

# Import replacement

## Repairing the economic leakage that drains wealth out of rural communities

For anyone who feels the buy-local movement has gone just about as far as it can go, a contrasting view is presented in a report titled "Import Replacement: Local Prosperity for Rural Atlantic Canada," released earlier this year by the Centre for Local Prosperity (CFLP), a non-profit organization based in Nova Scotia. For the past few years, the group has been examining and promoting economic models and strategies to address a wide range of problems facing rural communities. Freelance journalist Matt Fullerton spoke with the group's executive director, Robert Cervelli, about the report's conclusions and how they can be put into action. What follows is an edited transcript of that interview.

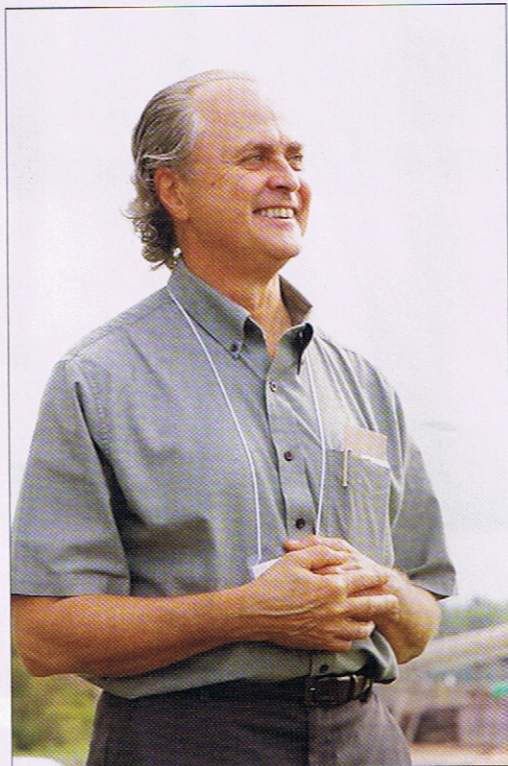
### What was the indicator for you that the current economic structure wasn't working for rural Atlantic Canada?

The current economic structure worked okay in the beginning, particularly when you have unlimited resources and you can grow the economy. But we're now trapped in a model that obviously isn't working anymore. We're running out of resources globally very quickly at this point, and we have a system that only functions if it can grow. So it is clearly just simply not appropriate. And it's curious now to watch worldwide how we have no conceivable alternative. It's actually a bit of a bizarre situation to be in. And if you read the news, politicians still use the "growth" word regularly. It's the ongoing mantra. We know it really doesn't work anymore, and we're trying to define what is a new way forward, and that is the work of the Centre for Local Prosperity.

### What was your involvement in the CFLP's study "Import Replacement: Local Prosperity for Rural Atlantic Canada"?

I'm one of the authors. We did bring in other people, including Dalhousie University's Karen Foster, who did the case study

work in four communities, one in each of the four Atlantic Provinces: Shelburne, Nova Scotia; Miramichi, New Brunswick; Souris, P.E.I.; and Burin, Newfoundland and Labrador. We picked those for a reason, because this is all a focus on rural communities. When you get to the big centres – Halifax, Moncton, Fredericton, and so on – they look after themselves and they've got a separate set of issues to deal with. But as we all know, in rural areas



Robert Cervelli is the co-founder and executive director of the Centre for Local Prosperity. (Contributed photos)

their economies are declining – yet, at the same time, it's where the primary wealth resides. It's arable land, it's forests, it's clean water, clean air. Those will always be invaluable to mankind.

### Can you explain the concept of import replacement and why it's important for Atlantic Canada?

The simplest way is the analogy of the leaky bucket. Everybody wants exporting – to make something and sell it somewhere

else, and the money comes back to town. That's money going into the top of the bucket. Keeping the money in the bucket and circulating in the bucket is the time-honoured way to build a vibrant economy. The problem we have is leakage. There are a lot of holes in the bucket, and for most rural communities it's leaking faster than it's coming in, meaning that we have to import everything that we need, and so all of our money gets spent somewhere else. That's leakage, and the study showed – high-level analysis across all four Atlantic provinces – we have 40 percent leakage. That is, four out of every 10 dollars generated in the economy leaks out right away. So, you've got a choice: you can try and do more exporting, which most rural communities can't do very well, but what you can do is plug the leaks. That's the low-hanging fruit.

### What role can governments play in import replacement?

They can play an enormous role, actually. That's the work we are starting to do now in the follow-up to the study. We are doing what you can describe as local "anchor institution" procurement. Every community has its anchor institutions. These are non-profit institutions. It's the schools, hospitals, clinics. It could be a university, it could be a college, it could be public housing. There's a whole range of anchor institutions, and, as it turns out, that's where the money is. That's where millions, tens of millions, probably hundreds of millions of dollars, are being spent everywhere. So, if you want to start to make a shift, first go to where the big money is being spent. That is our first priority. There are other things you can do then that are on the consumer education side, many of which we point out in our study. But the big early wins are going to be had with the anchor institutions, and shifting their spending more to local.

### What would be the impact on

jobs?

We pulled in an economist out of Washington, D.C., Michael Shuman. He's been up here a number of times as keynote speaker and so on, and he has done a number of leakage analyses for different regions. We asked him to do one for Atlantic Canada. He pulls down a database called IMPLAN, a private-sector company that aggregates financial data for various regions across 110 sectors of the economy. He analyzed all of that, and that's where the leakage spit out, province by province. And then you do the further analysis on what would a 10-percent shift look like. And 10 percent is kind of pulled out of the hat. It's a reasonably doable number. It's not aggressive, and we can obviously do more than 10 percent, particularly in some sectors, but it's just a good starting point. What we find, across Atlantic Canada, is that you could create somewhere over 43,000 jobs – just with a 10-percent shift, with more local spending across the board. That's big. It's at least as big as any export development plan.

### **Other than using these job projections, what can you do to encourage government to embrace import replacement?**

We talk with anchor institutions, and sit down with them. These are the operational branches of government, you could say. Case in point, the Nova Scotia Health Authority and the Procurement Office and Internal Services with the province, the universities, the community colleges. So that's the work we're doing now, starting at that level and working our way through all levels of the organizations, to explain what we'd like to do and get their buy-in. In most cases, what we're finding is they're already appreciative of needing to do local spending, and they would like to try and find new ways to do more.

### **How does a community begin the conversation about import replacement?**

Depending on the institution, it happens on different levels and different scales. In one case, we're talking with the Nova Scotia Health Authority about



In addition to its work on rural economics, the Centre for Local Prosperity has explored climate change solutions, and organized a retreat devoted to this challenge, held last fall at the Thinkers Lodge in Pugwash, N.S., 60 years after the inaugural Pugwash Conference on Nuclear Disarmament took place there.

how to create a pilot around a specific hospital in one small town. How do we carve that out of your procurement policy? Let's see how far we can move the needle with just one hospital. We're having those conversations with the community colleges. We're talking with school boards; food procurement tends to be at the board level. It's a bit case-by-case. In one example, a woman is in charge of 39 school breakfast programs. She spends \$400,000 a year, and would love to make that all local. So it looks like the willingness is there, and these are people spending specific funding. There's intentionality, which is very heart-warming for us – intentionality on the part of these anchors, to really be economic players in their local communities.

### **Can you explain why Atlantic Canada's trade deficit is particularly problematic? How do you inform the public of this issue and its adverse consequences?**

Maybe the public doesn't really understand what trade deficits are. We talk about them at the national level, and then we bring that down to the provincial level. All four Atlantic provinces have a trade deficit, which means there's more money leaving than is coming back. It's important that people understand that, because if you maintain a trade deficit, the economy is going to get worse and worse. Your standard of living is going to get worse and worse – there's

less resources available, less business choices available where you're going to spend your money. Things just continue to go downhill. As a stopgap, to try to export anything, what you start to see happening is people go away for a job. So they're exporting their labour, and send the cheque back home. We see an awful lot of that in the region. That is a form of exporting.

I was talking with someone running one of the craft beer companies in rural Atlantic Canada, and they were saying that when the federal government talks about exporting, they mean that it crosses a national boundary – it gets out of Canada. The provincial government is wanting them to export outside of Nova Scotia. And what I pointed out to her is: "Look, as long as the beer that gets loaded on your truck leaves the county, you're exporting. It doesn't matter where it goes from there. From the point of view of your local economy, you're exporting. You've accomplished an export model."

Good import replacement is an incubator for exporting. That's where you see it. You start a craft brewery, they're selling to the local markets – suddenly now they're exporting to other parts of the region, other parts of the province. They're starting to export inter-provincially, then hops businesses pop up to supply them, then the hops start getting exported. If you really do good import replacement, it builds not just

continued on page 47...

...continued from page 29

local vibrancy, but exporting as well.

Participants in the case studies identified policies that are biased against small, local businesses as impediments for local production. From where does this stem?

You tend to see it the most exaggerated in the food sector. Food inspectors, food regulations, generally they're developed for big players – which means that if you're a small start-up, the bar is a lot higher to grow your way into a bigger business if you wanted to. So that's one of the recommendations: let's have the right-sized regulations. Of course, you've got to manage risk. But recognizing that a small business – in which the customers know the owners very well – there is already inherently less risk than a larger producer that's trying to cut corners all the time.

**How has your study been received overall?**

A huge amount of interest has come back. The study was released at the end of February this year, and quite a few enquiries are coming in from municipalities, other regional groups from all four Atlantic Provinces. So we've now been looking at the best way to operationalize a lot of what we talk about within the study. Some of it, as we point out in the study, and what we wanted to do with the study, is ripe with current existing examples of import replacement. And that's important to point out: there's already incredible stuff going on.

(Matthew Fullerton is an educator and part-time academic. He lives in Murray Siding, N.S., with his wife and two daughters.)

## Career trajectory



Robert Cervelli, of St. Margaret's Bay, N.S., is a biotech entrepreneur and botanist. To read Rural Delivery's follow-up interview touching on his career before he co-founded the Centre for Local Prosperity, visit [www.rurallife.ca/CervelliInterview](http://www.rurallife.ca/CervelliInterview).

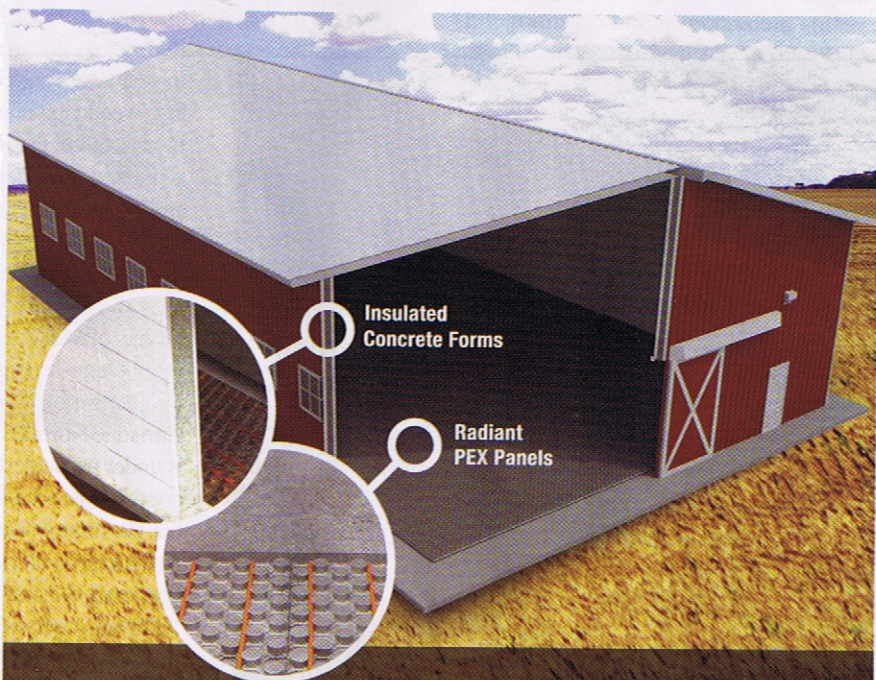


ANGLE RIGHT & COUGH  
TIME FOR YOUR  
PRESEASON  
TUNE-UP



Charlottetown 902.368.8419 Clarenville 709.466.6730 Corner Brook 709.634.0044 Dartmouth 902.468.6100  
Fredericton 506.452.7780 Grand Falls/Grand Sault 506.475.7820 Grand Falls-Windsor 709.489.9111  
Halifax 902.876.8288 Kentville 902.678.1430 Miramichi 506.622.6200 Moncton 506.858.5950 Mount Pearl  
709.722.4701 Saint John 506.635.2099 Sydney 902.564.9333 Truro 902.893.4293


PARTSFORTRUCKS.COM  



AMVIC BUILDING SYSTEM PROVIDES EFFICIENT SOLUTIONS.  
Ideal for potato barns, poultry farms and shops.

1.877.470.9991

AMVICSYSTEM.COM

 amvic  
building system