

Strengthening Economic Competitiveness in Rural and Secondary Municipalities (2026)

Issue

Alberta's long term economic resilience depends on balanced regional growth, yet mid sized municipalities and rural hubs operate within fiscal, regulatory, and infrastructure frameworks largely designed for metropolitan scale, limiting their ability to attract investment, diversify industry, retain talent, and respond quickly to economic opportunities despite their critical role in supporting provincial supply chains and regional services.

Background

Rural and regional economies play a central role in Canada's overall economic performance. Rural municipalities manage extensive infrastructure networks while operating with comparatively small tax bases, creating long term capacity constraints.¹⁸⁰ This imbalance affects their ability to support industrial growth, housing expansion, and service delivery at a scale that meets economic demand.¹⁸¹ In addition, changes to the funding model for Regional Economic Development Alliances have offloaded an increased economic development burden on small rural municipalities which often do not have the staffing levels required for such action, despite it being necessary to the continued viability of these communities.¹⁸²

Mid sized municipalities 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as operating under a "19th century revenue framework," highlighting the mismatch between modern responsibilities and outdated fiscal capacity.¹⁸³

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.¹⁸⁴

¹⁸⁰ Rural Municipalities of Alberta. Closing the Gap. (<https://rmalberta.com/wp-content/uploads/2026/01/Infrastructure-Campaign-Week-1.pdf>)

¹⁸¹ Rural Municipalities of Alberta. Municipal Finances Position Statement (<https://rmalberta.com/wp-content/uploads/2025/03/Municipal-Finances-Position-Statements.pdf>)

¹⁸² Alberta Municipalities. Small and Remote Municipalities Need Regional Economic Development Alliances (REDAs) to Thrive (<https://www.abmunis.ca/advocacy-resources/resolutions-library/small-remote-municipalities-need-regional-economic>)

¹⁸³ Federation of Canadian Municipalities. Municipal growth framework and fiscal reform. (<https://fcm.ca/en/resources/making-canadas-growth-a-success>)

¹⁸⁴ Federation of Canadian Municipalities. Making Canada's Growth a Success. (<https://fcm.ca/en/resources/making-canadas-growth-a-success>)

Labour market dynamics further reinforce the need for place-based competitiveness tools.¹⁸⁵ Mid sized municipalities 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 lack of needed healthcare professionals in mid sized municipalities, and shutdowns of Emergency Departments in rural communities.¹⁸⁶ 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.

Connectivity and enabling infrastructure remain foundational to competitiveness. Alberta's rural economic development framework emphasizes the importance of "economic development enabling infrastructure" and the need to identify and improve power, water, telecommunications and transportation networks.¹⁸⁷ Secondary municipalities 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 municipalities 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 Alberta's overall economic resilience.

The Alberta Chambers of Commerce recommend that the Government of Alberta:

1. Work with Regional Economic Development Authorities, municipalities, chambers of commerce, and other regional economic development partners to develop a competitiveness strategy specific to rural and mid sized municipalities.
2. Review changes to the REDA funding model in consultation with Regional Economic Development Authorities, municipalities, chambers of commerce, and other regional partners, with a focus on the downstream effects on rural municipalities.
3. Work with Regional Economic Development Authorities, municipalities, chambers of commerce, and other regional economic development partners to develop place-based competitiveness tools to ensure that mid sized and rural municipalities remain competitive.
4. Introduce municipal financial and regulatory flexibility pilots in select mid sized municipalities.
5. Work with municipalities to have a coordinated approach for incentivizing skilled labour and healthcare professionals to settle in mid-sized cities and rural communities.

¹⁸⁵ Oxford Open Economics. Place-based policies and geographical inequalities (https://academic.oup.com/oec/article/3/Supplement_1/i625/7708095)

¹⁸⁶ 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>)

¹⁸⁷ Government of Alberta. Rural Economic Development. (<https://www.alberta.ca/rural-economic-development>)

6. Explore, in consultation with Alberta Municipalities and other municipal partners, the creation of a dedicated mechanism to advise government on the unique economic competitiveness needs of secondary municipalities.