

December 19, 2025

Hon. Nate Horner
President of Treasury Board and Minister of Finance

Dear Minister Horner,

RE: Budget 2026 Consultation

The Railway Association of Canada (RAC) is pleased to provide input into Alberta's Budget 2026 Consultation. Budget 2026 is an opportunity to make prudent fiscal decisions that support economic growth while ensuring taxpayer dollars are used efficiently to meet the needs of a growing province. Investments that leverage private capital, strengthen trade-enabling infrastructure, and reduce long-term public costs are well aligned with these objectives.

Alberta's shortline railways are a critical component of the province's transportation system. They connect rural, industrial, agricultural, and energy-producing regions to the Class 1 rail network and onwards to domestic and international markets. By enabling goods to move efficiently on private rail infrastructure instead of public roads, shortline railways offset future public infrastructure costs, support Alberta exporters, and enhance supply chain resilience.

To support these outcomes, we recommend that Budget 2026 introduce a targeted **Alberta Shortline Railway Investment Tax Credit**.

Economic Growth and Competitiveness

Shortline railways provide essential first-mile and last-mile connectivity between Alberta businesses and CN and CPKC, supporting the movement of energy, agricultural, manufactured, and other goods. This connectivity is particularly important in rural and resource-producing regions, where access to cost-effective transportation directly influences investment decisions and competitiveness.

In addition to serving shippers, shortline railways provide operational and network-support services that improve efficiency and reliability across the broader rail system. Private investment in shortline infrastructure generates and maintains well-paid jobs and enables industrial expansion without requiring the province to own, operate, or maintain the assets. A shortline tax credit provides investors with confidence in the shortline rail network, which helps attract and secure customer investment on these lines (e.g., construction of a customer facility, such as a grain elevator).

Each rail job supports five additional jobs across the broader economy, underscoring the role of rail investment in supporting inclusive economic growth across regions.

Fiscal Responsibility and Cost Offsets

Rail transportation delivers measurable fiscal benefits. A single train can replace up to 300 truck trips, reducing congestion, pavement damage, emissions, and safety risks on publicly funded road infrastructure. Analysis by the U.S. Congressional Budget Office indicates that the public costs associated with trucking—including infrastructure wear and congestion—are significantly

higher than those associated with rail. Applying this analysis to the Alberta context indicates that the rail industry reduces the external (public) costs of transportation in the province by approximately \$3.5 billion each year – including \$800 million in pavement damage, \$600 million in road congestion, \$1.4 billion in accidents, and \$500 million in local pollution.

By enabling more freight to move by rail, shortline railways help facilitate industrial growth while reducing pressure on provincial infrastructure budgets. Supporting rail investment therefore aligns with objectives of fiscal responsibility by lowering long-term public costs rather than increasing them.

Investment Challenges

Shortline railways face ongoing capital requirements to ensure safe operations, improve reliability, increase allowable weights and speeds, and strengthen resilience against weather-related disruptions. These investments are required annually, yet operating margins are thin, with operating expenses typically consuming close to 90 per cent of revenues.

As a result, shortlines often lack sufficient internal capital to undertake growth-oriented projects or proactive infrastructure upgrades. Targeted policy support can help bridge this gap and unlock additional private investment that would otherwise be deferred.

Policy Rationale: A Targeted Tax Credit

A shortline railway investment tax credit is a fiscally disciplined and proven policy tool. Similar credits have been implemented successfully at the U.S. federal level for twenty years, across multiple U.S. states, and most recently in Ontario.

Compared with grants, tax credits are predictable, administratively efficient, and incentivize immediate investment. They allow businesses to plan over multiple years and mobilize private capital quickly, while limiting fiscal exposure for government. Evidence from existing studies indicates that each dollar of tax credit generates approximately ten dollars in economic activity, alongside safety and reliability improvements.

Recommendation

RAC recommends that Budget 2026 introduce an **Alberta Shortline Railway Investment Tax Credit**, modelled off the *Ontario Shortline Railway Investment Tax Credit*, to incentivize private investment in Alberta's shortline rail infrastructure.

This measure would:


1. Leverage private capital at a modest fiscal cost (approximately \$3 million annually)
2. Support exporters and rural and industrial communities
3. Improve supply chain resilience and transportation system efficiency
4. Reduce long-term pressure on publicly funded road infrastructure
5. Align with Budget 2026 priorities of prudent fiscal management and economic growth

Conclusion

Targeted support for shortline rail investment represents a cost-effective way to strengthen Alberta's transportation system, support economic growth, and manage future public infrastructure costs. A provincial tax credit would build on proven best practices while ensuring Alberta remains competitive in attracting investment and moving goods to market.

Technical Appendix: Program Design and Costing

An **Alberta Shortline Railway Investment Tax Credit** could be designed as a 50% refundable corporate income tax credit for eligible capital expenditures incurred on Alberta shortline rail infrastructure, including track, bridges, signals, and related safety and capacity improvements. The credit would be capped at \$8,500 per mile of owned or leased railway track for the qualifying corporation. Based on current track mileage, the total program fiscal cost would be roughly \$3 million annually.



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