands by grace of import-replacement.”**  
**Jane Jacobs, *Cities and the Wealth of Nations: Principles of Economic Life*, 1985**

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 a wide range of exports that can be produced, manufactured and transported competitively. This is particularly true for many smaller 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**. Import replacement is also sometimes referred to as ‘import substitution.’

Many communities’ economies can be described as leaky buckets.



When a community imports a good or service that it could have cost-effectively produced locally, it “leaks” dollars out of the community that could have gone to local businesses. More than a dozen studies have documented that, because of the “multiplier effects,” every dollar spent on a locally owned business creates 2-4 times more jobs and other economic benefits than a dollar spent in a similar non-locally owned business<sup>3</sup>. Moreover, every unnecessary import – of food, for example – subjects a community to risks of price hikes and disruptions beyond local control. Overreliance on imports also makes it harder to create the diversified base of businesses and skills necessary to take advantage of future opportunities in the global economy.

Import replacement, in the words of the late urban economist Jane Jacobs, is “the root of all economic expansion<sup>4</sup>.” Jacobs, echoing the thinking of dozens of other local-economy scholars, argued that the best way for a community to build wealth and create jobs is through greater self-reliance. The idea is simple: a community (or region) focused on import replacement would seek to produce goods and services that are currently imported as a way to keep money circulating in the region. This might include consumer goods or intermediary inputs in the production of other goods. Developing local production increases the “capacity to meet the economic, social, and cultural needs of the people of the region from within the region, not in a spirit of isolationism but in a spirit of self-determination<sup>5</sup>.” Being vulnerable to external economic pressures is a story the Atlantic Provinces know too well. Import replacement is a tactic for decreasing that vulnerability. Moreover, as homegrown industries diversify and expand, they naturally begin to look toward regional, national and global markets. Import-replacing communities can wind up exporting dozens of goods and services—perhaps hundreds.

<sup>3</sup> *Local Dollars, Local Sense*, 2012, by Michael Shuman, pages 17-25

<sup>4</sup> *Cities and the Wealth of Nations: Principles of Economic Life*, 1985, by Jane Jacobs, page 42

<sup>5</sup> *ibid*



# THE OLD HISTORY OF NEW ECONOMICS

This project was carried out from the perspective of progressive ideas about economic development that fall into the *New Economy*. The New Economy can be viewed as synonymous with a local economy. Import replacement is one of many features of this school of thought.

The traditional models of economic development emphasize growth of GDP, usually through foreign investment and exporting. In a resource rich area such as rural Atlantic Canada, exporting (especially from forests and fisheries) can often become unsustainable because they are usually driven by low-cost extraction-based mechanization. Other traditional economic development approaches emphasize real estate development or large government-supported projects. Many of these approaches worked well in past decades when investment, resources and land were abundant, and the economy had sufficient head room to grow.

In the modern era characterized by depleting resources, globalization, debt burdens and increasing economic stress, it is appropriate to consider shifts in economic strategy. This is particularly true for smaller and rural communities. Often fueled by local investment and ownership, a New Economy strategy can be characterized as an intentional shift away from export-driven globalization and toward place-based localization.

The New Economy is characterized by policies, practices and institutions that meet human needs, enhance the quality of life and balance economic prosperity with thriving ecosystems. The concept emphasizes the importance of regional self-reliance, local ownership, high social standards, shared wealth and resources being held in the commons. It also roots economic health on the growth of skills, knowledge, technology and wisdom. It balances local authority with local responsibility.

The New Economy envisions a new generation of community-supported industries that emphasize new ownership models, often driven by community ‘purpose’ rather than bottom-line profit. Examples include consumer and producer coops, flexible manufacturing networks, employee stock ownership plans (ESOPs) and multiple-stakeholder ownership – that turn hired labor into co-owners. Public and community banks, place-based investment initiatives and other forms of social investment promote long-term sustainable development. Complementary currencies support locally-owned businesses while educating consumers about how money circulates in their community’s economy. Prosperity in a New Economy tends to rely on higher-value, smaller-batch regional production as one way to create more jobs and foster a much broader diversity of skills within communities. Education and training can be appropriate in scale and emphasize local skills training – often referred to as place-based education.



And finally, New Economic thinking incorporates, wherever possible, the rights to ocean harvests, good soil, fresh water, minerals and fossil fuels – our common heritage from the natural world – which should be held publicly and allocated via a social contract based on ecological principles. The rent paid for use of the commons is then shared for community benefit. Community land trusts are a bold land-tenure format that holds land in the commons. These ideas align with the orientations toward the earth’s resources and our obligations to future generations that Indigenous peoples have long held and continue to honour as they develop their own communities.

This New Economy is now bursting through the cracks of the current system, as people experiment with new forms of business, governance and culture that give life to the claim that another world is possible<sup>6</sup>. While these topics are beyond the focus of this project, it’s worth emphasizing that import replacement is just one tool, and a particularly important and potent tool, among many for a new generation of economic developers.

Additional resources on the rich history of New Economy thinkers and authors can be found on the Centre for Local Prosperity’s website at <http://centreforlocalprosperity.ca/>.

## IMBALANCE OF TRADE AND CONSEQUENCES

Lo · cal  
Bal · ance of  
Trade:  
[phrase]

1. the total value of exports from a local economy, minus the total value of imports.
2. an important tool for measuring the economic health of local communities.

Traditional economic developers often suggest that the only way to grow an economy is to bring new money into it, and the primary way of getting new money is through exports. Neither of these assertions is entirely correct. An economy can become wealthier by becoming more efficient, perhaps by increasing the productivity of labor, or by reducing wasted energy, food or other necessities. And an economy can effectively gain new money by purchasing fewer imports and moving those purchases to local business. What ultimately matters for long-term prosperity is the trade balance. Yes, greater exports are important, but equally important are reduced imports.

*An economy that exports more than it imports is said to be in a “positive” trade balance, whereas an economy that imports more than it exports is said to be in a “negative” balance (or “trade deficit”).*

Import replacement is especially important to regions with a persistent trade deficit, where efforts to expand exports have hit a wall—regions like Atlantic Canada. In 2012, the region **imported \$11 billion more than it exported, and each of its four provinces ran at a negative trade balance (or trade deficit)**<sup>7</sup>. If it were a country, one remedy would have been to devalue its currency, but with no control over the Canadian dollar, the trade deficit steadily

<sup>6</sup> As one example, visit: <https://neweconomy.net/>

<sup>7</sup> Shuman, M. (2017) “Prosperity through Self-Reliance: The Economic Value of Import Replacement in Atlantic Canada and How to Achieve It,” page 14. Available for download at: <http://centreforlocalprosperity.ca/studies/>

diminishes wealth. The weak balance of trade especially matters for the small, rural and local communities that depend on imports for many goods and services, because it impacts what imports are affordable.

## THE CASE FOR IMPORT REPLACEMENT

**REGIONAL TRADE BALANCE (2012)<sup>8</sup>**

	EXPORTS	IMPORTS	TRADE BALANCE
NB	\$17,986,141,981	-\$19,391,964,187	-\$1,405,822,206
NL	\$8,687,424,831	-\$11,982,794,457	-\$3,295,369,626
NS	\$10,920,789,257	-\$15,750,693,430	-\$4,829,904,173
PE	\$2,012,771,672	-\$3,405,433,886	-\$1,392,662,214
REGION	\$39,607,127,741	-\$50,530,885,960	-\$10,923,758,219

A prolonged negative local trade balance, or local trade deficit, has several adverse consequences. A trade deficit means a community buys more stuff than it sells, and money and wealth are therefore leaving the economy. This effectively means that outsiders are accumulating IOUs against the community. In other words, local residents and businesses are accumulating debts to the rest of the world, which require that they tighten their belts, consume less, and adapt to a lower standard of living. Personal savings can go down and credit card balances can go up. As businesses lose local sales, they need to make cuts, take on debt and possibly close down over time, since some of their potential business is being conducted elsewhere.

A local trade deficit can trigger a whole cycle of decline due to lack of competitiveness with other markets – near and far. Existing businesses lack the resources for investment, which reduces their competitiveness and new investment dries up for starting new businesses. Local businesses that no longer can afford to invest in new equipment and new products gradually lose competitiveness and shut down. The local business multiplier effect is stymied and the tax base shrinks. Skilled laborers may then begin to leave for more successful economies, sometimes to send a paycheck home but often they leave permanently. This labour export more frequently can manifest as the 1-2 hour commute to work

<sup>8</sup> Graphic based on data presented in Shuman, M. (2017) “*Prosperity through Self-Reliance: The Economic Value of Import Replacement in Atlantic Canada and How to Achieve It*,” page 14. Available for download at: <http://centreforlocalprosperity.ca/studies/>



in a nearby town or city where the economy is more robust. Absentee foreigners increasingly buy up local assets at fire-sale prices. Finally, a negative trade balance can deepen local dependency on federal and provincial governments for social assistance, grants and transfer payments.

In the 2014 publication “*Now or Never: An Urgent Call to Action for Nova Scotians*,” a commission urged “support for growth oriented enterprises, expanding exports and diversifying markets for traditional and new export products.”<sup>9</sup> Why? “Being a small province, and one with slow population growth, means that Nova Scotia has a small domestic market. For most businesses to grow significantly, whether goods producers or service providers, they have to access larger external markets through trade activities.”<sup>10</sup>

But what if the domestic markets in Atlantic Canada have more than “small” potential and can sustain significant new and expanded businesses? And what if it turns out, as Jane Jacobs once argued, that greater self-reliance, paradoxically, is the best strategy for generating more exports?

An imperative for economic development in Atlantic Canada is to transform its regional and local community trade deficits into surpluses. Increasing exports and reducing imports both can help, but thus far official attention only has focused on the former. A new focus is needed on identifying leaks in the region’s economy and plugging them with promising import-replacement strategies. That is the mission of this project – opportunities for import replacement.

---

<sup>9</sup> The Nova Scotia Commission on Building Our New Economy, “*Now or Never: An Urgent Call to Action for Nova Scotians*,” February 2014, p. ix. Available at <https://onens.ca/img/now-or-never.pdf>.

<sup>10</sup> Ibid. (p. 29)





OLD  
Wharf

Rocky  
Harbour  
Pub  
HARBOURSIDE PATIO  
17 BEERS ON TAP  
SEAFOOD  
LIVE MUSIC/DANCE W/PI  
www.rockyharbourpub.com

Ice Cream

Ice Cream





# *Project Overview & Methodology*

---

## GEOGRAPHIC SCOPE

The geographic scope of this project comprised the four Atlantic Canada provinces – Nova Scotia, New Brunswick, Newfoundland & Labrador and Prince Edward Island—with a total population of approximately 2.4 million and a productive capacity representing 6% of Canada’s gross domestic product (GDP), or \$112.7 billion<sup>11</sup>. With an economy largely founded on the exploitation of natural resources through fisheries, mining, forestry, agriculture and tourism, the region is steadily moving towards a knowledge-based economy.

## REPORT RESULTS

- I. A Macro Analysis: Regional Leakage & Leak-Plugging Opportunities: To determine the degree of leakage in Atlantic Canada and promising opportunities to plug these leaks;
- II. A Micro Analysis: Four Community Case Studies: To learn how communities in Atlantic Canada comprehend and are likely to respond to these challenges and opportunities; and
- III. Community Conversations: The importance of recognizing community’s “social narrative” and how this is an integral aspect of successful import replacement.
- IV. Guidance Tools for Communities—Implementing Import Replacement: A comprehensive inventory of tools that can and should be incorporated into regional, provincial and local economic-development strategies.

## METHODOLOGY

The macro-level analysis used the most recent data available (2012) from IMPLAN (implan.com), a company that provides economic-development departments across the world with data and tools for assessing regional economic performance. IMPLAN was used to quantify the level of leakage in Atlantic Canada, as well as the potential jobs and wages that could be realized with a modest level of import replacement.

---

<sup>11</sup> [www.thecanadianencyclopedia.ca/en/article/regional-economics](http://www.thecanadianencyclopedia.ca/en/article/regional-economics)



To provide empirical findings with social context, four community case studies were carried out—one for each of the four Atlantic Provinces. Two focus groups were organized in each participating community for some ethnographic observation (in addition to site visits and informal interviews) to obtain deeper insights into the motivations and thinking of residents as consumers, investors and entrepreneurs, and to understand the issues faced by local businesses and governments. The goal for the focus groups was to reveal the social relationships in which the community's economy is embedded: how the community talks about itself, whether among neighbours or in the interactions among residents and business people, public servants and the volunteer sector.

## ADDITIONAL INFORMATION

Additionally, a number of successful examples of import replacement in other communities within the Atlantic region were highlighted as models and inspiration for any community seeking to build their economic resilience.

Finally, suggested practical guidance tools for import replacement are provided which can be used by community residents and organizations, as well as local and provincial levels of government.

Work on the first and fourth sections was led by Michael H. Shuman, a community economist. The second section was led by Dr. Karen Foster, a Dalhousie University sociologist. Readers interested in learning more are encouraged to read their detailed papers here: <http://centreforlocalprosperity.ca/studies/>. This project report presents summaries of their findings, along with contributions from other members of our project team.

## I. A Macro Analysis: Regional Leakage & Leak-Plugging Opportunities

### Leakage Analysis Overview

Leakage analysis identifies economic sectors that can be expanded based on local demand. Every import into a community that can be avoided through local production represents a loss of dollars from that community. It represents a loss not only for a local business, but also the loss of the associated ‘multiplier’ benefits that local businesses bring to an economy such as knowledge, skills, tax payments, charitable giving, revitalized downtowns, more tourists, stronger civil society and more political participation. Leakage analysis attempts to identify opportunities for additional local production without reducing production for exports. This leakage analysis was performed using IMPLAN, a regional input-output model with 110 economic sectors used by economic-development agencies across North America.

### Results

Atlantic Canada is a remarkably leaky region<sup>12</sup>.

Chart 2 shows the percentage of the 110 IMPLAN sectors at different levels of self-reliance (i.e. the ability to meet all local demand from business, residents and institutions with local production). Fewer than a quarter of the sectors in any province (and fewer than a fifth of the sectors in Nova Scotia) are completely (>99%) self-reliant. Nearly half the sectors are less than 20% self-reliant. And 10-20% of the sectors have less than 1% self-reliance, or almost no activity whatsoever.

**Chart 2<sup>13</sup>**  
**PERCENTAGE OF 110 SECTORS AT DIFFERENT LEVELS  
OF SELF-RELIANCE (2012)**

	NB	NL	NS	PE
>99% Self-Reliant Sectors	27%	23%	19%	21%
>50% Self-Reliant Sectors	57%	62%	55%	61%
>20% Self-Reliant Sectors	46%	50%	42%	56%
>1% Self-Reliant Sectors	17%	15%	10%	20%

<sup>12</sup> Based on M. Shuman's leakage analysis of other jurisdictions in North America.

<sup>13</sup> Shuman, M. (2017) "Prosperity through Self-Reliance: The Economic Value of Import Replacement in Atlantic Canada and How to Achieve It," page 22. Available for download at: <http://centreforlocalprosperity.ca/studies/>

Chart 3 reveals the magnitude of these leakages. Residents in the region currently spend \$76 billion for local production and \$51 billion on outside goods and services. This implies that the level of leakage in the region is 40%. ***Put another way, four out of every ten dollars spent in the region leave and do no economic good.*** 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%).

**Chart 3<sup>14</sup>**  
**OVERALL LEAKAGE IN ATLANTIC CANADA (2012)**

	Current Spending on Local Production	Additional Production for Self-Reliance	Total Demand for Local Production	Rough Level of Leakage
<b>NB</b>	<b>\$23,338,732,512</b>	<b>\$19,390,351,209</b>	<b>\$42,729,083,720</b>	<b>45%</b>
<b>NL</b>	<b>\$19,247,747,019</b>	<b>\$11,982,794,457</b>	<b>\$31,230,541,477</b>	<b>38%</b>
<b>NS</b>	<b>\$29,585,967,010</b>	<b>\$15,750,693,430</b>	<b>\$45,336,660,439</b>	<b>35%</b>
<b>PE</b>	<b>\$4,312,743,116</b>	<b>\$3,405,433,886</b>	<b>\$7,718,177,002</b>	<b>44%</b>
<b>REGION</b>	<b>\$76,485,189,656</b>	<b>\$50,529,272,982</b>	<b>\$127,014,462,639</b>	<b>40%</b>

There are two ways to think about these high levels of leakage. 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, which means that most entrepreneurs in the region should have no difficulty finding promising markets for new or expanded local businesses.

## A 10% Shift to Localization

Consider the effect on Atlantic Canadian economies of just a small 10% shift in demand for local goods and services (by “local” we mean more demand for goods and services produced *within that province*). The choice of 10% is a conservatism that accounts for the fact that not every possible new job through important replacement is plausible. Of course, higher degrees of localization would generate proportionally higher economic impacts.

<sup>14</sup> Shuman, M. (2017) “Prosperity through Self-Reliance: The Economic Value of Import Replacement in Atlantic Canada and How to Achieve It,” page 22. Available for download at: <http://centreforlocalprosperity.ca/studies/>



To envision the impact, a scenario was created within IMPLAN increasing production in every sector one tenth toward self-reliance. Chart 4 shows the total impact if local production were increased by 10% in each province. 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.

**Chart 4<sup>15</sup>**  
**IMPACT OF 10% SHIFT IN ATLANTIC CANADA**

	Employment	Labor Income	Total Value Added	Indirect Business Taxes
<b>NB</b>	<b>14,502</b>	<b>\$907,680,544</b>	<b>\$1,827,838,866</b>	<b>\$84,636,950</b>
<b>NL</b>	<b>10,314</b>	<b>\$619,305,559</b>	<b>\$1,096,394,617</b>	<b>\$53,036,832</b>
<b>NS</b>	<b>15,000</b>	<b>\$877,251,772</b>	<b>\$1,462,788,865</b>	<b>\$67,262,890</b>
<b>PE</b>	<b>3,443</b>	<b>\$193,876,276</b>	<b>\$314,718,331</b>	<b>\$14,467,151</b>
<b>TOTAL</b>	<b>43,259</b>	<b>\$2,598,114,152</b>	<b>\$4,701,740,679</b>	<b>\$219,412,822</b>

Given that roughly 121,000 residents in Atlantic Canada were unemployed as of June 2016, as shown in Chart 5, a 10% shift thus could provide more than enough jobs to reemploy more than third of those currently unemployed.

**Chart 5<sup>16</sup>**  
**IMPACT OF 10% SHIFT ON UNEMPLOYMENT**

	10% SHIFT EMPLOYMENT	JUN-16 UNEMPLOYMENT	% SOLVED
<b>NB</b>	<b>14,502</b>	<b>40,000</b>	<b>36%</b>
<b>NL</b>	<b>10,314</b>	<b>32,400</b>	<b>32%</b>
<b>NS</b>	<b>15,000</b>	<b>39,800</b>	<b>38%</b>
<b>PE</b>	<b>3,443</b>	<b>8,800</b>	<b>39%</b>
<b>REGION</b>	<b>43,259</b>	<b>121,000</b>	<b>36%</b>

<sup>15</sup> Shuman, M. (2017) "Prosperity through Self-Reliance: The Economic Value of Import Replacement in Atlantic Canada and How to Achieve It," page 23. Available for download at: <http://centreforlocalprosperity.ca/studies/>

<sup>16</sup> Shuman, M. (2017) "Prosperity through Self-Reliance: The Economic Value of Import Replacement in Atlantic Canada and How to Achieve It," page 24. Available for download at: <http://centreforlocalprosperity.ca/studies/>

## Top Six Leaking Sectors

Starting with the largest job opportunities first, here are the top six categories that an import replacement strategy should focus on. These top six account for more than three-quarters of all the potential jobs from import replacement in Atlantic Canada.

### Localizing Institutional Procurement

Larger community institutions, such as government offices, public service offices, schools, hospitals and nursing homes, can play a significant role in import replacement through a local procurement policy.

For example, the average post-secondary academic institution in Atlantic Canada is estimated to spend \$800,000 per 1,000 students per academic year providing 3 meals per day of food services\*. This could be translated into about \$88,000/month/1,000 students during the nine-month academic year. It can be extrapolated that other non-academic institutions (i.e. nursing homes, etc.) may have a similar monthly spend per 1,000 residents. Even a small 10% shift to local procurement by these institutions can have an effect on the local economy, creating a foothold for Community Supported Industry (CSI).

\* unpublished research data

- *Local Manufacturing (except food) (8,331 jobs)* – The single largest leak-plugging opportunity in Atlantic Canada is to expand manufacturing—especially *of locally needed goods*. One historical example of this was a student-business partnership program conducted in the 1990's at the Université Sainte Anne, Pointe-de-l'Église, NS, which identified 100 goods for potential import replacement and filtered these down to 5 viable projects including boat building, marine equipment, industrial supplies and building fixtures. The exercise led to increases in local business activity, especially around construction of pleasure craft<sup>17</sup>.
- *Local Wholesale and Retail (6,358 jobs)* – The wholesale sector has significant leakage, so it is important to connect existing retailers with new local distributors. For example, as Atlantic Canada local food distribution hubs connect with anchor institutions (such as universities and hospitals), consumers might also encourage grocers to move some of their supplier business to local procurement as well. In contrast, the retail sector in the region is already 100% self-reliant (i.e., essentially all retail purchases in the region are made from retailers in the region). But as elaborated below, there are still benefits in substituting locally owned retailers for non-locally owned ones. And as other businesses expand from a 10% shift, so will purchases from other businesses (indirect effects) and their additional employee spending (induced effects).

<sup>17</sup> Personal communication with Ron Robicheau, previous Executive Director, The Jodrey Centre, Université Sainte Anne

- *Local Professional Services (6,185 jobs)* – Import replacement would involve systematically identifying need and ensuring professionals are in place to help move dollars back into the local community. Communities can actively encourage residents to prioritize buying the services of local professionals, and if there are shortages in a certain service, develop strategies to attract professionals based on advantages found in the particular community. Attractions might include the lifestyle of rural communities, lower living costs and lower overhead costs.
- *Local Food (4,772 jobs)* – While food is part of the retail sector, it's possible to tease out additional jobs from local farming, local food manufacturing and local food service. Atlantic Canada already has an energetic grassroots movement promoting local food, so there are opportunities to further accelerate it. For example, in New Brunswick, Prince Edward Island and Cape Breton, large distribution networks and hubs are expanding (see two 'Import Replacement In Action' examples in this report). There is potential for other communities and regions to follow these models.
- *Local Finance, Insurance and Real Estate (3,626 jobs)* – Plugging leaks in financial services, including those for insurance and real estate, yields a double benefit: more jobs are created and more wealth and savings are available for local investment, which benefits all the other import replacement initiatives outlined here. There are many excellent examples in the region of locally grown and vested professional firms, such as PEI Mutual Insurance Company.' Also, "Move Your Money" campaigns could be launched to convince residents to shift their banking from national banks to local credit unions.
- *Government Services (3,953 jobs)* – Leakages in government services primarily reflect interprovincial electricity transfers by government and private energy authorities across the regional grid. For most provinces, some portion of electricity must be imported. Greater energy self-reliance in each province and in each local community, through more efficiency or more renewable energy, can help plug these leaks. Several strong community initiatives are cited in this report as examples of the potential for plugging energy leakage.



## Community Supported Industry

The Berkshire region in Massachusetts is experimenting with “Community Supported Industry” (CSI) to create support for small-scale industry and business that will bolster regional economies. An extension of the community supported agriculture (CSA) model, CSI essentially aims to re-localize and shrink production processes that have become large and globalized. The goal is to support local production for local consumption, using local resources, creating more jobs but not necessarily more “stuff”.

CSIs are another example of a counter-trend to globalization (think artisanal production, local food, the maker movement, etc.) that could potentially strengthen in the future. Although there will be many forces driving greater globalization, other factors (economic needs that are best met by pooling resources, a true sharing economy, etc.) may encourage coming together at the community level. One can imagine local hubs of production that are regionally networked, as needed.

<http://www.horizons.gc.ca/en/content/community-supported-industry>

## Leak Plugging Strategies

Apart from substituting local production for imports, “leak plugging” also can be achieved with three other methods:

- *Efficiency* - Improving the efficiency of an imported good or service: This can be demonstrated with energy. In addition to jobs in private energy firms and municipal services that could arise from greater local energy production, increasing overall energy efficiency in households and industrial sectors means that every resident and every business has more money to spend on other goods and services. The same is true for water efficiency and materials recycling.
- *Substitution* - Transforming demand: A good example is health care. Shifting from treatment to prevention, as most public health experts advocate, means substituting mostly local activities (good nutrition, counseling, pre-natal care, checkups, exercise) for non-local ones (imported pharmaceuticals and end-of-life high-tech equipment). Another example is shifting from nonlocal automotive transportation to local bicycles and buses.
- *Ownership* - Encouraging locally owned businesses: Like nearly all regional models, IMPLAN takes no account of the ownership of businesses analyzed, just the flows of goods and services into and out of the region. A large body of evidence shows that because locally owned businesses tend to purchase their goods and services locally, they can generate higher multiplier effects than nonlocal businesses. In a category like retail, where much of Atlantic Canada registers nominally 100% self-reliance, replacing chain stores with local ones feeds into local economies.

A comprehensive regional strategy for import replacement would include the growth of local businesses, an increase in efficiency, emphasis on local solutions to regional problems, an expansion of local business ownership, and new government policies and programs that support these trends. But how exactly can this be accomplished? And how adaptable will Atlantic Canadian communities and their residents and governments be to this strategy?

For answers to these questions, and since it is change that must happen best at and by the local level, it was important to go into communities across the region and begin to understand their perspectives directly.

## Top Line Results

**40% Leakage = \$4 out of every \$10 leaves the region**

## A future with 10% Import Replacement Strategy:

- 43,000+ new jobs
- \$2.6billion new wages
- \$219million new tax revenue
- GDP increase of \$4.7billion

### Promising IR sectors:

- Manufacturing
- Wholesale & Retail
- Professional Services
- Finance
- Insurance & Real Estate
- Government Services & Energy







## II. A Micro Analysis: Four Community Case Studies

### Analysis Overview

To better understand the challenges and opportunities for import replacement, we chose four Atlantic Canada communities for deeper study and conversations. Focus groups were conducted in each community in two phases: the first in April 2016 and the second in April 2017. In the first phase, six focus groups took place in three rural communities in Atlantic Canada, with two each in Shelburne (Nova Scotia, population 1,743), Souris (Prince Edward Island, population 1,053) and Miramichi (New Brunswick, population 17,537)<sup>18</sup>. In the second phase, a workshop and public town hall style meeting were held in the Burin Peninsula (Newfoundland, population 17,791)<sup>19</sup>. The full rationale for community selection, the difference between the six conventional focus groups and the two events in the Burin Peninsula, as well as the research instruments used to collect data and recruit participants, are explained in the full project report at <http://centreforlocalprosperity.ca/studies/>.

**“I get upset when I see the UPS truck come up my street three times a week to drop off stuff because I know people are buying online and I think about what that’s doing to our community and it—it—it bothers me.”**

Nancy in Shelburne

In general, Focus Group participants were asked to discuss what the state of their local economy is, its strengths and weaknesses, how they personally make decisions to participate in that economy, and what they think ought to be done to improve it. Halfway through the focus groups, they were presented with the idea of import replacement and asked to consider how it could work (or not) as a strategy for economic development in their towns and regions. Participants in half of the groups were also given a short, anonymous survey about consumption and employment to fill out after the focus group. All groups were held in community spaces, such as church halls and community centres. All focus groups were audio recorded and transcribed, and the transcripts analyzed by up to two researchers using what qualitative researchers call an “emergent coding process.”

**“As a child I can remember a trip to Marystown was just like some big undertaking... maybe every two or three months, [if] you were lucky. I mean now it’s an everyday occurrence, because of the paved roads, then it was dirt roads. Plus not everybody had cars, so like it’s grown a lot since then.”**

Sarah in Burin Peninsula

### Results

The focus groups confirmed a deep grassroots awareness that communities in Atlantic Canada are significantly “leaking” money, jobs and spinoff benefits. Participants recognized and felt the negative impacts of fickle global markets, export-led development and import-dependence, and understood from experience, a central tenet of import replacement theory is money spent on imported goods and services “leaked” from their community. They appreciated the double-edge of what we often call progress including the growth of regional centres, the penetration of multinational businesses into formerly isolated parts

<sup>18</sup> Statistics Canada, 2016 Census. Retrieved March 15, 2017 from <http://www12.statcan.gc.ca/census-recensement/2016/dp-pd/prof/index.cfm?Lang=E>. Notably, the Shelburne focus groups invited participants from all of Shelburne County (population 13,966).

<sup>19</sup> Statistics Canada, 2016 Census. Retrieved March 15, 2017 from <http://www12.statcan.gc.ca/census-recensement/2016/dp-pd/prof/index.cfm?Lang=E>

of the world, the spread of automobility and the freedom of movement it brings. While all of these things open up worlds of placeless opportunity, they might also constrain local possibilities.

The findings show that people's economic choices—about what to buy, when, and from where—are imbued with ethical, moral and social meaning. People want to do “the right thing.” In rural communities—as in metropolitan cities—this is understood to mean prioritizing local products, vendors and service providers because doing so means supporting one's community and helping it survive into the future. It also means being able to trust the integrity and wholesomeness of what you are buying. These connotations are important to understand, encourage and cultivate to maintain healthy, prosperous rural communities.

In each community, participants told versions of the same absurd story: small communities send their products away, either for consumption or further processing, and then buy those or equivalent products back for their own consumption. Or, they have trouble finding basic products at all. The story often revolved around food, most often seafood. For example, Shelburne, Souris and Burin all feed distant markets from their ocean and then suffer from food insecurity.

It was clear within minutes of beginning each focus group that **rural Atlantic Canadians know this story by heart, and therefore the rationale for import replacement, and the need to put it in practice, was a foregone conclusion.** Discussions zeroed in on the potential risks involved in import replacement, considerations for any policy or initiative designed with import replacement in mind, and barriers to meeting local demand with local production.

Most salient among these barriers and risks were the seemingly senseless regulatory nets that appear to bias government policy against locally-owned businesses and start-ups. This need is especially evident when it comes to institutional procurement, where participants saw myriad examples of hospitals, schools and other large organizations shipping food in from abroad when the very same things were grown or caught down the road.

- **This finding suggests a crucial need for all levels of government to eliminate policy biases against small, locally-owned businesses.**

Close behind government regulations, however, were participants' unmet desires for specific products, cost-savings and convenience. In other words, participants wanted and needed to procure items that were either unavailable, unreasonably costly or inconvenient to acquire in their local communities. They appreciated the convenience and perceived cost-savings offered by online retailers and big-box retail centres, and found themselves opting for this kind of one-stop shopping instead of visiting multiple specialized locally-owned establishments.

**“A lot of summer people don't help the economy when they're here in the summer time. They will go to Montague or Charlottetown on a regular basis. They barely buy groceries here; I know that for a fact. They may go to the liquor store. [...] So there is money here, it's just not necessarily spent here.”**

Sandy in Souris

**Community Supported Agriculture (CSA) and Community Supported Fisheries (CSF)** are systems that allow consumers to ‘subscribe’ to receive boxes of locally-sourced food from small independent suppliers. The format enables farmers and fishers to know the demand for their products in advance, to anticipate revenue and plan production accordingly. Consumers typically trade off some of their control over what comes in their ‘share’—type of fish, produce, etc.—in order to gain a connection to the producer and to a transparent, local supply chain. In an ideal food system, ‘you know who produced your food.’

- These findings lend support to the development of **locally-owned retail “hubs” and/or web marketplaces** that offer a one-stop-shop experience, but with local products and services instead of imports. They further support the creation of local **consumer discount and reward programs** and underscore the potential for **‘direct marketing’ strategies** along the lines of, but certainly not limited to, community-supported agriculture and **community-supported fisheries (CSAs and CSFs, respectively)**.

Participants’ perceptions of labour market issues—from reliance on temporary foreign workers, to automation in traditional industries, to labour and skills shortages—underscore the importance of not just jobs, but **good jobs**, the preservation of face-to-face service provision wherever possible, the support of **telework and telecommuting** in jobs where this is feasible so that people can live and contribute to local economies where they want to, and the potential for **alternative business models such as cooperatives** that turn workers into shareholders and part-owners.

Some perceived barriers facing small businesses and rural entrepreneurs appear to reflect a lack of awareness about the many different ways a small, locally-owned business can grow and be “competitive” that do not correspond with the “bigger is better,” “economies of scale” vision of economic growth and competitiveness.

- This project, alongside Shuman’s macroeconomic leakage analysis and related recommendations, suggest **that there is fertile ground for business networks and government services that help entrepreneurs create and sustain import-replacing businesses that meet more local demand with local products while also connecting into lucrative export markets.**

The two are not mutually exclusive, but orthodox economic developers tend to emphasize the latter to the detriment of the former, creating the image that a local business must prioritize and tap into export markets immediately in order to be viable. Thus, centering import replacement constitutes nothing less than a fundamental rethink of how we “do” economic development in rural places and the region as a whole.

Importantly, unlike recent reports<sup>20</sup> that found local communities to be divided about the need for economic development, the focus groups paint a picture of communities that recognize the need for *right-sized economic development*.

- Support is needed in the exploration of and **investment in renewable energy, support for independent businesses, sustainable small-scale mixed agriculture, local aquaculture and independent fisheries, nimble and attractive tourism development, and the smart use and multi/repurposing of existing community assets like schools, public parks and beaches, and underutilized buildings.**

<sup>20</sup> The Nova Scotia Commission on Building Our New Economy, “*Now or Never: An Urgent Call to Action for Nova Scotians*,” February 2004. Available at <https://onens.ca/img/now-or-never.pdf>



However, it takes time and dialogue to sort through perceptions and realities among ordinary people, and to create meaningful opportunities to actually shape new policies to organize local everyday social and economic life.

This project was initially motivated by the point that economies are not just numeric things—not just relations of working, earning, buying and selling—but also social relationships with histories, emotional connotations and cultural meanings. This point is illustrated by the complexity of interpretations and ethics that people attach to their ostensibly mundane habits of buying groceries, paying for services, helping their children decide what to study and performing their own work as homemakers, policy makers, businesspeople, service providers and community leaders.

- All of these findings tell us that **any policy that fails to take the economy as a social thing will fail to do what it sets out to.**

Fortunately, the practical strategies that could help small rural communities turn their economies toward import replacement are also, by nature, the kind that involve ordinary rural people, including their interpretations and social relationships, from the outset. Whether it is by inventorying community assets, promoting co-operative enterprises, engaging in direct marketing strategies, starting a community-supported broadband service, launching a local consumer discount and reward system, targeting policy change in institutional procurement, or one of the other strategies described in this report (or in the larger studies of import replacement of which it is a part), rural economic development that begins with rural people will automatically be more reflective of rural contexts than that which originates in business schools and is operationalized by centralized policy makers. The future for any given rural community will be a future envisioned in and by the people in that community, and import replacement offers one practical way, with care and consideration, to bring such a future into being.

**“I find that interesting, because I’m not from here originally either. I’m from the North, from Dalhousie, where it’s bad there right now, but when I came in here it was the end of the mill and I never knew the air force part, so I never got to see the boom of that. And I was here, it was down . . . [but] now I see for the next couple of years everything that is coming into our city for different reasons, whether it is tourism or new businesses that are coming. I hope and I think that what I see is more of an ‘up’ that is coming in the next five to ten years. So fingers crossed. Everything we are supposed to have will happen.”**

Monica in Miramichi

## *Examples of Import Replacement in Atlantic Canada*

As underscored by the results of the four community case studies above, most communities in Atlantic Canada are well aware of the need for economic re-localization and the potential for import replacement in particular. There are many excellent Atlantic Canada examples of efforts underway at the community and regional levels to address the potential in a strategic shift to meeting local needs with local production. A few examples are cited below, primarily in the energy and food sectors, which tend to be the easiest places to start. These examples also show that initiatives can be driven at all organizational levels, including municipal, provincial, business-government partnerships, foundations or cooperatives. Of course, there are many other examples not cited here which should be recognized. Atlantic Canada is well on its way to redefining local community vibrancy and local economics through import replacement.

### **IMPORT REPLACEMENT IN ACTION: MUNICIPAL GOVERNMENT**

#### **Energize Bridgewater, Bridgewater, Nova Scotia – LOCAL ENERGY**

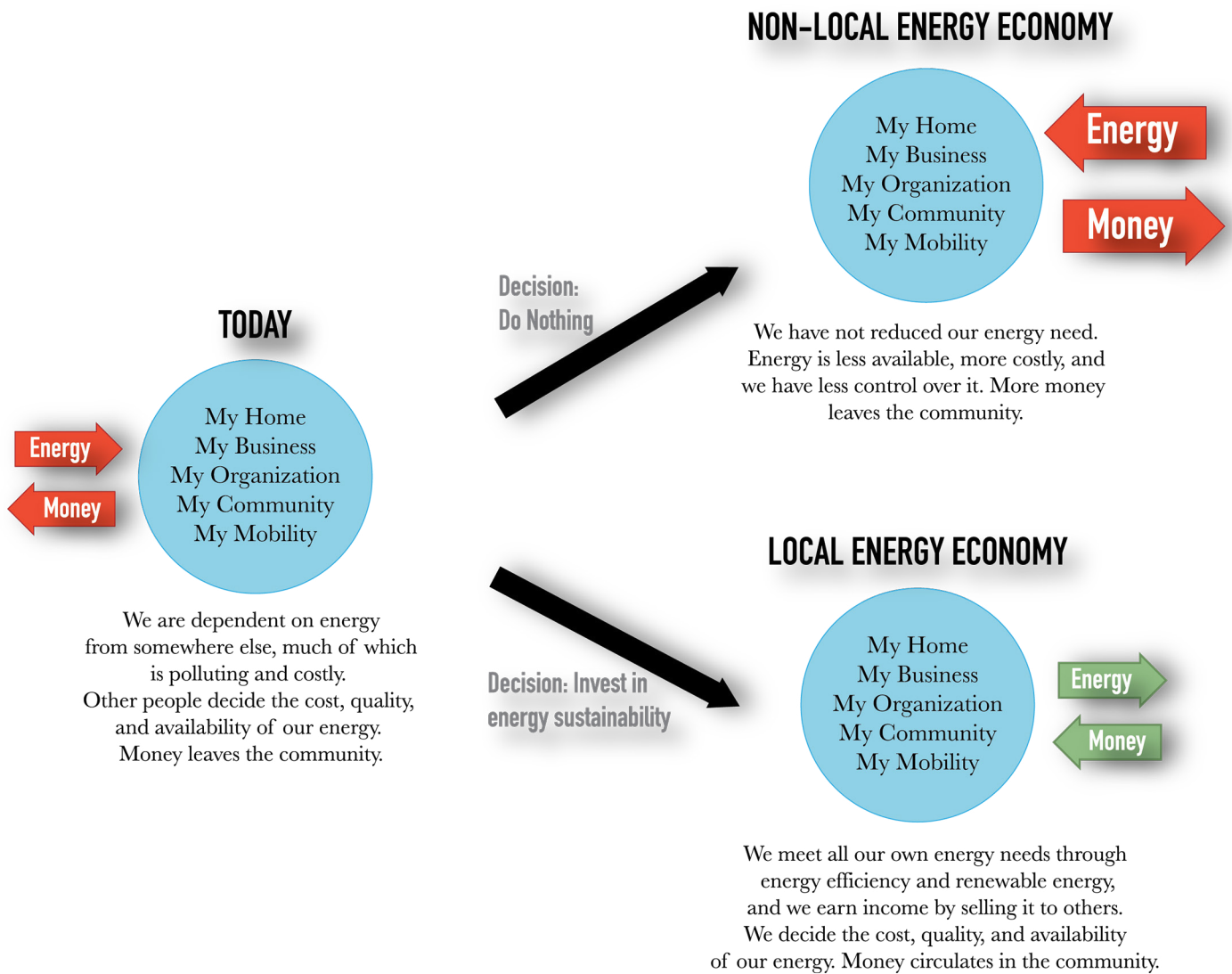
This community-wide initiative led by the Town of Bridgewater, NS, and its community partners and supporters is setting up practical, cost effective solutions to accelerate the transition to a local, efficient, renewable energy economy. This initiative is also the Town's economic development plan, which will require an unprecedented investment in clean local infrastructure and equipment: nearly \$500 million in energy efficient buildings, new community scale energy systems and clean and active transportation systems over 32 years (2018-2050).

The project will proceed with 3 strategies: 1. Energy efficient buildings with deep retrofits and superior standards for new construction - \$153 million, 2. New community-scale energy systems, deploying large-scale solar, wind and hydro as well as district energy and storage - \$157 million, and 3. Clean and active transportation systems, including electric vehicles, expanded public transportation and better land use efficiency - \$65 million.

These shifts will mean more money in the local Bridgewater economy with these investments representing an economic driver for the community. Energy currently costs Bridgewater \$88 million per year (2012 data). Through the import replacement of energy by local production, the project is expected to save over \$2 billion in energy costs over the next 33 years, and reduce GHG emissions by 80%. If all goes according to plan, Bridgewater could be in the position of being a net-exporter of energy towards the end of the 32 year project (see green arrows below), achieving a positive trade balance for its economy based on energy alone.

*Source: Leon deVreede, Town of Bridgewater. Leon is the project lead on Energize Bridgewater, and is also a Centre for Local Prosperity Board Member.*

## Bridgewater's Energy Investment Opportunity





## IMPORT REPLACEMENT IN ACTION: MUNICIPAL GOVERNMENT

### Summerside, Prince Edward Island – LOCAL ENERGY

The City of Summerside, population 15,000, 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. This has been achieved through a combination of its wind farms as well as a smart-grid for storing energy.

Summerside operates the only municipally-owned electric utility in Prince Edward Island, with an inter-connection with the Maritime Electric transmission grid. Seeing the potential benefits of wind energy beginning in 2007 (five cents per kilowatt hour, around one-ninth the price of diesel power), the City built a 12-megawatt wind farm, and secured another nine megawatts of wind under contract from North Cape, PE.

In order to increase energy storage capacity on days of excess energy production, the City started using water heaters and furnaces in local homes and businesses that can store energy as heat. They call it the “Heat for Less Now” program. Those appliances are hooked up to Summerside's smart grid, installed in 30 per cent of the homes in the city, which allows the utility to turn them on when the wind is blowing. With only 314 appliances installed, Summerside is able to shift 10 per cent of its electricity demand to times when the wind is blowing. The one big change for homeowners is lower home heating bills. Homeowners who purchase these energy-storing appliances get a discount on electricity for five years. They pay only eight cents per kilowatt hour, five cents less than the market rate and less than half as much as oil.

The City has seven converted public buildings, including hospitals, schools and elder care facilities, that use wood chip heating, through a separate boiler building and long term local supply contacts for sustainably harvested wood obtained through thinning of older forest stands.

Summerside is also a supporter of clean electric vehicles. As of September 2013, there are over 10 electric car-charging stations in the city with another 30 scheduled to be installed. There are more charging stations per capita in Summerside than any other city in Canada.

In pretty short order, Summerside has become a North American leader at integrating wind power using smart grid and energy storage technologies. The City was able to achieve these results largely through owning their own grid. It underscores the potential across the region for smart grid upgrades, decentralized grids, redundant local micro-grids and communities owning their own grids.

## IMPORT REPLACEMENT IN ACTION: PRIVATE-GOVERNMENT PARTNERSHIP

### ACFOR, New Brunswick – LOCAL ENERGY

ACFOR Inc. ([www.acfor.ca](http://www.acfor.ca)) was founded in 2006 as a small ecological forestry company doing sustainable forestry management plans for woodlot owners using selective harvesting. Their work focused on restoration of the native Acadian Forest type with those private woodlot owners wanting to contribute to a better forest and a better future. This forestry work lead to opportunities that utilized selection-harvested thinnings<sup>21</sup> for empowering communities with space heating from this waste biomass. As an innovative social enterprise, their mission has manifested through a unique combination of restorative forestry and local renewable bioenergy. Today, they have offices in Cocagne NB and Wellington PE.

ACFOR established its initial energy projects in Prince Edward Island, where it now has 12 bioenergy heating projects located across the Island, including hospitals, schools and elder care facilities. ACFOR estimates that it is replacing over 1,500,000 L of imported heating oil annually with local sustainable wood chips, or the equivalent of 4,100 tonnes of CO<sub>2</sub> emissions a year from fossil fuels. They estimate that they have created at least 5 jobs in Prince Edward Island and 10 in New Brunswick and have begun the restoration of 1,000's of acres of Acadian Forest. Inquiries are being received from both New Brunswick and Nova Scotia to expand the business model in those provinces. The company management acknowledges that annual incremental waste biomass availability from surrounding forest management practices needs to be carefully balanced with bioheating demand, and that large-scale biomass harvesting in the form of clear cutting is inappropriate. They also acknowledge the inefficiencies of using biomass for electricity generation and state that the use of wood for space heating is the most efficient energy use of the resource.

---

<sup>21</sup> Wood waste produced from selective thinning of uneven-aged forests to allow faster growth of remaining trees while generally maintaining canopy closure. This form of forest management is not clear cutting or whole-tree harvesting. It is generally recognized as more sustainable and has the potential to increase forest diversity.



## IMPORT REPLACEMENT IN ACTION: FOUNDATION

### **Shorefast Foundation, Fogo Island, Newfoundland and Labrador – VALUE ADDED IMPORT REPLACEMENT**

Shorefast is a registered Canadian charity founded in 2003 by Zita, Anthony, and Alan Cobb with the mission to build economic and cultural resilience on Fogo Island, Newfoundland and Labrador. Shorefast believes in a world where all business is social business. A shorefast is the line and mooring used to attach a traditional cod trap to the shore. It is a strong symbol of Fogo Island's cod fishing heritage and the organization chose this name because it symbolizes a belief in the importance of holding on to community and culture and in the power of authentic connections between individuals, their communities, culture, and place.

Shorefast's projects include a holistic set of social businesses, which return profits to the charity for reinvestment in the community, and place-based charitable initiatives. Some of Shorefast's most notable endeavors include the world-renowned Fogo Island Inn ([fogoislandinn.ca](http://fogoislandinn.ca)), Fogo Island Shop ([fogoislandshop.ca](http://fogoislandshop.ca)), and Fogo Island Arts ([fogoislandarts.ca](http://fogoislandarts.ca)). Read about all of Shorefast's work, values, and ideas at [shorefast.org](http://shorefast.org).



## IMPORT REPLACEMENT IN ACTION: FOUNDATION

### Shorefast Foundation, Fogo Island, Newfoundland and Labrador – SHOREFAST ECONOMIC NUTRITION LABEL

Shorefast developed the unique ‘Shorefast Economic Nutrition Label’, modeled after the nutrition label required by law on most food items. Like the later, the economic label is intended to inform the consumer about the product – and answer the all-important question – where does the money go? It also spotlights the seller’s accountability by providing financial transparency to the sales transaction.

The label provides information on percentages of inputs that went into creating the product. More importantly, it provides information on how the benefits of those inputs distribute locally, within the province, within Canada and to the rest of the world. This label is a sterling example of building awareness within communities and its residents of the importance of local purchasing. It can also help create pride and support for a local import-replacing strategy by the supplying businesses, local Chambers of Commerce and the community as a whole.

In the case of Shorefast (including the charity and all of its social businesses), purchasing decisions begin by seeking local suppliers or from the next closest community. Only then do they expand their search to other producers in the province, then nationally or internationally. And every possible effort is made to only make purchases from jurisdictions that abide by basic environmental protection laws and labour standards.

Shorefast Economic Nutrition Labels are provided for all products and services offered by the Shorefast Group of social businesses as part of the organization’s commitment to build economic and cultural resilience on Fogo Island.

Further information on the Shorefast Economic Nutrition Label can be found at the following websites in active use of the logo:

#### Fogo Island Shop

<https://fgoislandshop.ca/pages/economic-nutrition>

#### Fogo Island Inn

<http://www.fgoislandinn.ca/in-between#!economic-nutrition>

Or by connecting via the Shorefast website <http://www.shorefast.org>

### shorefast<sup>CM</sup> Economic Nutrition Label

#### FOGO ISLAND SHOP

#### PUPPY TABLE

#### WHERE THE MONEY GOES

<b>Labour</b>	<b>45%</b>
Production	35%
Other Labour	10%
<b>Direct Materials</b>	<b>20%</b>
<b>Design, Production Overhead</b>	<b>15%</b>
<b>Sales, Marketing, Other</b>	<b>5%</b>
<b>Surplus</b>	<b>15%</b>

Reinvested in the community of Fogo Island

#### Economic Benefit Distribution

Fogo Island	70%	Canada	20%
Newfoundland	8%	Rest of World	2%

**SHOREFAST** is a certified trademark of Shorefast Social Enterprises Inc.

## IMPORT REPLACEMENT IN ACTION: COOPERATIVE

### **Pan Cape Breton Food Hub, Nova Scotia – LOCAL FOOD REGIONAL NETWORK**

Cape Breton has a regional Food Hub linking food producers, consumers and restaurants. The Pan Cape Breton Food Hub operates as an on-line marketplace, making it easy to get products from the hands of local producers into the hands of local consumers. Since its founding in 2015, the Food Hub has grown to include over 40 producers, 200 consumers and a dozen restaurants. Some producers have begun to hire additional staff due to the increased demand, and most report that they have had to increase their production. Food Hub producers are not only farmers; seafood producers, bakeries and those engaged in value added production are also members. Together these local food businesses represent over 400 high-quality products on Cape Breton Island, available at the click of a button.

The Pan Cape Breton Food Hub is set up as a non-profit multi-stakeholder co-operative, including both producers and consumers as members, and both are represented on the board of directors. The Food Hub charges a modest annual membership fee to all members, which helps to support the operation. Their mission: “The Pan Cape Breton Food Hub Co-operative Ltd. will provide the leadership to ensure a responsive, efficient distribution linkage between local food producers and consumers at all levels. This will create a more sustainable food system and will increase the number of producers and their profitability and viability while improving access to high quality local food across the region.” The Pan Cape Breton Food Hub Co-op is an excellent example of taking local food to the next level – creating distribution hubs and networks between the producers and consumers, thereby facilitating greater levels of local demand and increased economic benefits to producers. Not only is the import replacement value of local food good for the local economy, it also builds food security and resilience against possible interruptions of distant food supply chains.

For more information, see: <https://www.capebretonfoodhub.com>

## IMPORT REPLACEMENT IN ACTION: EDUCATION

### Cooperation in Agri-Food NB and Food Security and Education Program PE - LOCAL FOOD PROCUREMENT

In October 2016, New Brunswick announced a province-wide local food strategy called Cooperation in Agri-Food NB (CANB). CANB brings together key stakeholders in the agri-food industry to establish a network and infrastructure that will provide New Brunswick school cafeterias with a targeted 30% of local food and quickly expand to other institutional, wholesale, retail and consumer markets. The initiative recognized the need to scale distribution systems to ensure a financially sustainable supply chain for New Brunswick produced agri-food products. CANB will focus on supply brokerage, storage, distribution, market development and member supports.

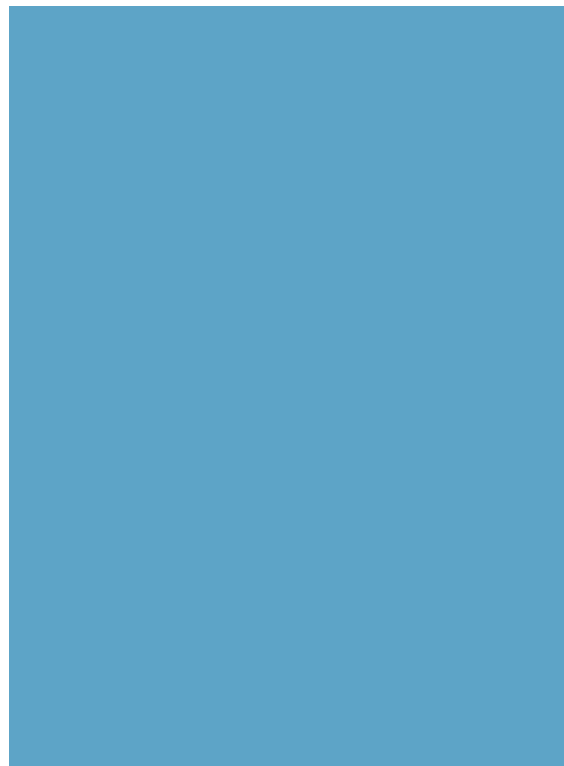
CANB was incorporated as a non-profit co-operative in March 2017. Its members are key stakeholders in the New Brunswick agri-food value chain including the Agricultural Alliance of NB, Carrefour Communautaire Beausoleil, the Atlantic Canadian Organic Regional Network, Collectif économique d'innovation culturelle et identitaire, National Farmers Union – NB, L'Action Péninsule Objectif Manger Mieux, Really Local Harvest Co-op, Réseau des Cafétérias Communautaires, Terroir Foods & Agrimarketing, and others.

Conservative projections indicate that by the third year of operations CANB will be generating nearly \$3.8 million in sales and \$9 million by the fifth year. Direct and indirect spin-offs are expected to be substantial. According to a March 2017 study, “The Economic Impact from a Network of School Cafeterias In New Brunswick,” *“a network of community school cafeterias in New Brunswick, based on the Céd'ici model [school cafeterias, cafes and catering services] would generate sales of more than \$52 million, create 581 jobs (FTE'S), contribute almost \$23 million to the GDP of the province, and represent revenues of nearly \$1.8 million for the NB government and nearly \$1.5 million for the federal government.”*

Additionally, in the Spring, 2017, the PEI government announced the Community Food Security and Food Education Program - a joint effort with the province's departments of Agriculture and Fisheries, Health and Wellness, and Education, Early Learning and Culture. It is intended to promote good nutrition and healthy food choices, build community self-reliance, link farmers to consumers and build pride and joy in preparing foods. The program funded an initial 17 projects to help teach and assist community groups, schools, and early childhood centres about the importance of nutrition, and where their food comes from. The primary objective of the program is to increase the amount of fresh local food on menus in schools and/or licensed early childhood centres.







### *III. The Importance of Community Conversations*

The importance of a community's sense of a strong, positive future should not be underestimated. How the community talks about itself is what some call the "social narrative." These narratives within a community strongly influence its future - they define a sense of hope or frustration about the things that affect daily lives and those of future generations. The social narrative can bring out the importance of community residents caring about their place.

Community interactions build these narratives, and they are an integral aspect of successful import replacement. Just as community engagement was critical in sharpening the ideas in this project, it will be critical in helping to shape local priorities and action lists. Local means local, and only local people can best define the right path forward for their communities.

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. Many communities may feel overwhelmed by the number of possible tasks to do next and where to begin. It begins with conversation.

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. In some cases, community surveys and polls are used to identify the fabric of the residents, including demographics, backgrounds and future directions. Some of the most powerful community initiatives have started with just two people having tea at the kitchen table.

Conversations in any form work best when it is focused on the community and its future. Questions about the community can be asked like: What do you value most about your community? What would you like to see remain or change? What are your concerns about the future? What are your community's strengths and weaknesses?

Some communities have been able to refine the conversation process significantly – for example – where it is used by:

- local governments to better define policies and programs;
- volunteer groups to establish a community vision and resulting drafts of by-laws for their council to pass in order to secure their vision;
- chambers and other business groups to articulate their needs and strategies for better success.

One good example in Atlantic Canada is the in-depth visioning process completed in October 2007 by Musquodoboit Harbour, NS. This volunteer-driven effort consisted of several public meetings, 11 focus groups, a web forum and a survey mailed out to 3,054 area homes. In addition to a cohesive

**Surveying Your Community – An excellent example:**  
Annapolis Investments in Rural Opportunities (AIRO) conducted the Local Logic Study in February 2017 consisting of surveying a wide cross section of 33 Annapolis Royal residents between the ages of 14 to 80. The survey provided a deeper understanding of how the people of the community see their opportunities, challenges, and vision of a future. It provides unique insights for all aspects of rural living. Their result: "the community needs to do the job itself."

<http://ruralopportunity.com/local-logic.html>



vision for the future of the community, a number of significant projects resulted, including a transportation cooperative called MusgoRider,<sup>22</sup> turning a decommissioned old school into a community hub<sup>23</sup> and a mental health peer support group called Eastern Shore Mental Health with over 500 members of Facebook.

There are a number of ways to begin vibrant community conversations to define a shared vision and identify the local assets that can help a place move creatively towards its vision. One community vision process is called deliberative democracy or participatory systems change. An example of this process occurred in Edmonton Alberta, which led to the City's climate change policy.<sup>24</sup> A historically based process is the traditional Town Hall Meeting<sup>25</sup> in New England and other parts of the world, which is a form of direct democracy where town participants get involved in policy and budgetary decisions. Participatory Budgeting, which is being used in some parts of the region, is a version of this process in which community members directly decide how to spend part of a public budget.<sup>25</sup> The process gives residents a reason to be engaged, and a direct role in getting changes in their community.

An inspired social narrative about the future creates a strong foundation for capturing the value of import replacement. The next steps then become assessing the range of community assets that are available and the capacity and skills within the community residents, and exploring how they can both be creatively used to achieve the vision.

#### **Defining Community Policy – A excellent example: Citizens' Panel on Edmonton's Energy and Climate Challenges**

From 2010-2013, ABCD (a community-university research alliance) worked with the City of Edmonton and the Centre for Public Involvement to convene the Citizens' Panel on Edmonton's Energy and Climate Challenges, which met on six Saturdays from October-December 2012. Meeting for over 42 hours, the 56 participants made recommendations that the municipal government take the measures necessary to become a low-carbon city by 2050, and offered finer-grained guidance on principles and policies.

[https://www.albertaclimatedialogue.ca/cl28\\_citizens-panel-on-edmontons-energy-and-climate-challenges](https://www.albertaclimatedialogue.ca/cl28_citizens-panel-on-edmontons-energy-and-climate-challenges)

---

<sup>22</sup> <https://www.musgorider.com/>

<sup>23</sup> <https://www.theoldschool.ca/>

<sup>24</sup> <http://www.albertaclimatedialogue.ca/>

<sup>25</sup> [https://en.wikipedia.org/wiki/Town\\_meeting](https://en.wikipedia.org/wiki/Town_meeting)

<sup>26</sup> <https://www.participatorybudgeting.org/>



## IV. Guidance Tools for Communities – Implementing Import Replacement

The project team identified a range of guidance tools for communities ranging from immediately actionable items to techniques for co-operation, buy-local campaigns, local business support systems and the roles for both municipal and provincial governments. Additionally, the importance of ‘pollinators’ is highlighted - self-financing enterprises committed to boosting local business – with examples from other communities in North America.

### A New Economic Development Strategy

To realize the job opportunities and other benefits from a 10% shift to local, Atlantic Canada’s smaller, rural communities need to deploy a fundamentally different approach to economic development. This new approach could engage every sector – private, public and civic – to be properly deployed. The new focus needs to be on local economic development and on **locally owned, import-substituting (LOIS) businesses**.<sup>27</sup>

**Invite ‘LOIS’ into your community:**

*“The new focus should be on locally owned, import-substituting (LOIS) businesses.”*

Fortunately, 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. Replacing imports through locally-owned businesses should be the immediate strategic goal for communities in Atlantic Canada. Following is a summary of a rich assortment of policies and practices that could support this strategic goal.

### What Local Communities Can Do Today

1. **Start having conversations.** Hold community focus groups (as was done for this project) to galvanize and empower engaged residents to help assess available assets and import replacement opportunities. Additional detail and good examples are found in the section – “The Importance of Community Conversations.”
2. **Start a Community Import Replacement Working Group.** Import replacement, like any effective community economic development effort, needs to be pursued by a dedicated, organized group of people who meet regularly, establish a strong organization, engage multiple public and private stakeholders, and distribute tasks broadly. A community can start immediately by establishing an Import Replacement Working Group. The expectation that economic development must be done exclusively or even primarily by provincial or municipal governments is obsolete. It can begin simply by a group of engaged residents meeting regularly at a coffee shop.

<sup>27</sup> ‘Import replacement’ has been used interchangeably with ‘import substitution’ by several authors.



3. ***Inventory Community Assets.*** Working Groups can begin by inventorying local assets, such as resident's skills and capacities, vacant buildings, volunteer organizations, available local natural resources, underutilized or arable lands, community meeting places, government support programs and other important valuable features of the community. Rural communities in particular are blessed with 'primary wealth' – those natural resources (water, land, forests and fisheries) which are not available to urban centres and can be a wellspring of value-added innovation for import replacement. To discover where the opportunities for import replacement can best be realized, the community should also inventory existing local businesses, entrepreneurial skills and mentors, and local investment potential. These assets can illuminate what kinds of business expansion are possible in every community.

4. ***Inventory Economic Leakage and Import Replacement Opportunities.*** The region-wide leakage analysis presented in this project can be made more useful by assessing local leakages (as the averages highlighted by IMPLAN are provincial). One technique a community might use is to survey local businesses and anchor institutions about their largest imports, and then systematically pair them with local suppliers. The goal is to ascertain which suppliers might be prepared to expand into import-replacing markets through an identified opportunity and what specific obstacles stand in the way of their expansion. A public Import Replacement Opportunity and Community Asset Database might be put online highlighting import replacement opportunities and the available assets that could be used to help seize them. This would help make the initiative more visible to all residents.

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 (i.e., shopping on line or keeping the 'town list' for the commute to the larger centre big box stores). The education can feature locally available goods and services, which may not be apparent to some residents, and highlight producers, vendors and service providers closer to home. Creative tools such as the Shorefast Economic Nutrition Label can be used to build pride in local production.

6. ***Identify Roadblocks and Find Solutions or Creative Work-Arounds.*** Working Groups also can and should identify government policy or regulatory barriers that disadvantage locally-owned import-replacing businesses relative to non-local, larger corporations. Removal of these barriers is key to ensuring that local businesses compete on an equal and fair playing field. In some cases, creative work-arounds have been used to achieve these outcomes. One example is cooperatively used commercially-licensed kitchens, allowing several food start up companies the ability to manufacture batches of product for sales into local stores and restaurants.

7. ***Start with the Low Hanging Fruit.*** If unsure how to proceed, communities should target just one key unmet local need, even if it seems isolated, knowing that it will have multiplier effects and attract new momentum. Communities could focus their efforts on the key opportunities identified in this project – perhaps beginning by pairing a local need with a local supplier. Once there is a visible 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. These include those that have alternative ownership models (such as cooperatives), focus on social performance (such as a social enterprise or B Corp) and participate in unique partnerships (such as community-supported fisheries).

## 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. Doing this depends on right-sized regulations and local businesses working together to achieve the economies of scale that bigger corporations enjoy. 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. Often, a social enterprise mandate can assure profits flow back into further company growth or into the community. Consider t-shirts for all the staff that say “Think outside the boss” or “I own this store.”
2. Businesses can also collaborate to form networks, hubs, partnerships, non-profits and/or co-operatives around select activities, such as buying and marketing. Specific sector-based networks can bring together early stage entrepreneurs in similar industries like food processing or information technology.
3. Co-working spaces and hubs help entrepreneurs who cannot afford an office, and it can also facilitate networking and collaboration. Excellent examples in the Atlantic region include the HUB<sup>28</sup> in Mahone Bay, NS, and the Social Enterprise Hub<sup>29</sup> in St John, NB. Similarly, ‘maker spaces’ support entrepreneurs with collectivized access to machines for sewing, pottery, woodworking, metalworking or 3D printing. Examples include the Lunenburg Makery,<sup>30</sup> Lunenburg, NS, the Halifax Makerspace,<sup>31</sup> NS and Community Machinery, Sackville, NB.<sup>32</sup>

---

<sup>28</sup> See: <http://www.hubsouthshore.com>

<sup>29</sup> See: [loanfund.ca/the-hub.html](http://loanfund.ca/the-hub.html)

<sup>30</sup> See: [www.lunenburgmakery.ca](http://www.lunenburgmakery.ca)

<sup>31</sup> See: [halifaxmakerspace.org](http://halifaxmakerspace.org)

<sup>32</sup> See: [www.communitymachinery.com](http://www.communitymachinery.com)



4. Locally-owned businesses should seize on the convenience of online shopping and find ways to serve even local markets via online sales platforms. For example, Shop City<sup>33</sup> is an online service being used in more than a dozen Canadian towns to increase consumer awareness of price-competitive local goods and services.
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) and they should be recruited for import replacement. These networks can lead many types of valuable partnership initiatives, including joint training, advertising, procurement, selling, financing and contracting (see the subsequent section on “pollinators” for further examples).

## How to Put ‘Buy-Local’ Campaigns on Steroids

Every small town Chamber of Commerce encourages ‘buy-local,’ especially during the Christmas holidays. Turning these campaigns into year-round, multi-pronged efforts can pay off substantially, especially when locally-owned independent business and residents get on board. These expanded efforts can become “Think Local First” campaigns, encouraging not only local purchasing (through discounts, rewards and other incentives), but also by targeting of the *lifestyles* and *tastes* that drive local consumption and the desires of residents and businesses to preserve their unique culture. Many regions, cities and towns in North America now have robust efforts underway. In some cases, these efforts are volunteer or business led, with not much cash inputted but a lot of ‘sweat-equity.’ In other cases, municipal governments or chambers of commerce help fund an ongoing concerted campaign.

The best initiatives are multi-pronged and can include:

1. Branding the effort for community pride, with taglines such as “*Think local. Buy local. Be local.*” Create a logo, create a unique community tagline, collect talking points and get buy-in from local business.
2. Labeling locally-produced goods, and locally-offered services. These efforts can include putting clear signage in locally owned business’ windows and creating a locally-owned directory posted on-line. It also includes the use of product signage or product labels, such as the Shorefast Economic Nutrition label. Show any price or quality advantages enjoyed by some local goods and services.
3. Educating consumers about the economic, environmental and social benefits from buying local through social media and local newspapers. Educational efforts at local schools are important and can be tied into

### Asheville Grown Business Alliance

One of the more robust Go-Local campaigns in North America is in Asheville, NC – started by one woman and grown today to include 510 businesses in the Asheville area.

Their tagline “*We love Asheville and believe that a vibrant local economy is key to preserving the unique character of our city.*”

<https://ashevillegrown.com/>

<sup>33</sup> See: [www.shopcity.com](http://www.shopcity.com) - designed to “to help local businesses leverage the internet to compete against online retailers.”

fundraising campaigns to help the effort, such as selling ‘Go Local Cards’ to fund school field trips.

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. One of the best in North America are the Berkshares.org, which are traded by over 400 businesses in Western Massachusetts. One example in Atlantic Canada are the Downtown Truro Dollars,<sup>34</sup> started in 2013, which have issued over \$184,000 Truro Dollars accepted by over 100 businesses.
5. Start a Buy-10% club where members commit to purchasing at least 10% of their foods or other goods locally. Examples exist in various regions globally including North Carolina ([www.nc10percent.com](http://www.nc10percent.com)) and London, England ([www.localbuyersclub.com](http://www.localbuyersclub.com)). There are many ‘10% Shift’ initiatives including one promoted across Canada ([www.tenpercentshift.ca](http://www.tenpercentshift.ca)).
6. Local credit unions can offer a “Go Local” certificate of deposit, pledging to re-invest the funds in local business.



---

<sup>34</sup> See: <http://downtowntruro.ca/faqs/#>

## How to Encourage Import Replacement Support Systems

1. Create, mentor, coach and support local 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. Engage youth in the ideas of import replacement.
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

Import replacement focused economic development might be possible at zero long-term cost if communities were to take full advantage of an expanding range of business “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 of pollinators across North America that Atlantic Canada communities might study and replicate:

- **Planning Pollinator** -- The Main Street Genome Project analyzes data from local businesses to help them identify weak spots and remedy them by, for example, getting better prices from suppliers and sharing the savings with clients. <http://mainstreetgenome.com>
- **Purchasing Pollinator**—ShopCity licenses a web platform to three dozen American and Canadian cities that draws consumers to local goods and services. <http://www.shopcity.com>
- **People Pollinator** -- Each year the Seattle-based Fledge leads three cohorts of promising local entrepreneurs through intensive trainings and pays for its work through modest royalty payments from its graduates. [www.fledge.co](http://www.fledge.co)
- **Partnership Pollinator** -- The Calgary-based organization REAP (standing for Respect the Earth and All People) directs consumers to local ethical businesses through ads and an online directory and finances its work by positioning itself as a one-stop marketing firm for its 120 business members. [www.reapcalgary.com](http://www.reapcalgary.com)
- **Purse Pollinator** --FarmWorks is an example of one of over 60 investment funds in Nova Scotia and New Brunswick that permits grassroots groups

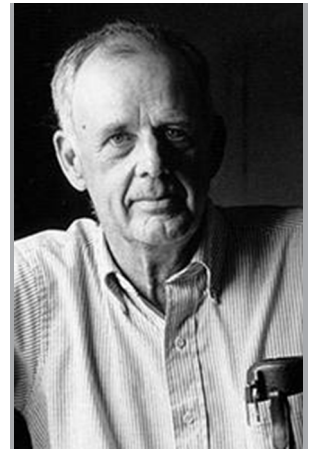


to organize and through which locals can reinvest tax-deferred retirement savings into area food production and distribution enterprises.

<http://farmworks.ca/home/>

## 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. Some of the benefits accrue in local taxes, and increasing the amount of local business pays off with secondary spin-off benefits and business multiplier effects. Reform procurement rules to give local businesses due credit for the provincial taxes they pay (and outside bidders do not). Bidders should be asked to promise a minimum percentage of the contract that will be spent locally and the tax consequences should be estimated, which would give local re-spending appropriate weight.
2. Create or enhance public spaces, public buildings; and centres as ‘third spaces’ (public gathering places that are not home or business). Create “placemaking” activities to highlight the unique features or history of an area that can increase community pride and participation, while drawing more tourists and increase visitor spending. 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 investment dollars into self-directed RRSP’s through managers that offer a local asset mix; and exploring the potential for municipally-supported local investment funds (perhaps focusing on affordable housing, commercial real estate or energy efficiency).
4. Create a suite of homeowner and business incentives, such as rebates or grants for installation of alternative energy, investment into underutilized community assets or even for community vegetable 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. Create a blue-ribbon panel of local business owners to make further policy recommendations annually. Publish an annual State of Community report on the overall health of the local economy – measure and show your balance of trade trend line.



**“The proper role of a government is to protect its citizens and its communities against conquest – against economic conquest just as conquest by overt violence.”**

Wendell Berry

# MUNICIPAL PUBLIC CONSULTATION

Municipal government has an important role to play in the development and implementation of policies designed to assist local residents, businesses and organizations in creating a prosperous local economy. The Municipality of the County of Annapolis is an example of a policy development process that is deeply engaged with its community.

In order to develop its Annapolis County Economic Development Strategy 2050: A Framework for Economic Policy and Implementation, the county engaged its citizens in 37 public meetings over a period of 2 years. In that process, the county identified and prioritized several economic development initiatives. Following that, the county engaged the public in 12 additional meetings to further identify, clarify and draft a municipal strategic plan that would place economic development within the broader context of its other goals and responsibilities. Annapolis county will:

- [1] support and foster local agriculture and encourage local food independence;
- [2] produce by 2050, 80% of the energy consumed in Annapolis County;
- [3] support and foster access to efficient, quality housing;
- [4] support and foster access to affordable training in progressive vocational, innovative business, and living skills; and
- [5] support and foster efforts to remediate, manage, and ensure clean air, water, and soil.

[www.annapoliscounty.ca/community-development/community-development/1111-annapolis-county-economic-development-strategy](http://www.annapoliscounty.ca/community-development/community-development/1111-annapolis-county-economic-development-strategy)

*Source: Gregory Heming is an Annapolis County Municipal Councillor, and is also a Centre for Local Prosperity Advisor.*

## Role of Provincial Governments

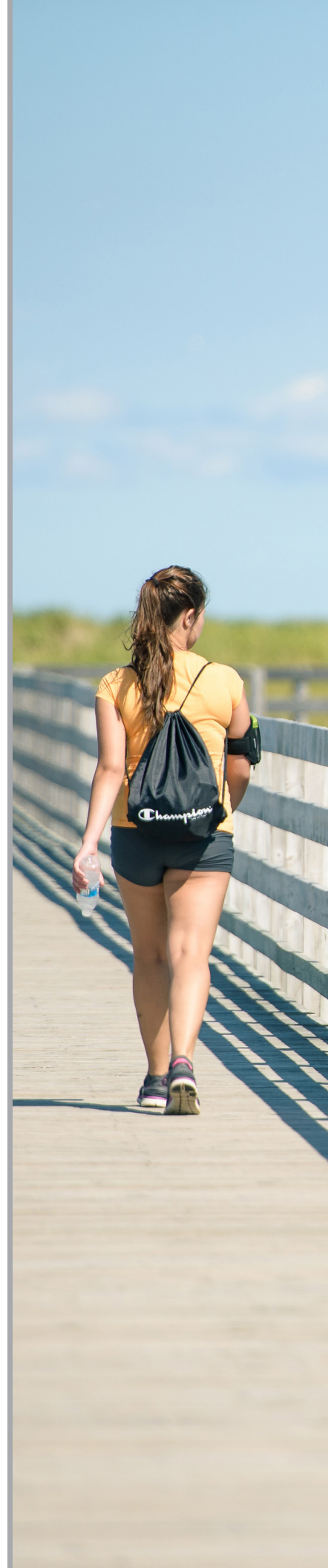
1. Allow for more municipal autonomy, through changes requested by progressive municipalities to the municipal governance acts, which can include public banking, municipal-control of crown land management and other locally important assets.
2. Provide options for upgraded decentralized grids or local grids, to provide an economic incentive and clear path for communities to generate electrical power locally. They are already moving in this direction.
3. Implement new regulatory regimes (especially for food) that are right-sized and appropriate to the scale of a business and the attendant risk, thus creating lower burden for inspired start-up companies. For example, provide

a clear, financially-reasonable path for growth for kitchen-based home food businesses where there are low inherent health risks.

4. Focus existing entrepreneurial programs more towards import replacement, and teach the benefits of these opportunities to local entrepreneurs. Teach businesses about a wide range of new capital raising tools, including crowd-funding, interest-free loans, pre-selling and either Nova Scotia's Community Economic and Development Investment Funds (CEDIF's) or New Brunswick's Community Economic Development Corporations (CEDC's).
5. The best innovations within Atlantic Canada, such as CEDIF's, CEDC's and other local investment tax credits should be adopted by all the provinces. All the provinces need new rules to allow local stock markets, local mutual funds and local municipal investment funds.
6. Allowing flexible formats which introduce residents with pension or other savings to meet local businesses looking for capital through monthly gatherings, and through providers of self-directed RRSPs. Self-directed plans could happen with municipal defined-contribution pensions if participants agree to a defined asset mix.

Collectively, these strategies can give Atlantic Canadian communities an opportunity to grow jobs, income and wealth through local business in a way that is consistent with its values and character. Moreover, such a strategy not only will reduce imports but grow exports. And it will grow exports not in a handful of markets chosen in advance by economic developers (who usually guess wrong), but in dozens and ultimately hundreds of export markets that successful import-replacing businesses will naturally open up on their own once they have proven a successful local business model.

Another virtue of these strategies is that they are considerably cheaper than either the attract-and-retain strategies currently being deployed or the large subsidies given to sun-set industries. Almost all the policy ideas recommended save money (by cutting subsidies) or cost nothing (by tweaking regulations). Indeed, if proven "pollinator" models are implemented, many of these initiatives ultimately would generate net revenue.









# Conclusion

---

This project report leaves little doubt that import replacement can be a crucial economic driver for small, rural and local communities looking for a new and different economic future. Communities searching for restorative and resilient local economy solutions will certainly find a cautious optimism in this document. More encouraging still, the examples of import replacement cited above strongly suggest that a community's willingness to be restrained in what it wants and resourceful in providing what it needs, opens up enormous long-term community benefits.

When all is said and done, having a robust level of local production meeting local needs is what sustains an economy. Imagine an economy that operates within limits, one that emphasizes replacing imported goods or services through local ownership, finance, production and distribution, and one that consciously and collectively strategizes to build long-term economic and ecologic resilience right here in Atlantic Canada. Prosperity is then redefined not as a growth model but as a resilience and adaptability model based on economic diversification, community cohesion and self-reliance from within the community and its economic region.

The notions of rebuilding, re-energizing, resilience, re-municipalizing and re-localizing are scattered throughout this document. All are directed at building new economies locally. How this all plays out over time is anyone's guess. What this study makes clear, however, is that over the past five decades most local economies have been replaced – albeit not without resistance – by a globalized economy, a symptom of an endless growth economy that provides little to local places.

At the Centre for Local Prosperity's April 2015 conference, ***"New Economics for Rural Canada,"***<sup>35</sup> keynote Michael Shuman looking out over an audience filled with local entrepreneurs, local investors, municipal leaders, business leaders, engaged residents and students concluded: ***"Everything you need is right here. The rest is up to you."*** And that is where this project report must end. The leakage data, the focus group conversations, the practical and replicable examples of import replacement, the long-term opportunities for increased local production and distribution, the local manufacturing possibilities to meet local needs, local energy production and distribution, place-based education, municipal finance and locally directed investment funds, all contain elements specific to a particular place. Everything is right here. The rest is up to us.

---

<sup>35</sup> Information about the conference is available at:  
<http://centreforlocalprosperity.ca/local-prosperity-april-2015/>

# Further Resources

---

## Books

Richard Douthwaite, *Short Circuit* (Devon: Resurgence, 1996)

Anthony Flaccavento, *Building a Healthy Economy from the Bottom Up* (University Press of Kentucky 2016)

Johan Galtung, *Towards a New Economics: On the Theory and Practice of Self-Reliance*, excerpted in Paul Ekins, ed., *The Living Economy: A New Economics in the Making* (London: Routledge, 1986), p. 101

Doug Griffiths and Kelly Clemmer, *13 Ways to Kill Your Community* (Frontenac House Ltd, 2010)

Gwendolyn Hallsmith, *The Key to Sustainable Cities* (New Society Publishers, 2003)

Colin Hines, *Localization: A Global Manifesto* (London: Earthscan, 2000)

Doug Hoffer and Ellen Kahler, *The Leaky Bucket: An Analysis of Vermont's Dependence on Imports*, monograph (Vermont Peace & Justice Center, Burlington, VT, 2000)

Jane Jacobs, *The Economy of Cities* (New York: Vintage, 1969)

Jane Jacobs, *The Nature of Economies* (Vintage Canada, 2010)

Jane Jacobs, *Dark Age Ahead* (Random House Canada, 2004)

Michael Kinsley, *Economic Renewal Guide: A Collaborative Process for Sustainable Community Development* (Snowmass, CO: Rocky Mountain Institute, 1997)

John P. Kretzmann and John L. McKnight, *Building Communities from the Inside Out* (Chicago: ACTA Publications, 1993)

Paul Krugman, *Pop Internationalism* (Cambridge, MA: MIT Press, 1997)

Michael Lewis and Pat Conaty, *The Resilience Imperative* (New Society Publishers, 2012)

Joseph Persky, David Ranney, and Wim Wiewel, "Import Substitution and Local Economic Development," *Economic Development Quarterly*, February 1993, p. 18

Karl Polanyi, *The Great Transformation* (Boston: Beacon Press, 1944)



Thomas Michael Power, *Environmental Protection and Economic Well-Being* (Armonk, NY: M.E. Sharpe, 1996)

Kirkpatrick Sale, *Human Scale: A New Look at the Classic Case for a Decentralist Future* (White River Junction: Chelsea Green, 2017)

E.F. Schumacher, *Small is Beautiful: Economics as if People Mattered* (Vintage, 1973)

Michael H. Shuman, *Going Local: Creating Self-Reliant Communities in a Global Age* (New York, Routledge, 2000)

Michael H. Shuman, *The Local Economy Solution: How Self-Financing Pollinator Enterprises Can Grow Jobs and Prosperity* (White River Junction, Chelsea Green 2015)

Michael H. Shuman, *Local Dollars, Local Sense: How to Shift Your Money from Wall Street to Main Street and Achieve Real Prosperity* (White River Junction, Chelsea Green, 2012)

Michael H. Shuman, *The Small-Mart Revolution: How Local Businesses Are Beating the Global Competition* (San Francisco: Berrett-Koehler, 2006)

## Websites

<http://centreforlocalprosperity.ca/>

<https://neweconomy.net/> - Coalition of 203 organizations moving towards a New Economy

<https://neweconomy.net/commonbound-2018-june-22-24-st-louis> - Large international gathering across the New Economy movement.

<http://www.centerforneweconomics.org/publications/essays/witts/susan/the-grace-of-import-replacement> - The Grace of Import Replacement, by Susan Witt

<http://locality.org.uk/resources/powerful-communities-strong-economies-report/> - Powerful Communities, Strong Economies: Keep it Local for Economic Resilience (2017); Locality.org.uk.

<http://ruralopportunity.com/local-logic.html> - Annapolis Investments in Rural Opportunities – Local Logic Study

<http://www.centerforneweconomics.org/publications/lectures/jacobs/jane/the-economy-of-regions> - Jane Jacobs, The Economy of Regions. Third Annual E. F. Schumacher Lectures, October 1983, Mount Holyoke College, South Hadley, MA

## Contact Information

**Centre for Local Prosperity**  
info@centreforlocalprosperity.ca

**Robert Cervelli, Executive Director**  
robert.cervelli@gmail.com

**Andy Horsnell, Chair**  
andyhorsnell@gmail.com

**Gregory Heming, Senior Advisor**  
gregoryaheming@gmail.com

**Karen Foster, Advisor**  
karen.foster@dal.ca

**Michael Shuman, Advisor**  
shuman@igc.org

## Photo Credits

Covers – Petty Harbour, NL, by Andrea Vandenboer  
Pg 2 – Two people in canoe, by Nigel Fearon, Miramichi River Tourism Association  
Pg 13 – Sunlight in the forest, by Evgenia Sileave  
Pg 17 – Mahone Bay houses, by Bill Bachmann  
Pg 27 – Souris harbour, PE, by Andrea\_44  
Pg 35 – Wooden path in sand dune, by Chris Vervaeke  
Pg 44 – Petty Harbour, NL by Andrea Vandenboer  
Pg 49 – Wendell Berry portrait, by Dan Carraco  
Pg 51 – Woman on boardwalk, NB, by Nigel Fearon, Miramichi River Tourism Association  
Pg 52 – Boy with net, by Nigel Fearon, Miramichi River Tourism Association



## ABOUT THE PROJECT TEAM

**Robert Cervelli**, CLP Executive Director, facilitated the focus groups described herein, coordinated local relationships and support in each community, acted as the primary coordinating author and oversaw the project to completion.

**Dr. Gregory Heming**, CLP Senior Advisor, observed select groups and provided input on the methodology and analysis, and shaped the objectives, methods, scope and other important features of the project.

**Dr. Karen Foster**, Canada Research Chair in Sustainable Rural Futures for Atlantic Canada and Associate Professor of Sociology at Dalhousie University, designed the focus group methodology to meet and exceed the standards of the Tri-Council Guidelines for the Ethical Conduct for Research Involving Humans, led focus group data analysis and contributed to the development of this report.

**Michael Shuman** is an economist, attorney, author, and entrepreneur, and one of the world's leading experts on community economics and local investment ([michaelshuman.com](http://michaelshuman.com)). Shuman has authored or coauthored ten books, including most recently *The Local Economy Solution* (Chelsea Green, 2015). He performed the IMPLAN analysis and added other valuable content.

**Andrea Vandenboer**, CLP Project Manager, organized and recorded the focus groups, coordinated recruitment and advertising, and arranged travel and other logistics.

**Katie Harris**, CLP Research Assistant, a Dalhousie Social Anthropology PhD student, co-facilitated two focus groups, conducted background research on each community, led the development of the consumption survey referenced in this report, and helped analyse focus group transcripts and survey data.

**Dr. David Banoub**, Historical researcher and consultant, transcribed focus group recordings.



