

# **PUBLIC-PRIVATE PARTNERSHIPS IN ALBERTA, CANADA: TOWARDS THE INSTITUTIONALIZATION OF POLICY REFORM**

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## **ABSTRACT**

The deployment of public-private partnerships (P3s) in Alberta, Canada has stalled following the suspension of the program in 2016. While P3s have become increasingly popular, the dynamics of P3 institutionalization remain unclear and overlooked. In response to Casady et al.'s (2018) call, this study aims to investigate the nature and extent of P3 institutionalization using Alberta's program as an effective longitudinal case study. This study finds that Alberta's P3 program, facing the pressures of limited funding availability and a previously failed partnership attempt, was initiated as an experimental effort designed to fill a serious infrastructure gap and motivated by existential political interests, but without the necessary institutional and organizational anchors to ensure program stability, permanency and continuity. Furthermore, Alberta's P3 program has become the object of ideological contestation between recent successive governments. Following Johnson et al. (2006), this study contends that Alberta's P3 program has stalled at the "diffusion stage" and unable to transition to the "general validation stage" needed for its widespread acceptance as an institutionalized model of infrastructure delivery.

**Keywords:** Public-private partnership; PPP; Institutionalization; Institutional theory; P3

## **INTRODUCTION**

Since the mid-1990s, the deployment of public-private partnerships (P3s) has continued to grow as an alternative financing model for public infrastructure (Casady & Geddes, 2016; Casady, Eriksson, Levitt & Scott, 2018; Opara and Rouse, 2019; Barreta & Ruggiero, 2018; Daito & Gifford, 2014). For the past 15 years (2004-2019), Canada's Alberta province has been engaged in the development of public infrastructure using the P3

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model (Opara, Elloumi, Okafor & Warsame, 2017; Opara & Elloumi, 2017; Opara, 2014). Since 2004 Alberta's P3 program has grown from the initial pilot of \$493m (the Southeast Edmonton Henday Drive, SEAHd) into a \$7.8b program (Opara & Elloumi, 2017; Opara & Rouse, 2019, Opara et al., 2017). Currently, Alberta has implemented P3 projects in transportation, education and water and wastewater management sectors. However, Alberta's P3 program can only be described as *stagnant* and in need of substantial reform. This paper argues that Alberta's P3s program needs both *organizational* and *institutional reform* to ensure that it maintains the policy stability and program continuity needed to support Alberta's citizenry, and furthermore asserts that Alberta presents a unique situation through which we may better understand the phenomena of institutionalization, validation, and contestation in a multi-year context.

Public-private partnerships have been deployed extensively by governments around the world to deliver critical public infrastructure (Boardman & Hellowell, 2016; Boardman, Greve & Hodge, 2015; Boardman, Siemiatycki & Vining, 2016; Grimsey & Lewis, 2004; Casady et al., 2018; 2017; Wang et al., 2018). This growing trend of P3 implementation has been observed in Canada (Siemiatycki, 2015). Employed as a strategic management tool in public sector reform, and in concert with the New Public Management/Governance (NPM/G) philosophy (Caperchione et al., 2017; Casady et al., 2017), P3s have become a common response to the severe funding challenges or financial constraints facing governments around the world (Andrews, Esteve & Ysa, 2015). Meanwhile, P3 governance has emerged as a central plank of P3 enactment and performance (Xiong et al., 2019). While P3s remain contested policy, governments continue to adopt them in the development of critical public infrastructure (Boardman et al., 2016; Hodge & Greve, 2017; Opara & Rouse, 2019). P3 proponents argue that P3s are the most suitable model to deliver infrastructure on-time and on-budget because they provide taxpayers value-for-money (VfM) by transferring project-related risks to the contractor and ensuring that completed projects are operated and maintained in good condition into the future (Hodge & Greve, 2007; Hodge, Greve & Boardman, 2017; Boardman et al., 2016).

However, P3 opponents argue that the much touted “on-time and on-budget” performance is misleading because governments ignore or discount the pre-contract negotiation period and build in significant attractive incentives into P3s that are absent in the conventional delivery model (Boardman et al., 2016). Furthermore, P3 opponents insist that the transfer of risk to the private contractor leading to VfM creation comes at a huge cost because governments must pay a premium to incentivize the private contractor to assume any risks (Opara & Rouse, 2019; Boardman et al., 2016). Moreover, in the event of project failure, the government must pick up the tab for such events and ultimately transfer them to the ordinary taxpayer via increased taxes or reduced services or both (Boardman et al., 2016; 2015). While P3s have continued to grow unabated, despite the numerous and visible flaws associated with their performance (for more on failed P3, see Soomro & Zhang, 2015; 2016), P3s have entered a phase where they could now be considered institutionalized (Hodge, Greve & Boardman, 2017; Hodge, Greve & Biygautane, 2018; Casady et al., 2018). However, it remains unclear how P3 institutionalization occurs (Casady et al., 2018). This study fills this gap in the literature using Alberta’s P3 program.

The emerging research investigating the modalities of P3 institutionalization across several jurisdictions (Casady et al., 2018) motivates us to interrogate the nature and extent of Alberta’s P3 program institutionalization since 2004. Following Casady et al. (2018), this study adopts Johnson et al.’s (2006) model to investigate the institutionalization characteristics of Alberta’s P3 program. This model specifies four phases of institutionalization as: *innovation*, *local validation*, *diffusion*, and *general validation*. This study finds that facing significant infrastructure and funding deficits, and determined to avoid the mistakes of a prior failed partnership with Bovar Inc.: a) Alberta’s P3 program was initiated to test its viability as an experimental infrastructure delivery mechanism; b) devoid of institutional structures for its continuity, Alberta’s P3 program lacks the enabling organizational and critical knowledge base to deliver quality infrastructure into the long term and; c) there is the need to create an enduring arrangement that ensures subsequent

governments protect and prioritize the infrastructure needs of the citizens above ideological inclinations.

Correspondingly, this study observes that Alberta's P3 has been through an *innovation stage* with the piloting of the \$493m SEAHD Edmonton ring road, which transitioned into the *local validation stage* with the NWAHD ring road. With the delivery of P3 projects in transportation, education and water/wastewater management, Alberta's P3 is now located at the *diffusion phase*. However, it is now stranded at the diffusion phase and unable to emerge into a successful program by transitioning into the *general validation stage* that could be evidenced by widespread acceptance, governance and institutionalization structures.

The reasons behind Alberta's failure to complete the general validation stage owe much to its unique cultural, economic, and political characteristics. Furthermore, with 15 years of program experience, it provides a longitudinal sample size to consult while reviewing Johnson's phase-model of program maturity. Meanwhile, Alberta's context/setting is key here. First, Canada is interesting because, as a member of the Asia-Pacific Economic Cooperation, North Atlantic Treaty, the Commonwealth, the Francophonie, the G7, the Arctic Council, and several other multi-lateral organizations, it operates within similar confines/structures of its global peers and has comparable institutional arrangements, policies and practices. Second, Alberta is further intriguing, because, while a part of Canada, it democratically chose one party rule (Progressive Conservatives) for several decades. Under a scientific lens, the politics-administrative dichotomy, is mostly stable (hence "controlled for") when it comes to partisan politics. Until quite recently and just for one left-leaning New Democratic Party mandate, the chances that a program would be dismantled with the election of another party was slim. In that way, the Alberta case is something close to what happens in a one-party state/country, which can be relatable for both democratic countries, like South Africa, and smaller administrative subdivisions, like the state of Kansas, where the same political party stays elected for long stretches of time. The administrative-politics dichotomy also represents the political "publicness" in Public Administration. The present case

is a rare illustration of a best-case scenario of what P3s can look like in a democratic state, when partisan politics is not really an issue.

The central objective of this paper is to assess the current state of institutionalization of Alberta's P3 program, or, put another way, to determine what specifically accounts for it being stalled in between Johnson et al.'s "diffusion" and "validation stage," and how we may apply these teaching points to other P3 stakeholders across the world. Here institutionalization is defined as the enactment of structures and relationships which have formal status, clear responsibilities, decision processes and authority. Specifically, the paper reviews the nature and extent of Alberta's P3 program, revisits the embeddedness of its program structures, and suggests measures to ensure its permanency and continuity as a sustainable program. This review draws from publicly available archival datasets, including published documents from academic journals, media platforms and Alberta government publications. Further, the study also draws on interview data sourced from a diversity of actors and stakeholders who have been involved in the Alberta P3 program since inception in 2004. Both sets of data converge to reveal the political and organizational arrangements that dominate the public infrastructure delivery landscape in Alberta and ultimately shape the discussion and recommendations.

This paper contributes to the growing literature on P3 institutionalization dynamics (Casady et al., 2018). First, it responds to the call by Casady et al. (2018) to examine and document the detailed practices enacted to make P3s routine and taken-for-granted. Given the controversial nature of P3s, this paper documents and uncovers the localized actions and validations that enact contested policies into accepted practices. Second, drawing on institutional theory (DiMaggio & Powell, 1983) and institutionalization processes (Johnson et al., 2006; Lawrence et al., 2001), it also highlights successful P3 practices that advance institutionalization of a P3 implementing jurisdiction, and thus minimize the knowledge gap between successful and unsuccessful P3 programs across different institutional settings (Opara et al., 2017; Soomro & Zhang, 2015; 2016). Third, this article seeks to inform, shape and advance both

the practical and theoretical discussions surrounding P3s and attempts to fill a significant gap in the literature by documenting a specific and unique regional experience and the associated institutional practices. In contrast to the general and international trend where P3 literature has been focused on the technical operationalization of P3s (Grimsey & Lewis, 2002; 2004; 2005; Opara, 2018) and the rationale for governments implementing P3s (Boardman et al., 2016), the processes of P3 institutionalization have received limited research attention and appears neglected (Casady et al., 2018). Therefore, given Alberta's institutional uniqueness, this paper goes deeper to examine the micro-processes surrounding Alberta's P3 institutionalization within a specific institutional context, with the hope that we can apply these lessons to the general, more global, question of P3 contestation and acceptance.

The rest of the paper proceeds as follows: The next section sets out the theoretical arguments and debate that currently dominate the contextual deployment of P3s by various governments and presents Alberta P3 program's historical context. The next section sketches an ideal institutionalization pathway and frames the study using contemporary institutional theory. The methodology section specifies the research site, data collection and analysis undertaken for this study. The findings section outlines the major findings of the study. The discussion and conclusion section contextualize the evolution and implementation of P3s in Alberta, with recommendations for the understanding of institutionalization of P3 programs.

### **P3 THEORY AND PRACTICE**

While there is no generally accepted definition of P3s (Roumboutsos, 2015), Grimsey and Lewis (2004) consider P3s as "arrangements whereby the private parties participate in, or provide support for, the provision of infrastructure, and a PPP project results in a contract for a private entity to deliver public infrastructure-based services" (pg. 2). Meanwhile, P3s have been perceived as the descendants of the New Public Management (NPM), and by extension its latest variant, the New Public Governance (NPG) (Osborne, 2010; Caperchione et al., 2017).

Furthermore, there is the belief that a collaborative partnership between the public and private sectors can deliver better project value and positive outcomes than any one sector can deliver acting alone (Steijn et al., 2011). Drawing from this foundational belief, P3 theory is built on the notion that a profit-driven private enterprise can deliver services and infrastructure more efficiently than the public sector. The basis of this theory is the argument that the built-in incentive scheme, the bundling of project components/phases under a P3, the optimal allocation of project risks between partners leads to efficiencies that creates value-for-money (VfM) for taxpayers (Grimsey & Lewis, 2004; 2005; Silvestre & Araujo, 2012). Therefore, by extension, P3 theory has been anchored on a set of core utilities that P3s are expected to deliver, ranging from the need to respond to public demands for critical infrastructure, limit the pressure on the public treasury, tap private sector expertise and innovation, and fairly allocate risk between the contracting parties, all while delivering superior VfM for taxpayers (Rouboutsos & Macario, 2013).

Coupled with limited conceptualization and fragmented knowledge, a passing in-depth empirical investigation, and contested theory on P3s (Rouboutsos & Macario, 2013; Roehrich et al., 2014), the field-level practice and performance of P3s have been controversial (Opara & Rouse, 2019; Hodge & Greve, 2007; 2016; Hodge, Greve, & Boardman, 2017). For P3 advocates, P3s are able to deliver a majority of projects on-time and on-budget, create project efficiencies by bundling the design, construction, operation and maintenance into a single contract. Moreover, the proper identification and allocation of risks, based on which partner is best capable of bearing them, creates VfM that ultimately benefits taxpayers. Furthermore, P3 advocates suggest that certain projects would not be implemented simply because the traditional project model makes them unviable (Boardman et al., 2016; Opara & Rouse, 2019).

P3 practices vary extensively, especially regarding the nature and extent of government's involvement (Jooste et al., 2011). Whereas P3 theory would suggest that the public sector expectedly outlines the broad framework for a P3 project leaving the private sector to design, finance, construct, operate and maintain the project (DBFOM), P3 practice has varied across

regions in recognition of local institutional environment specificities (Jooste et al., 2011). For instance, from a definitional perspective, the US Government Accountability Office (GAO) considers simple contracting-out of government services as a P3, including urban renewal projects that are privately managed, but publicly subsidized. In Canada, the Sea-to-Sky highway does not have a project operator in the conventional sense, even though the private partner is responsible for infrastructure maintenance. Furthermore, contrary to the practice in several regions, Alberta's government makes capital contributions to the capital base of some P3 projects (Boardman et al., 2016) in order to attract sufficient P3 project interest and reduce the risk exposure of the contractor.

Importantly, P3 practice and performance in terms of the actual deliverables have been inconsistent with theoretical propositions (Hodge and Greve, 2007, 2016). While invoking a litany of failed P3 projects, P3 critics argue that in practice several challenges confront the partnership idea behind P3s (Soomro & Zhang, 2015; 2016), including the collaboration challenges associated with differences in institutional logics (Saz-Carranza & Longo, 2012; Helfen & Sydow, 2013) and the long tendering period that discourages potential bidders and effectively reduces competition, thus limiting the overall social benefits of P3 projects (Casady et al., 2019). Furthermore, P3 critics point to a neglect of accountability and governance traditions in the public sector (Shaoul, Stafford & Stapleton, 2012; Xiong et al., 2019; Casady et al., 2017), operational and legal complexity of P3s (Sagalyn, 2011), non-mitigatable risks associated with P3 contracts (Boardman et al., 2016), and P3 structural features that limit future public sector service flexibility (Opara, 2018; Siemiatycki & Farooq, 2012).

Furthermore, P3 critics insist that even though in theory risk can be seamlessly transferred, effective risk transfer is difficult in practice and comes at a higher cost to taxpayers. Thus, the high number of P3 projects bailed out, underwritten or have received government guarantee indicates the ineffectiveness of risk transfer (Boardman & Vining, 2007; Heald, 2003; Hodge & Greve, 2007). It is instructive that Demirag, Khadaroo, Stapleton & Stevenson (2011) find that P3 project financiers take active



steps to transfer any inherent risks to an outside party. In addition, there is a vast body of work suggesting that there are significant limitations in using contracts as a risk mitigating instrument for managing unforeseen contingencies occurring far into the future (Sclar, 2015). Closer to Alberta, Siemaitycki (2015, pg. 343) highlights some of the partnership challenges associated with Canadian P3s, including prohibitive pre-contract costs, limited stakeholder consultations, and a restrictive procurement process that inhibits design/architectural innovation.

### ***Partnerships in Governance***

According to McQuaid (2000, p. 9) partnership theory is anchored on “a recognition that any one local actor often does not have all the competencies or resources to deal with the interconnected issues raised in many policy areas”. Partnerships between the public and the private sectors have been used for a very long time, in multiple sectors and attract considerable academic interest (Wang et al., 2018; Grossman & Holzer, 2016). They have been deployed to address complex policy and managerial problems facing communities (such as infrastructure, healthcare, climate change, terrorism etc.), to share the load or burden of governance, and to tap specific skills and cognitive biases for public benefits (Brinkerhoff & Brinkerhoff, 2011). However, the deployment of partnerships as organizational arrangements has been beset by numerous problems. These include: the mis-match of fundamental priorities of each party (profit for private-sector, public good for the public sector), disagreements about how to achieve balance in the interests of partners, and challenges associated with the governance aspects of partnerships (Brinkerhoff & Brinkerhoff, 2011; Xiong et al., 2019). Therefore, this paper argues that in addition to a specification of the intended public benefits of P3s, the behaviours of partners must be aligned to achieve the principles and practices of good governance (Brinkerhoff & Brinkerhoff, 2011). This view supports program success and institutionalization, rather than a perceived attempt to engage in one-shot transactions that alleviate urgent public sector funding pressures and/or preserve the governing party’s tenure.

***Pre-P3 Alberta***

Alberta's P3 program was preceded by an unsuccessful attempt at implementing a partnership arrangement with Bovar Inc., through a provincial agency, Alberta Special Waste Management System (ASWMS), for the purpose of building and operating an integrated hazardous waste-treatment facility at Swan Hills, Alberta (Opara & Elloumi, 2017). The partnership was 40% owned by ASWMS and 60% by Bovar Inc. With a capital contribution of \$30 million (representing 60% of the equity and 60% of the profits), Bovar Inc. was guaranteed a minimum return on capital of 3% over the current prime rate, depreciating at 10% over 10 years. The province provided debt guarantees for Bovar Inc., as well as indemnity against future remediation liabilities for amounts over \$1 million. Alberta government also agreed to assume liability for clean up at Swan Hills. However, in 1996, following a difficult relationship dominated by a high and growing subsidy requirement, the Alberta government terminated the partnership, paid Bovar Inc. \$140 million and assumed full ownership of the facility (Sherbaniuk, 1998). Analysts believe that the Alberta-Bovar Inc. experience involving the Swan Hills facility cannot be described as a successful partnership (Poschmann, 2003; Sherbaniuk, 1998).

With a failed partnership and facing a growing infrastructure need, following years of cutbacks to infrastructure spending, declining revenues and a dismal market outlook post the 9/11 attacks, the Alberta government was determined not to repeat past mistakes. This led to the decision to pilot a P3 project - the SEAHD - in 2004. Next, this study adopts institutional theory to better understand the nature and context of P3 emergence in Alberta.

**INSTITUTIONAL THEORY  
AND P3 INSTITUTIONALIZATION**

Institutional theory has become a dominant theoretical model for the study of P3s (Wang et al., 2018). Moreover, institutional theory is appropriate for this study as it focuses on the institutional environment contexts precipitating the formation, implementation, legitimation and institutionalization of

organizational practices such as P3s. Therefore, institutional theory captures relevant components of the political/institutional environment and social contexts in which these policies are implemented and interpreted. According to Scott (2014), institutions are socially constructed frameworks that both facilitate and inhibit social action.

Contemporary institutional theory suggests that organizations are impacted by environmental pressures or forces sometimes outside their control (Meyer & Rowan, 1977; DiMaggio & Powell, 1983). For instance, a public sector organization could face external pressures from a newly enacted legislation, from public protests, from the media, from Auditors or from parliamentary pronouncements (like the amendments to the Fiscal Responsibility Act that allowed P3s in Alberta). As the organization attempts to avoid negative publicity, build and/or maintain legitimacy of its processes and practises, it takes steps to obey laws, follow court orders, and address auditor's recommendations (Mulgan, 1997).

In DiMaggio and Powell's (1983) formulation of institutional theory, while recognizing the institutional environment as constitutive of organizational life, it outlined the mechanisms that lead to institutionalization as consisting of coercive, normative and mimetic pressures. This study follows Scott (2014, p. 56) who reformulates these three aspects of the process of institutionalization that enable organizational behaviour into: "regulative, normative and cultural-cognitive guides". Therefore, institutional theory provides an organized frame that enables the isolation and examination of factors impacting the legitimacy and institutionalization of organizational practices. These factors include culture, social environment, regulatory and legal environment, tradition and history, as well as economic incentives (Brunton, Ahlstrom & Li, 2010). According to Suchman (1995) legitimacy as a central pillar of institutional theory constitutes an organizational resource that must be strategically maintained for organizational success. Legitimacy refers to the adoption of visible and invisible P3 practices perceived by stakeholders as being proper, socially acceptable and appropriate (Deephouse, Brundy, Tost & Suchman, 2017). The literature on institutionalization of organizational practices

(Lawrence et al., 2001; Johnson et al., 2006) suggests that institutionalization processes tends to follow an S-shaped curve. For instance, Lawrence et al. (2001, p. 626) identify four stages of institutionalization: innovation, diffusion, legitimation and deinstitutionalization. Thus, at the inception of a new idea or practice, it is recognized or internalized by a few actors, and then eventually become widely diffused and accepted within the organizational field.

According to Mrak (2014), P3 institutionalization involves the standardization of P3 processes within a government's entire decision-making agencies and structures. Casady et al. (2018) suggests that to reap the benefits of P3 implementation, a jurisdiction must have its P3 program institutionalized. Consistent with Casady et al. (2018), in order to determine the nature and extent of P3 institutionalization in Alberta, this study adopts Johnson et al.'s (2006) four phases of institutionalization: innovation, local validation, diffusion, and general validation. Casady et al. (2018, pg. 4) documents:

In the context of P3s, the four phases of institutionalization are defined as follows: (a) Innovation – the emergence of PPPs as an innovative procurement mechanism to deliver infrastructure assets; (b) Local Validation – the utilization of PPPs in specific, localized settings; (c) Diffusion – the proliferation of PPPs in other contexts; and (d) General Validation – the widespread acceptance, utilization, and effective governance of PPPs in infrastructure project delivery.

As P3s were introduced in Alberta, it was done first on a pilot road – the SouthEast Anthony Henday road (\$493m) (Opara & Elloumi, 2017; Opara et al., 2017; Opara & Rouse, 2019). This is consistent with the *innovation phase*. Consistent with the *local validation phase*, P3s were contextualized within the Alberta institutional environment by its deployment to build the NorthWest Anthony Henday road (\$1.4b). *Diffusion* occurred when P3s were used to develop 40 new schools in Calgary and Edmonton and its further deployment for the Calgary ring roads and the Kananaskis wastewater project. This represents P3 proliferation in a more diverse context, spanning multiple sectors.

However, this study argues that the final step of institutionalization (*general validation*) has been truncated,

leading to an arrested institutionalization of P3s in Alberta. Therefore, the general validation of P3s evidenced by the widespread acceptance, utilization and structural governance of P3s in Alberta has stalled, especially with the suspension of further project developments using the P3 model in 2016. This observation was a central motivation for this study to determine the nature and extent of P3 institutionalization in Alberta, modalities for effective institutionalization, how to advance P3 institutionalization for efficient and orderly project delivery, and how our understanding of these issues can improve the implementation of P3 programs across the world in 2019.

## METHODOLOGY

### *Research Setting*

The research setting is Alberta, Canada. This site was selected for several reasons. First, Alberta presents a unique institutional environment that does not exist elsewhere in Canada. For instance, it has been governed by the same conservative party for 45 years (except 2015-2019). Given its conservative political orientation, a pro-business environment, and a weak opposition, Alberta was expected to be a perfect destination for P3s. However, Alberta became a reluctant late adopter of the P3 model. Secondly, Alberta's energy-dependent economy exposed Alberta to the uncertainties of the global energy markets and the attendant risks to revenue predictability. Given this background, Kneebone (2006) argues that the institutional design of Alberta's fiscal rules is part of a governing structure that remains unaffected by changes in the governing political arrangements or differences in political or economic orientation (p. 659).

According to Opara and Rouse (2019, pg. 79), "Overall, Alberta represents a curious case of having all the right ingredients for early P3 participation, yet it never implemented P3s in their classical form. For instance, it shied away from implementing tolls on its P3 roads". Finally, compared to jurisdictions in Australia, UK and the US, with which it shares similar political, linguistic and institutional environment elements, Alberta's P3 program appears forgotten by analysts, having attracted limited research attention since inception in 2004 (Opara et al., 2017).

Furthermore, in terms of country P3 market size, Alberta is ranked in the top four, behind Canada's Ontario, British Columbia and Quebec (Gill & Dimick, 2013).

Therefore, this study was motivated to understand the basis for policy stagnation and make recommendations for Alberta's P3 policy to take deeper roots and become institutionalized as an accepted public infrastructure policy and management practice. Thus, in adopting Alberta as an appropriate study setting, this study considered that given the stability of its institutional environment over an extended period, it presents an ideal empirical site to observe the evolution, or absence, of institutional structure(s) that support P3 institutionalization.

### ***Research Approach***

This study was done in two stages using a case study approach (Yin, 2018), combining archival data sources and field-based in-depth interviews to triangulate and corroborate data for consistency (Lee & Humphrey, 2017). In stage one, archival (secondary) data sources were reviewed, including ten value-for-money (VfM) reports, government of Alberta P3 contracts (2004-2019), the Alberta Auditor-General's reports (2002 -2016), the 20-Year Strategic Capital Plan Report, Financial Management Commission (FMC) Report, Ministry of Transportation and Infrastructure press statements, P3 industry partner reports, (i.e., corporate annual statement, newsletters etc.), media reports and peer-reviewed research publications<sup>6</sup>.

In stage two, using a snowball selection approach (Levitt et al., 2018; Ospina et al., 2018), 36 in-depth, one-on-one semi-structured interviews with key P3 stakeholders (primary data) were conducted, each lasting approximately one hour. These stakeholders were directly involved with Alberta's P3 projects, including retired Premier Ed Stelmach, who was the Minister of Infrastructure and Transportation when P3s were introduced and later Premier, and a former Deputy Minister for Infrastructure and Transportation under the retired Premier. Interviewees included senior government officials (n=10), industry executives (n=12),

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<sup>6</sup> See Appendix 1 for details of Alberta's P3 projects from 2004 to 2019.

consultants (n=4), public policy analysts, community activists and journalists (n=6), Labour activists (n=3), and one senior Principal Auditor-General. These interviews were taped, transcribed and analyzed, individually and collectively, using Excel. Interviewers also took private notes and made inferences about the projects, participants and the context for project emergence, continuing evolution and institutionalization. Furthermore, data triangulation was undertaken by corroborating and validating the authenticity of their sources, including a rigorous check against published media reports in established outlets, independent analysts (e.g., Parkland Institute, CanadaWest Foundation), academic journals, and Auditor-General's reports (Levitt et al., 2018).

Specifically, interviewers enquired into the detailed legislative and advocacy work leading to the legal/legislative establishment and political acceptance of Alberta's P3 program. For instance, interviewees were asked how the P3 legislation was initiated, their specific role or input into the legislation and how (political) support for the legislation was secured. Given the lack of P3 knowledge at the inception of P3s, interviewees were asked about how they developed and publicized specific documents for RFQs, RFPs, Bid proposals, Expression of Interest, feasibility studies, environmental impact assessment and P3 policy guides. Interviewers asked whether these technical tasks were completed in-house or outsourced or divided between internal and external organizations and how. Interviewees were also questioned participants about the nature, extent and impact of the activities undertaken in order to appeal to key stakeholder interests and build P3 legitimacy. For instance, they were asked how they identified and engaged their target audience, how they managed the stakeholder engagement process, and how they managed any public resistance or opposition during and after the consultation process. The central themes that emerged included the nature of the overall institutional environment (political, economic, and social), the nature of the institutionalization process given Alberta's unique institutional environment, and their perspectives on P3s especially regarding, VfM, risk transfer, P3 complexity and its long term implications for Alberta's fiscal flexibility and sustainability. Finally, the study isolated the major institutional forces in play, including an understanding of the overall

institutional environment supporting or hindering P3 institutionalization in Alberta and compared them to current P3 literature.

Finally, while the use of interviews to analyze past events can lead to bias in favor of the interviewees' point of view, this research was supplemented by a rigorous data evaluation and triangulation from archival and independent sources to mitigate this concern, such as materials from academic journals, government publications, auditor's reports and materials from established policy centers/bodies, such as the Conference Board of Canada, Parkland Institute and CanadaWest Foundation - all independent and reputable policy think tanks (Ospina et al., 2018).

## FINDINGS

### *P3 Emergence in Alberta: A Convergence of (Multiple) Environmental Forces*

This study finds that Alberta's foray into the P3 market in 2004 was unplanned, the result of a convergence of forces beyond its control. With many years of cutbacks to infrastructure investment, political considerations given an upcoming general election in 2004, significant demographic shifts (from both internal migration and natural birth), a rapidly expanding economy and an unfavourable fiscal forecast post-9/11 attacks that precipitated a recession in North America, the government was facing a perfect storm of events. In the rush to show progress in addressing these issues, the government launched the P3 program in response to the recommendations of the Fiscal Management Commission (FMC)<sup>7</sup> by piloting the \$493m South East Anthony Henday Drive (SEAHD) leg of the ring road. The success of the pilot project created confidence to proceed with the other segments and later with 40 new schools (Opara & Elloumi, 2017; Opara & Rouse, 2019; Opara et al., 2017).

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<sup>7</sup> The Fiscal Management Commission (FMC) was an expert panel assembled by the Alberta government in 2002 to advise it on how to improve the deteriorating fiscal situation in the Province following the 9/11 attacks. The panel recommended that P3s be implemented, and the *Fiscal Responsibility Act* be reviewed to allow privately financed infrastructure in Alberta.



The retired premier characterised the pressures the government faced:

At the time we under-estimated migration into Alberta, and so we needed infrastructure among other things. When we looked at the money available, there was little left for infrastructure, as more money went to social spending. It was a question of, how do we package this on-budget and on-time? By presenting it as a P3, we will not only have a consistent amount available yearly, but also in comparison to the DB, it was better to use P3s for all these. We had a very good team, which was crucial. My DM [Deputy Minister] assembled an excellent team to get this policy implemented. So that was the start of all these. Frankly, we did the first road component and later the second component. And because of the success of the road program, we went to school P3s.

The urgency to implement P3s, starting with the SEAHD, limited government's capacity to *ab initio* develop structures with a long-term focus towards institutionalizing P3s in Alberta. The Alberta Auditor General captured this issue of limited capacity in the 2010 audit report, lamenting the government's limited internal capacity to perform an evidence-based assessment of risk and VfM after many years of implementing P3s. The AG wrote:

We recommend that the Department of Treasury Board and Infrastructure improve processes, including sensitivity analysis, to challenge and support maintenance costs and risk valuations" (Auditor General's Report, 2010). The auditor noted "That the Alberta Schools Alternative Procurement (ASAP) 1 team did not retain evidence to support all significant assumptions and risk costs were based on anecdotal evidence" (p. 22). Continuing, the Auditor noted that "We did not find evidence that estimated risk costs were, in total, validated against actual experience from prior school construction projects. Historical project cost information would provide additional validation of estimated risk costs, or serve as a means to refine those

estimates” (p. 23). The Auditor concludes, “that failure to validate key cost assumptions may result in the development of inaccurate cost comparisons” p. 24. (Auditor General’s Report, 2010, p. 22-24)

Some interviewees expressed the view that while Alberta was experiencing a period of rapid growth in population, deteriorating/deficit infrastructure (due to cutbacks to balance the budget in the preceding years) and a poor fiscal outlook, it was also clear that Alberta politicians were anxious about the impending general election. Therefore, the political leadership was motivated to enact P3s in a bid to deliver some electoral dividends to placate voters. Simply put, the politicians wanted to use P3s to deliver infrastructure quickly, given limited resources, and to do it in time to shore up support in the approaching general elections. One of these interviewees at Stantec, stated “because the politicians wanted P3s, it was made to happen”. Continuing, he insisted that “The political support was such that the ministry officials had no choice but to find ways to make P3s work.” [Senior Project Manager, Stantec Edmonton]

Consistent with institutional theory, deliberate legitimizing steps were taken by the government towards P3 institutionalization. These included legislatively amending the *Fiscal Responsibility Act* (2004) and public orchestration of the benefits of P3 as a “made in Alberta solution for an Alberta problem”. Furthermore, as Hodge et al. (2017) argues infrastructure delivery has become “part of defining what a modern state should look like” (p. 276). Referring to recent upsurge in nativist or nationalist outlook, Hodge suggests that political support for infrastructure delivery is reinforced when it converges with current leadership aspirations. These invocations deliver a politically, culturally and socially legitimating enactment of “our ingenuity at solving our problems ourselves”.

With legislative amendment enacted and private participation in infrastructure delivery secured, the government was now focused on creating a favourable business environment for potential construction industry partners. Simultaneously, the government identified and recycled VfM as a key infrastructure delivery efficiency and value proposition that could be sold to

taxpayers. As Siemiatycki (2015) notes, the VfM theme has been presented as the “primary rationale”, and consistent value proposition of several Canadian jurisdictions (p. 348). Importantly, and with the unpleasant experience of a previously failed partnership attempt with Bovar Inc. still fresh, the government did not want a repeat of that event.

According to the DM, in the lead up to the current P3 program:

I instructed my staff to start by getting anything we can find from Europe and what I want you guys to do is not only to come back and tell me what works. More importantly, I want you to tell me what didn't work and why – because I don't want to fall into those traps. So that's the beginning of the thought process for Alberta's P3s. [Retired Deputy Minister of Transportation and Infrastructure, Alberta, Canada]

#### ***Arrested Development: Lack of Formal P3 Structures Impede Infrastructure Growth***

A properly articulated rationale serves as an organizing framework to launch a P3 program. Beyond that, a clear organizational structure/framework in the form of a P3 office that serves to organize, concentrate and champion a P3 program into the long-term is crucial for P3 success (Istrate & Puentes, 2011). I find that Alberta's P3, given its experimental origins, essentially lacks the organizational structures necessary for longevity in infrastructure delivery. Therefore, in mid-2007, the Alternative Capital Finance Office (ACFO) was established to lead the P3 program and coordinate the activities of Ministries and the private sector for P3 delivery in Alberta and domiciled within the Ministry of Finance and Treasury Board. After a few years, ACFO was relocated to the Ministry of Infrastructure and rebranded as the Strategic Capital Division (SCD) under an Assistant Deputy Minister (ADM). From that point onward it became unclear what the mandate of SCD was in the overall P3 program. By 2017, with the moratorium on P3s, SCD was disbanded, leaving no central coordination point for P3s in Alberta.

Contemporarily, neighboring British Columbia (BC), which has similar economic, demographic and social settings, has

been largely successful in delivering more P3 projects – 43 in the past 15 years covering a variety of sectors (Romoff, 2017). Together Ontario and British Columbia account for about 70% of Canada's 261 P3 projects as of this writing. The relevance and role of a formal organizational structure, such as a P3 office, has been largely responsible for the orderly development and progress of P3s around the world by championing policy formulation, quality control and technical support for P3 projects (Istrate & Puentes, 2011). This paper argues that a P3 office for Alberta will help institutionalize the P3 program, safeguard program permanency/continuity, and ensure that the infrastructure needs of the province receive priority, regardless of the governing party.

Curiously, a proposal for the creation of a standalone coordinating unit in Alberta was resisted then outright scuttled by the Deputy Minister in interviews with him. His central argument was that the various ministries must take ownership of this effort. He further argued that at this stage of the Alberta P3s (April 2006), it made sense to decentralize P3 implementation, given the limited capacity that was available, and not unduly overwhelm the Ministry of Transportation and Infrastructure - which assumed the unofficial role of guiding P3s for the entire government. Overall, he considered it higher risk to have someone outside his direct organizational influence to head a critical task he was charged with by the Minister. This was especially important given the very close and cordial working relationship between the Minister Ed Stelmach and the DM. Importantly, his policy ally Minister Stelmach was now campaigning for and poised to become party leader and Premier in November 2006.

Emphasizing the absence of formal (hard) P3 structures, interviewees mentioned the absence of soft P3 structures as a further complication working against institutionalization not just in the government bureaucracy, but also in creating and maintaining legitimacy of the P3s as a policy tool among key stakeholders. Key among these is the issue of educating the public about critical legitimating aspects of P3s. Another of these is the issue of P3 complexity. Several interviewees mentioned that P3 complexity was a major concern and moreso how to communicate that (Klijn, 2009; Heald, 2003). Some of the comments received noted the difficulty in communicating the nuts and bolts of P3s in

an effort to explain and clarify its benefits. For instance: There is still a public perception that we are not doing enough to tell the public about what we are doing and how we are doing it. Maybe we need to do more public enlightenment, maybe it's because they [the public] don't understand NPV. (Senior government official)

An interviewee, while acknowledging political support for P3s attributed the “perceived” public support for P3s to ignorance due to its complexity: explaining that while the “Alberta government has been very supportive, because not much is known about P3s by the citizens it's hard for them [the ordinary citizens]”. (Edmonton-based journalist)

The government's consultants described P3 complexity as opportunity to educate the citizens, calling it ‘the education effect’. In words of one consultant, “education is key to building long term P3 support”. (PriceWaterhouse Consultant)

#### ***Prioritizing and Protecting Alberta's Infrastructure Needs***

Retired Premier Ed Stelmach was particularly invested in using P3s to create and stabilize Alberta's infrastructure in the long term. Elaborating on the multiple roles he played in the P3 institutionalization process he further shared his thoughts:

As the Minister, it was my job to work with my staff to find innovative ways to deliver all projects – big and small. As Premier, my focus was on the big picture – however, as a member of Treasury Board as well, I had the opportunity to question some of the proposed delivery methods for the bigger projects based on my experience as Minister. For example, I remember asking the Deputy Minister of Transportation, in a Treasury Board meeting, if Schools can be delivered using P3s. That's how we embarked on using P3s for schools.  
[Retired Premier Stelmach]

Minister Stelmach's visible political advocacy work (Lawrence & Suddaby, 2006) also included publicly providing justification/rationale for Alberta's P3 program as a legitimate infrastructure policy:

In Alberta, there was a need to invest in more infrastructure to accommodate the tremendous inward

migration we experienced in the Province, as well as facilitate economic growth. P3s are not suitable for all projects. However, it is suitable for the Ring Roads because of the size, complexity, etc. This process not only yielded significant savings; it also delivered each project two years sooner compared to conventional delivery. [Retired Premier Stelmach]

The election of a new government in 2015 was a shock to the political arrangements that had persisted for nearly half a century with the Progressive Conservative (PC) as Alberta's sole-party government first elected in 1971. Previously, Alberta's governance has revolved around an ordered process of organized fiscal rules that preserved the PC political dynasty. Thus, the interests of the citizens were presented as utmost priority within this political arrangement and without much debate and alternative voices.

However, with the election of the NDP government in 2015, there was no doubt that the pre-existing governance order maintained by the previous PC government was under threat. Thus, it did not surprise analysts that, even facing a declining fiscal outlook, the NDP imposed a moratorium on the deployment of P3s as an infrastructure policy for Alberta in 2016 (Opara & Rouse, 2019). While Premier Rachel Notley defended the government's decision based on Value-for-Money (VfM), it was always known that the NDP was philosophically and ideologically opposed to the use of P3s for public infrastructure. In declaring a moratorium on P3s in Alberta, the Transportation and Infrastructure Minister stated: "I think there are real questions about the overall benefits that is received by P3s. I have decided that we are not going to be proceeding with P3s in the meantime, until a final decision has been made" (Henton, 2016). Furthermore, Premier Rachel Notley insisted that:

Often P3s are a process which reduce cost at the front end and increase costs down the road and are more expensive to taxpayers. But that being said, we have an obligation to review all types of alternative financing arrangements to ensure that we're getting the best deal,

both short-term and long-term, for taxpayers (Henton, 2016).

Under the previous political dispensation, it was thought that Alberta's governing philosophy was unaffected by political ideology. Kneebone (2006) argues that the institutional design of Alberta's fiscal rules is part of a governing arrangement. He notes that, the "evolution of its fiscal rules has been guided by a single conservative government" and "the evolutionary process of the fiscal rules has not been affected by changes in the governing political party or changes in political or economic ideology" (p. 659). The idea of a single "governing philosophy" may be changing, given recent more competitive elections, necessitating the call for Alberta governments to prioritize infrastructure delivery. With Alberta's changing demographic, economic, political and social dynamics, there is a need to ensure that the governing arrangements, regardless of political orientation, can prioritize and protect the infrastructure needs of the province while competitively and sustainably growing her standard of living into the future.

Meanwhile, in mid-2019, a "reformed" United Conservative Party was elected in Alberta, with a declared interest to deepen and expand the deployment of P3s for infrastructure. In its post-election press conference, the new Premier, Jason Kenney, promised his government will "aggressively" pursue public-private partnerships — or P3s — for infrastructure projects (Edmonton Journal, May 16, 2019). How this political change will use, modify or, potentially, disregard the structures interviewees discussed is unclear. And how this statement of intent will be enacted/translated into practice remains to be seen.

## DISCUSSION AND CONCLUSION

This study has reviewed the nature and extent of P3 institutionalization (Casady et al., 2018) in Alberta, Canada. Consistent with Casady et al. (2018), the adoption, piloting and enactment of P3 policies has advanced along the path suggested by the theoretical model proposed by Johnson et al. (2006).

Determined to avoid the mistakes of the past and compelled by the convergence of economic turbulence, demographic factors and the possibility of electoral misfortune, Alberta's P3 program began with the piloting of the 12-kilometer SEAHD in 2004. This initial phase was an *innovation* in Alberta at the time and, with the successful completion of the SEAHD, the government was motivated to attempt a more ambitious project by completing another leg of the ring road, the NWAHD at a contract price of \$1.42b. At the time this was the largest contract ever awarded in the province. This P3 deployment in a specific and localized context was carefully orchestrated as a *localized validation* of and applicability to larger scale projects in the future. Further institutionalization steps occurred with the subsequent *diffusion* of the P3 model into more transportation projects and to other sectors such as education and water and wastewater management projects (See Appendix 1). After 15 years and \$7.8b, Alberta's P3 program has advanced in a way that suggests modest success.

However, relative to other comparable P3 jurisdictions, Alberta's P3 program has stalled. This failure to thrive indicates an inability to reach the *general validation* stage. At this stage a P3 program is expected to attain widespread acceptance, sustain supportive organizational and governance infrastructure and be taken-for-granted as "the way we do things" (Scott, 2014). Reaching this institutionalization stage requires a substantial investment in the growth of appropriate organizational infrastructure (Scott, 2014). A significant part of this infrastructure is the establishment and maintenance of a dedicated P3 office. A P3 office is a specialized institutionalizing entity that coordinates and centralizes P3 activity in a specific P3 jurisdiction. According to Istrate and Puentes (2011, pg. 1), a P3 office serves to ensure "quality control, policy formulation, and technical advice" in a given jurisdiction. Importantly, a P3 office would be involved with the standardization of procurement procedures and processes, leading to reductions in transaction costs associated with P3s (Boardman et al., 2016), including the provision of technical assistance to other agencies, entities and other levels of government, especially municipalities.



The organizational location of a P3 office could take a variety of forms. While some P3 offices are domiciled within departments, some are stand-alone entities, as in the Crown Corporations (state-owned enterprises) in Canada, and still others are quasi-public corporations that have a diversity of stakeholder interests from both the private and public sectors (Hurk et al., 2016). Regardless of form, their common characteristic is in providing the centralized and institutional capabilities with respect to the skill, knowledge and capacity to handle P3 procurements from the feasibility/proposal stage to post-construction operations and performance audit (Boardman et al., 2016; Boardman & Hellowell, 2016).

A comparison of Alberta's P3 program with those in British Columbia and Ontario, two Canadian jurisdictions with dedicated P3 offices, shows a wide gap in P3 project output/performance, policy stability and institutionalization. For instance, British Columbia has a similar set of characteristics, including population base, demographic, economic, social, and historical antecedents as Alberta, but with an institutionalized P3 program supported by a P3 office (see Partnerships British Columbia), had more than double the number of P3 projects implemented at 43 compared to Alberta's 19 (Romoff, 2017). With a well-established P3 program guided by its P3 office (see Infrastructure Ontario), Ontario has currently implemented 137 P3 projects (Romoff, 2017), again suggestive of the critical organizing and leading role played by a structured and institutional approach to P3 program. Correspondingly, these two P3 jurisdictions have a diversified P3 project portfolio that includes transportation, health education, recreation centers, water and wastewater projects. This is indicative of the final level of institutionalization proposed by Johnson et al. (2006), where institutionalization is evidenced by the generalized validation and acceptance of the P3 model demonstrated by extended utilization, and effective governance of P3 projects in infrastructure delivery.

With the growing trend and volume of evidence suggestive of the central role of a P3 office in the advancement and institutionalization of P3s, this paper argues that Alberta's P3 program needs structural and organizational reform using the P3 office model to stabilize P3 policy and institutionalize P3 as a

management practice. An institutionalized P3 program will ensure that Alberta is able to deliver high quality and cost-efficient projects, just like British Columbia and Ontario. This paper argues that a P3 office will ensure that infrastructure delivery to Albertans is prioritized above party and ideological differences. This study contributes to and extends P3 literature by laying out specific theory-driven steps towards P3 institutionalization and program success. Effectively, by understanding how P3s become institutionalized, new and emerging P3 jurisdictions can mitigate the possibility of P3 program failure. Furthermore, a better knowledge of P3 institutionalization is also relevant in understanding how contested policies become institutionalized (Perkmann & Spicer, 2011).

This paper offers two key lessons for policy making and policy managers in a public sector setting. First, policy and program managers must recognize that even in the face of enabling legislation/policy, additional organizational infrastructure (e.g., a P3 office) may be necessary to implement and ensure policy success and institutionalization. Second, policy managers need to recognize the various stages of institutionalization (Johnson et al., 2006; Casady et al., 2018) such that they can successfully guide organization members to locate their position on the policy institutionalization trajectory and skillfully manage their transition from one stage to the next. Furthermore, governments need to recognize that a transactional approach to partnership (driven by lopsided short-term benefits) is a recipe for failure. Partnerships must be anchored on shared beliefs, mutual understandings and collaborative decision-making (Brinkerhoff & Brinkerhoff, 2011; Xiong et al., 2019). These attributes ensure that a joint undertaking may stand a chance of surviving the test of time, events and circumstance.

This paper contributes to deepening our understanding of the growing research interest on the institutionalization of P3s, but also it recognizes the associated limitation related to one case study in a specific jurisdiction (Yin, 2018). However, this does not vitiate the relevance of this study in similar contexts (Casady et al., 2018). Based on the longitudinal nature of this study (2004-2019), the contextual and institutionalizing issues involved, and Alberta's Canadian identity and location within the global

environment of international democratic norms, the findings suggest scope for applicability to similar P3 jurisdictions (Opara & Rouse, 2019). Furthermore, expanding this research to other P3 jurisdictions that have both similar and different institutional environments would extend our knowledge regarding the nature, nuances and extent of P3 institutionalization elsewhere.

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## Appendix 1: Profile of Alberta's P3 Projects

Project Name	Budgeted Cost	Contract Price	Completion	
			Planned	Actual
Anthony Henday Drive - Southeast (SEAHD)	493m	493m	Fall 2007	Fall 2007
Anthony Henday Drive - Northwest (NWAHD)	1.42b	1.42b	Fall 2011	Fall 2011
Anthony Henday Drive - Northeast (NEAHD)	1.82b	1.82b	Fall 2016	Fall 2016
Northeast Stoney Trail Ring Road (NEST)	650m	650m	Fall 2009	Fall 2009
Southeast Stoney Trail Ring Road (SEST)	770m	770m	Fall 2013	Fall 2013
Southwest Stoney Trail Ring Road (SWST)	1.42b	1.42b	Fall 2021	Fall 2021
Alberta Schools Alternative Procurement, Phase 1 (ASAP 1)	634m	634m	Summer 2010	Summer 2010
Alberta Schools Alternative Procurement, Phase 2 (ASAP 2)	253m	253m	Summer 2012	Summer 2012
Alberta Schools Alternative Procurement, Phase 3 (ASAP 3)	289m	289m	Summer 2014	Summer 2014
Evans-Thomas Water and Wastewater Treatment Facility	60m	60m	Summer 2014	Summer 2014
<b>TOTAL</b>		<b>7.8b</b>		

Source: Author's compilation, 2019

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