Strengthening Economic Competitiveness in Rural and Secondary Municipalities

Background

A. What is the issue and who is it impacting?

Rural and regional economies play a central role in Canada's overall economic performance.[1] Rural municipalities manage extensive infrastructure networks while operating with comparatively small tax bases, creating long term capacity constraints. This imbalance affects their ability to support industrial growth, housing expansion, and service delivery at a scale that meets economic demand.[2] In addition, economic development activities, often must be undertaken by small rural municipalities which do not have the staffing levels required for such action, despite it being necessary to the continued viability of these communities.

Mid sized cities occupy a structural gap within Canada's municipal framework. They are expected to provide hospitals, post secondary institutions, industrial parks, transportation links, and utilities that serve broader regional populations, yet rely heavily on a limited property tax base and limited revenue tools to do so. The Federation of Canadian Municipalities has described the system as operating under a "19th century revenue framework," highlighting the mismatch between modern responsibilities and outdated fiscal capacity.[3]

Infrastructure renewal and growth pressures compound this constraint. Communities must replace aging assets while also financing expansion to support population growth and industrial development. Municipal organizations have repeatedly identified that current fiscal structures limit long term planning and predictable investment.[4]

Labour market dynamics further reinforce the need for place-based competitiveness tools. Mid sized cities serve as training and education hubs yet compete with larger metropolitan centres for graduates, healthcare professionals, skilled trades, and technical workers. This has led to a

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[1] ISED. (https://ised-isde.canada.ca/site/rural/en/rural-opportunity-national-prosperity-economic-development-strategy-rural-canada)
[2] Rural Municipalities of Alberta. Municipal Finances Position Statement (https://rmalberta.com/wp-content/uploads/2025/03/Municipal-Finances-Position-Statements.pdf)
[3] Federation of Canadian Municipalities. Municipal growth framework and fiscal reform. (https://fcm.ca/en/resources/making-canadas-growth-a-success)
[4] Federation of Canadian Municipalities. Making Canada's Growth a Success. (https://fcm.ca/en/resources/making-canadas-growth-a-success)

lack of needed healthcare professionals in mid sized cities. In Alberta and Ontario, closure of emergency departments in rural and mid sized municipalities has become commonplace.[5] [6]

Workforce shortages in healthcare, manufacturing, tourism, and agri-processing are often intensified by housing constraints and limited regional mobility options causing businesses to become reliant on Temporary Foreign Workers or the Rural Renewal Stream.

Secondary cities function as critical connectors within these systems, linking rural production to provincial and international markets. Delays in the ability of these communities to expand broadband, invest in transportation upgrades, or increase utility capacity directly affect regional investment readiness.

Mid sized cities form a vital connection between small rural municipalities and major metropolitan regions. They are economic bridges that anchor supply chains, host value added industries, and connect surrounding communities to broader markets. A one size fits all policy approach for all municipalities does not reflect this structural reality. A targeted competitiveness strategy would strengthen diversification, improve investment responsiveness, and enhance Canada's overall economic resilience.

B. What needs to be done? Why and how?

Despite secondary municipalities playing a critical role in Canada's economy, a National Secondary Municipalities Competitiveness Strategy does not exist to create a framework which places these communities at a disadvantage. In 2024, a Rural Economic Development Strategy was created.[7] While the United States does not have such a formalized strategy, the US Department of Commerce has undertaken a focused approach to driving competitiveness.[8]

Currently, The government of Canada delivers more than $2.5 billion every year to over 3,700 communities across the country through the Build Communities Strong Fund.[9] By reallocating 10% of these funds, The Government of Canada could establish a Rural and Secondary Cities Competitiveness Fund of $250 million annually to support place-based economic development capacity, investment-ready infrastructure, labour attraction, and regional competitiveness initiatives in rural municipalities and mid-sized municipalities. This approach delivers a service which would strengthen economic competitiveness, while leveraging existing program infrastructure and delivery mechanisms.

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[5] CBC. 2024 worst year for Ontario ER closures, CBC analysis finds (https://www.cbc.ca/news/canada/ottawa/data-analysis-er-closures-three-years-2024-worst-year-for-scheduled-closures-1.7396789)
[6] The Albertan. ER closures adding stress throughout Alberta's health care system. (https://www.thealbertan.com/local-news/er-closures-adding-stress-throughout-albertas-health-care-system-8214625)
[7] ISED. Rural Opportunity, National Prosperity An Economic Development Strategy for Rural Canada (https://ised-isde.canada.ca/site/rural/sites/default/files/documents/red-strategy-e.pdf)
[8] US Department of Commerce. Regional Competitiveness Fact Sheet (https://www.commerce.gov/sites/default/files/2025-01/Regional-Competitiveness-Fact-Sheet.pdf)
[9] Housing-Infrastructure Canada. Build Communities Strong Fund Community stream (https://housing-infrastructure.canada.ca/bcsf-fbcf/community-communautaire/index-eng.html)

In addition, The Rural Community Immigration Pilot should be established as a permanent program, focused on skilled trades, to allow rural and mid-sized hubs to meet labour demands and remain competitive.

Recommendation(s)

That the Government of Canada:

1. Develop a National Secondary Municipalities Competitiveness Strategy.
2. Establish a Rural and Secondary Cities Competitiveness Fund economic development funding pool for mid-sized municipalities and rural hubs.
3. Expand federal rural immigration programs targeted at mid-sized hubs with a focus on skilled trades.

Signatories