ECONOMIC NOTES

TAXATION SERIES

# Code Red for Calgary: Addressing Infrastructure Challenges Through Public-Private Partnerships

By Gabriel Giguère and Gerard Lucyshyn

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MEI Ideas for a More Prosperous Society

**Over the past decade, the value of the City of Calgary's infrastructure has significantly increased, reaching approximately $155 billion.[1] However, 1/7 of the city's infrastructure is in poor or very poor condition.[2] To maintain and replace these assets and develop new infrastructure to service a growing population, the city needs to consider a new approach to asset management and maintenance. It should draw on the expertise and investment capacity of the private sector through public-private partnerships (P3s).**

## THE CONDITION OF CALGARY'S INFRASTRUCTURE

Calgary's infrastructure has been deteriorating rapidly. In 2013, approximately 2% of its infrastructure was in poor or very poor condition; by 2026, this had increased sharply, to 14%, representing approximately $20.8 billion[3] (see Figure 1).

The share of infrastructure classified as being in "fair" condition has also increased by 7 percentage points over the past decade.[4] This suggests that the proportion of infrastructure in poor condition will continue to increase in the coming years. Continued deterioration adds additional pressure on municipal finances, and strain on services for citizens.

According to the latest 10-year forecast,[5] Calgary's capital infrastructure needs will be $21.8 billion for growth, $18.5 billion for maintenance/replacement, $10.6 billion for service enhancement, and $2.4 billion for transformation. This totals $53.3 billion, whereas the City of Calgary's total revenues were only $7.2 billion in 2025.[6]

The state of Calgary's infrastructure varies by asset class. More than 20% of roads, sidewalks, and pathways are in poor condition. A smaller proportion of its drinking water infrastructure was in bad shape, but there is still more than 10% of it in poor or very poor condition.[7] While these percentages may seem relatively modest, the required capital investments to bring them up to a fair or acceptable state are substantial. The value of these two categories of infrastructure assets currently sits at approximately $71 billion ($38.6 billion for roads, sidewalks, and pathways and $32.4 billion for potable water infrastructure).[8]

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Calgary also forecasts a need to invest more than $5 billion over the next 10 years in water infrastructure, mainly for growth. This asset class constitutes the fourth largest capital expenditure in the next 10 years, just behind roads, transit, and facility management.[9]

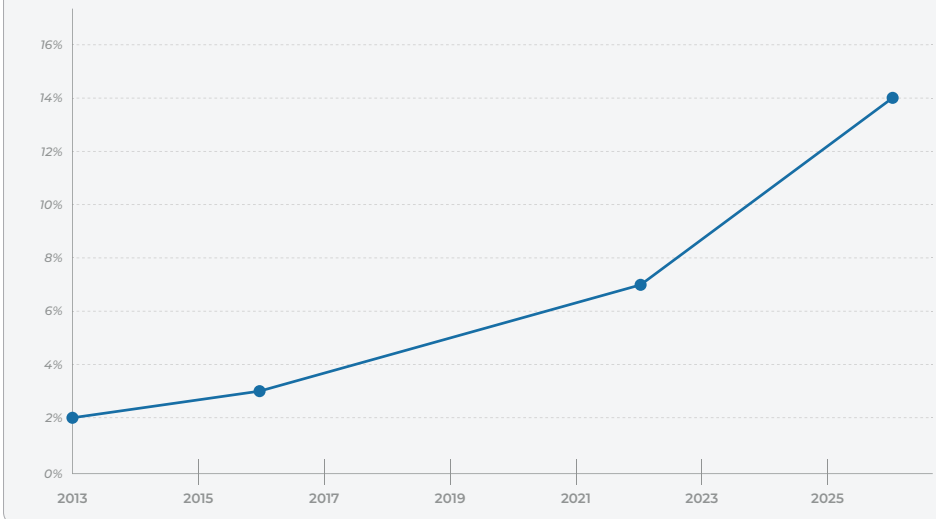
## CALGARY AND PUBLIC-PRIVATE PARTNERSHIPS

Given these major needs for growth and maintenance, coupled with the accelerating deterioration of the infrastructure, the City of Calgary should consider using more Public-Private Partnerships (P3s). The World Bank defines a P3 as "A long-term contract between a private party and a government entity, for providing a public asset or service, in which the private party bears significant risk and management

responsibility and remuneration is linked to performance."[10] The government generally maintains ownership of the asset under contract. P3s can transfer some construction, financing, design, and maintenance risks to the private partner, while spreading costs over the useful life of the infrastructure. This allows the government and residents to benefit from high-quality services based on the private sector's expertise in infrastructure management.

FIGURE 1

**Share of Calgary infrastructure assets in poor and very poor condition (2013-2026)**




**Note:** The scope and classification of some assets changed slightly between 2022 and 2026. These adjustments represent only a small share of the total value of the city's infrastructure.
**Source:** City of Calgary, *Corporate Asset Management Plan – 2022*, 2022, p. 2; City of Calgary, *Corporate Asset Management Plan – 2026*, 2026, p. 48.

The P3 model offers several advantages for municipalities. First, this type of approach allows for risk-sharing, or even the outright transfer of risk to a private party.[11] This reduces the financial pressure on the municipality, especially if the P3 contract is well-designed. Since it is then the responsibility of the private party to successfully complete the project (for example, building a school or new water infrastructure), that entity has a clear incentive to avoid delivering the project late or over budget. In the case of a P3 that includes a construction or repair component, the company that's responsible also has an incentive to do the work well, particularly in order to reduce maintenance costs over the specified period, often between 20 and 30 years.[12]

It has been shown that P3s deliver better value and efficiency in most cases than traditional public procurement.[13] A number of domestic and international examples illustrate this: Canada Line (Vancouver, BC), delivered ahead of schedule and before the 2010 Winter Olympics;[14] Confederation Bridge, major lifecycle maintenance commitments fulfilled while replacing a costly ferry service;[15] Autoroute 25 Bridge (Quebec), accelerated delivery and transferred construction risks;[16] Anthony Henday Drive Southeast Leg (Edmonton, Alberta), completed on schedule with long-term maintenance obligations;[17] Regina Bypass Project, a bypass highway around Regina, Saskatchewan;[18] and Sydney Metro Northwest (Australia), widely regarded as one of Australia's most successful transport P3s, which opened on time with automated operations.[19]

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Calgary already has a political and administrative framework for greater use of P3s. Its Public-Private Partnerships Policy, CFO011, was adopted after Calgary's 2008–2017 capital plan identified more than $10 billion in unfunded capital needs.[20] The policy recognizes P3s as an alternative financing model that can provide access to private capital and spread infrastructure costs over time.

The City of Calgary has used the P3 approach for some projects since the adoption of that policy. In 2015, following an analysis, a contract was awarded to Chinook Resource Management General Partnership to design, build, finance, operate, and maintain a new composting facility capable of processing 145,000 metric tons per year.[21] The operating contract has a total term of 10 years, from 2017 to 2027. This project, Calgary's first P3 contract since the adoption of the policy, was delivered on time and on budget.[22]

## A P3 FOR CALGARY'S POTABLE WATER INFRASTRUCTURE

Calgary's potable water infrastructure challenge goes beyond the condition of only one asset. Calgary estimates that approximately 120 kilometers of transmission mains currently lack both redundancy and recent condition data.[23] Some of them are also under surveillance because of the possibility of single-point failure. Given these vulnerabilities, and the growth of the population, substantial capital spending will be required in the near future, which makes potable water a good candidate for a P3 to improve lifecycle management and infrastructure growth and renewal.

Calgary's existing CFO011 policy proposes a three-phase approach: Initial Project Screen, followed by a Strategic Assessment of a potential P3 model and a Value-for-Money Assessment.[24] The city administration should use this existing process to assess both individual water-infrastructure P3s and a broader long-term concession for part or all of its potable water network.

For new water infrastructure, Calgary could examine design-build-finance-operate-maintain (DBFOM)[25] contracts for major treatment facilities such as pumping stations. Combining construction with long-term maintenance changes the incentives facing the builder. For a company that remains responsible for an asset for decades, minimizing construction costs is less appealing if doing so would lead to higher maintenance and replacement expenses later. In other words, there is an incentive to maximize the quality of the infrastructure. This approach is one of the principal value drivers identified by the World Bank.[26]

Calgary should also consider a more ambitious option: a long-term, performance-based concession covering the operation, maintenance, and selected renewal of part or all of the potable water network (see Figure 2). Such an arrangement could place inspections, preventive maintenance, leak detection, pressure management, and rehabilitation under a single operator. Rather than paying contractors each time an asset fails, Calgary could make part of the concessionaire's remuneration dependent on measurable outcomes such as unplanned outages and the condition of assets over the life of the agreement, among others.

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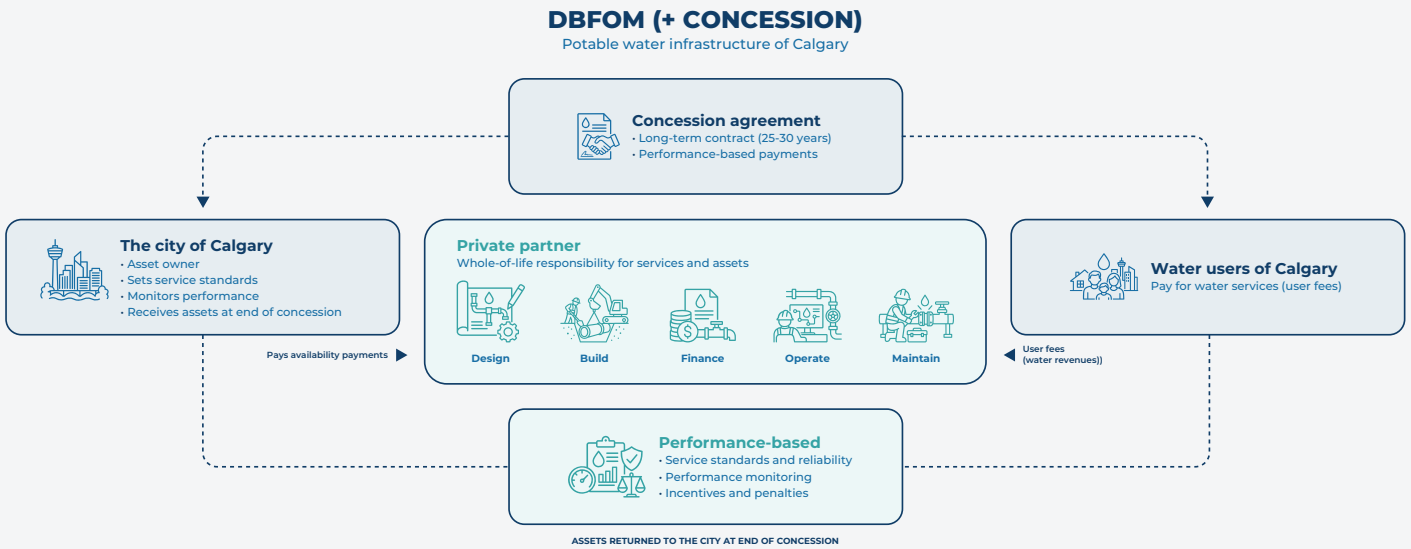
This distinction is important. Under a conventional repair contract, a contractor can be paid whenever a pipe breaks. Under a performance-based concession, preventing the break can become more profitable than repairing it. Integrating maintenance and renewal under one long-term responsibility would also allow the operator to choose between repairing or replacing an asset based on its total lifecycle cost rather than on the immediate cost of a single intervention. Calgary's existing water revenues could provide a predictable funding stream for such an arrangement. The existence of water charges could facilitate a long-term payment mechanism.

Such a concession would not require the privatization of Calgary's water system. The City could retain ownership of the infrastructure, authority over water rates, responsibility for water quality standards, and strategic control over the system.

FIGURE 2

## Design-Build-Finance-Operate-Maintain Model




**Source:** Authors' elaboration, based on World Bank, *Public-Private Partnerships Reference Guide*, Version 3, 2017, Box 1.2, p. 18.

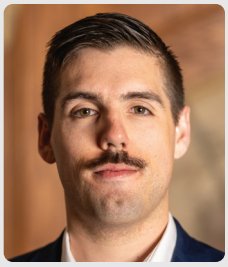
The private operator would simply be contractually responsible for delivering specified performance outcomes and maintaining the assets to predetermined standards.

**Calgary should adopt a P3 model that would delegate the repair, maintenance, and operation of the city's drinking water treatment system under a concession agreement.**

## CONCLUSION

The City of Calgary is facing deteriorating public infrastructure and growing pressure to build more infrastructure. The latest Corporate Asset Management Plan, published in May 2026, highlights this situation. Given these circumstances, Calgary should adopt a P3 model that would delegate the repair, maintenance, and operation of the city's drinking water treatment system under a concession agreement. It should also consider P3s for other asset classes currently under public management. In this way, Calgarians would be able to benefit even more from the private sector's expertise.

This Economic Note was prepared by **Gabriel Giguère**, Senior Policy Analyst at the MEI, and **Gerard Lucyshyn**, Vice President of Research and Senior Economist at the MEI. The MEI's Taxation Series aims to shine a light on the fiscal policies of governments and to study their effect on economic growth and the standard of living of citizens.



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910 Peel Street, Suite 600, Montreal (Quebec) H3C 2H8 T 514.273.0969
150 9th Avenue SW, Suite 2010, Calgary (Alberta) T2P 3H9
170 Laurier Avenue W, Suite 716, Ottawa (Ontario) K1P 5V5