

# Closing the Gap

**Week 2**

**Rural Infrastructure is Alberta's Economic Engine**

# Week 2: Rural Infrastructure is Alberta's Economic Engine

Rural infrastructure is the backbone of Alberta's economy. Roads, bridges, and utility networks managed by rural municipalities connect industries to resources and markets, workers to jobs, and families to essential services. These networks and the rural municipalities managing them unlock the competitiveness of Alberta's energy, agriculture, forestry, and manufacturing sectors, while also enabling diversification into tourism, renewable energy, and emerging industries such as data centres.

As of 2023, Alberta's rural municipalities managed \$21.95 billion in road assets, \$4.83 billion in bridge assets, and \$10.27 billion in utility assets. These assets directly support 41% of the investment in Alberta and 28% of Alberta's GDP. However, years of provincial underinvestment and limited municipal fiscal capacity due to downloaded costs and services have left core rural road infrastructure in a poor state, jeopardizing existing and future investment and economic growth. Without strategic reinvestment, Alberta faces the risk of stifling billions of dollars in rural economic activity and growth, rising industry costs, and reduced interprovincial and global competitiveness as rural regions become less attractive for new and emerging industries.

Despite the current challenges facing rural transportation infrastructure, the Government of Alberta has a unique opportunity to collaborate with rural municipalities to strategically plan and invest in rural infrastructure to strengthen the province's economic backbone, reduce long-term holding and maintenance costs, use municipal and provincial funding more effectively, and help secure prosperity for all Albertans.

## The Economic Backbone of Alberta

Rural transportation networks are key to Alberta's resource-based economy. The first kilometre on the journey of Alberta's natural resources to global markets occurs on or is supported by municipal infrastructure. Oil and gas producers rely on rural roads and bridges to access drilling sites and transport equipment. Forestry operations depend on municipal roads to move timber to mills and export hubs. Agricultural producers use municipal roads to access their fields and deliver crops and livestock to processing facilities and markets. Manufacturing and industrial operations rely on these networks to sustain supply chains and workforce mobility.

These transportation networks are economic drivers for the entire province of Alberta. Every barrel of oil, every shipment of lumber, and every load of grain that reaches domestic and international markets depends on rural roads, bridges, and utilities. When roads and bridges deteriorate, the costs ripple outward, slowing down supply chains, increasing transportation costs, and reducing Alberta's global competitiveness.

At the same time, these networks are lifelines for residents. Families depend on safe roads and bridges to reach schools, health care, and emergency services. When infrastructure fails, it is not only industries that suffer; it is communities that face longer travel times, reduced access, diminished opportunities, and lower quality of life.

By investing heavily in rural transportation infrastructure, the province can ensure that the industries and communities that depend on rural transportation networks remain competitive and attractive, supply chains remain reliable, and Alberta continues to thrive in global markets.

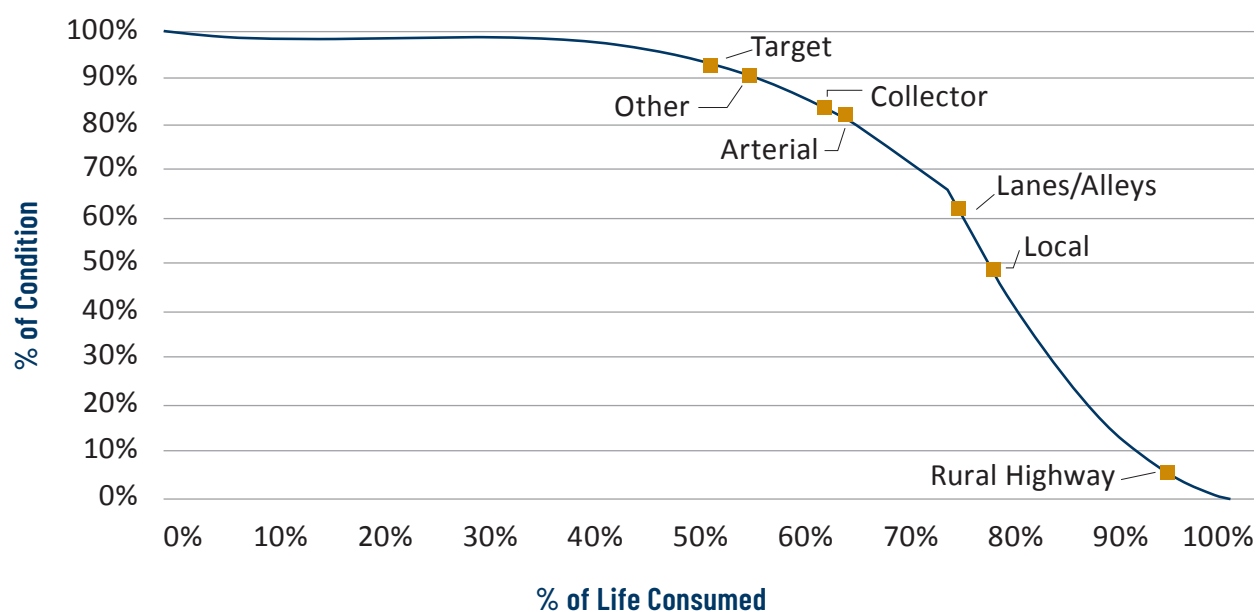
## The Cost of Underinvestment

As outlined in [Week 1 of Closing the Gap](#), provincial underinvestment in rural infrastructure is a measurable, multi-year trend reflected across every major infrastructure funding program, with rural municipalities receiving less than their equitable share of available funding. Provincial water utility funding has dropped from \$85 million in 2023 to \$33 million in 2025, and rural municipalities received just 17% of that funding, despite managing nearly one-third of the infrastructure.

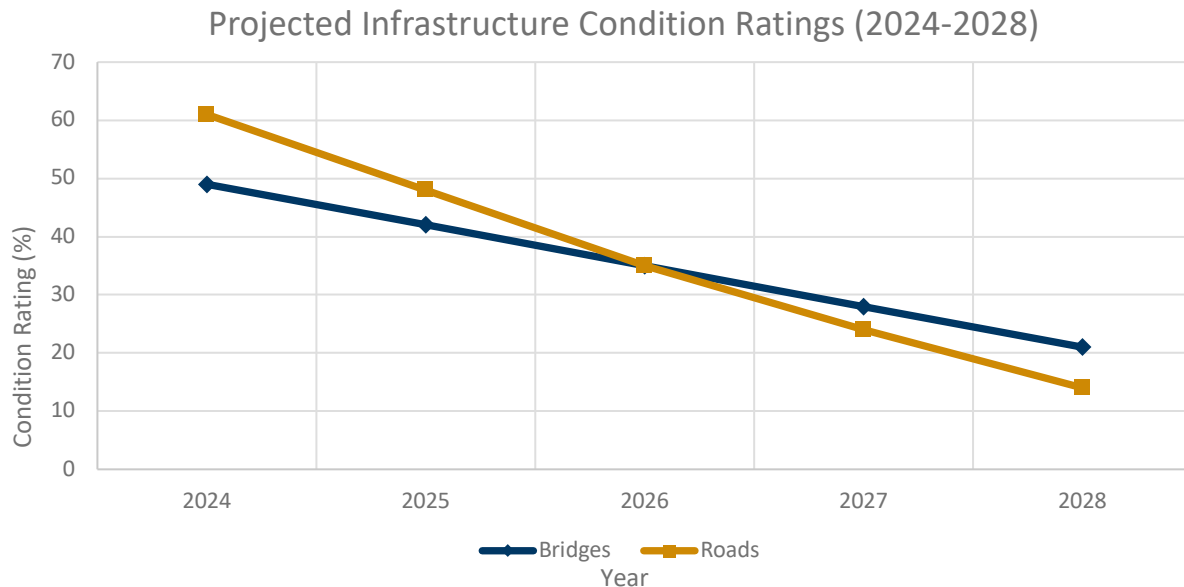
Transportation funding has followed the same pattern; the Local Government Fiscal Framework (LGFF) provides nearly 20% less funding than historical MSI averages before accounting for high inflation, and STIP funding has fallen from \$43.5 million to \$32.6 million despite rural municipalities managing the vast majority of Alberta's bridges. Meanwhile, per-capita formulas under the federal Canada Community-Building Fund geared towards urban municipalities have left rural municipalities with only 17% of Alberta's funding allocation.

These funding trends, combined with the reality that many rural municipalities spend over 50% of their budgets on transportation infrastructure, demonstrate a clear and widening gap between the scale of rural infrastructure responsibilities and the resources available to maintain them – a gap that directly drives accelerated deterioration.

As seen in RMA's [2024 Roads Asset Deficit Report](#) and the chart below, this chronic provincial underinvestment has left municipally managed rural highways with the lowest condition ratings of all transportation assets:



Without increased investment in rural infrastructure, asset conditions are projected to continue declining sharply; as seen in the line graph below, by 2028, rural bridges will fall from 49% to 21% condition ratings, and rural roads from 61% to 14% overall. Should this decline come to pass, it would threaten billions of dollars of both asset value and the economic activity this infrastructure facilitates.



The deterioration curve analysis used in RMA's 2024 [Rural Municipal Infrastructure Deficit Reports](#) demonstrates that once assets fall below the 94% target condition rating, holding costs accelerate dramatically. Instead of paying less to maintain assets in optimal condition, municipalities are forced to spend exponentially more just to hold deteriorating assets in place. This inefficiency drains municipal budgets, discourages industrial growth, and undermines Alberta's long-term prosperity.

For rural Albertans, this underinvestment translates into unsafe travel conditions, unreliable emergency access, and higher local tax burdens, and puts rural municipal economic development activities and rural investments at risk.

## The Opportunity for Strategic Investment

The Government of Alberta can reverse this trend by treating reinvestment not as a cost, but as a strategic opportunity to reduce long-term expenses and protect Alberta's economic engine. Rural infrastructure is Alberta's economic engine, and it sustains industries that drive provincial exports, imports, and 28% of Alberta's GDP; it also supports diversification into new sectors and connects communities to essential services. The current rural infrastructure deficit presents a clear opportunity for Alberta to strengthen its economy through targeted reinvestment, as strategic investment in rural roads, bridges, and utilities would:

- ◆ Unlock industrial opportunities by ensuring reliable access to resource sites, processing facilities, and export hubs.
- ◆ Reduce long-term costs by bringing assets closer to their target condition ratings, lowering annual holding costs by billions.
- ◆ Strengthen global competitiveness by sustaining supply chains and workforce mobility.
- ◆ Support diversification by connecting entrepreneurs, tourism operators, and renewable energy projects to markets.

By making targeted investments into rural transportation infrastructure, the Government of Alberta can ensure that every dollar invested delivers measurable economic returns for both Alberta's primary industries and rural communities.

## **Calls to Action**

Investing in rural infrastructure is investing in Alberta's future, and RMA urges the Government of Alberta to seize Budget 2026 as an opportunity to invest in rural roads and bridges as the backbone of Alberta's economy. By prioritizing strategic reinvestment, revising funding formulas to reflect rural realities, and committing to predictable, equitable support, the province can unlock industrial opportunities, reduce long-term costs, and secure prosperity for all Albertans.