Capital, Accumulation, and Crisis: Surveying the Neoliberal Waterscape of Municipal Privatization in Canada

by

Michael Keith Lang
B.A., Kwantlen Polytechnic University, 2011

A Thesis Submitted in Partial Fulfillment of the Requirements for the Degree of

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in the Department of Sociology

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Supervisory Committee

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Abstract

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While the outright privatization of water services has declined globally, it has been replaced with public-private partnerships (P3s) in the government procurement and delivery of water services, and increasingly at the local level. This research finds that such initiatives are on the rise in Canada, and considering the overall record of failure that has amounted from varied types of water privatization thus far, it seeks to analyze this expanding waterscape from a critical perspective. More specifically, by historically situating the privatization of Canadian municipal water in a political-economic context that identifies its relation to contemporary (neoliberal) capitalism, this research examines how the focused state commitment to water P3s is indicative of the processes of neoliberalization. I argue that regulatory and budgetary changes since the economic crisis of 2008 have formed an institutionalized policy apparatus that essentially forces needy municipalities into long-term contracts with private firms, therefore establishing sustained sites for capital accumulation. This thesis concludes with a discussion concerning the implications that such a “partnership” will have for municipal autonomy, organized labour, and the environment, particularly in light of the intensifying state focus on international free trade.
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Thank you to my old friends for the campfire debates that helped me to situate my beliefs and learn to stand by them, and to Pam and Carl, for their love and support from the first day their daughter brought me home. I am truly indebted to my parents and family for their tolerance and encouragement as I drifted about in my early twenties before the surprising return to school, and for their ongoing love throughout. Finally, I want to thank my partner, Kim, for her relentless encouragement, her patience, and her sacrifice in joining me in Victoria while I pursued this education. It would not have felt right without you at my side.
Dedication

This thesis is dedicated to the memory of Professor Ken Hatt (1938-2012).
Chapter 1: Introduction

Equitable and effective water management is of growing global concern, as decisions regarding how best to meet increasing social demand intersect with political and economic structures which govern this activity. The use of market-based governance techniques has come to characterize contemporary water management practices in much of the world (Anderson & Leal, 1988; Winpenny, 1994), as governments struggle to provide these basic needs for their citizens in an increasingly austere waterscape. The privatization of water services¹ has been a common result of this challenge (Bakker, 2010); a shift that is indicative of the general escalation of neoliberalism and the overshadowing presence it has for water resource management in particular (Furlong, 2010).

In recent years, private-sector involvement in water services has been re-packaged in the form of public-private partnerships. P3s, as they will be referred to here, are joint ventures in which public infrastructure and/or services is delivered by both public and private stakeholders, with varying degrees of finance, development, ownership, and responsibility (Loxley, 2010). In Canada, P3s are becoming the chosen method for public infrastructure and service procurement, and are increasingly recognized by proponents as a necessity because of funding shortfalls (Brubaker, 2011; Dupuis & Ruffilli, 2011). This state commitment to P3s has been ill received by some due to the overall inability of P3s to achieve their purported benefits, often resulting in higher social and economic costs than traditional procurement (Loxley, 2010; Vining & Boardman, 2008). As this thesis will discuss, there is a growing state focus on expanding P3s into the Canadian municipal water sector, an activity that warrants further analysis considering the general opposition that surrounds the increasing private-sector involvement in water services (Bakker, 2010; Pigeon, McDonald, Hoedeman, & Kishimoto, 2012).

With the post-2008 neoliberal economic crisis as a focal point, this thesis will seek to determine the underlying rationality for the privatization of municipal water and to

¹ In this context, “water services” refers to the treatment and delivery of drinking water and the treatment and disposal of wastewater.

² Following Bakker (2010), governance can be understood as the “practice of coordination and decision
conceptualize P3s as sites of capital accumulation. Integral to the sustainability of capitalism, accumulation requires renewed investment in order to ensure future growth (Marx, 1990). In moments of capitalist crisis, the mechanisms through which recovery is achieved shed light on both the resilience of capitalism (Panitch & Gindin, 2010) and its techniques for maintaining accumulation (Harvey, 1978). So, viewed in light of the collective failure of previous privatization initiatives to meet the water-related needs around the world (Prasad, 2006; Budds & McGranahan, 2003; Hall & Lobina, 2012), I aim to critically examine the expanding for-profit market of Canadian public-private partnerships, and to explore how this increase can be recognized as an enterprise of capital accumulation.

To these ends, this research will be guided by three research questions.

Understanding the connections between neoliberal governance, economic crisis and the response of the Canadian state is important in determining, in general, how the increase of P3s in Canada can be understood as a site of capital accumulation. This provides a foundation for investigating recent neoliberal policy and budgetary changes which help to institutionalize a supportive apparatus of what can be recognized as the incentives to private-sector involvement in Canadian water services. We will then be in a position to better recognize what contradictions may arise in relation to this activity, and how these contradictions provide a lens through which to view resistance and alternatives to P3 water privatization.

Chapter one will provide a detailed account of neoliberalism and the processes of neoliberalization, followed by a theoretical review of capital accumulation, crisis, and contradiction. This will support a concluding discussion concerning how the lack of funding for social spending – arguably the main catalyst for the post-crisis increase of P3s in Canada – is justified, as a product of neoliberal governance and the discourse of austerity. In chapter two I discuss water management, detailing the shift to governance practices that epitomize neoliberalism and facilitate accumulation, before examining

2 Following Bakker (2010), governance can be understood as the “practice of coordination and decision making between different actors, which is invariably inflected with political culture and power” (p. 8). While she appears to use this term in a relatively apolitical way, so to discuss water management practices from multiple perspectives, I recognize its applicability in critically characterizing the institutional and ideological practices that are part and parcel of neoliberalism.
public-private partnerships in detail. I then present a sector-wide overview of water P3s in Canada, with an emphasis on the years since the crisis of 2008.

The third chapter will first focus on recent policy and budgetary changes in Canadian water governance. Using the insights of Peck (2011b; 2012; 2002) and others, I draw connections between these changes and the processes of post-crisis neoliberalization, noting as well the capacity for the state to cultivate ideological support for P3s. I will argue that such changes create an environment that incentivizes private-sector involvement through re-regulating water sector funding. In the final chapter I connect the theoretical understandings of accumulation with the data concerning Canadian P3s. I argue that the increasing state focus on the water sector as a point of P3 investment can be understood as the active promotion of water services as sites of post-crisis capital accumulation, made possible through neoliberal privatization characterized by declining autonomy and democratic control. The final section will explore the implications this increase may have for Canadian society, particularly organized labour, and will offer a brief account of community-led resistance to P3s and some alternatives to privatization.

Motivating this research is the belief that water has an irreplaceable significance for all of earth’s systems, including those that are factitiously constructed as social needs, like water utilities. Therefore I recognize the necessity of managing this entity in such a way that its essential nature remains immune to market rationalization. When we commodify something, we attribute a value to it that acts to fetishize, or conceal the social and ecological processes that bring it to existence; the intrinsic value becomes obscured behind the economic. It is vital to question such processes, particularly for water, considering its multi-faceted and irreplaceable value. However, before beginning what I deem to be an important discussion largely concerned with this task, some words on my methodological approach.

**Methodology**

The overall goal of this research is to describe and explain water P3 activity in a comprehensive and critical way that allows for it to be understood within the encompassing political, economic, and environmental context of contemporary Canadian
society. Therefore, I will not consign theory to a separate, distinct section, as if it were describing an unrelated history, but instead will integrate it with the thesis as a whole; as a thread for tying together various foci of the analysis. As Harvey states in regard to his own work, “theory should be understood […] as an evolving structure of argument sensitive to encounters with the complex way in which social processes are materially embedded in the web of life” (2006a, p. 79). As such, I hope to use theory here as a tool for better understanding how privatization in Canada has become embedded as a component of water governance, as a starting point for explaining why such activity is continuing to grow, and for recognizing what may result in the future, should it continue.

To this end, my methodological approach to answering the research questions outlined above can, for the purpose of organizational clarity, be best described as dialectical social analysis. Bertrell Ollman states that:

Dialectics restructures our thinking about reality by replacing the common sense notion of "thing" (as something that has a history and has external connections with other things) with notions of "process" (which contains its history and possible futures) and "relation" (which contains as part of what it is its ties with other relations). (2003, p. 13)

As the purpose of this research is less about identifying particular empirical phenomena relating to water management in Canada and more concerned with determining how this activity is evolving, a dialectical approach is most fitting. The relations involved here – between the state and other levels of government, between the public sector and the private-sector – are key for understanding why municipal privatization is occurring in Canada, and therefore it is suitable to examine the socio-political changes that have occurred which allow such relations to exist today.

Complementing this general methodological approach, I will rely on critical discourse analysis (CDA) to investigate the link between the development of a water P3 marketplace and the processes of neoliberalization. CDA involves the analysis of the dialectical relationships between language and other social practices (Fairclough, 2001; 2009); how (and what) language is used in presenting a social fact has an impact on the reception of it. As such, CDA is a useful analytical tool for what Fairclough identifies as
“the new capitalism,” or what is being discussed in this thesis as neoliberalism. He argues that:

A particularly important aspect of neo-liberal discourse is the representations of change in the ‘global economy’ which are pervasive in contemporary societies – representations of economic change as inevitable and irresistible, and something we must simply learn to live with and adapt to (Fairclough, 2001, p. 128)

Because this research begins from the recognition of P3s as a failed mode of management, and in light of the continued state commitment to such actions in spite of this record, analyzing the language used in presenting this activity is imperative for understanding its inherent rationale and its connections with neoliberal economic governance (Fairclough, 2003). In doing so, I am guided by the four-part discourse characterization offered by Fairclough (2009), including: objectivism, that presents phenomena as simply objective fact, which can be illuminated or concealed discursively; rhetoriscism, which focuses on how discourses are used by politicians to persuade the public to accept something as fact; ideologism, which illuminates how particular discourses “systematically contribute to the legitimation of a particular global order” (p. 320), and; social constructivism, which recognizes the socially constructed nature of, in this context, neoliberalism. Taken together, these distinct, though interrelated forms of language comprehension help to uncover the neoliberal roots of the ‘inevitability’ of P3s in Canada, and the discourse used by the state to construct this supposed reality during the post-crisis period. Further, critical discourse analysis will help to explicate that P3s are a form public privatization, contrary to the government’s representation of them as an equitable mode of municipal water management.

I have chosen to review twenty-three water P3 projects in my sector-wide analysis,

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3 “Capitalism has the capacity to overcome crises by radically transforming itself periodically, so that economic expansion can continue. Such a transformation towards ‘New Capitalism’ is taking place now in response to a crisis in the post-Second World War model (‘Fordism’). This transformation involves both ‘restructuring’ of relations between the economic, political and social domains (including the commodification and marketisation of fields like education – it becomes subject to the economic logic of the market), and the ‘re-scaling’ of relations between different scales of social life – the global, the regional (e.g the European Union), the national, and the local” (Fairclough, 2003, p. 1).

4 Fairclough presents this method for comprehending the discourses of globalization, and so its use here is also fitting. Some of these features - namely, ideology, discourse, and language - will be explored in more detail in chapter one.
which includes both drinking water and wastewater systems.\textsuperscript{5} This total is not entirely representative of the water sector as a whole, however; I found record of an additional four projects,\textsuperscript{6} though because no detailed information was available for these P3s they have been excluded from the review. Data was collected almost exclusively from online sources, and primarily from government documents. I also relied on third party sources, such as research institution publications or stakeholder publications and presentations. Consequently, I should note the potential shortcomings of including data from these secondary sources, which could be interpreted as a weakness in providing a credible analysis. While this is a valid concern, the inclusion of such sources was necessary because of an overall lack of primary sources. Project specifics were especially challenging to find, particularly data discussing economic features such as contract values, annual fees, or the like. This void is reflective of the sector as a whole, which has until recently provided very little information concerning the inner-workings of P3 contracts between the public sector and private firms (Loxley, 2010; Parkland Institute, 2012). As such, I took a pragmatic approach to this aspect of data collection, best described as snowball stakeholder sampling, an approach considered particularly useful in policy analysis research (Palys, 2008). All other information was gleaned from primary and secondary sources such as academic articles or books.

\textsuperscript{5} I have elected to include wastewater services in my analysis because new projects commonly include both aspects. See Figure 3 (p. 77) for a table displaying recent project information.

\textsuperscript{6} These projects exist in: Halifax, NS., Cochrane, AB., Jasper, AB., and Dysart, ON. (PPP Canada, 2013a).
Chapter 2: Political-Economic Context

This chapter sets the stage for a discussion of municipal water privatization in Canada by introducing the political and economic framework from which it has developed. This thesis will argue that neoliberalism is at the center of this activity, and so I will begin with a discussion of this concept, both in terms of its salient ideological presence in society and its practical materialization through neoliberalization. Following this, I review critical scholarship pertaining to economic crisis and the contradictions that cause it, before applying these insights to an analysis of the Canadian state response to the crisis of 2008. The main purpose of this chapter is to show how the tenets of neoliberal governance have fueled a post-crisis response in Canada that justifies economic austerity and therefore upholds the purported need for private-sector involvement in funding municipal water services.

Neoliberalism

The term neoliberalism describes the dominant set of economic beliefs that gained prominence around the world following the so-called crisis in Keynesian, welfare economies in the late 1970s. Although this moment should now be understood as a systemic episode of crisis within capitalism as a whole, and therefore not a result of welfare policy in itself, the drive to replace socially-minded governments with fiscally-restrictive regimes ultimately won out. The overarching themes of neoliberal governance – that small governments and free markets are most suitable for economic and social development – spread from the political cabinets of the U.K and the United States, soon finding a place internationally and transnationally as the unspoken policy foundations of global financial institutions such as the World Bank, the International Monetary Fund, and the World Trade Organization (Woods, 2006). The primary manifestations of this ideology, such as financial deregulation, privatization, and state redistribution, are now common features of neoliberal capitalism. Geographer David Harvey has written extensively on the development of neoliberalism, noting its ideological dominance across the globe. “State after state,” he argues, “from the new states that emerged from the
collapse of the Soviet Union to old-style social democracies and welfare states such as New Zealand and Sweden, have embraced… some version of neoliberal theory and adjusted at least some of their policies and practices accordingly” (Harvey, 2007b, p. 1). Subsequently, neoliberal ideology has been adopted by those in the highest positions of authority and influence in society, in such fields as education, media, corporate governance, and of course state leadership. Despite debates, neoliberalism has achieved near global hegemony as a dominant governing force, resonating beyond the economic sphere and impacting virtually all aspects of social organization.

Neoliberalism as Ideology

Fundamental to a review of neoliberalism is attention to its ideological base, or its capacity as a system of values, beliefs, and ideas to become reified in socio-economic interactions. Here I interpret ideology in a Marxist fashion, and therefore must recognize the implications this process of reification has for relations of power in society. In the contemporary stage of social organization, these relations relate to the unequal organizational structure of capitalism. As Marx stated:

The class which has the means of material production at its disposal, has control at the same time over the means of mental production, so that thereby, generally speaking, the ideas of those who lack the means of mental production are subject to it. The ruling ideas are nothing more than the ideal expression of the dominant material relationships, the dominant material relationships grasped as ideas. (Marx, 1978, p. 172-173; italics added)

These relationships, these ideas, materialize now through neoliberal capitalism. As such, it is important to recognize the roots of neoliberal ideology and the ways in which it operates.

Liberalism, while often associated politically with the pursuit of equality and individual freedoms, has a different connotation in economic parlance. Here we use it to refer to maximizing free trade, competition, and ultimately, economic growth (Brown,

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7 For example, Margaret Thatcher in England, Ronald Reagan in the United States, Brian Mulroney, and most recently, Stephen Harper in Canada.
8 For an interesting review of the discursively multifarious - and thus, complicated - use of the term neoliberalism by academic geographers, though relevant to all social sciences, see Castree, 2006. The work of Gibson-Graham has also been influential in exposing the reifying power of “strong theories” such as neoliberalism, calling instead for focus on the marginalized, hidden alternatives active in opposition to such force (Gibson-Graham, 2008).
The ‘neo’ in neoliberalism infers a resurgence of this perspective from classical liberal economics and the beliefs of philosophers such as Adam Smith and David Ricardo, who espoused the centrality of property rights and freedom as tenets of social progress. Neo liberalism, therefore, begins from the position that freedom from state intervention will safeguard individual liberties from within capitalism, and is grounded in an overall recognition of the virtues of the market – and therefore the inabilities of the state – in managing economic development. Social services and progressive taxation are therefore recognized as an unnecessary intrusion, as the individuation of socio-economic responsibility is paramount to the collective achievement of needs and wants. While neoliberal theory is often traced back to the 1940s and the publication of *The Road to Serfdom* by Friedrich von Hayek (Edwards, Cahill, & Stillwell, 2012, p. 2), in the 1960s and 1970s it garnered support in the United States from academics such as Milton Friedman and his Chicago School colleagues who brought such philosophy to mainstream economics.

As noted, much of this ideation concerns the role played by the state in mediating economic activities. David Clark skillfully describes the various ways in which neoliberal economic fundamentals have permeated the social and political spheres:

The neoliberal orthodoxy can be represented as a generalized belief that the state and its interventions are obstacles to economic and social development. This belief may be broken down into a number of more specific propositions: that public deficits are intrinsically negative; that state regulation of the labour market produces rigidities and hinders both economic growth and job creation; that the social protection guaranteed by the welfare state and its redistributive policies hinders economic growth; and that the state should not intervene in regulating foreign trade or international financial markets. (2002, p. 771)

Such beliefs were foundational to the growing popularity of conservative forms of government in the 1970s. Following the collapse of the Bretton Woods Agreement, the events of the OPEC oil crisis, and the decline of the post-WWII Keynesian economic boom, concerns about how to effectively manage state economies stimulated the adherence to neoliberalism across much of the industrialized world, including Canada.

It is important to recognize that neoliberal ideology is not limited solely to the economic realm. As a philosophy, it has largely come to dominate popular discourse concerning general understandings of social interaction. As Harvey states, “neoliberalism
has, in short, become hegemonic as a mode of discourse and has pervasive effects on ways of thought and political-economic practices to the point where it has become incorporated into the commonsense way we interpret, live in, and understand the world” (Harvey, 2007b, p. 23).

However, with this power in mind, it is also imperative to realize that neoliberalism does not go unchallenged. Specifically, neoliberal ideology should be understood as an incomplete doctrine that, according to Cahill, “provides only a partial representation of the world and whose misrepresentations mask material processes which benefit dominant class interests” (Cahill, 2012, p. 117). Alternatives to neoliberalism do exist, though the capacity for them to develop en masse is impeded by a recent history saturated with ideology purporting the strength of free markets, privatized wealth, and individualized responsibilities. So although it is unwise to reduce neoliberalism to an ultimate, dogmatic existence, for fear of closing the discussion to viable alternatives, it has nevertheless become thoroughly entrenched in our everyday practices, and therefore it needs to be illuminated. This will be explored in more detail through a discussion of the rationality and language that support neoliberalism.

**Neoliberal Rationality and Language**

Wendy Brown reminds us that neoliberalism carries with it a powerful political rationality capable of penetrating all other fields of social life. She argues that “neoliberal rationality, while foregrounding the market, is not solely, or even primarily focused on the economy; rather it involves extending and disseminating market values to all institutions and social action, even as the market itself remains a distinctive player” (Brown, 2003). Brown highlights the capacity for this rationality to become commonplace not only via institutional organization but also through personal understandings of social life. Evoking Foucault’s concept of governmentality, Brown presents neoliberal orthodoxy as a tool of ideological reproduction, capable of aligning personal conceptions of individuality with the calculus of market rationale. This capacity, she notes, can be held by institutions and actors, in that both have internalized the value

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9 Governmentality can be understood as “those modalities, rationalities, mechanisms, and techniques that seek to act out on the conduct of conduct” (Thompson, 2001, cited in Cahill et al., 2012, p. 5). Also see Larner (2000) for a useful account.
system of neoliberalism and therefore exhibit its tendencies. This is what Polanyi was referring to as the “embedding” of market rationality in social relations; as an entrenched feature of social institutions and processes (Block, 2003; Cahill, 2012),¹⁰ and therefore one which we do not question. For example, the steady dismantling of organized labour in Canada can be recognized as a product of the embeddedness of market-based rationalities. This understanding can therefore help us situate the existing social apathy towards collective labour rights (Panitch & Swartz, 2006; Gindin & Stanford, 2006) and the more individualized beliefs regarding workers rights, as indicative of neoliberalism. Thus, neoliberalism can, and perhaps should be understood as being subsumed not only in our understandings of economic relations but also those related to other important social institutions.

Neoliberalism should also be understood for its presence in, and applicability through, language. For the ideology or rationality of dominant thought to materialize, it needs to make its presence known in our everyday use of communicative discourse, and this is notable within our current neoliberal period. Neoliberalism has created an environment that legitimizes the authority of market-oriented communication.¹¹ As Fairclough argues, “the common idea of new capitalism as a ‘knowledge-based’ or ‘knowledge-driven’ socio-economic order implies that it is also ‘discourse-driven’, suggesting that language may have a more significant role in contemporary socio-economic changes than it has had in the past” (Fairclough, 2003, p. 2). Stated differently, neoliberalism is as much driven by ideology as it is by discourse, and this foundation is perhaps more visible because of its rich knowledge base, such as the transferable public policy which will be discussed below. As such, it is valuable to distinguish and study the language of neoliberalism, or as Bourdieu and Wacquant refer to it, the “planetary vulgate” of common vocabulary associated with it (2001, p. 2).

Bourdieu and Wacquant discuss how terms such as “globalization” and “flexibility”

¹⁰ Both Cahill (2012) and Block (2003) recognize this reading of Polanyi’s *The Great Transformation* as being distinct from others, in that is understands the use of “embeddedness” as a way to describe contemporary economic relations as inherent to society at large, not as a separate self-regulating market. Though having not read Polanyi’s work in detail, I share their alternative reading.

¹¹ As Mautner (2012) points out, marketization has supported the development of a socio-political climate that upholds the fundamentals of neoliberalism, in which a business-like approach of operations is regarded as the best way of doing things. “In short, behaviours typically associated with business provide legitimacy […] and, crucially, [for linguistics], behaviours mimicking business include discursive practices” (p. 221).
have become the words of choice in the technocratic discussion of neoliberalism. Importantly, they also highlight the capacity that such discourse has in shadowing the relations of power that support its use; these terms “do nothing but express, in a truncated and unrecognizable form (including to those who are promoting it), the complex and contested realities of a particular historical society” (Bourdieu & Wacquant, 2001, p. 3). “Globalization,” as they note, is not the benign descriptor of a natural process in social organization, but actually a suitable cover story for the ongoing effects of American imperialism (2001). Though it is often presented as an inevitable result of technological and economic progress, “globalization,” as a characterizing term for the neoliberal state of affairs, hides the political and economic decisiveness that brings it to fruition. If we accept, then, that the use of specific political language is purposeful – the state fixation with the “deficit,” for example – we can then critically analyze the language of P3 promotion in Canada for both signs of neoliberal ideology and its intended goals.

**Neoliberalization**

Neoliberalization – neoliberalism *in action* – is the process through which neoliberal ideology is varyingly materialized in space and time; the outcome that results from a political and economic decisiveness that is rationalized in line with the core tenets of neoliberal thought. The extent to which the particularities of neoliberalization are pursued depends on both the individual state and the regulatory system from which restructuring evolves (such as Keynesianism or state-socialism) and the degree to which the state is incorporated in the global economy. Commenting on this variance in neoliberalization, Peck and Tickell (2002) note that there have been “significant internal shifts in its institutional form, its political rationality, and its economic and social consequences” over the last half century, resulting in a multitude of geographically specific yet similar neoliberalized outcomes such as financial deregulation, trade liberalization, and privatization of various degrees (p. 384). Economic development, therefore, plays a pivotal role in the process of neoliberalization. As Harvey argues, the central task of neoliberalization has been to unburden capital from the restraints established during the era of “embedded liberalism” (2005, p. 11), such as the more protectionist, socially-oriented political structures of Keynesian governance. As such, it
has largely involved the dismantling of the barriers to capital accumulation erected during this period of significant social development, and the consolidation of class power and control (Harvey, 2007).

These outcomes allude to two features of neoliberalization important to the discussion building here- the centrality of economic governance and policy change, and the role of the state in facilitating this.

Although neoliberalism has continued to ideologically penetrate society since it rose to dominance in the 80s, *neoliberalization* has not maintained such a steady course. Social and political shifts have an impact on the execution of neoliberal responses, and thus there is fluctuation in how neoliberalization is materialized. Speaking to this give-and-take nature, Peck and Tickell (2002) argue that different phases of neoliberalization have occurred during its existence. Their analysis points to two distinct stages. Namely, “roll-back,” which involves active deregulation and dismantling of pro-public institutions or welfare-based regulations, and “roll-out” neoliberalization, which involves “an emergent phase of active state-building and regulatory reform” in line with constructive forms of neoliberal governance (p. 384). While these distinctions will become more significant during the discussion of the Canadian context of neoliberalism, it is important to keep in mind that roll-out neoliberalization is acutely understood as a combination of radical economics and authoritarian state management that facilitates the construction of a landscape prone to market-based governance – it does not create it. As Brenner and Theodore remind us, neoliberalism is not a model of state regulation that is selected and applied to a given territory, but is instead a framework through which policy can be implemented. Granted, they acknowledge the capacity for the intentional application of neoliberalism for political and economic reasons, though their main focus is on the critique of observable linearities in how neoliberalism is materialized in different ways. This path-dependency, as they refer to it, “in which established institutional arrangements significantly constrain the scope and trajectory of reform” (Brenner and Theodore, 2002, p. 361), also defines the institutional and bureaucratic guidelines through which the

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12 “Accordingly, the notion of actually existing neoliberalism is intended not only to encompass the immediate impact of neoliberal political programs upon social, political, and economic relations, but also to characterize their more “subversive” role in transforming the broad geoeconomic and geopolitical fields within which struggles over the future shape of capitalist social relations are currently being fought at a range of spatial scales” (2002, p. 363).
configurations of neoliberalization can develop. The path-dependency of neoliberalization is therefore an important element of how policy change such as those supporting public-private partnerships in Canada can come to be implemented at the municipal level.

What can be seen to drive the path-dependent “roll-out” of neoliberalism is the mobility of common policies, or best practices and modes of market-based organization, both within a given territory and globally (Brenner, Peck, & Theodore, 2010; Peck and Theodore, 2010). Policy transfer between juridical bodies such as states has also become transnational and such activity is notably on the rise (Dolowitz and Marsh, 2000). While this may bring expediency and efficiency to the task of public management, it is also indicative of the ease in which neoliberal ideology is transferred globally. When contained under the same veil of networked, globalized capitalism, the collective policies of one locality are easily adopted by another. Peck refers to this exchange in his discussion of “fast policy” – “characterized by the pragmatic borrowing of ‘policies that work’” (2011a, p. 773) – further highlighting the competitive and coercive capacity that can arise when mobilizing policy under market rule. Of importance to this discussion is the manner in which global policy models are applied in accordance with the needs of capital, particularly in times of economic crisis. “Systemically, neoliberalization is preoccupied by policy experimentation at the cusp of crisis;” this timely implementation is recognized as an essential feature of fast policy (Peck, Theodore, Brenner, 2012a, p. 279).

The Neoliberal State

It may be useful then to discuss the role played by the state in facilitating this policy dispersion. While it may not be an explicit act, neoliberal policy, such as that supporting the privatization of water, is actively transmitted downwards from the Federal level. This may involve varied levels of judicial or bureaucratic support within and between states. As Peck argues, “the movement of policy is more than merely a transaction or transfer, but entails the relational interpenetration of policy-making sites and activities, spawning phenomena like global policy ‘models’, transnational knowledge networks, and innovatory forms of audit, evaluation, and advocacy” (Peck, 2011a, p. 774). It is these
sites of policy-making and these forms of regulation, evaluation, and advocacy that are apparent in the context of P3 administration in Canada, and pull into focus the actions of the state in changing public policy.

The neoliberal state, therefore, must be understood as an exponent of neoliberalism today. As noted, before the rise of neoliberal theory, the economic role of the state was largely associated with the core beliefs of Keynesianism, which, while accepting the role of the market, also recognized the need for intervention into market processes to protect both capital and labour. Features of this era, such as high taxation and domestic regulation, were therefore accepted as necessary and beneficial. Carrying a budget deficit was not considered a detriment; structural unemployment, however, was. This has largely changed with the insurgence of neoliberalism, and, in accordance, the changing focus of the state. Following the period of “stagflation” – the timely coexistence of recession and inflation during the 1970s – neoliberal ideology won out, and elements of Keynesianism once heralded as necessary were then understood as being detrimental to the domestic economy. The role of the state, therefore, became one focused not on securing the conditions of prosperity for social development but instead those necessary for ensuring the unrestricted operation of markets and the advancement of capital.\footnote{See McBride and Whiteside (2011) for a detailed account of both the purported “failure” of Keynesian economics and the rise of neoliberalism.}

As the discussion above has alluded to, the state plays an integral, yet contradictory role in creating the political and economic climate that is suitable for the advancement of neoliberalization. Ideologically, the state is viewed as an impediment to the liberties of individualism and deregulated free markets that are central to neoliberalism, though it is simultaneously necessary for creating the legislative environment in which neoliberal accumulation practices can prosper.

As states play an important role in upholding the legal framework that protects property rights, maintaining economic competitiveness, and mitigating the domestic effects of global economic change for both citizens and corporations alike (Harvey, 2007; Jessop, 2002), it is important to view their decisions critically. Jessop argues that “state intervention is not just a secondary activity aimed at modifying the effects of a self-sufficient market but is absolutely essential to capitalist production and market relations”
This is accomplished in many ways, including, among other functions, the engineering of a political climate which supports the commodification of land, labour power and knowledge, “promoting the provision of the general conditions of production, especially capital-intensive infrastructure with a long turnover time,” and, more generally, managing the inherent political and social contradictions that arise because of these actions (Jessop, 2002, p. 24). This is not to say, however, that the state has been “captured and put to new ends” by neoliberalism (Albo, 2002, p. 52), as the social state remains strong in Canada. Instead, more specifically, to acknowledge its active role in supporting capital accumulation and the growth of capitalism in general.

**Neoliberal Canada**

The main ideological themes of neoliberalization—the need to reduce social spending, the idea that deficits are unacceptable, and that the government is too large—found roots as legitimate policy directions in the years following the decline of Keynesian governance (McBride, 2001). The necessary political basis for neoliberalism in Canada was largely supported by the business sector, and, as Carroll and Shaw argue, this began taking form in the 1970s; the consolidation of neoliberal hegemony in Canadian public policy spread through the activism of domestic corporate firms, setting solid discursive roots (2001). Federal neoliberalization fully materialized in Canada at approximately the same time that the Mulroney government took control in 1984.

Federal monetary neoliberalization gained much more momentum following the instigation of bilateral and regional trade, such as the Canada-U.S Free Trade Agreement in 1989 and the North American Free Trade Agreement (NAFTA) in 1994. As Carroll and Shaw (2001) argue, this led to a market-based rationalization of public policy that aligned with the growing demands for both intra and international economic competitiveness. Once implemented by the conservatives under Mulroney, McBride notes, the curtailed monetary focus of federal neoliberal economics remained central in the Canadian state economic platform, despite a successful 1993 Federal election in which the Liberals campaigned in favour of increased spending (2001). In fact, it was

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14 Also see Harvey (2005, p. 70-75).
15 Such as financialization, which has developed from the deregulation of neoliberal capitalism as a key site of global accumulation. For a review of this form, see Peet (2011).
during the reign of said Liberals that fiscally conservative economic policy became institutionalized, as the purported need to cut the deficit became a centerpiece of the 1995 Budget Plan, resulting in reduced Federal spending. Interestingly, there is evidence demonstrating that the worrisome public debt of this period was not in fact due to government over-spending but instead the result of neoliberal monetary policy. The slump of the Canadian economy during both 1975-76 and 1988-89 was the “product of foregone tax revenues, high interest rates, and recessions,” not the failure of Keynesian economics (McBride, 2001, p. 84).

The political dedication to low taxation became a reoccurring feature of Federal economic policy at approximately the same time (Carroll & Shaw, 2001). The perpetuation of the enduring liberal myth that taxation is bad, and moreover, that Canadians themselves do not want to pay taxes (Dobbins, 1999) has reinforced the construction of a low-tax regime (Carroll & Little, 2001) that fails to equate the achievement of a balanced budget with the need for increased taxation. This failure has remained a key component of neoliberal economic policy (Evans, 2008). Thus, as McBride (2001) states, “many of the problems associated with fiscal policy, such as the deficit, which provided the pretext for implementing neo-liberal, expenditure-cutting and state-reducing policies, had their origins in neoliberal political choices made in the monetary policy area” (p. 84). From this brief overview it becomes clear that the Canadian state played a crucial role in establishing a suitable environment for neoliberalization; the “tightening of the belt” during this period of “deficit politics” was instrumental in finding space for neoliberal reforms, and this rationale continues to be visible at different levels of government.

Neoliberalism in Canada has distinct provincial histories, as the result of both purposeful policy adjustments and the necessary adaptation to Federal policy change. Carroll and Ratner (1989) argue that British Columbia led the domestic shift to neoliberal governance, recovering from the crisis of the early 80s as the “vanguard” of neoconservative and neoliberal reforms. It was during this era that the discourse of

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16. “The 1990s were a decade of restructuring, when governments acted decisively to bring deficits and debt under control. The dominant public discourse in this period was one of ‘deficit politics,’ and the main policy responses were aimed at retrenching the state: programme cutbacks, downsizing of public sector employees, deregulation of certain sectors of the economy and load shedding from federal to provincial governments” (Clark, 2002, p. 782).
balancing the budget arose in the West, concomitant with the rhetorical antagonism
between labour and capital that would later materialize as a centerpiece of neoliberal
governance (Carroll & Ratner, 1989). Tory governments in Alberta and Ontario, under
Ralph Klein and Mike Harris, respectively, were also leaders in the sub-federal

Federal economic policy change can also be understood as having devolved
downwards to the provinces, and thus, to municipalities. While many provincial
governments embraced balanced budget legislation during the nineties (Loxley, 2003),
these changes are largely accountable to federal politics; the more broad federal goal of
government downsizing and shoring up debt has resulted in both the reduction in
provincial funding, therefore creating a challenging social climate for contesting
neoliberalization at the local level. Federal funding transfers have been diminishing since
the mid-1990s, and this has put significant pressure on municipal governments to
administer their services with the efficiency and expediency that characterize neoliberal
oversight (Vengroff & Whelan, 2001; McBride & McNutt, 2006). For example, the
highly controversial 2000 Federal budget under Mike Harris provided the Ontario
government with a virtual blank slate on which to inscribe new funding cuts, resulting in
decreased transfer payments of more than 20 percent for municipalities (Vengroff &
Whelan, 2001). Similarly, Vengroff and Whelan note that the budget for the Ministry of
Municipal Affairs in Alberta was sliced by more that 35 percent between 1993 and 1995,
dramatically limiting municipal fiscal agency. In sum, the Federal commitment to deficit
reduction has an intergovernmental presence in Canada, and a notable result at the
municipal level. This narrow goal of neoliberal governance is manifested in other key
arenas of Canadian society such as public employment, international trade and
environmental governance, and the management of public assets and services.

Public Employment

As McBride reminds us, a strong indicator of the shrinking state is the number of
people who are employed by it. This is a notable feature of Canadian neoliberalism, as
public employment levels have been decreasing since the 1990s. In fact, public
employment fell by nine percent overall between 1990 and 1999, though increased
slightly in the first years of the 21st century (McBride, 2001). Notably, this stabilization may be related to the overall strength of organized labour Canada, which, unlike most industrialized countries, did not suffer from extensive union decline during this time period. However, aside from this brief period of resistance, the continued fiscal restraints being pushed on public sector workers – who represent half of all union members in Canada – will create a challenge for recouping the losses experienced since the 1990s (McBride & Whiteside, 2011). As will be discussed shortly, the years since the crisis of 2008 have had a detrimental impact on public employment in Canada, and P3s present a new challenge for the future, particularly concerning the contradictorily contingent relationship that has existed between capital accumulation and the workers on whom it relies.

**Trade and the Environment**

The state commitment to advancing international trade has had a marked impact on environmental governance in Canada. It is no surprise that the aforementioned NAFTA arose in the 1990s, considering this was the period in which neoliberal norms became institutionalized in Canadian politics. This agreement showcases the foundations of neoliberal thought; the belief that free markets are the suitable route to economic prosperity, that the rights of private actors are integral in sustaining this, and that, paradoxically, environmental management can be best achieved by the market (Deere & Etsy, 2002). It is also not surprising, then, that environmental laws and regulations are commonly seen as barriers to trade and can be challenged by law, if not dismantled beforehand, in order to adopt a more suitable climate for capitalist accumulation. Thus the emergence and commitment to international trade agreements are indicative of a neoliberal recalibration of the relationship between the economy and nature in Canada, one that favors the former and degrades the latter.

A topical example of the intersection involving neoliberalism and the environment is the 1998 legal case involving Sun Belt Water and the Province of British Columbia, in

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17 McCarthy notes that numerous articles of the NAFTA chapter 11 deal with investor protections that challenge domestic environmental governance. For example, Article 1110 protects investors against appropriations of all sorts, and “is concerned essentially with the government physically taking private property for purposes of the state, including the protection of public goods” (2004, p. 331).
which the private party challenged legislation that protects the bulk export of water. Sun Belt claims that the province is in violation of articles 1102 and 1105 of the NAFTA, Chapter 11, and that they have a legal right to export Canadian water to California (Council of Canadians, n.d.). Although the case has not yet advanced to arbitration, it highlights the emerging significance of environmental commodification that is increasing under neoliberal governance. As Geographer Noel Castree proclaims, “at its core, neoliberalism seeks to transform human relations to nature so that the latter becomes a commodity to be bought and sold by those with sufficient monetary assets” (2010b, p. 1731). Canadian examples of such commodification are numerous, though perhaps none as visible as the Albertan tar sands. In this specific case, the degradation that results at the conflux of international trade, environmental deregulation, and neoliberal governance is exceptionally discernible— even from space.

Privatization

The progressive reinforcement of neoliberalism in Canada can be explicated further by reviewing the development of public asset privatization, which, in a variety of forms – including P3s – is one of the most visible articulations of neoliberalism (Harvey, 2005; 2007a; McBride & Whiteside, 2011). As free market economic relations are central to neoliberalism, it is no wonder that anything “public” is viewed as a detriment to the state; the private-sector is believed to have the wherewithal to manage services more efficiently and effectively than the public sector.

It is this rationality that has supported the extensive divestiture of Crown Corporations over the past four decades. Between 1986-1996, Federal assets worth over $7.2 billion were transferred to the private-sector. Some of these assets included what were arguably the most profitable public property of that period, such as Air Canada, sold in 1988, and the Canadian National Railway, sold in 1995. Similarly, provincial and municipal sales between 1975-1996 exceeded $6.6 billion (McBride & Whiteside, 2011).

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18 Castree has written extensively on the conflux of neoliberalism and nature, a scholarship that focuses on the management of the biophysical world via market-oriented ideology. His works include a three-part review of the origins (2010a), theory (2010b), and practical application (2011) of what he characterizes as “neoliberal environments.” For a similar, though shorter analysis of the subject, see Bakker, 2010a.
19 For an review of the commodification of forests or genetic material, see Prudham (2005) and (2007), respectively. This thesis will explore the commodification of water in detail in chapter 3.
It is now understood that many of such sales relinquished public assets at well below their anticipated exchange value, such as the Manitoba Telephone service which sold for only 18 percent ($11.5 million) of its estimate valuation ($63 million) in 1995 (McBride & Whiteside, 2011).

It was during this period that provincial governments first began experimenting with alternative forms of privatization, deemed to be efficient techniques for offloading the fiscal responsibility of service provision to for-profit firms. Public-private partnerships, as this thesis will demonstrate, are the most common contemporary from of neoliberal privatization in Canada. Public assets, which once collected revenue on behalf of the state and citizenry, now provide their services but generate private wealth. It is in this light that privatization should be understood as a mechanism of accumulation by dispossession (Harvey, 2005), a central concept that will be explored in greater detail below.

Through the sale of once-public assets we can note a key stage in the neoliberalization of Canada, in which strongly rooted ideologies about public services became susceptible to market-oriented ideology. Social services have increasingly become the target of neoliberal reform. As Whiteside argues, the Canadian federal health care system – commonly recognized as a pinnacle of equality and prosperity – has been increasingly targeted as a site of economic excess, and is therefore a fitting example of the severity of the processes of neoliberalization (2009). Beginning with the 1985 Macdonald Commission, neoliberalism penetrated the discourse of health care in Canada, resulting in increasing spending cuts well into the 1990s (Whiteside, 2009). As service costs rose in line with the rhetoric of federal deficit reduction, funding was transferred to the provinces in 1995 with the creation of the Canadian Health and Social Transfer. This financial decentralization put increased pressure on many provinces, and “where neoliberalism is favored, there has been a steady rise in [the use of] privatization,” in the attempt to do more with less (Whiteside, 2009, p. 91). All in all,

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20 The first in Canada, Toronto’s Pearson Airport, terminal three, broke ground in 1988 (Philpotts & Wilcocks, 2008).
21 The MacDonald Royal Commission was issued to Brian Mulroney in 1985 from exiting Prime Minister Pierre Trudeau. It presented a detailed analysis of Canadian domestic and foreign economic policy, and was a catalyzing element in Mulroney’s drive to pursue free trade. See Inwood (2006) for a more detailed review.
privatization, trade liberalization, and the dismantling of public employment are now common policy responses in neoliberal Canada.

**Capital Accumulation**

For neoliberal capitalism, like the various stages before it, accumulation is central to its reproduction. As the capitalist system is dependent on continuous expansion, accumulation can be seen as the regenerative circuitry that allows for its growth through value re-creation and reinvestment. Accumulation denotes the ongoing concentration of capital – be it in the form of commodities, assets, or debt – by an individual person or entity. While this description appears at first glance to describe a suitable feature of the contemporary culture of *homo economicus*, it hides the imbalances of power that result from the competition within capitalism to claim an ever-growing individual share.

Arguably, Karl Marx offers the most sophisticated critique of the consequences of accumulation as a central feature of the capitalist system. At its crux, Marx described the historical process of accumulation in relation to surplus value, or the value that was extracted from the worker during the labour process. He noted that “all methods for the production of surplus-value are at the same time methods for accumulation, and every extension of accumulation becomes, conversely, a means for the development of those methods” (Marx, 1990, p. 799). As productive capacity increases, so to does the ability to generate more and more profit through the creation of surplus value and the harnessing of accumulated capital, by exploiting the means of production such as labour and nature. A brief overview of the early stages of capitalism’s development will help clarify the significance of capital accumulation to public services.

**Primitive Accumulation**

Marx understood the onset of capitalism as having spawned from primitive accumulation, or the initial relations that formed the foundation for capitalism’s persistence. The most significant is the creation of the laboring class, “the historical process of divorcing the producer from the means of production” (Marx, 1990, p. 875); stripping the population of the means to exercise their own productive capacity and subsequently forcing them into wage dependence. This movement was partially achieved
through the “usurpation of the common lands” (Marx, 1990, p. 878) in Europe by powerful feudal landlords, who, employing the power of the state, legislated the resulting idleness of many former workers to be recognized as a criminal act. Thus, as Marx said, “the peasant, expropriated and cast adrift, had to obtain the value of the means of subsistence from his new lord, the industrial capitalist, in the form of wages“ (1990, p. 909). This act of enclosure also supported the “genesis of the capitalist farmer,” individuals then capable of exploiting both the wage laborers reliant on the land, and the property rights which accompanied its enclosure, resulting in amassed private wealth (Marx, 1990, p. 905). Successive centuries of imperialism, colonization, and war supported the expropriation of physical commodities and foreign property, both used to maintain capitalist accumulation. Though Marx generally discussed primitive accumulation as characteristic of the foundation of capitalism as a way of life, the process has a fundamental purpose in ongoing capitalist expansion.

**General Capital Accumulation**

Marx recognized two ways in which to maintain and expand the creation of surplus value by manipulating the productive power of capital, therefore accumulating capital. The first involves the continuous increase of human labour power, required to support the enduring growth of production, which itself is needed to uphold accumulation. Should this not occur, Marx argued, “sooner or later a point [will be] reached at which the requirements of accumulation begin to out-grow the customary supply of labour, and a rise of wages therefore takes place” (1990, p. 763). As this is not acceptable if capital is to continuously expand, the capitalist must assure continued survival by increasing productivity through technological and organizational changes. In utilizing increased mechanization or by increasing the efficiency of human labour in a variety of ways, accumulation can be assured while also reducing the need for additional labour. As Marx argued, this forms a foundational element of class-based exploitation- the creation of a “disposable industrial reserve army, which belongs to capital” (1990, p. 784) because of their dependence on wage labour. Thus, fundamental to this process is the inherent inequality that is created throughout the relations of accumulation, as in order to generate
wealth both labour and nature must be productively “consumed,” or exploited for their value. So from a Marxist perspective, accumulation should be understood as both the site-specific activity of capital creation, and the ultimate – though never ceasing – goal of amassing wealth, at the expense of others.

In building on this classic reading, scholarship has focused on the timeless nature of accumulation as a component of contemporary capitalism. Specifically, general accumulation is recognized to be a continuous act, and therefore the appropriation of the material means of production should be envisioned as continuous as well. Massimo De Angelis (2004) argues that the enclosures of the commons, or the act of primitive accumulation in Britain, were not only a feature of early capitalism but in fact “a continuous characteristic of ‘capital logic’” (p. 60). He asserts that primitive accumulation has both a historical element, involving the separation of the worker from the means of production, and a contemporary power, as a ceaseless constituent of capitalist relations and expansion (2004). As such, this viewpoint offers an alternative perspective from which to view the continuity of enclosures as an ongoing feature of capital creation.

As Rosa Luxemburg argued so well in *The Accumulation of Capital*, the process of accumulation has a dual character: one regarding traditional commodity marketplace where value is produced in factories or farms, and the other that “concerns the relations between capitalism and the non-capitalist modes of production” such as international finance and war (Luxemburg, 2008). Luxemburg continues to explain that this secondary function was a response to capital’s inability to stimulate sufficient consumption, resulting in the need for alternative means of exchange to ensure profitability. “The conditions for the reproduction of capital,” she argued, “provide the organic link between these two aspects of the accumulation of capital. The historical career of capitalism can only be appreciated by taking them together” (Luxemburg, 2008). In this sense, we can more easily view historical moments such as the colonization of Canada as an act of accumulation; the conquering of new territories and lands in the name of empire and The

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22 "Twofold consumption, subjective and objective. The individual who develops his faculties in production is also expending them, consuming them in the act of production, just as procreation is a consumption of vital powers. In the second place, production is consumption of means of production which are used and used up and partly (as for example in burning) reduced to their natural elements… The act off production is, therefore in all its aspects an act of consumption as well” (Marx, 1971, p. 23).
Crown harnessed the productive ability and the consumptive capacity that new territory offered. As such, recognizing this “organic link” allows us to recognize the vision of global capital as being relatively unrestricted, both socially and spatially, in securing accumulated wealth.

With a strong ideological bend towards private property rights and the reduced role of the government, and a political foundation that supports international trade and finance, contemporary neoliberal capitalism engenders the opportune conditions for capital accumulation. However, as this prosperity requires ever-increasing production, the secondary mechanisms of Luxemburg’s accumulation process, such as asset or service enclosure, have become increasingly necessary to sustain economic growth. Ursula Huws (2011), writing specifically about public service commodification and the impact it has on workers, asserts that when public services such as water are appropriated by private capital, it not only commodifies the service or product but the role of labour as well. She discusses what she characterizes as a “secondary primitive accumulation” (Huws, 2011, p. 64), in which services already carried out in the paid economy for their use value are re-organized into elements for generating profit. Huws argues that the financial crisis of 2008 marked a turning point for international capital in which expropriation targeted not just products or services but the “past struggles by workers for the redistribution of surplus value in the form of universal public services” (2011, p. 67).

**Accumulation by Dispossession**

Perhaps the most significant advancement in the discussion of capital accumulation comes from David Harvey’s concept of accumulation by dispossession (Harvey, 2005, 2007a, 2007b; Glassman, 2006). With a view attuned to the spatialized inequalities of capitalist development, Harvey, like Huws, extends Marx’s conception of primitive accumulation to include the ongoing devaluations and dislocations created as the circuits of capital continuously expanded, seeking ever-increasing valorization. Capital – confronted with limitations in productive capacity or over-accumulation – seeks alternative sites of profit like public services, infrastructure, or other state holdings which when purchased or co-opted can be utilized to maintain economic growth. Asset appropriation of this sort has been most evident in the Global South, mandated by
“structural adjustment” development schemes, though this behaviour is becoming more evident in the post-industrial North due to a rise in conservative socio-economic governance and the discourse of fiscal restraint.

Harvey recognizes accumulation by dispossession as the “new imperialism” of neoliberal governance, and as such, that it is ripe with social and environmental consequences (Harvey, 2007a). Many of the gains accomplished through dispossessing assets come at the expense of those already marginalized. The contemporary “enclosure of the commons” should be viewed in this way; socialized healthcare systems, pension funds, or other relics of the post-war era are now deemed as suitable for commodification. Concerning the environment, “the escalating depletion of the global environmental commons (land, air, water)” at the expense of capital accumulation (Harvey, 2004, p. 75) is highlighted through the ongoing indigenous struggles against dispossession around the globe. The Zapatista movement in Mexico is a well-known example of just this sort conflict, arising as a direct result of the socio-ecological antagonisms that characterizes neoliberalism accumulation (McMichael, 2006).

Accumulation by dispossession, therefore, should not be understood as a process occurring antagonistically against the state, but instead as thriving in cooperation with it. Harvey asserts that accumulation by dispossession is achieved via an “alliance between state powers and the predatory aspects of finance capital” (2007a, p. 136), relying on the “rolling back of regulatory frameworks designed to protect labour and the environment from degradation” (p. 148).23 As Luxemburg noted a century ago, “political power is nothing but a vehicle for the economic process” (2008); though such a claim is perhaps reductionist now, the contemporary capitalist state does have as a central responsibility the creation of the necessary environment for accumulation to take place. So, in following Harvey’s theorization, accumulation by dispossession is understood here as a primary mechanism of contemporary capitalist accumulation, and as a close relative to the state politics of neoliberal governance. Beyond simply a method for conceptualizing the specifics of individual cases, accumulation by dispossession offers a frame through which to view accumulation as the intentional impetus of increasing social and economic polarization in a class-divided society; hence Harvey’s characterization of it as the

driving force behind the new imperialist project of capitalist expansion (2007a).

Overall, what underlies these theories of capital accumulation is the consensus that this activity is not a passive act but the steady course of capitalism, in which assets, and therefore power, are shifted from public to private. As Hart notes, “to be grasped as an ongoing process, dispossession also needs to be rendered historically and geographically specific, as well as interconnected” (2006, p. 998). Connected, in the sense, of linking the struggles created by dispossession with the broader movement against capitalist expansion. It is this capacity for a localized application situated in a globalizing, coherent analysis that supports the use of this critical perspective in analyzing water privatization in Canada.

**Contradictions of Accumulation**

Should capital accumulation not advance unabated, economic crisis will likely result—just as it has over the lifespan of capitalism. Such interruptions in the regime of accumulation have been noted since the 18th century, when the myth of capitalism’s equilibrium was exposed by Sismondi; it is now understood that the system itself is inherently unstable and crises are the product of the imbalance caused when over-accumulated capital cannot find an outlet for expansion and profits ultimately decrease. As Harvey states, “the various manifestations of crisis in capitalism – chronic unemployment and underemployment, capital surpluses and lack of investment opportunities, falling rates of profit, lack of effective demand in the market, and so on – can therefore be traced back to the basic tendency to over-accumulate” (2001, p. 240).

Crisis in capitalism can be understood as resulting from particular contradictions inherent in the system itself; the necessity to continually expand creates contexts which test the limits of such growth, resulting in contradictory outcomes. Karl Marx recognized these contradictions as the normal output of capitalism, the expected result of “accumulation for the sake of accumulation, [and] production for the sake of production” (1990, p. 742). For Marx, this incentive created the most visible crisis of capitalism, in

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24 Charles Léonard de Sismondi was the first to recognize the instability of capitalist accumulation, noting that it did not, as his predecessors stated, plateau into a state of equilibrium. As he stated, “let us beware of this dangerous theory of equilibrium which is supposed to be automatically established. A certain kind of equilibrium, it is true, is reestablished in the long run, but it is after a frightful amount of suffering” (Simonde de Sismondi, cited in Morse, 2010, p. 130).
which the drive to accumulate pushes capitalists to produce more than the market can absorb, resulting in the “realization crisis” of overproduction. The need to increase the value extracted from labour, and therefore garner a profit, drives capital to reduce wages and therefore the purchasing capacity of their workforce. Essentially, the labour force in unable to consume at the rate at which commodities are produced because of a continuous depreciation of their wages, at which point the inability to absorb the glut of commodities or capital left stagnant results in crisis. In sum, even though classical Marxist theory equated each crisis event with this falling rate of profit and overaccumulation of capital, and has since determined this cause to be inadequate in deciphering the causal link of all crises, the connection between crises and capital accumulation is unquestioned.

Moving on, James O’Connor argues that there is a second principal contradiction that arises within capitalism, occurring when capitalist firms and states fail to renew or protect the conditions of their own production (1988). Following Marx, O’Connor recognized three conditions which are integral to capitalist production though not directly produced by capital, therefore existing “fictitiously” as commodities in the processes of production: labour power, the environment, and what O’Connor generalizes as “space,” or the communal conditions of production (1988, p. 243). The drive to accumulate results in a lack of attention or investment into these areas, which are integral to sustainable production habits- ultimately, the underdevelopment of the means of production. “Put simply, the second contradiction states that when individual capitals attempt to defend or restore profits by cutting or externalizing costs, the unintended effect is to reduce the productivity of the “conditions of production” (1988, p. 245). Thus, this theory provides a fitting ecological Marxist perspective in which to view both the drive to accumulate and the crises that result.

In a similar vein, Allen Schnaiberg’s concept of the “treadmill of production” (1980) offers a unique perspective from which to view the interconnections between

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25 As Harvey notes, “there is no singular theory of crisis formation within capitalism, just a series of barriers that throw up multiple possibilities for different kind of crisis” (quoted in Panitch and Gindin, 2010, p. 5).
26 Here O’Connor is following Polanyi, and his conception of “fictitious” commodities as the elements of capitalist production that are not created by man but are nevertheless treated as commodities in the market economy. See Polanyi’s The Great Transformation (2001) for a detailed explanation of this concept.
capitalist production and accumulation. He posited that with advancements in technology, and thus productive capacity, the burden of progressive accumulation would be most significantly felt by the environment, resulting in ever-increasing consumption and degradation. The theory’s focus on stakeholders, such as disadvantaged workers and community members, and shareholders, such as investors and managers (Gould, Pellow, & Schnaiberg, 2004), lends itself to the discussion of activism in response to the ecological externalities of accumulation.

**Capital and Crisis**

Although some economic crises are self-correcting or can be halted by state intervention (Panitch & Gindin, 2010, p. 4), others are much more enduring and have broader social ramifications. As Panitch and Gindin remind us, it is these structural crises that, because of their lasting economic uncertainty, produce deep and diverse social change (2010). The three structural crises of the modern era have culminated in significant re-calibrations of the global political and economic landscape; the Great Depression of the 1930s resulted in the adoption of Keynesian economics and social policy, the previously mentioned crisis of the 1970s fueled the instigation of neoliberalism, and the current financial crisis—arguably of equal impact, as it enters its fifth year of global recession—may be characterized in the future by policy revisions of equal weight.

**Crisis as Opportunity**

State crisis response can be understood as an opportunistic moment during capital accumulation in which drastic policy change can be implemented that favors accumulation. Following catastrophic events such as natural disasters that result in a significant social impact, state and economic actors capitalize on the resulting disarticulation from the political sphere to instigate drastic economic revision, or a “shock doctrine” of pro-capitalist regulation, often to the detriment of the public sector.

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27 While colloquially presented as a “financial crisis” – and therefore somewhat understood as only impacting Wall Street and its equivalents – it is in fact a much deeper crisis, in which millions of Americans (and an untold number of others) have lost their homes and well-being because of over-leveraged lending and borrowing within the global economy.
and the benefit of the private (Klein, 2007). McNally argues that there is little doubt that this has occurred following the 2008 recession, adding that it is being encouraged by the ruling political and economic elite; that “by manipulating the dislocation caused by the crisis they seek to garner support for attacks on social programmes, unions, and job security” (McNally, 2011, p. 46). This thrust has been ideological in part, utilizing the contrasting discourses of “public” and “private” to push for the “rolling back of wages, benefits, and unions rights” (McNally, 2011, p. 47), as well as the thrust for increasing privatization initiatives. McBride and Whiteside support this second assertion, stating that in Canada “privatization is promoted as a mechanism for reducing state debt/deficit levels and as a way of enhancing the efficiency of goods and services provision” (McBride & Whiteside, 2011b, p. 58).

From the perspective of the capitalist class, the primary goal following an economic crisis is to re-establish the conditions in which accumulation can continue. For this to occur, such conditions must be renewed in a greater capacity in which to allow for accumulation to overcome the limitations that caused the crisis and prevent the system itself from collapsing in full. This can be understood as a “new plane” of accumulation, in which the productive means of a space are restructured in order to stimulate effective demand, and therefore advance the accumulation process. David Harvey (2001) argues that this new plane will likely include the following elements: the penetration of capital into new spheres of activity “by organizing pre-existing forms of activity along capitalist lines,” the creation of new social wants, and the geographic expansion into new regions, facilitated by internationalizing finance (p. 241-242). In pursuing such tasks, capitalism creates the space needed for accumulation to grow.

In continuing to think about this process geographically, Harvey further argues that in order to ensure the vitality of accumulation, capital seeks out new sites of investment in what he characterizes as a “spatial-temporal fix” (2005; 2004), which has two key outcomes in his work. One involves the location or production of new spaces of capital absorption for extended periods of time, through temporal deferral and geographic expansion, in order to avoid the devaluation or destruction of capital that accompanies crisis conditions. He describes this absorption as occurring via:

(a) Temporal displacement through investment in long-term capital projects or social
expenditures (such as education or research) that defer the re-entry of current excess capital values into circulation well into the future, (b) spatial displacements through opening up new markets, new production capacities and new resource, social and labour possibilities elsewhere, or (c) some combination of (a) and (b). (2004, p. 64)

This fix relies on the mediating help of both the state and financial institutions, considering the volume of capital that is diverted and the bureaucratic change required. A quantity of “fictitious” or financial capital is created from these sources that can be removed from current consumption and utilized for future projects, in hopes of regenerating capital productivity (Harvey, 2004). This alludes to the second form of the “fix,” which Harvey discusses as more of “a metaphor for a particular kind of solution to capitalist crises” (2003, p. 115), helping to resolve the contradictions inhibiting accumulation through the temporal and spatial penetration described above. We can recognize the importance of public policy here; it has an integral role in alleviating of crisis conditions, and one that commonly favors private capital accumulation.

It is the pursuance of long-term displacement in capital projects, and the opening up of new markets for investment as crisis response mechanisms that are perhaps the most intriguing features of this theory, particularly in relation to the content of this thesis. These understandings of accumulation and crisis will allow for an informed analysis of the Canadian state’s response to the crisis of 2008 and the implications this has for municipal water services.

The 2008 Financial Crisis and the Role of the State

Economic crisis, as noted, is typically associated with overaccumulation, and the most recent crisis was also catalyzed in this way. The crisis was initially caused by the over-extension of consumer mortgage finance in the United States that compounded and spread internationally because of heightened financialization28 and international economic integration. Secondary factors include the state promotion and backing for said mortgages and declining capacity for growth and stabilization in the American auto

28 This term refers to a contemporary form of realization that sees capital invested not in physical production, such as factories, but in internationalized speculative asset values, credit, and derivatives markets. Because of the aforementioned deregulation, this has become extremely profitable. As Harvey (2010) asks, “Why invest in low-profit production when you can borrow in Japan at a zero rate of interest, and invest in London at seven percent while hedging your bets on a possible deleterious shift in the yen-sterling exchange rate?” (p. 29). Logic of this sort is what fueled the crisis of 2008.
industry (Panitch & Gindin, 2010). These base features of the crisis – namely, the role of deregulated financial capital and the individualized repercussions for homeowners as their mortgages compounded – demonstrate that the crisis had neoliberal tendencies. As Saad-Filho states, the current global recession that has resulted from the economic downturn of 2008 is in itself “a systemic crisis in neoliberal capitalism” (2010), a result of the ongoing instability that characterizes the system as a whole. Similarly, the crisis this time, as Panitch and Gindin (2010) assert, was inherently structural, arising from the “internal dynamics and contradictions of capital finance” as they developed following the Second World War (p. 9). The discussion so far of the role played by the neoliberal state in sustaining capital accumulation and the long-term instability of capitalism, both in general and this most recent failure, calls into question both the potential responses by states and private capital as the recession of 2008 continues, and the degree to which they have materialized in the Canadian context so far.

The state, as I have argued, is primarily responsible for mitigating the effects of economy, and therefore its crises as well, however the mechanisms for doing so vary depending on the particularities of each crisis. For example, following the Great Depression, the United States government led internationally with The New Deal which revised economic policy to support domestic employment and social services, and this tightened banking regulations in order to prevent a future depression. The current crisis is largely a result of a return to financial deregulation, and therefore the collapse was most significantly felt by financial institutions in the post-industrial Global North, requiring a different economic recovery, or “exit strategy” from the deepening recession.

Contrary to the Great Depression, following the 2008 slump the economic policies adopted as both rescue and exit strategies have been used mainly to stabilize the liberal financial system, not to ameliorate other more social forms of hardship such as personal losses or unemployment (Albo & Evans, 2010, p. 285). This is exemplified by the monumental banking bailout package approved in the United States, in relation to the amount committed to social recovery.29 Instead of using progressive taxation to provide

29 A recent working paper by the Levy Economics Institute of Bard College (2011) estimates the full commitment of the U.S government in bailing out the financial system will total $27 trillion, compared to the $831 billion in anticipated social support between 2009-2019 (Congressional Budget Office Report, 2012).
stimulus, the state – read, the public – financed the recovery of domestic economic institutions. As Albo and Evans (2010) argue, “state intervention cannot be gauged by the level of expenditures or size of fiscal deficit” but should instead be discerned by their commitment to policy frameworks and administration that do not challenge the conditions that caused the recession in the first place (p. 284-285). In this sense, we can observe an alternative form of austerity arising from the recession of 2008; one which tackles the issue of recovery in a way which does not challenge the failure of market regulation, but instead attempts to reinvigorate it through the intensification of policies based on deficit reduction and slashed public spending that promote stable conditions for capital accumulation.

**Canada, The Crisis, and Austerity**

The crisis of 2008 has been a catalyst for the Canadian state to push the neoliberal agenda forward. Although it was commonly purported that Canada fared well in recovering from the recession due to the stability of its banking sector, the crisis most definitely reached Canada. While the initial domestic response to the crisis was to deny its presence at home, and then to minimize its actual impact on the economy in general (McBride & Whiteside, 2011), it is now well known that the financial sector did not survive unscathed, requiring a significant and secretive bailout estimated to have reached $114 Billion by the end of 2010 (Macdonald, 2012). Regardless of this, in comparison to the United States or countries in the Eurozone, Canada has led the pack in returning to the fundamentals of neoliberal austerity. In fact, due to its relative stability, post-crisis, the Canadian government has been active in advocating for a revival of the austerity policies that were taking shape before the crisis, and has been keen to thwart proposals for fiscal reform that would inhibit the expansion of neoliberal globalization (McBride & Whiteside, 2011). For example, it used its status as the 2010 G-20 host to scuttle domestic banking reform deemed to be “excessive, arbitrary, or punitive regulation” (McBride & Whiteside, 2011, p. 13), a measure that would have removed the burden of financial sector bail-outs from taxpayers. Such inactivity is consistent with a state trajectory that is committed to the same neoliberal minimalism that helped instigate the crisis in the first place (McBride & Whiteside, 2011).
Budgeting for Austerity

The 2012 and 2013 Canadian federal budgets are fitting texts in which to observe the ongoing neoliberal austerity at its discursive roots, and how this dialogue can impact the rationale for infrastructure spending. Very simply, these documents make the presence of neoliberal ideology visible through how the economic vision of the state is described, and in their adherence to the “planetary vulgate” of neoliberalism that rationalizes such actions (Bourdieu & Wacquant, 2011). By analyzing this language in tandem with the planned application of budgetary change, we can see the existence of a justified discourse for increasing neoliberal governance, one which hides the contradictions of deficit reduction in the rhetoric of prosperity, while intensifying its timely dedication to reducing social spending.

To begin, the mission of balancing the state budget is presented very openly as a key goal in these documents. In the 2012 omnibus budget bill C-38, the federal government stated that it was “committed to returning to balanced budgets at an appropriate pace as the economy continues to recover from the global economic crisis” (Government of Canada, 2012, p. 209). While this is not surprising, it is contradictory to the conditions of the economy at that time. As was noted earlier, the Canadian economy has not suffered to the same extent as other large economies. In fact, it is reported in the same budget document that because of Canada’s “sound economic, fiscal and financial sector fundamentals, real GDP is now well above pre-recession levels – the best performance in the G-7.” (Government of Canada, 2012, p. 32).

The appropriateness of this budget was also immediately problematic, and the claims of resilience made by the government were quickly dismissed. Concerning GDP, the stated increase was a result of rising consumer spending and barely relatable to the fundamentals described above (Hennessy, 2013). Further, the spending cuts required to return to balance were immense, as the expansive bill included deep public sector reduction measures such as the cutting of an expected 34,000 federal jobs by 2015 (Macdonald, 2012). Also extremely worrisome were the vast environmental cuts; Environment Canada was slashed by $20 million in 2012/13, rising to $88 million in 2014/15 – an 8% reduction overall – and the Parks Canada budget was to have $29
million redistributed by 2014/15 (Lee, 2012). With additional changes to employment insurance and old age security, amongst numerous others, C-38 was described as Canada’s “austerity budget wonderland” (Broad, 2012), rife with tales of good-doing though indicative of severe structural economic change.

The dedication to deficit reduction is notable in the most recent budget as well. Though we are again informed of the “resilience of the Canadian economy,” the 2013 budget is strongly committed to a “low-tax plan to eliminate the deficit and return to balanced budgets by 2015-16” (Government of Canada, 2013a, p. 4). This will be accomplished through reductions in state spending. Through “common sense improvements” the state will work towards to the goal of “modernizing government administration” (Government of Canada, 2013a, p. 262) by reducing redundancies in select agencies such as Fisheries and Oceans Canada, for example, or by increasing the use of technology in place of travel. The overriding goal of this process – one which is made apparent in virtually every paragraph of the section – is to run the government in an “efficient” and “effective” manner.30

These improvements come at a price, however; one that is ultimately paid by the Canadian public, both regular citizens and employees of the government. This budget obscures the fact that more drastic cuts will be made to pay down the deficit, regardless of the growing economy. It is estimated that this plan will result in the loss of 90,000 public and private-sector jobs, and a final cumulative reduction of government spending of almost $12 billion by 2015 (McDonald, 2013). The commitment to reining in spending is already being felt at the provincial level, as federal funding cuts trickle downwards, spending decreases, and economic growth stagnates. Hennessy and Stanford have reported that this “fiscal drag” has resulted in a “triple threat” of austerity in Ontario, which has impacted each tier of government down to the municipal level (2013, p. 24). Coincidently, they argue that this fixation with austerity will only continue to harm the province’s economy, leading to even deeper fiscal reductions in areas such as healthcare and education. This is particularly concerning, considering Ontario’s economy was strong in the decade preceding the crisis, having no reported deficit on average for nine of those

30 Unsurprisingly, this is the same terminology used to describe how P3s are a benefit to taxpayers, bringing greater “value for money” than the traditional, publicly funded approach. This will be explored in more detail later in chapter 3.
ten years (CCPA, 2013).

It is important to emphasize that these ongoing cuts are occurring in unison with a Federal dedication to the low-tax regime introduced in the 1980s. Budget 2013 expresses with pride that the “federal tax burden is now the lowest it has been in 50 years,” and that “going forward, the Government remains committed to keeping taxes low” (Government of Canada, 2013, p. 216; italics added). Taking into account that Canada now boasts the eighth lowest corporate tax rates in the world (PricewaterhouseCoopers, 2013), it becomes challenging to ignore that these processes reflect the interests of private capital more than those of the public. By undercutting the stability for funding social services through a program of sufficient taxation, the doors are opened to the use of alternative mechanisms for meeting public needs. This, as I will argue in the chapters to come, is where public-private partnerships enter the discussion.

This section has explored the existence of neoliberalism in the economic directives of the Canadian state, and demonstrated that a contemporary commitment to the politics of austerity, and the ongoing project of neoliberalization – arguably, one in the same – are evident in Canada today. We can see this in the language used to describe the economic condition of Canada; the unmistakable contradiction between the need for deficit reduction and the “resilience of the Canadian economy” mark a complex antagonism between the actual conditions of the economy and the intended future of public austerity. It is through the nuanced description of the targeted “efficiencies and effectiveness” of public service management that this will be achieved, though with only a brief analysis of the actual conditionalities of these measures, we can see their origins in neoliberal state minimalism. As Wendy Brown has stated, “neo-liberalism is a constructivist project: it does not presume the ontological givenness of a thoroughgoing economic rationality for all domains of society but rather takes as its task the development, dissemination, and institutionalization of such a rationality” (2003). Following this understanding, we can envision the Canadian state post-recession as constructing a political-economic climate that, while reliant on the ideological legacy of a low-tax regime, entrenches the rationality that public spending is incompatible with national economic prosperity, thus condoning the continued intrusion of both the logic and presence of the private, market economy. As chapters three and four will explore in
more detail, such a rationalization has contributed to the financial destabilization of municipal governments in conjunction with declining infrastructure funding, a condition which, I will argue, is contributing to the increasing privatization of municipal water services.
Chapter 3: Water Governance and Public-Private Partnerships

Introduction

This chapter focuses on water management, with a dual focus on the development of water privatization and the subsequent waterscape of public-private partnerships. In section one I begin by discussing the transition to neoliberal water governance, with a focus on Canada. I will show how this shift is facilitated through the processes of commodification and commercialization, before exploring water privatization and its outcomes in detail. The main goal of this section is to provide a solid foundation for understanding why water privatization is not a suitable mode of management for Canada.

The second half of this chapter introduces the context of Canadian P3s. By first exploring the arguments that are voiced in support of P3 procurement in Canada, I will articulate how the outcomes to date have been contradictory, and in fact exemplify a commitment to neoliberal governance. Following a brief presentation of literature supporting the recognition of P3s as a form of privatization, I will demonstrate, through a review of the water P3 sector in total, that there is a growing commitment to the privatization of Canadian water. Taken together, these two sections will provide the foundation from which to discuss policy developments since the crisis of 2008 that open the sector to an increasing level of private-sector involvement.

Section 1: Water Governance

Traditional Water Management in Canada

Traditionally, local water management in Canada was primarily the responsibility of each provincial government. This duty had legislated origins, as the ownership of non-navigable surface water was granted to each province in the Constitution Act of 1867. Provincial governments therefore had – and have – the authority to make the necessary decisions concerning how best to provide water services. As demographic needs grew, local municipalities developed, and responsibility was again devolved. Municipal supply management was adopted as the best method of providing water services, and each
municipality’s capacity for decision-making was subjected to provincial jurisdiction. Karen Bakker describes this conventional form of water management as the “municipal-hydraulic paradigm,” a governance response to the inevitable growth of demand achieved through technological modernization over the past century. Rooted in a commitment to social equity and full access, this model “was in line with prevailing arguments in favor of government provision of a broad range of public services, predicated on recognized advantages of government provision, both political […] and technical” (Bakker, 2010, p. 31-32). Oversight and decision-making were the responsibility of technical officers or senior government agencies (de Loë & Kreuzwiser, 2007). Similarly, construction and service were performed “in-house,” most commonly by unionized labour. While this is still very much the case in Canada, water governance has undergone significant ideological and practical shifts, with increasing implications for the “public” provision of water services.

The Development of Neoliberal Waters

The turn to neoliberal water management was largely in response to the supposed inadequacies of the municipal hydraulic paradigm in adapting to the ever-increasing pressures of modern needs (Bakker, 2010; Furlong, 2010). Water systems infrastructure, including everything from delivery networks to containment dams and reservoirs, was suffering from a lack of investment and depreciating conditions, and presented a genuine problem for governments. Internationally, the growing inaccessibility of water for the urban poor was understood as a deficiency in the government’s capacity to ensure service was available, and similar shortcomings occurred in Canada. A 2001 Environment Canada survey highlights these challenges; it indicates that approximately 25 percent of municipalities experienced water shortage issues between 1994-1999 because of increased consumption, drought, or infrastructural inadequacies (Environment Canada, 2004). The myth of Canadian water abundance has also supported some of the highest consumption rates in the world, further compromising the ability of municipal water

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31 Contrary to popular belief, Canada is not the world leader in fresh water reserves. Canada contains only approximately 6.5% of the world’s renewable supply of water, yet uses almost 350 liters per person per day, second only to the US in consumption. For an interesting analysis of these issues see Sprague (2007) and Shrubsole and Draper (2007).
systems and their governments to meet demand (Environment Canada, 2011).

The shortcomings of the municipal-hydraulic system are not simply reducible to shortcomings on the supply-side, however. As de Loë and Kreutzwiser (2007) have noted, in the final two decades of the last century, water ceased to be a priority for Canadian governments and attention to water as a policy field declined. While this research acknowledges that this has partly resulted from a shift in government focus on water issues, not simply a lack of focus, alternative arguments point to a more ideological rationale for operational change.

An approach to viewing the successes and failures of public utilities known as the “state failure” rationale arose with the spread of neoliberal public policy in the 1980s. Bakker (2010) notes that “the thesis that governments are less productive, efficient, and effective than markets” (p. 42) was gaining traction as water system demands grew. Likewise, notions that the economic value of water was unrealized and that cost recovery was important in establishing a balance began to spread; this was seen as an appropriate method for raising the capital needed to reinvest in water infrastructure (Winpenny, 1994; Bakker, 2005; Furlong, 2010).

Such beliefs were reinforced by an emerging, more widely reaching conceptualization of environmental governance, namely market-environmentalism, characterized as a form of resource management that finds solutions to both economic and environmental problems by way of the market (Anderson and Leal, 1988, 2001; Castree, 2010; Bakker, 2005). Karen Bakker describes this approach quite succinctly:

Through establishing private property rights, employing markets as allocation mechanisms, and incorporating environmental externalities through pricing, proponents of market environmentalism assert that environmental goods will be more efficiently allocated if treated as economic goods, markets will be deployed as the solution rather than being the cause of environmental problems. (Bakker, 2005, p. 543; italics added)

This deployment has required significant regulatory and operational reform, of varying degrees, across the water sector globally.

This reform has involved significant regulatory change, making space for both

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32 de Loë and Kreutzwiser argue that the declining importance of water management “occurred in part because of a new commitment to sustainable development and the ecosystem approach, based on recognition of the increased complexity of environmental management” (2007, p. 92).
private-sector operating principles and private firms (Furlong, 2010). Following the belief that the methods of the private-sector are most advantageous for the efficient management of water, governments have revised policies in order to adapt to the changing tide of neoliberal governance (Furlong, 2010). This has involved both regulation and deregulation, in which policy is either established or abolished in order to accommodate marketization. In Canada, the rolling back of environmental regulations meant to protect the public has had harmful results. The water contamination in Walkerton, Ontario is an example of this, in which a failure in water quality testing regulation – described by Prudham (2004) as a “normal incident” of neoliberal environmental governance – resulting in seven deaths and several hundreds becoming ill (p. 344).

The neoliberalization of water services, therefore, has been operationalized through a shift in management practices described in the literature as the move from ‘government to governance.’ Bakker argues that traditional water management authority has been superseded by arrangements reliant on dispersed responsibility; that “roles previously allocated to governments are now (controversially) categorized as more generic activities carried out by political institutions or other actors” (Bakker, 2010, p. 45). Such changes necessitate the decentralization of authority to lower levels of government, such as the shift from provincial to municipal, and the encouraged involvement of private-sector participants (PSPs) (Bakker, 2007). This reallocation of authority creates a challenging context for local water management in particular, in which operational responsibility surpasses the capacity for technical governance, therefore requiring external support from PSPs. To date, such involvement has had negative results. For example, a sectoral study of municipal governance in Ontario found that organizational reform involving PSPs was unable to instill the changes required to resolve the localized governance challenges, and many of the jurisdictions studied chose to return to in-house service provision (Furlong, 2010). So while the move to arms-length control by government and the promotion of alternative participants helps to fill the void created by the withdrawal of formal water governance, the involvement of PSPs in municipal water is often incompatible with municipal governance as a whole.
Commercialization and Corporatization

Overshadowing the liberalization described above is a set of changes in governance known as commercialization, in which the normative principles of the market are introduced to water management, replacing the public sector management principles previously used. This process requires institutional change and the revision of technical administration in such a way that public entities effectively mimic how the private-sector operates a business; “commercialization entails changes in resource management practices that introduce commercial principles (such as efficiency), methods (such as cost-benefit assessment), and objectives (such as profit-maximization)” (Bakker, 2005, p. 544). Bakker notes that the privatization of water services in England – one of the most significant transitions away from public service, due to its early shift and the degree to which it was privatized – involved a great deal of commercialization, including the depoliticization of water regulation through the creation of specific water regulators and the institutional re-scripting of citizens as customers rather than citizens (Bakker, 2003a). As she argues elsewhere, commercialization undergoes a gradual change in governance, not a sudden shift from public to private control; it involves “an organizational and/or institutional shift along a continuum of water management options towards the market and private corporations and away from the state” (Bakker, 2003b, p. 40).

Equally significant to this discussion is the corporatization of water services, in which publicly owned companies operate on commercial, for-profit principles, essentially as private firms. This is a relatively new phenomenon in the management of water services that has developed at the international level, in response to growing public dissatisfaction with full privatization. Corporatization often involves the creation of a separate utility altogether, one which is still owned by the government though oriented towards profit generation, as if it were a fully private firm. Pigeon et al. (2012) note that corporatized utilities sometimes operate under an even more rigorous and self-imposed market-based management style than outright privatization because of the pressure to appear as “efficient.” Case studies abroad show that the necessity to achieve greater provisional efficiency has led to negative externalities such as the denial of services for low-income customers, because of the purported “high cost” of providing what is still a public service (Smith, 2004; Pigeon et al, 2012).
Analysis by Magdahl (2012) in the context of development studies demonstrates that corporatization has become the method of choice for international financial agencies such as the World Bank, which, in an attempt to distance itself from the negative reception of the previous decades that resulted from failed privatization, has adopted the methodology of utility corporatization as a suitable alternative. Quoting the World Bank, Magdahl notes that the shift to corporatization “is presented as a necessary one, in the light of privatisation having … substantially fallen short of expectations that it would help turn around this sector” (2012, p. 16). His analysis also emphasizes that this shift has occurred almost exclusively in the field of rhetoric alone; most projects pursued in the underdeveloped world are still first attempted as privatization, which in his analysis indicates the entrenchment of neoliberal policy in water services. Beyond the realm of development studies, the most notable international example of this is that of the Netherlands, where public limited corporations (PLCs) have been responsible for water supply since 1975. Thus, the processes of neoliberalization such as commercialization and corporatization are visible across the global water sector. Its complete manifestation is articulated through privatization.

**Water Privatization**

Privatization is a key function of the neoliberalization of water resource management (Bakker, 2005; Bakker, 2010). In a practical sense, this involves the expertise of private firms in the administration, treatment, and delivery of water. In the case of full asset divesture or sale, privatization gives firms full rights to these tasks and secondary operations such as decision-making related to labour or future activities. England and Wales were first to experiment with the full privatization of their water systems in the early 1990s, though since then it has been most common in the Global South, where structural adjustment programs funded by international financial institutions made public infrastructure liquidation a pre-requisite of “developmental” lending.

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33 In 1989, following a shift in regulatory control inspired by the adoption of neoliberal policies that sought to achieve efficiency and equity in the delivery of the service, all assets were divested to a network of ten private firms (Bakker, 2001).

34 Water utility privatization was required of indebted nations of the post-colonial Global South during the 1990s and 2000s as a conditionality for loans by International financial institutions such as the World Bank and the IMF. For a review of this obligatory ‘stabilization’ process, see Woods (2006) or Peet (2003). For
Consequently, the privatization of water services has a long-standing, contested global history and has become a controversial feature of contemporary environmental governance.

For the purpose of this research, water privatization will be defined as the partial or complete sale, or the transfer of the design, distribution, and management of municipal water and water services from public to private. This ranges from full asset divestiture at one end to, controversially, public-private partnerships at the other. This contested identity will be examined in more detail soon. Significant to note, however, is that each form of privatization has in common the commercialization of public water management practices.

Although full-scale privatization through asset sales or complete relinquishment of state control is now declining globally (Hall & Lobina, 2012), alternate forms of private-sector involvement are becoming more prevalent. This is reinvigorating the interrelated debates at the core of this issue, such as the dichotomy of public vs. private services, or the nature of water as a common holding or commodifiable good. Such disputes are strongly related to binary discourses that voice the superiority of one perspective over the other, and the rationale for each claim is largely divergent. Central to this thesis, however, they articulate the controversies involved in the neoliberalization of water services, and are perhaps most apparent in the debate surrounding water commodification.

**Commodity or Common Good?**

At the core of this debate are contrasting beliefs concerning the value of water: one side that supports its commodification, and therefore the suitability of its management by principles of exchange, and the other that believes water should remain beyond the scope of such economic rationalization. Those who advocate for commodification understand water to be, first and foremost, an entity with an important economic value no different from any other commodity. This recognition follows an orthodox understanding of what

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35 This description is intentionally inclusive, so to include the array of activities in which a private company can be involved in water services. My definition, however, is a more direct adaption of that offered by Peter Gleick and colleagues (2002, p. i).
a commodity is, and while a consistent definition is hard find, a contextually-suitable definition classifies a commodity as an entity rendered equivalent to others, through exchange or sale, through the medium of money. In relation to water specifically, this recognition of exchange value in water originates from the 1992 International Conference on Water and the Environment, which formed a political consensus that has became known as the “Dublin Principles.” It includes a stipulation stating “water has an economic value in all its competing uses and should be recognized as an economic good” (Bakker, 2007a, p. 449), providing the political foundation for recognizing water as a human need, not as a human right. As such, this belief has been adopted by numerous agencies with global influence, many of which are the same political and economic bodies that proselytize the merits of water privatization, including international financial institutions, state governments, and water utility firms.

Proponents of this “commodity” view hold that water management can best be achieved by capitalizing on the efficiency and competitive innovation that the market economy creates, thus through commercialization. People should be charged for the water they consume, and this price should be determined by the cost of production and distribution. There is a strong belief that “private companies are able to lower prices, improve performance, and increase cost recovery, thus enabling systems to be upgraded and expanded” (Bakker, 2007b, p. 198), and that these supposed advantages make the commodification of water the best overall technique for the governance of water. This perspective, characteristic of the phenomenon of market environmentalism in general, holds that achievements in sustainability will only be made if water is priced at its full economic and environmental cost and can be managed by private firms whose accountability to both citizens and shareholders will ensure success (Bakker, 2007a). If water is commodified, it is argued, it can be more effectively controlled by the market economy than by other available means.

Those who oppose the commodification of water identify water as both a human right and a common good. They make up a diverse group of individuals, including

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36 As Prudham (2009) clarifies, “there are in fact longstanding, enduring and important differences in the ways that these terms are conceptualised and deployed” (p. 124), creating a challenge for the determination of a comprehensive definition. The definition presented above represents an attempt at synthesizing the various definitions discussed by Prudham (2009).
activists, environmentalists, academics, and “consumers,” though they embody shared ideologies which recognizes an inherent, essential value in water that transcends economic classification through commodification. As such, anti-privatization activists call for the need to recognize that access to water is a human right and that commodification is antithetical to ensuring this is achieved (Barlow, 2007; Barlow and Clarke, 2003; Shiva, 2002; Gleick, 1998).

The recent passing of United Nations Assembly Resolution 64/292 in 2010 acknowledges this challenge, calling upon state and corporate parties to support the investment needed in providing access to clean water and sanitation for all. This creates a testing paradox for those fighting for water democracy as the political means to ensure this right is met are often impeded by a narrow understanding of how to achieve it. Opponents of privatization are nevertheless committed to ensuring the right to water is not impeded by the profit motive. Rights activists “assert the effectiveness of democratic acceptability to citizens as opposed to corporate accountability to shareholders” (Bakker, 2007b, p. 199), and therefore the pursuit of efficiency and innovation are perhaps less important than equity in access and social accountability. This distinction underscores the deep-seeded ideological divergence that exists for this issue- an almost irreconcilable binary that posits economic conceptualizations of value and benefit against those focused on social and environmental determinants of worth. However, such philosophical incompatibilities aside, water privatization has frequently materialized in a truly harmful way, and some of these ills will now be discussed.

**The Global Effects of Water Privatization**

The commodification of water has resulted in various shortcomings as the pursuance of economic value takes precedence over more legitimate concerns. Water privatization has a well-documented past, and much of it, from a standpoint that prioritizes social and environmental equality, has been overwhelmingly negative. A brief review of the outcomes of this activity will demonstrate this, focusing on the impact on

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37 See Bakker (2010, p. 137-138) for a discussion of these opposing ideologies.
labour and the environment, and inequities of access and cost. In each of these fields we can observe the exploitative externalities of the accumulation process manifested in privatization.

Labour

A common symptom of private-sector involvement in water governance has been the reconfiguration of the role played by labour in providing services. Privatization has been historically challenged by organized labour, who, as the typical form of labour involved in public service provision, is directly threatened by the commercialization practices that often accompany neoliberal privatization (Swyngedouw, 2005). Bakker (2003b) notes that, following privatization in England and Wales, there was an overall reduction in the water sector workforce, and more significantly, a replacement of full-time standardized employment positions with part-time, precarious work. The gains earned in the historic struggle between labour and capital is being usurped as water services are commodified (Huws, 2010).

Not surprisingly, labour movements have been very active in resisting water privatization, recognizing the implications of such a struggle for the rights of all workers, not only the unionized. Coalitions between organized labour and encompassing communities have had success in fighting back against public service enclosures of this sort; the well-documented Cochabamba water wars (Spronk, 2007), for example, have become an icon in the resistance to water commercialization.

In 2000 the city of Cochabamba, Bolivia sold its water utility to the transnational firm Aguas del Tunari, following several months of secretive negotiations (Spronk, 2007). Intolerance of neoliberal reforms was already present in Bolivia, as the result of a decade of social spending cuts and environmental deregulation, and this act of blatant privatization further fueled the growing inequality. Months of peaceful protest finally erupted into active resistance, in response to growing state-led violence, pressuring the government to reverse the privatization measures, returning the water utility to public

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38 These foci are important to the discussion at hand, though by no means inclusive of all the detrimental effects noted as a result water privatization. For information discussing the intersection of gender and water governance, see Harris (2009); for a Canada-specific discussion including the impacts on health, see the National Network on Environments and Women’s Health (NNEWH) (2009). For discussions of its more direct relation to poverty, see Harvey (2008) or Harris (2008).
control (Assies, 2003). The leadership of the labour movement was integral here in thwarting the full privatization of municipal water services (Olivera, 2004; Assies, 2003). Consequently, Spronk argues, this case should be recognized as a site of struggle against not only water commodification and privatization but the ongoing manifestations of neoliberalism (2007), in which capital accumulation is central.

**Cost and Access**

The Cochabamba case also highlights the rising costs and inequities in access that accompany water privatization schemes. These outcomes can be understood as a direct result of commodification, as the penetration of a market-based motive for profit leads to a redefinition of how and what services are made available, and at what cost a profit can be generated. Examples of this process are abundant, though only a select few will be discussed here. Smith (2004) and McDonald and Smith (2004) argue that the commercialization of water services in South Africa contributed to a policy of “cost recovery” that, when combined with the legacy of spatialized apartheid, led to decreased services for poor black populations. Similarly, Assies (2003) argues that this was also a factor in the Cochabamba context, in which rate hikes of up to 180% led to the aforementioned social upheaval. Rate increases also occurred following the privatization of England and Wales (Bakker, 2003c). Meta-analyses of privatization confirm these localized findings; water privatization does not yield savings for individual users, only profits for private firms (Warner, 2007; Prasad, 2006).

**The Environment**

Finally, water privatization has drawn great criticism for its degradation of the natural environment. Recent research has highlighted the relative incompatibility of market environmentalism in achieving sustainable use practices and conservation in Canada (Furlong and Bakker, 2010), a realization that has been a lived experience in the Global South for a much longer period. Vandana Shiva notes how privatization has undermined Indian water supplies in many regions, resulting in scarcity, and ultimately motivating a social movement aimed at reclaiming water and establishing a “water democracy” (2006). This case also sheds light on the increasing inability of ground water
levels to meet the needs of the global population, particularly when managed through market mechanisms that prioritize profit over sustainability. And as the discussion of “peak water”\textsuperscript{39} gains salience, it brings to mind the growing uncertainty surrounding peak oil, and ultimately, the ecological impacts of core resource extraction in general. While seemingly unconnected, these two moments are mutually entangled within a capitalist system reliant on sustained depletions, and contingent on increasing accumulation.

Summary

The examples above characterize the disconnected contemporary understandings associated with water and the implications this has for different social groups. Water is now increasingly understood as a commercial good on one side of the debate, an identity that is realized through its inclusion in the market economy via, at its ultimate degree, the privatization of it or its associated services. On the other side, privatization is commonly recognized for its connections to the politics of neoliberal governance, and as such, opposition can be exemplified by the growing social movements that resist the dismantling of organized labour in the water sector, or through environmental and ecological activism against privatizations’ even more enduring abuses.

And so, while these issues are of paramount importance for water relations as a whole, this description of water governance would be remiss to not reaffirm the benefit that these varied enclosures have for private capital, as the commodification and privatization of water and water services are strongly characteristic of the more broad processes of capital accumulation. This is a position argued by anti-privatization activists and critical scholars alike, and one that is favored here, in which the capacity for the expansion of capital is viewed as the motivating factor behind such initiatives. The chief concern of private business is, without question, to maximize profit, and it is therefore impossible to separate this incentive from the existence of private-sector involvement in water services; as Swyngedouw states, “the privatization of water production and

\textsuperscript{39}Gleick and Palaniappan (2010) define peak water in three ways: peak renewable, peak non-renewable, and peak-ecological water. Perhaps the most extreme is the ecological peak limit – considering the ecological needs of the planet on which human needs therefore rest – which can be defined as the point in consumption at which the “increasing appropriation of water leads to ecological disruptions beyond the value that this increased water provides to humans” (p. 11159).
delivery services, particularly urban water supply systems, has become an important arena in which global capitalist companies operate in search of economic growth and profits” (2005, p. 83). The processes of regulation and governance described above cannot be understood as “benign, neutral techniques” (Bakker, 2010, p. 139) that are occurring in response to “unavoidable” global change. The neoliberalization of water services, and within this the shift to governance or the adoption of commercialization and corporatization techniques, represent purposeful choices which favor international capitalism and the encroachment of public space or the commons. As Harvey reminds us, “the corporatization, commodification, and privatization of hitherto public assets has been a signal feature of the neoliberal project” (2007, p. 158). From the vantage point of critical political economy, then, we can view the neoliberal turn in water management as an opportune moment in capitalist development, in which the processes described above are applicable as tools for the accumulation of capital.

Section 2: Public-Private Partnerships in Canada

Public-private partnerships are becoming a chosen method for municipal development in Canada. Since the mid-1980s, P3s have grown in popularity as an alternative to public service provision, in which infrastructure projects are fully owned by the public and labour is generally performed in house, unless a private business is required for a specific, limited role. P3s are different, in that they involve legally binding long-term contracts with private firms and the incorporation of market mechanisms for the duties required in the contract. Historically, P3s have been most commonly pursued for large infrastructure projects in the transportation sector, like roadways and bridges; in healthcare, for the creation of new hospitals; and in water-related activities, such as treatment and delivery. To date, all levels of government in Canada, from federal to municipal, have engaged in some form of P3 in the past fifteen years (Loxley, 2010, p. 4), and private-sector partners have ranged from transnational corporations such as Veolia to Canadian public corporations such as EPCOR. Consequently, P3s have an established track record in Canada; approximately 200 projects were planned or implemented in Canada between 1985 and 2001, of which 137 were finalized, costing over US$71 billion (Loxley, 2012a).
Public-private partnerships were first formed in UK in the early nineties as Public Financing Initiatives (PFIs), which mobilized private money for the funding of public infrastructure. Following the success of the Labour party in 1997, PFIs became the ‘P3,’ with a growing emphasis on the “partnership” between the public and private-sectors (Whiteside, 2012). This shift was recognized as both a conceptual and practical change from a focus on the leveraging of private finance “towards fostering a reorientation of the public sector through the inclusion of private decision-making within the heart of public policy development,” resulting in a policy model that has since saturated UK public development as a whole (Whiteside, 2012, p. 7). The P3 model adopted in Canada in the mid-1990s was the result of this international experience.

Described in the most objective manner, P3s involve a combination of inputs by both the public and private-sector for the delivery of public infrastructure or services. Defining a public-private partnership is largely ideological, however, and is rarely done objectively. The agencies that support them, for example, present a favourable interpretation of P3 operations. According to the Federal Government of Canada, P3s are defined as “a long-term performance-based approach for procuring public infrastructure where the private-sector assumes a major share of the responsibility in terms of risk and financing for the delivery and the performance of the infrastructure, from design and structural planning, to long-term maintenance” (PPP Canada, n.d.). Similarly, the Provincial Government of British Columbia defines P3s as “a partnership arrangement in the form of a long-term performance-based contract between the public sector (any level of government) and the private-sector (usually a team of private-sector companies working together) to deliver public infrastructure for citizens” (Partnerships BC, 2006).

Taken at face value, these definitions present P3s as a cooperative and equitable method for meeting municipal water needs, though other parties discussing them tend to do so much more critically. Take for example The Canadian Union of Public Employees (CUPE) which defines P3s as “ventures where the private-sector becomes a lead actor in the provision of public services,” and as a result, argue that “they are fundamentally changing the values and processes of democratic governments” (Redlin, 2005, p. 1). Similarly, the Canadian Centre for Policy Alternatives (CCPA), a leading advocate for egalitarian social and environmental policy in Canada, defines P3s as arrangements
which “allow private parties to plan, finance, build, and/or operate public facilities – usually at a much higher total cost” (CCPA, 2003, p. 2). As this brief description highlights, P3 critics have begun to recognize that such arrangements may not live up to the beneficial claims presented by the government, of P3 as an equitable, effective “partnership.”

There are numerous types of P3 arrangements, with varying degrees of private-sector involvement (see Figure 1 below). At the lowest range of private involvement are service Operations and Maintenance (O&M) partnerships, in which a public sector partner contracts with a private firm to perform these functions in a publicly-owned facility. Services may include meter reading for domestic electricity use or lab testing, and generally last from between three to five years (Loxley, 2010). At the other end of the spectrum are Design-Build-Finance-Operate-Maintain (DBFOM) partnerships, in which a private firm (or a consortium to firms) designs the structure, builds it fully, and provides the necessary ongoing O&M until the contract expires, at which point the public partner can either take possession of the facility or renegotiate (Loxley, 2010). Under this arrangement the private partner is responsible for raising the capital required to complete the project, and these relationships generally last between ten and thirty years. The public partner is responsible for repaying the private capital output over the course of the contract. Another less common option is the Build-Own-Operate (BOO) partnership, in which a private company is responsible for all aspects of the project’s development, retains ownership of it once completed, and generates profits on a contractual basis. In all P3 forms, however, the private partner earns a return on its initial investment through the lease arrangement with the public partner or through secondary profit methods such as user fees, contracted services, or repairs.

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40 For an in-depth review of the varying forms a P3 can take, see Loxley, 2010. Also see Figure 1 for a visual representation of the escalating scale of corporate involvement in P3 projects.
The type of financing involved in P3s generally varies depending on its size. For example, large DBFOM projects in excess of $100 million are generally supported by third party debt, such as bond solutions or foreign banks, while smaller projects (less than $100 million) rely on partner-provided capital financing (PPP Canada, 2013a). Most P3s in Canada have been accomplished by leveraging third party debt over the lifecycle of the project. This will likely be the case for the most recent large-scale project announced in Canada, which will be located in the Capital Regional District of British Columbia, whose Core Area Wastewater Treatment Program (CAWTP) will have an anticipated value of $782 million.

**Why Not P3s?**

The government’s rationale for pursuing public-private partnerships in Canada is
primarily financial, in that the purported benefits afforded to the public partner by involving private firms can offset the total cost of the project or service because of the “strengths” contributed by the private-sector. In this sense, P3s are presented as the best option for infrastructure development in Canada; as Partnerships BC states, to provide “partnership solutions which serve the public interest” (2011). In the pages that follow, I will examine the official, government reasoning for why such arrangements are the “best option” for the public, including discussion of the infrastructure gap in Canada and the technical financial features that make P3s a purported solution. Of the latter, there are three main claims made by P3 proponents: that P3s allow for risk to be shouldered by the most able party (primarily the private partner), that private-sector involvement will reduce the cost of the project and provide greater cost savings, or “Value for Money” (VfM) compared to the traditional form of provision, and that P3s are more efficient than traditional methods of procurement.

The Infrastructure Gap in Canada

A primary reason why the Canadian government has turned to P3s is the infrastructure gap, discussed as “a considerable physical deficit in which publicly provided infrastructure is in urgent need of repair or replacement” (Loxley, 2010, p. 4). According to the Parliament of Canada, “competing priorities […] have squeezed federal and provincial budgets” (Dupuis and Ruffilli, 2011), requiring funding to be dedicated elsewhere, and resulted in a significant lack of investment in public infrastructure. While numerous studies support this assertion, there are no firm numbers detailing the full extent of the shortfall. A 2004 report by the TD Bank, a proponent of P3s, puts the overall deficit between $50-150 billion (TD Canada, 2004), whereas a recent 2013 report assesses the value of missing public capital stock at $145 billion (Mackenzie, 2013). Similar findings have been recorded for only municipal infrastructure; a 2007 report commissioned by the Canadian Federation of Municipalities (CFM) found that local funding needs had reached $123 billion, and that this shortage was expected to grow steadily in the years to follow (cited in Mirza, 2007).

This represents a serious liability for such essential services, and one that the government has chosen to remedy with P3s. “Since 1993, the Government of Canada has
attempted to address the infrastructure deficit through a series of shared-cost programs” (Dupuis & Ruffilli, 2011), in hopes of dispersing the responsibility for meeting demand. P3s have become pivotal mechanisms in this pursuit, which are not restricted to the Federal level. The province of British Columbia was the first sub-federal government to recognize this potential, stating in 2003 that “P3s can reduce government’s capital costs, helping to bridge the gap between the need for infrastructure and the Province's financial capacity” (Partnerships BC, 2003, p. 3). Since then, the utility of P3s in mitigating this very real deficit has been recognized by numerous secondary stakeholders, such as the Canadian Council for Public-Private Partnerships (2011) and law firm Blakes LLP (2011).

Of all the sectors in need of repair or new development, water infrastructure is a central priority. As of 2000, water and wastewater systems accounted for nearly thirty percent of Canada’s municipal infrastructure stock, of which 34 percent would reach the end of their service lives by 2020. The Canadian Water Network (CWN) argued in 2004 that $39 billion was required to maintain and upgrade existing water systems, and estimated this amount would reach $90 billion by 2013. Similarly, the federal government has estimated that water infrastructure costs may reach a staggering $100 billion in as little as ten years (PPP Canada, 2013a).

Existing demands aside, this discrepancy is expected to grow even wider in the coming years because of new national fisheries legislation. In July of 2012, the Federal government redesigned the Wastewater Systems Effluent Regulations as a component of the Fisheries Act. These new regulations will require that virtually all wastewater treatment systems in Canada be brought up to new standards, which, while providing higher levels of environmental protection, will necessitate extensive redesign for many treatment systems. Thus, while these laws will help to protect Canadian coastlines and waterways, they do so at heightened expense to municipalities, which are ultimately responsible for financing the required improvements. In total, the anticipated costs for only this infrastructure, monitoring, and reporting were estimated at $5.9 billion in 2010 (Government of Canada, 2013b). While there has been a call by the Federation of Canadian Municipalities (FCM) (2012) and CUPE (2010) for a national funding strategy to tackle these upgrades, no specific funding has been made available by the federal
government.

**Risk**

The transfer of risk to the private-sector is one of the most commonly declared advantages to the P3 model.\(^{41}\) Risk, in this sense, refers to any event or activity that threatens the successful completion or operation of a project in terms of cost, time, or other agreed upon standards (Akkawai, 2001). Loxley notes how advocates of P3s often argue that through the optimal sharing of risk with the private-sector, public partners are shielded from the uncertainties that may arise in the design, building, finance, operation, or maintenance of a project, and can instead bear alternative risks, such as political or regulatory risk (2010). According to PPP Canada, the private-sector is better able to shoulder such risks specific to water services; they argue that “as with P3s in other sectors, the transfer of construction cost and schedule risk is nearly always transferred to take advantage of innovation in design and construction that is stimulated through competitive procurement” (PPP Canada, 2013a, p. 24).

Further, it is frequently claimed that risk is worked into the price of bids and contracts for P3s (2012a). This creates an incentive for the public partner to enter such deals, as the financial risk associated is partitioned at the onset, allowing for long-term confidence in the overall expenditure. In theory, this balance is equitable, though the implementation of such an agreement comes at a cost; in order for the private partner to take on added financial risk there is the expectation of requital. For a private partner to agree to adopt the risks associated with the project, a profit must be offered; no private partner will enter a P3 agreement without the sound belief that the financial rewards outweigh the risks (Vining & Boardman, 2008).

**Cost, Value for Money, & Efficiency**

Financial expediency is another key motivation for the government-sponsored implementation of P3s in Canada, as the belief that they could help reduce government debt was an early motive for their use (Loxley, 2010). Beginning in the 1990s, it became

\(^{41}\) “P3 contracts are typically long-term engagements which use specific financial structures to leverage performance and innovation from the private-sector and divest the taxpayer of risks associated with the design, construction, maintenance and operation of the infrastructure” (PPP Canada, n.d.).
apparent that such an approach helped provincial governments in particular to keep the cost of infrastructure development “off the books,” in that the financing required for these projects could be paid for by the private-sector. According to Whiteside (2011), this rationale “is based on the suggestion that scarce government funds are best allocated elsewhere when large capital projects can be funded through the indebtedness of private firms” (p. 262). So, in effect, by using a P3, governments can spread out the cost of infrastructure by making scheduled lease payments instead of large upfront expenditures. Unsurprisingly, this type of deferment is both fiscally and politically advantageous to governments, in that it allows taxpayer dollars to remain in reserve, thus improving the overall standing of the current government. Moreover, there is the belief that allowing for the private partner to shoulder the debt upfront will translate into cost savings throughout, in that the final capital cost of the project will be less in the long run that it is in current dollars, because of the associated increase in those capital’s time value (Loxley, 2003).

Following this train of thought, proponents often argue that P3s provide a better value for taxpayers (PPP Canada, 2013a; CCPPP, 2012; Brubaker, 2011). To make such claims, P3 Value for Money (VfM) is determined by comparing the anticipated costs and benefits of a P3 with that of traditional procurement, through an analysis known as Public Sector Comparator (PSC). In order to measure the effectiveness of the P3 model, a PSC is created by the public entity which determines the anticipated long-term costs associated with traditional procurement, including the discounted rate for the expenditure over the lifetime of the project (Loxley, 2010). This is then compared against a private bid, with the difference considered to be the overall VfM. Because of the varied interests involved, it is commonly recommended that those responsible for completing the PSC not have a vested interest or ideological preference for either method, so to assure objectivity in gauging the applicability of the P3 (Loxley, 2010).

Another common claim in favor of P3s is that they can achieve the desired ends more efficiently (Brubaker, 2011; Infrastructure Canada, 2012; CCPPP, 2011). Efficiency here, as Loxley (2010) notes, is understood as an economic determinant of the effectiveness of delivering a maximum amount of a service (or good) for a specific — and most commonly, lowest — total cost. For P3s, this is frequently achieved by changing the inputs required to perform the service in question, such as improving the technology used
in order to operate more smoothly, or through qualitative changes related to labour. Both can be taken advantage of through skill upgrading for workers, or, specific to the latter, by reducing the cost of labour overall. Controversially, this may involve an array of workplace and personal remuneration changes, which will be discussed in more detail shortly.

Similarly, VfM is often linked to competition, and the argument that better value can be realized when the project is exposed to the open market. According to Public-Private Partnerships Canada (PPP Canada, n.d.), P3s are deemed to be productively advantageous because they “engage the expertise and innovation of the private-sector and the discipline and incentives of capital markets” in order to achieve lower overall project costs. Private firms, it is often said, have a greater capacity for specialization than their public partner, whose responsibilities require a more diverse, and therefore less specific, base of expertise. The private-sector is believed to be more capable of taking advantage of technical efficiencies which translate into both value for money and value for time; hence the common rhetoric describing P3s as being delivered “on-time and on-budget.”

**Not P3s!**

On the surface, the arguments presented above may appear to justify the use of P3s in Canada. Although P3 infrastructure development has strong institutional and ideological support in Canada and is viewed by many as the best option for these needs, critics of public-private partnerships see things differently. As will be explored below, research has already demonstrated that the supposed benefits of P3 procurement like risk transfer, and lower long-term costs and overall efficiency, seldom ring true. Stated simply, Canadian P3s have had contradictory outcomes to those purported by the government and the private sector.

**The Declining Role of the State in Infrastructure Provision**

The Canadian state refers to the infrastructure-funding gap apolitically as an “investment need” (PPP Canada, 2013a, p. 6) and characteristic of the long-term deterioration of the over 3,700 water systems active in Canada. While this argument has merit – much of the water infrastructure in Canada was built before the Second World
War and is therefore in legitimate need of repair – it creates a discursive firewall, hiding the fact that Canadian infrastructure funding has been continuously underfunded as the result of ongoing neoliberalization.

Financial transfers to municipalities from federal and provincial governments provided approximately 26 percent of revenue in the early nineties. As the state commitment to balancing budgets grew, this funding has, conversely, continually decreased; by 2000, these transfers accounted for only 16 percent of local government revenues (Loxley, 2011). Capital funding trends further indicate a Federal withdrawal; in the period from 1955 to 2003, capital investments dropped by 21%. Not coincidentally, this reduction has progressed at the same time that asset ownership effectively reversed, with Federal holdings decreasing during this period from 44% to only 13% in 2011 (Mackenzie, 2013). Thus, as Loxley states, “the growing need for investment in existing municipal infrastructure – and development of new infrastructure – coincides with a historic decline in federal infrastructure funding” (Loxley, 2012a, p. 4).

Municipal governments also suffer from a relative insufficiency in taxation that could help alleviate this burden. The only independent revenue available to local governments is property tax that, because of its narrow scope, does not generate sufficient inputs for most local governments (FCM, 2012). Despite the FCM’s recommendation that “serious consideration should be given to meaningful tax reform that can address these challenges” (2012, p. 18), increasing taxes remains negatively viewed, as a relic of the Keynesian era. Therefore, municipal taxation remains fully insufficient, in accordance with Federal and Provincial trends, in providing for local infrastructure needs, and municipal governments looking to finance new development cannot accomplish this without external support.

Moreover, the goal of achieving a balanced federal budget has endured through the recessionary recovery and is materializing as sub-federal “fiscal drag” that is anticipated to directly impact municipal infrastructure spending. Senior economist for the CCPA David Macdonald argues that the 2013 budget, while publicly earmarking funding for municipal development, is in fact more representative of a long-term reduction in spending. Of the $14 Billion in the 2013 budget dedicated to municipal development, 75% is not available until 2020, which Macdonald notes will offer no resolve to current
economic shortcomings at any level of government (2013).
Simply put, the funding necessary for short-term investment in Canadian infrastructure
will not be made available by the Federal government. This fiscal shortfall, therefore, has
largely political roots, as the byproduct of a shift in governance that continues to reduce
municipal abilities to finance local water infrastructure with public funds.42

Who Takes the Risk?

The purported benefits of P3 risk allocation also raise concerns for the public
partner. As noted, P3s are often depicted as a low-risk solution to public parties, as the
private-sector partner is responsible for shouldering the financial losses, should they
occur. However, this added security has no benefit if appropriate measures are not taken
to assure responsibilities are upheld, and evidence from Canadian studies demonstrates
that in the event of failure, the public is often left responsible for the full project – and
therefore the risks – when their “partner” cannot proceed because of bankruptcy or loan
default (Loxley, 2010). The recent Port Mann Bridge project in British Columbia is an
example of such a failure. When the private conglomerate responsible for financing the
project failed to provide the needed capital, a $700 million public investment was needed
to ensure the project was completed (Mackenzie, 2009). As such, Vining, Boardman, and
Poschmann (2005) argue that governments have been relatively unsuccessful in
mandating this risk allocation, resulting in less than efficient or effective projects.
Therefore, although accountability for financial responsibilities is argued to exist when
risk is negotiated and agreed upon by all parties, this is often a mirage, as arrangements
have not always ensured that the private partner will actually bear adequate risk.
Considering that private-sector partners are seldom willing to participate in projects that
have even a moderate risk of financial loss (Vining & Boardman, 2008), one must
question that utility of a partnership that does not actually achieve the primary benefit on
which its efficacy is defined.

42 Canada’s chronically underfunded municipal infrastructure is in fact a very fitting example of the second
contradiction of capital (O’Connor, 1998), in which attempts at securing or restoring wealth – in this sense,
the neoliberal regulatory fixation with reduction state spending – leads to an undermining of the necessary
“conditions of production,” such as fixed water infrastructure.
The Costs of “Value” and “Efficiency”

Concerning economic benefits, a great deal of the political favoritism endorsing P3s relies on Value for Money (VfM) determinations that commonly misrepresent the true costs involved. When compared to traditional procurement, public-private partnerships in Canada have not realized the long-term financial benefits that they are purported to achieve (Loxley, 2012a; 2012b; Murray, 2006; Mehra, 2005). Until recently, P3s were viewed as an effective method for extended funding because they offset spending over the course of the contract. While perhaps beneficial from a political perspective, this “off the books” approach often comes at a “considerable cost vis-a-vis conventional methods of delivery,” and is commonly more expensive over the length of the contract (Loxley, 2010, p. 29). It is important to remember that the long-term costs are always paid by the municipal partner, bringing into question the need for such a partnership in the first place.

The new wastewater system being procured in Victoria, BC is a timely example of the potential for unnecessary spending as a result of P3 procurement. The Victoria Capital Regional District (CRD) has announced that using a P3 is the most suitable choice economically, and in accordance, has been granted funding support from both federal and provincial sources (PPP Canada, 2012a). However, an analysis of the financial case for privatization has found that using a P3 will cost an estimated $116 million more than necessary (Cameron, Karunananthan, & Trew, 2010). Such a discrepancy may of course benefit to the private partner, who could earn more profit over the life of their contract by capitalizing on the aforementioned “efficiencies” of the private-sector. In this sense one can recognize why private P3 investment so appealing—because of the potential for high rates of stable return over the length of a contract, commonly between 20-40 years. As Loxley states, “long-term high rates of return at a low risk guaranteed by the public sector are very attractive for private-sector investors,” particularly during the current economic recession (2010, p. 5).

Achieving fairness in Value for Money (VfM) is further challenged by the lack of openness concerning the degree of public expenditure necessary for P3 arrangements. Because of the increased number of stakeholders involved in P3s compared to traditional procurement, such as private contractors, financiers, and legal representatives, public-private partnerships have been found to cost more over the long-run simply because of
additional transaction costs. Vining and Boardman (2008) state that these extra fees can include the cost of all contract negotiations and monitoring, and in many cases also include externalities that arise through this method of provision, such as renegotiations. The fact that transaction costs are frequently not accounted for, or are assumed to be equally distributed, works in the government’s favor when they promote P3s; however these costs must be born somewhere. At an estimated eight percent of the total project value, they represent a significant financial burden that the private-sector rarely shoulders (Mackenzie, 2009).

The notion of a competitive marketplace has also been critiqued by P3 opponents. First, concerning transaction fees, Murray (2006) argues these added costs can lead to less competition for private partners, because potential applicants become disinterested in investing money into a process with numerous other bidders, thus decreasing their chance of success. As a result, P3s can actually have fewer bidders than traditional projects, therefore undercutting the benefits of competition altogether (Murray, 2006). Second, the benefits of private-sector competition are not as lucrative when the collective vision pertaining to municipal procurement is so heavily slanted towards the P3 method. The parties involved in completing PSCs in Canada often have vested interests in P3 procurement, thus creating a challenge in delivering an assessment that does not subjectively favor this approach over the traditional method. Many of the legal and consulting firms in Canada who are called upon to perform objective analyses of specific cases are members of the Canadian Council of Public-Private Partnerships, and therefore directly benefit from the choice to pursue P3 development in the first place (2010). As Murray notes, “the major accepting firms now make so much money on P3 projects, it seems unlikely they would ever speak against them” (2006, p. 32).

Achieving efficiency through P3s comes with a significant social cost, largely relating to public labour and the benefits of workers in general. While the Federal government claims that “P3s leverage the strengths of the public and private-sectors to realize more efficient project delivery” (PPP Canada, 2013d, p. 3), little is ever mentioned concerning the ways in which such efficiencies are accomplished. Discussing such mechanisms, Loxley (2010) argues that reducing the input cost for P3 projects comes at the expense of public sector workers, whose working conditions or benefits are
an impediment to achieving efficient, cost-saving operations. Reductions in both labour force and salary have been observed in Canadian P3 projects (Loxley, 2010), amongst other initiatives designed to keep cost at a minimum. Moreover, P3 contracts often involve stipulations which give the private partner and its contractors added flexibility in terms of labour, including moving employees to and from job sites without compensation for travel, or putting increasing time pressure on workers to complete tasks “on-time” (Loxley, 2010). Taking into account that public employees are frequently members of organized labour, these changes in working conditions can have ongoing implications, should privatization continue.

The output of efficiencies can also extract a cost from non-unionized labour. Take for example British Columbia’s Canada Line Transportation project, which was completed in 2009 and valued at $2 billion. Forty temporary workers from Latin America have recently been rewarded $2.5 million in compensation for their work on the project nearly 5 years later, after their employer withheld their contracted benefits (The Canadian Press, 2013). Efficiency gains, therefore, must come from somewhere; the use of P3s, like the “new public management” movement as a whole, incorporates the fundamentals of private-sector business into the operations of the public sector, to the detriment of workers and taxpayers alike.

Notwithstanding these specific cases, this crucial element of public-private partnerships must be viewed in relation to its role in the greater process of capital accumulation. As was discussed earlier, accumulation has been historically reliant on the exploitation of labour in generating relative, task-specific surplus value, and as such we cannot exclude this relation as a driving motivation for the promotion of P3 public service delivery in the neoliberal era. These shifts in governance are representative of the penetration of private capital into new fields of production, in which increased domestic labour “flexibility,” or the more explicit abuse of foreign workers, can be implemented as a sufficient mechanism for capital expansion.

In sum, select comprehensive empirical studies have demonstrated these overall shortcomings. In her study of Canadian healthcare, Whiteside found that P3 hospitals provided little of the benefit touted to arise following privatization. She noted that, overall, “the track record is one of broken promises (late and more costly infrastructure),
questionable value for money, high financial and transaction costs, and an erosion of
democratic accountability and transparency. In short, they represent political ambitions
rather than a technocratic concern for choosing the most efficient way of answering the
need for new/redeveloped hospitals” (2011, p. 266). Similarly, a recent national review of
the P3 landscape synthesizes findings of this sort. After analyzing thirteen specific
projects or sites, Loxley (2010) found little public advantage to P3 procurement. In his
assessment of, amongst other features, the budgetary “benefits,” environmental
externalities, and associate risk, he concluded that “the case for P3s is extremely weak”
(2010, p. 176) and suggested that the “public financing of P3s is not an advisable policy
option” (p. 182). Overall, such critical reviews not only challenge the stipulated
motivations for the use of P3s in Canada, and particularly in the under-explored sector of
water services, but, following Whiteside, necessitate further examination of “its
connection to transformations in the prevailing social relations of power” (2011, p. 259).

**P3s as Privatization**

While proponents such as the Canadian state rely on descriptions that characterize
P3s as secure, cost-effective alternatives to traditional procurement, the critical
assessments presented above expose that such a representation hides the disproportionate
true costs of P3 arrangements. If we look beyond the repetitive and hollow neoliberal
newspeak (Bourdieu & Wacquant, 2001) concerning the proposed merits of P3s in
Canada we note a single, common element— the ever increasing involvement of private
firms in the activities related to municipal water services. So in accordance with the
aforementioned definition of privatization and the critical analyses presented above, this
research recognizes public-private partnerships as a form of water privatization. This
distinction in not unfounded, as the classification has been used by various Canadian
stakeholders in organized labour, public policy research and education, and government
agencies to describe P3s for more than a decade.

Canada’s largest union of public workers, CUPE, describes P3s as a form of

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43 As discussed earlier in this chapter, water privatization is defined as the partial or complete sale, or the
transfer of the design, distribution, and management of municipal water and water services from public to
private.
secretive privatization by stealth (CUPE, 1998; 2003). They have drawn critical attention to P3s since 1998, arguing that “the public sector has become a new ‘profit centre’ for the private-sector,” in which “leasing and ownership agreements move public services much closer to outright privatization” (CUPE, 1998). Recently, CUPE, in partnership with the Council of Canadians, has been a vocal opponent of proposed trade agreements that Canada is anticipated to enter with both the European Union and China, stating that such agreements “would lock in existing privatization and encourage the further commercialization of water and wastewater services while complicating regulation of the sector” (Council of Canadians, 2012b). Both organizations appear to agree– P3s represent little more than an alternative form of service privatization.

Canadian academics agree with this position. Economist John Loxley claims that P3s are indeed a “form of privatization of public-sector projects and services” (2012b, p. 7) and warns that their use will likely increase in the future. Political economist Heather Whiteside’s research of the Canadian healthcare system ends with similar findings. Similar to Loxley, Whiteside (2011) forecasts increasing P3s in the future because the healthcare sector is “better suited for partnerships with the private-sector than more overt forms of privatization” (p. 264). Similar statements have also been made by research institutions such as the CCPA (2003) and The Parkland Institute (2012).

Interestingly, the federal government of Canada has also made the link between P3s and overt privatization. In a policy research paper written in 2006, they state that:

We will consider PPPs to be any “contractual arrangement between a public sector agency and a for-profit private-sector concern, whereby resources and risks are shared for the purpose of delivery of a public service or development of public infrastructure” (Akintoye et al., 2004: 4). This can include everything from service contracts to full privatization. (2006, p. 6; italics added)

Of course, the government definition of a P3 has now changed, as discussed above, and the rationale for this change is unclear. Regardless of this discursive shift, however, this acknowledgment – that full privatization still represents a partnership with public – exposes the government’s recognition of the relationship between P3s and asset privatization. Nonetheless, this research perspective aligns with the arguments presented above; public-private partnerships are acts of privatization. With this in mind, a review of P3s in Canada will demonstrate how entrenched this activity has become.
The Waterscape of Canadian Municipal P3s

As an essential service, water and those tasks required for its use (such as delivery, treatment, or storage) have an irreplaceable role in Canadian society. There is a vast network of water systems in Canada that are required to meet the needs of such a large territory; this puts a strain on both the provision and maintenance of water. As such, public-private partnerships in water services are currently on the rise in Canada. Both diversity and similarity can be noted within this increase, and will be explored below.

While there is a challenge in determining the exact number of water projects that exist, a historical review of Canadian water P3s demonstrates that they are growing more common. The first water P3 in Canada was the Hamilton-Wentworth Water and Wastewater Treatment Plant, established in 1994. This research has noted an additional twenty-two municipal water P3s in Canada since 1994, ranging from small, remote communities to large urban cities. Of particular importance to this study is the increase in P3s since the most recent economic crisis; interestingly, more that half of the identified partnerships – thirteen of twenty-three, or 57 percent – have occurred since 2008 (See Figure 3). Public-private partnerships in water services are active in seven provinces, including British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, and New Brunswick, Nova Scotia. As Figure 2 shows, there has been a notable increase in water P3s in Canada.

There is a large diversity in the type of P3 used in the Canadian water sector. A majority (eight) of the projects studied involve only operations and maintenance services (O&M). There are four projects that involve the private-sector in the design, building, operation and maintenance, and an additional seven that also include financing in conjunction with this arrangement. One project, Winnipeg, only involves the private-sector in a consulting role, and another, Haldimand-Norfolk, only contracted for

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44 The Federal government states that there are “many hundreds of municipal water/wastewater systems in Canada” (PPP Canada, 2013a). Industry estimates note as many as 3,700 systems nationwide (Brubaker, 2011).
45 This partnership was terminated in 2004, and reverted back to public management. The Hamilton Spectator (2006) reported that the public partner saved an estimated $1.2 million in the first year following the termination of the private operation.
46 Port Hardy, British Columbia, for example, has a population of less than 5,000 residents. At the other end of the spectrum is Winnipeg, Manitoba, with a 2012 population of just over 700,000.
professional management services (Ford, 2011). There is also variability concerning the project type and the time period in which it was established; for example, O&M projects were established as early as 2000, and continue to 2012. There is a notable trend for DBFOM projects as well, with five of eight such projects established since 2008.

**Figure 2: P3s in Municipal Water, Per Year**

There is less variety concerning the private partners involved in Canadian P3s. Of the twenty-three projects reviewed here, only five primary private firms are involved in their operations. Since 2000, two main companies, whose representation is split geographically, have dominated the waterscape. EPCOR Utilities Inc. has the largest share; they are involved in twelve partnerships in British Columbia and Alberta. P3s in the East are dominated by Veolia Water Canada. This French transnational firm is involved in six arrangements in Manitoba, Ontario, and New Brunswick.

Canadian P3s display an array of contract lengths that are typical of the global P3 marketplace. For the most part, those contracts that are restricted to O&M are short, with a length of only 5 years. The term increases with the degree of private-sector involvement, however. For example, most DBOM and DBFOM arrangements have a contract length of 20 years. The project in the Capital Regional District (CRD) of Victoria, British Columbia (which has yet to be procured by a private partner) will have a contract length of 25 years. The service contract for Winnipeg, Manitoba is scheduled to last for 30 years, as is the newly announced wastewater project for Regina, Saskatchewan.

As stated earlier, data concerning contract costs and values was challenging to find,
however some information is made available to the public and will be discussed here. Private-sector revenues (contract values) are noted for older projects that have reached the renewal stage, such as the Goderich, Ontario water and wastewater system. This project ensured fixed revenues of $1.03 million per year for Veolia Water Canada (CCPPP, 2011). Select information is also available that discusses the overall cost of the project, which, for most of these projects, includes the design, construction, and operations and maintenance. The Britannia Mine water treatment project, for example, had a reported capital cost of $27.2 million (Partnerships BC, n.d.).

The information that is more readily accessible for current projects is the contributions made by government stakeholders, through the federal P3 Canada Fund or from provincial and municipal funding. The Evans-Thomas water system in Alberta, for example, has received $9.95 million in federal funding support, though the full value of the contract has not been made available by any party involved. Federal and Provincial cooperation in funding P3s is also apparent in some recent projects. Both the Lac la Biche, Alberta (2011) and CRD (2012) projects capitalize on intergovernmental government financing from P3-specific funding sources.

Summary

This information, while sparse, paints a picture of the Canada P3 waterscape. We see a “marketplace” dominated by two key private-sector participants, operating in a diverse array of privatization projects. What financial information that is available for Canadian water P3s typically highlights the stable revenues of the private partner or the contributions by the state, though little is made available concerning the overall cost of the project for the public partner. The contracts are typically quite long, averaging 14 years with some as long as thirty, and they incorporate an increasing degree of private-sector involvement. Ultimately, what this brief survey illuminates is that the use of public-private partnerships is intensifying in Canada, and with this comes the increasing privatization of municipal water services.
Figure 3: Canadian Municipal Water P3s, 2008-2013

<table>
<thead>
<tr>
<th>Location</th>
<th>Year</th>
<th>Contract Length (Years)</th>
<th>Contract Values &amp; Investments (Millions)</th>
<th>Private Partner</th>
<th>P3 Type</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>British Columbia</strong></td>
<td></td>
<td></td>
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<td></td>
<td></td>
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<tr>
<td>Capital Regional District (CRD)</td>
<td>2012</td>
<td>25</td>
<td>253.4- P3 Canada Fund 248- Province of BC 281.3- CRD</td>
<td>In Tender</td>
<td>DBFOM</td>
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<tr>
<td>Wastewater(^{47})</td>
<td></td>
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<tr>
<td><strong>Alberta</strong></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Canmore Water and Wastewater(^{48})</td>
<td>2012</td>
<td>10</td>
<td>59.6- Full Value</td>
<td>EPCOR</td>
<td>O&amp;M</td>
</tr>
<tr>
<td>Evan Thomas Water and Wastewater(^{49})</td>
<td>2011</td>
<td>12</td>
<td>9.95- P3 Canada Fund</td>
<td>EPCOR</td>
<td>DBFOM</td>
</tr>
<tr>
<td>Lac LA Biche Wastewater(^{50})</td>
<td>2011</td>
<td></td>
<td>3.8- P3 Canada Fund 2.7- Lac la Biche 12- Province of Alberta</td>
<td>Maple Reinders / Corix Utilities</td>
<td>DBOM</td>
</tr>
<tr>
<td><strong>Manitoba</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Winnipeg Wastewater(^{52})</td>
<td>2011</td>
<td>30</td>
<td></td>
<td>Veolia Canada</td>
<td>Service Contract/Consultation</td>
</tr>
<tr>
<td><strong>Ontario</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Brockton Water and Wastewater(^{53})</td>
<td>2011</td>
<td>5</td>
<td>.611 First Year Value</td>
<td>Veolia Canada</td>
<td>O&amp;M</td>
</tr>
<tr>
<td>Huron-Kinloss District Water(^{54})</td>
<td>2012</td>
<td>5</td>
<td>.475- First Year Value</td>
<td>Veolia Canada</td>
<td>O&amp;M</td>
</tr>
<tr>
<td><strong>Note:</strong></td>
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\(^{47}\) PPP Canada (2012a).
\(^{48}\) EPCOR Utilities Inc. (n.d.).
\(^{49}\) PPP Canada (2011b).
\(^{50}\) PPP Canada (2011a).
\(^{52}\) City of Winnipeg (2011).
\(^{53}\) Municipality of Brockton (2011).
\(^{54}\) Township of Huron-Kinloss (2012).
This is a worrisome fate, considering the poor outcomes of nationwide P3s to date. In broadening the scope beyond the water sector, we can observe a procurement model that has largely failed to achieve the benefits it set out to accomplish. The purported economic advantages to P3s in terms of cost, efficiency, and risk have been effectively debunked by critics. Importantly, this narrow economic determinant for gauging the applicability for P3s to meet infrastructure needs in Canada aligns with the changing tides of water governance discussed in the previous section. The state-sponsored shift away from traditional procurement to one established within the confines of the market is indicative, I argue, of the neoliberalization of Canadian municipal water management. As I will discuss in chapter four, through the analysis of recent, post-economic crisis policy change, this neoliberal recalibration of how Canadian governments approach infrastructure development has unfolding implications for water in Canada, and the social relations that are intrinsic to the mechanisms of neoliberal accumulation.

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55 Municipality of South Bruce (2013).
56 PPP Canada (2013b).
Chapter 4: Post-Crisis Policy Change and Water Sector Neoliberalization

Introduction

In the years following the economic crisis of 2008, numerous budgetary and regulatory changes have occurred concerning the use of public-private partnerships in municipal services and development. More significantly, many of these revisions apply to the water sector directly. This chapter will examine these policy changes in relation to the ongoing neoliberalization of water governance. I will first discuss the development of a regulatory apparatus that supports the institutionalization of P3 use, before reviewing key Federal budgetary changes relating to municipal infrastructure funding. I then present a snapshot of the existing private-sector presence in Canada, solely to demonstrate the established network of firms eager to capitalize on the expanding P3 market. Applying these insights, I will argue that not only do the recent state regulatory and budgetary changes indicate increasing neoliberalization in governance, but that such processes contribute to the development of a government policy structure that endorses the growing privatization of municipal water services, and opens the sector to prolonged capital accumulation.

P3s Since the Crisis

The financial crisis of 2008 had a detrimental effect on public-private partnerships around the world (Burger, Tyson, Karpowicz, & Coelho, 2009; Loxley, 2012b). As credit markets constricted in response to the slump, the two main sources of financing for P3s – bonds and bank debt financing – withdrew from the P3 market in an attempt to restore stability to their national bases (Loxley, 2012b). From the perspective of private capital, it was recognized that the main challenge facing P3s was the inability in securing economic gains, and government intervention was a recommended resolution to alleviate the increased interim risk (Burger et al., 2009).

The crisis had a notable impact on Canadian P3s in particular, primarily in terms of private financing (Loxley, 2012b; MacKenzie, 2009; CCPPP, 2009). New capital was not
available in the short-term, and many Canadian projects stalled in construction or failed to continue as a P3 at all. Such was the case for the Port Mann Bridge project in British Columbia, which reverted back to traditional public procurement in 2009 when private financing failed (Infrastructure Investor, 2010). Canadian projects requiring large loans are estimated to have fallen from eleven in 2007 to six in 2009, with a decrease in value of approximately $700 million (Loxley, 2012b). This decline led to a noted response from the private-sector calling for state support in assuring projects could proceed. Industry leaders made numerous appeals to the government, requesting greater national coordination for P3 timing and even for financial honoraria or “break” fees for projects that could not proceed at the time (Loxley, 2012b). The private-sector was, in effect, requesting accommodations be made by the Canadian state in order to ensure the P3 marketplace could survive the recession. As Loxley stated very directly, “the private-sector [was] asking the public sector to pick up the increased costs of doing PPP business” (2012b, p. 12) during a time of economic crisis and political uncertainty.

Consequently, the Canadian state has responded to this call in many ways that go above and beyond the simple need to rectify the current conditions to ensure the market does not fail. And, considering the discourse of deficit reduction and austerity running at full speed in Canada, it becomes challenging not to recognize the crisis as an impetus for the shift towards P3s. The federal response to the crisis, one focused on public-sector reduction and economic austerity, fits very well with a policy platform which encourages private-sector involvement. Perhaps more worryingly, though, there are numerous recent regulatory changes that create an environment that solidifies the policy commitment to municipal privatization and supports their institutionalization in Canadian water governance.

**State Regulatory Change**

Since the crisis of 2008, many government agencies have been formed or repurposed that establish a policy infrastructure that supports public-private partnerships in Canada. They exist at both the federal and provincial level, and, in accordance with associated budgetary allocations and other financial abilities, help to both institutionalize the P3 model and promulgate its use. Moreover, these agencies have made clear through
their policies that federally-funded municipal infrastructure development in Canada will be procured almost exclusively through P3s, therefore clearly mandating their dedication to the privatization of municipal services. A review of this policy change will help elucidate this directive.

To begin, the main advocate in the federal push for P3s in Canada is Public-Private Partnerships Canada (PPP Canada). This agency was created in 2008 under the Conservative government, and became active in 2009. PPP Canada is a Crown Corporation, and is therefore wholly owned by the state. This connection is distinct, however, in that PPP Canada acts both as an auxiliary government agency and as a political apparatus. This complex, and arguably conflicting role can be explicated by the fact that PPP Canada is responsible for both the promotion of P3s in Canada and the assessment of infrastructure and service compatibility with the P3 model. Such dual authority is discussed in their most recent annual report, which notes that PPP Canada was created “to deliver more P3s by leveraging incentives, demonstrating success, providing expertise; and to deliver better P3s by promoting procurement options analysis, and capacity building” (2012b, p. 3). These responsibilities were central when PPP Canada was established during the height of the recession, as the agency has a pivotal role in maintaining the integrity of the industry as a whole. Following various meetings with private stakeholders and government bodies, PPP Canada recognized that its priority was to “help ease the ‘significant roadblock’ to P3 projects posed by the financial crisis” (Whiteside, 2011, p. 266). This task has been accomplished because of the agency’s close relationship with the private-sector.

PPP Canada’s operations are overseen by a board of directors that reports directly to the Ministry of Finance, and many of its members were formerly employed in the private-sector. It is no surprise, then, that the discursive representation of PPP Canada is so closely linked to economy development, and politically, to the purported goal of state financial responsibility. As the agency acknowledges, “the twin challenges of returning to fiscal balance and promoting private-sector led economic and job growth are the dominant public policy priorities of governments across Canada and around the world. Public-Private Partnerships (P3s) have demonstrated their ability to contribute to these priorities” (PPP Canada, 2012b, p. 1). As such, PPP Canada is very clear in its allegiance
to private-sector infrastructure provision, noting that the preferred P3 model is that which offers best value for money and “the most private-sector involvement” (PPP Canada, n.d.).

Following the formation of PPP Canada, similar agencies have been created or adapted at the provincial level as well. In all, six provinces have dedicated resources of varying capacity to the creation of sub-federal P3 markets in Canada. British Columbia, for example, is both the provincial and national leader, having run a dedicated agency – Partnerships BC – since 2002, while Partnerships New Brunswick was only recently established in 2012. Some provinces have incorporated their P3 directives into existing agencies. In Alberta, for example, P3s are overseen by Alberta Alternative Capital Financing, under the auspices of the Alberta Treasury. Collectively, these agencies share similar mandates to PPP Canada, which are primarily focused on creating an economic environment that is suitable for the propagation of private-sector involvement in infrastructure and service provision. Take Partnerships BC for example, modeled after Partnerships UK. This European agency was a global leader in developing PFI and an early advocate for the privatization of UK public services. It is not surprising then, considering this connection, that BC has become a national leader in P3 development.

There is a strong focus at the provincial level for developing P3 markets as sites of ongoing private investment. Provincial agencies set performance goals that specifically target expanding their procurement capacity and practices. In their most recent Service Plan, Partnerships BC has made it a priority to “reinforce B.C’s reputation as an attractive market for major infrastructure projects and promote individual projects to ensure strong bidder response” (Partnerships BC, 2012, p. 10). As the mandate of this agency is “to structure and implement partnership solutions which serve the public interest” (Partnerships BC, 2011a), one is left questioning why there is such a strong focus on creating a harmonious environment for private investment when the mandate is to serve the public. Arguably, as will be discussed shortly, these agencies have been established to resolve the localized impediments to more direct forms of privatization (Whiteside, 2012) by developing a policy base that is more conducive to private accumulation than to serving the public interest.

In addition to these specialized federal and provincial agencies, other federal
departments have also committed resources to expanding the P3 market in Canada. Unsurprisingly, Infrastructure Canada has joined the initiative; as the government agency responsible for modernizing Canadian federal infrastructure, their support is perhaps unquestionable. They too tout the usual rhetoric concerning the merits of P3 projects, such as their ability to achieve value for money, be completed on-time and on-budget, and to encourage innovation, recycling the same rhetoric provided by the agencies noted above.\(^5\) Export Canada became involved in 2009, shortly after the economic crisis. They offered surety, bonding support, and co-lending initiatives for trade-related P3s in order to assure that projects impacted by the decline in available capital could proceed (PPP Canada, 2009). Taken together, the involvement of these agencies shows the expanding state commitment to P3s in Canada, as handmaiden to private capital accumulation “in the public interest.”

**State Budgetary Change**

The government agencies responsible for developing public-private partnerships in Canada now do so with significant economic backing, and in recent years, a variety of infrastructure funds and budgetary allocations have been formed which limit the accessibility of federal funding for municipalities. These changes impact infrastructure funding for all levels of government in fact, effectively channeling new development towards privatization.

Before the crisis, federal infrastructure funding was more readily accessible in Canada, and needy municipalities could receive support in different ways. In 2007, the $8.8 billion Building Canada Fund was created to fund national, provincial, and municipal infrastructure projects with very limited restrictions, primarily focusing on projects that supported three core foci, namely economy development, environmental protection, and community prosperity (Infrastructure Canada, 2011). This fund offered cost sharing between provincial and municipal partners and the federal government, to a maximum federal contribution of 50%. The Gas Tax Fund (recently repackaged as the “Community Improvement Fund”) was established in 2005, and offers proportional

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\(^5\) See their recent “spotlight” on how to improve Canadian Infrastructure through P3s, which is endorsed by both PPP Canada and private stakeholders such as The Canadian Council for Public-Private Partnerships (Infrastructure Canada, 2012a).
funding for provinces based on population, which can then be distributed to municipalities. The Green Infrastructure Fund, established in 2009, was a $1 million fund designed to invigorate green infrastructure alternatives from various parties involved in the development of such, including the private-sector. While these funds were the only significant options of federal financial support available to tertiary governments, they came without procurement restrictions. The BC Gas Tax Agreement, for example, makes no mention of the parties that should be involved in development, only that they meet project eligibility standards determined by the state (Government of Canada, 2005).

Recent Federal budgets have amended these practices to prioritize the use of P3s. The 2011 budget made it mandatory for all federal projects having anticipated capital costs in excess of $100 million to be subject to a “P3 screen” procedure, “to determine whether a P3 will deliver greater value for taxpayers” (Government of Canada, 2013a, p. 176). This is accomplished through the review of an application submitted by the municipal partner, in which they openly demonstrate their project’s viability to private procurement. The Building Canada Fund was recently altered again for 2013, increasing the funds available to finance infrastructure to $14 billion but also increasing the necessity of P3 screens. The 2013 federal budget has proposed “to implement a P3 screen for all projects with capital costs of more than $100 million that provinces, territories and municipalities submit for federal funding” (Government of Canada, 2013a, p. 176; italics added). This revision will require that all infrastructure-funding requests made to the federal government be submitted with an assessment that gauges their applicability as a public-private partnership.

In a sign of more direct commitment to private-sector involvement, the state implemented the P3 Canada Fund in 2009, in accordance with PPP Canada. This fund dedicated $1.25 billion in available support for sub-national infrastructure projects, up to 25% of the project’s direct capital costs. To be eligible for this financial support, projects must be procured as a P3. The 2013 federal budget has proposed to refill this fund with an additional $1.25 billion over five years, and also add some significant prerequisites for funding consideration. Similar to the Building Canada Fund, all

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58 The remaining balance of the Green Infrastructure Fund ($45 million) was usurped in 2010 and reallocated to other federal priorities (Infrastructure Canada, 2012b).
59 This includes provincial, territorial, municipal, and regional governments.
applications with a value above $100 billion will be subject to a P3 screen. This mandatory screen will include a “rigorous quantitative and financial analysis to determine whether a P3 approach would provide better value for money than a traditional procurement approach” (Government of Canada, 2013a, p. 177). However, to lessen the financial burden being exacted on lower level governments, this budget will also include a $10 million allocation that will support the cost of the screen. Up to fifty percent of the procurement fees can now be covered by the Federal government, though exactly what costs are acceptable is still unknown.

Private Stakeholders and Industry Support

In addition to the institutional and budgetary structures described above, there exists a well-established network of private stakeholders and organizations that support public-private partnerships in Canada. As P3s require a greater number of stakeholders compared to traditional public procurement, these firms hold significant power in the P3 waterscape, both in terms of their influence and their practical involvement.

The financial interests of private-sector stakeholders involved in P3s have been championed by the Canadian Council for Public-Private Partnerships (CCPPP) since 1993. The organization is self-described as “non-profit, non-partisan,” whose goal it is to “promote innovative approaches to infrastructure development and service delivery through public-private partnerships with all levels of government” (CCPPP, 2013). The CCPPP boasts a global membership of 453, of which more than eighty percent come from the private-sector.\(^\text{60}\) This roster includes some very prominent firms involved in water privatization internationally, like Veolia Water and United Water. In addition to promoting P3s, CCPPP hosts an annual conference and issues performance awards for P3 projects in Canada. They also publish documents discussing lucrative sectors for P3 development, of which water and wastewater is regularly included.

A review of the CCPPP Board of Directors and Executives exemplifies the positions of power held by P3 industry advocates, and it offers a view of the extensive network of firms that support the market as a whole. The ranks include representatives

\(^{60}\) Of the 453 members listed on the CCPPP (2013) website, only 76 are deemed to be representative of the public sector, including municipal governments from Canada and abroad.
from a host of industries that profit from privatization, such as capital financing, law, large-scale construction, and engineering. In fact, most, if not all members hold positions of influence in companies that are directly involved in the development of Canadian P3s. For example, the CCPPP Board of Directors includes legal partners whose firms specialize in P3 contract negotiations, one of which boasts having been involved in “shaping the Canadian PPP/AFP [Alternative Financing and Procurement] market, and have contributed to its evolution ever since” (Torys LLP, 2013). In another example, former CCPPP president Cynthia Robert is the principal member of Oakridge Consulting, an advisor firm for issues relating to P3s. This firm also owns the subsidiary Actualmedia, the company responsible for publishing ReNew Canada and Water Canada, both industry magazines that promote Canadian public-private partnerships around the world.61

While these business relationships are only a snapshot of the extensive network of ancillary firms involved in P3s, they are symptomatic of an established landscape in which future partnerships can be helped to grow. The Canadian Government prides itself on being a global leader in P3 development and is dedicated to expanding the market for P3s in Canada,62 and the third-party organizations that operate here contribute to this by providing the required expertise and technical support. Taken together, the institutionalized advice and analysis of PPP Canada and the budgetary allotments of the P3 Canada Fund or the like, when aided by a secondary network of established P3 expertise, amount to an established market offering lucrative opportunity to private investment in Canadian P3s.

As I have described above, the state apparatus governing the Canadian waterscape has developed substantially since the crisis of 2008. This has involved a shift in political and economic governance that favors public-private partnerships, aided by an established network of private-sector stakeholders who are keen to develop the P3 marketplace. By

61 “ReNew Canada is the only industry magazine that reaches across sectors, looking at the planning, financing, and regulation of all types of infrastructure assets, and relating them to each other” (Actualmedia, 2012).
62 “Canada has become a world leader in P3 procurement and the Government of Canada is committed to supporting the further development of the Canadian P3 market by encouraging provinces, territories, First Nations and municipalities to consider the P3 model in delivering their public infrastructure priorities” (PPP Canada, 2013d, p. 1).
reviewing the policy changes described above in relation to theory discussing neoliberalization, it allows for an analysis which questions the motive behind them. Neoliberalism, as was argued earlier, encourages the state to withdraw from the provision of services, so in recognizing the foundations of how this is applied in the policy changes unfolding, we can better understand how these services may become accessible as sources for sustaining capital accumulation for the private-sector.

The Neoliberalization of Municipal Governance

The policy conditions discussed above elucidate distinct features of the ongoing processes of neoliberalization in Canada. Particularly, the extent to which responsibility for infrastructure development has been devolved to local governments and the re-regulation that characterizes contemporary neoliberalism, made visible through the application process required for funding. As mentioned, devolution has been a notable facet of Canadian political governance; the Federal government has offloaded authority and fiscal responsibility to provinces, and therefore onto municipalities. However, while this process has given sub-national governments more flexibility in administering (neoliberal) policies of their own choice (McBride & McNutt, 2005), we can observe here that local agency is in fact being restricted from above; new policies are being implemented that directly impact local governance by connecting federal funding to the P3 model and the requirement of submitting a P3 screen.

The Regulatory Limitations of the P3 Screen

Recent policy change has reset the standards that municipal parties must meet in order to access federal money, and such accessibility is now determined by the P3 screen. In requiring that this screen must be met, a process begins in which sub-national governments must adopt a new protocol for receiving financial support. Taking into account the bureaucratic and legal “red-tape” involved in submitting to such screens, particularly when past infrastructure funding solicitation did not require PSCs or elaborate VfM determinations, it is likely that this will result in the municipal

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63 For example, Round Five (2013) of the PPP Canada Fund includes a sixty-page application guide and form that only describes the requirements for submitting an application for funding (PPP Canada, 2013c).
institutionalization of P3 procurement, while at the same time limiting the capacity for local governments to use traditional approaches.

Although the P3 screen is presented as a functional way to determine the suitability of a project for P3 procurement involving “meaningful private-sector involvement” (PPP Canada, 2013d, p. 5), in actuality it advocates little more than explicit privatization. The most recent application guide for the fifth round of the P3 Fund lists the following degrees of private-sector contribution as signs of a project’s “suitability” for federal support:

- **Design**: The private-sector will be responsible for all or almost all design activities;
- **Build**: The private-sector will be responsible for all or almost all construction related activities;
- **Operate**: The private-sector will be responsible for all or almost all activities related to the operation of the infrastructure asset;
- **Maintain**: The private-sector will be responsible for all or almost all maintenance of the infrastructure asset;
- **Finance**: The private-sector will be responsible for arranging private financing that will be used to ensure performance during the construction and/or maintaining/operating period of the project. (PPP Canada, 2013c, p. 5)

Considering that this screening process recommends the use of DBFOM-style arrangements, the most extreme form of partnership, this level of private-sector involvement is unprecedented. Not surprisingly, CUPE argues that this screening process is an institutionalized impediment to public procurement, created “to establish P3s as the default solution for infrastructure projects” (CUPE, 2009). This is a tangible concern, as such a clear commitment to the role of the private-sector here indicates both an ideological and practical shift away from traditional procurement and towards increasing neoliberal governance.

These political shifts are symptomatic of what Peck and Tickell discuss as “roll-out” neoliberalization, in which new forms of “institution-building and government intervention” (2002, p. 389) are formed through policy-making, as a creative force in the stabilization of neoliberalism. In the present context, this involves the subordination of local governments to an increasingly cooperative federal-provincial policy structure that combine to favour P3 funding applications, such as the recently announced project in Victoria, BC which will now progress with multi-level funding (PPP Canada, 2012a).
This current trend indicates not only an alignment in policy, but, more significantly, an ideological cohesion in adhering to the minimalist economic objectives of neoliberalism, as both a response to the conditions of the crisis and the needs of progressing economic discipline.

**Neoliberal P3 Policy Development**

The tentacles of neoliberal “fast policy” can be observed when examining the context of pro-P3 state agencies and the supportive budgetary funding. Discussing the mobility of “policies that work” in fueling the spread of neoliberalism, Peck (2011b) highlights ten key tendencies. Three are particularly fitting to the discussion at hand, including the transnational and translocal diffusion of policy, the reliance on the “soft infrastructure” of expertise, and the continuing privatization of policy expertise and delivery.64

The Canadian application of the P3 policy model from the UK, and its adoption at the provincial level, indicates the transnational, then translocal, spread of P3 policy. P3 units – self-described as sources for the dissemination of P3 expertise – act as intermediaries between globally tested P3 polices and the municipalities in which they are to be applied.65 PPP Canada’s dual role in promoting P3 procurement and gauging applications forms an integral centerpiece for this process, acting as a weigh-station of a sort for translocal policy transfer by ensuring interested parties meet the criteria for a P3. Their application process and P3 screen also encourages the use of educational documents they have created, such as the recent study of the water and wastewater sector, creating what Peck might call “conduits” (Peck, 2011b, p. 177) of P3 policy that create an unquestioned evaluation process and furthering knowledge dissemination.

The privatization of policy expertise is also visible, but in perhaps a more nuanced form. As Whiteside argues, “creating and empowering quasi-public agencies (P3 units) involves not privatization per se but instead the embedding of market logics and market-

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64 Two additional tendencies will be discussed shortly - namely, the rapid turnover of policy innovation and the commitment to best practices and models of success - in relation to the private-sector support structure and focus on the water sector. For the full list, see Peck, 2011b.

65 This is achieved in Canada through the work of stakeholders such as the CCPPP. Their most recent conference brought in private-sector stakeholders and other “P3 Players” from as far as Australia to discuss the global P3 market (CCPPP, 2012).
like rules within the public sector” (Whiteside, 2012, p. 10-11). The commonly stated, discursive goals of the P3 agenda exhibit these logics, such as the commitment to achieving “value for money” and “leveraging incentives.” Such goals appear secondary, however, to a primary feature of marketization, namely the proliferation of new markets in general. Take, for example, Partnerships BC, who lists the “the growth and development of a robust public private partnership (PPP) market in British Columbia” as one of its primary focuses (Partnerships BC, 2011b, p. 2).

In a Polanyian sense,\(^6^6\) we can interpret the continued budgetary allocations to Canadian P3 development as not only a state dedication to privatizing municipal infrastructure, but also a commitment to the creation of a “P3 Pipeline” (CCPPP, 2012; Partnerships BC, 2011b; PPP Canada, 2010) that is more a conduit for capital investment than it is for infrastructure development. What is being privatized is the institutional apparatus through which municipal infrastructure is developed;\(^6^7\) ultimately, what this represents is the growing commercialization of municipal water governance.

**The Foundations for Future Corporatization and Privatization?**

The institutionalization of market norms is particularly worrisome considering previous trends in the privatization of water, particularly the shift from the commercialization of governance to outright privatization. As has been argued elsewhere, the corporatization of water services has been used as a pragmatic placeholder for privatization initiatives that have been poorly received internationally, though still utilize the same market-based logic that prioritizes private-sector operating principles (Magdahl, 2012). The continuing growth of EPCOR Utilities Inc. in the Western provinces exemplifies this.

EPCOR has an entrenched presence in the Canadian water sector, and has a strong potential to expand. It is the private partner in twelve municipal P3s, and also owns in

\(^{66}\)“Hence, there must not only be markets for all elements of industry, but no measure or policy must be countenanced that would influence the actions of these markets. Neither price, nor supply, nor demand must be fixed or regulated; only such policies and measures are in order which help to ensure the self-regulation of the market by creating conditions which make the market the only organizing power in the economic sphere” (2001, p. 72.)

\(^{67}\)This point will be taken up again in chapter five, during a discussion of the mechanisms through which accumulation can occur in municipal water services.
perpetuity two Canadian water systems in British Columbia in addition to Edmonton.\textsuperscript{68} Its holdings in the United States have also increasing quickly, now totaling eleven water systems in Arizona and New Mexico. EPCOR is therefore in prime position to take advantage of the changing regulatory structure in relation to P3s. It exists as a public corporation, has an established presence in Canada both as a P3 partner and perpetuity owner of water services, and has a significant degree of experience in operating small-scale water services. The fact that EPCOR has procured or completed six water P3s since the crisis is likely not a coincidence, and perhaps symptomatic of the growing tendency towards the commercialization, corporatization, and potentially the full privatization of Canadian water systems through asset divesture.\textsuperscript{69}

As a public corporation,\textsuperscript{70} EPCOR is responsible to the City of Edmonton, though only as a revenue source. It is governed by an independent board of directors whose “primary accountability concern is in relation to shareholders and growth” (Gibson, 2005, p. 2), not to the citizens that they serve. As the firm expanded, it encountered increasing levels of regulation, designed to assist the for-profit corporation in complying with the rules and standards of the public owner. Contradictorily, this has actually resulted in increased managerial inefficiencies, arguably because of the “information asymmetry” that exists in the dissemination of important governance information from management to actual service provision (Gibson, 2005, p. 11). Thus, as a corporation, EPCOR’s allegiance to market-based techniques has had conflicting outcomes, considering what public sector commercialization is meant to achieve in the first place (Gibson, 2005, p. 11).

Though, perhaps more significant, the growing presence of EPCOR in Canada highlights the fact that municipal privatization need not involve a firm owned by private-sector investors. Importantly, what is key in neoliberal privatization is less the ultimate ownership of the asset and more its treatment as capital, that is as self-expanding value in

\textsuperscript{68} These are White Rock, serving approximately 20,000 people, and French Creek, serving approximately 4,000 people.

\textsuperscript{69} The Government of Ontario recognized this in a policy paper discussing the benefits of water and sewer investment models. They state “commercialization of a utility is sometimes used as a “stepping stone” to full privatization, in which shares are sold to the private sector” (Government of Ontario, 2002, p. 33).

\textsuperscript{70} Though it is a public corporation, EPCOR is also a private firm, solely owned by the City of Edmonton. In this role, they own and operate electrical transmission services in Canada, and own and operate water services in Canada and the U.S.
a market system. As this case shows, public sector privatization may be less dependent on the transfer of ownership than on the ideological and material recalibration of the services provided, in line with market-based norms that facilitate and encourage capital accumulation.

**Sustained Ideological Support For P3s**

The pro-P3 political climate in Canada begs a return in focus to the question of ideology, and the role it plays in promoting P3s in Canada. As it stands now, the privatization of public services in Canada has strong ideological backing; the creation of numerous agencies whose specific duty it is to promote, review, and implement P3s in Canada – such as PPP Canada – and the adaption of existing offices for similar purposes forms a state apparatus that furthers this agenda. Political economist Heather Whiteside argues that P3 units act as a key element of public sector recalibration, geared towards the routinization, institutionalization, and depoliticization of P3s in Canada (2012). Such an analysis appears spot on, considering the recent budgetary commitment to P3s and the increased requirements for infrastructure funding which limits future development to this method of procurement. P3 Units should be understood as the cultivating center for ideologies that undermine the legitimacy of public procurement and promulgate policy that supports privatization. The vast network of private stakeholders, including advocacy groups such as the CCPPP, assists in proselytizing public support towards the P3 method. With a strong ideological base, the state appears justified in formalizing the necessity of privatization by connecting federal funding to P3 procurement, which, as I will discuss, has compounding implications for municipal water services in particular.

**P3 Policy and Municipal Water**

Beyond the general support for P3s in Canada described above, there has been a notable shift in focus over the past few years that pinpoints water and wastewater services as a key sector in the expanding P3 market. To begin, we can observe an increasing recognition for the water P3s in the PPP Canada funding directives. PPP Canada has submitted a Call for Proposals since 2009, requesting applications from sub-national
parties interested in assistance through the P3 Canada Fund. While round three (2011) makes no sectorial specifications for funding preference, and only focuses on the usual mantra of P3 suitability factors such as VfM and timeliness in delivery (PPP Canada, 2011c), the most recent two calls have emphasized investment in water services. Round four builds on the basic suitability factors by listing those sectors that will be the government’s focus for upcoming investment; water and wastewater services are listed second behind transportation as key sectors for market expansion (PPP Canada, 2012c). Proposal call five (for 2013) goes even further, presenting water and wastewater as “priority areas” (PPP Canada, 2013c; 2013d). This priority will be partially determined by municipal commitments to high levels of private-sector involvement and long-term service contracts and (PPP Canada, 2013c), aspects which are particularly worrisome for the water sector.

**Increasing The Role of The Private-sector in Municipal Water**

The recently published Federal *Water/ Wastewater Study* (PPP Canada, 2013a) provides important information discussing the threat to municipal water, as this highly revealing report demonstrates a growing emphasis on increasing private-sector involvement in water sector P3s. As noted earlier, there are numerous different P3 forms with varying degrees of private-sector involvement. In this report, PPP Canada has made it clear that they encourage the use of Design-Build-Finance-Operate-Maintain (DBFOM) projects for water sector use, which have the highest level of private-sector involvement on the P3 spectrum. It further notes that P3s of this size generally attract “specialized private-sector providers” who prefer smaller projects because they can be financed in-house, without the need for third party debt, and it clarifies that there will be a competitive market for such providers in the future (PPP Canada, 2013a).  

The firms recognized by the Federal government as the best option for municipal P3s are not general contractors but “specialized firms;” this is, undoubtedly, a politically-

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71 This call for proposals resulted in 121 submissions. Eighty were from municipalities and twenty percent for water and wastewater infrastructure.

72 It should be noted that DBFOM P3s are also growing in popularity outside of Canada. This style of partnership was recognized as the most common form of water P3 in the U.S in 2012 by American Water Intelligence, a publication (and think-tank) covering “the business side” of the North American water market (American Water Intelligence, 2013).
safe and nuanced way of acknowledging their favorability for private water companies in meeting the “needs” of the Canadian P3 marketplace. Of course, such companies already operate in Canada, but the government’s new P3 policy framework will make it much easier for increased involvement because of their active encouragement of private-sector-intensive DBFOM partnerships, which, of course, suit the financial interests of such specialized water firms. While municipalities would prefer that water services remain in-house (FCM, 2012), the funding prioritization for DBFOM P3s, and the government preference for firms that specialize in water privatization internationally, forms a new direction in infrastructure and service procurement that ultimately favours privatization.

There are also indications that P3s in the water sector will be endorsed by the state regardless of their size. In other words, the $100 million threshold for P3 funding support suitability in Canada will not be necessary for projects in the water sector. The 2013 PPP Canada study notes that this minimum project value “is not firm, is project-specific and may be less relevant to the water/wastewater sector than other infrastructure sectors due to the nature of the market of service providers” (2013, p. 4). The report notes that small projects of between $10-30 million are the norm for the water sector and therefore these projects will be considered for funding and endorsed by the government (PPP Canada, 2013a). Reading between the lines, it becomes apparent that the government is more than willing to accommodate the interests of private capital, by changing its own policy in order to facilitate municipal water privatization.

**Fast Water Policy**

The timeliness of the increasing flexibility of P3 water funding suggests a state commitment to adapting public policy in response to the economic crisis, or a pursuance of neoliberal “fast policy” integration (Peck, 2011b; Peck et al., 2012). This is visible in two contextually distinct ways. First, the seemingly annual revision of the P3 screening process, combined with the apparent policy pliability concerning the water sector, demonstrates what has been recognized as a growing tendency of neoliberal policy to

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73 Veolia Water Canada for example, a subsidiary of Veolia Environment, is currently involved in at least six water sector partnerships to date, most recently with Winnipeg, Manitoba, in 2011. Veolia is one of the largest private water companies in the world, with reported revenues of €12.6 billion in 2011 (Veolia Water, 2011).
exhibit a rapid renewal of pro-market policy in an attempt to maintain socio-political dominance. As Peck argues, this “intensified churning of policy innovations, reflecting the compressed turnover time of policies and a recurrent politics of reform” (2011b, p. 792) is a sign of the hastiness with which policy becomes institutionalized and the need to revive failed attempts at reform that preceded it. Keeping in mind the federal government’s political determination to achieve a balanced budget, regardless of the recent recession, this redefinition of P3 suitability and its privatized outcomes may be interpreted as signs of the state’s floundering attempt to maintain the image of economic stability, post-crisis, while struggling to manage the “underperformance” that characterizes neoliberal policy; as Brenner and colleagues argue (2010), privatization is but one example of “the ways in which market-oriented regulatory practices diffuse as much through ostensible failure as through putative success” (p. 209-210).

Second, we can observe in this context a strong commitment to the best practices and models of governance that characterize the narrow objective of neoliberal governance (Peck, 2011b). While “the mantra of ‘learning from success’ has spawned a veritable industry of best-practice policy propagation, circulation, and emulation” (Peck, 2011b, p. 168) of neoliberal norms globally, the same can be said concerning P3 policy. These become commonplace in the P3 waterscape, not only through domestic adherence to them but also the active promulgation of them. As was noted, Canada is both internationally and self-recognized as a world leader in P3 procurement, which reaffirms its P3-specific policies as a benchmark for governments around the world. This puts the Canadian state in an influential, yet problematic position as a testing ground for progressive privatization policy. Its role as an international leader here may be beneficial in creating opportunities for increasing business in Canada and abroad, however the use of existing policy – and the rapidity with which it is altered – may have detrimental results for domestic municipalities. For example, while PPP Canada advocates the use of DBFOM P3s in the water sector, it also acknowledges that this project type has been untested for mid-sized or small projects (PPP Canada, 2013a, p. 9). Beyond the rhetoric of success presented by the state, we know that Canadian public-private partnerships have seldom returned the benefits for the public that have been promised (Loxley, 2010, 2012; Mehra, 2005; Whiteside, 2012); this troubled history appears to be less than
secondary to the promulgation of P3 policy and the fostered neoliberalization of municipal water services.

**Summary**

This policy analysis has attempted to demonstrate that the regulatory instability which characterizes current neoliberalism (Brenner et al., 2010) is visible Canadian P3 governance, encouraging increased municipal privatization. If we accept neoliberalization as a “crisis-induced, crisis-inducing form of market-disciplinary regulatory restructuring” (Peck et al., 2012) it becomes clear that the combination of restrictive federal infrastructure funding in a period of austerity, and the seemingly re-regulated, water sector-specific policy creates a complex, yet limiting scope through which municipal water services can progress.

To use the language of the industry, the federal government, with provincial P3 unit support, is institutionalizing a “pipeline” through which future sub-federal funding is allocated to a procurement method that necessitates private-sector involvement. What is more, this involvement can be expected to intensify, as new screening processes require private involvement at nearly every stage of the project, should they request financial support, and considering the growing cooperation between provincial and federal agencies in mandating P3 use. This complex and restrictive apparatus essentially forces municipal governments into a “hands-tied” relationship with a private firm (or firms) whose main objective is the generation of profit. While in no way has outright privatization been an advocated response to the crisis by the Canadian state, we can nevertheless see how the tentacles of market-regulatory change have materialized to create a climate that is opportune for private capital accumulation. Insights into how this occurs will be discussed in the next chapter.
Chapter 5: Water P3s and Private Capital Accumulation

Introduction

This section synthesizes the theoretical observations of earlier chapters, depicting the recent shifts in Canadian water management as consistent with broader processes of capital accumulation that sustain neoliberal capitalism. This task will involve both theoretical and empirical discussions, in an attempt to present a succinct analysis of the developing P3 marketplace. More specifically, I hope to elucidate how such insights can help us to envision the Canadian municipal waterscape as a site of post-crisis accumulation, both in terms of infrastructure investment and the contracting of water services, and to shed light on the future implications that privatization may have for various aspects of local governance.

Municipal Water P3s as a Spatial-Temporal Fix

The capitalist system requires constant growth in order to survive. The necessary means of investment must be met, and must sustain the creation of profit, in order for the system to sustain itself. This is what Marx recognized so long ago; that capitalism is inherently unstable (Marx, 1990). Crisis is its equilibrium, and the strategies employed to stave off this eventuality – commonly seen as the norm – are just those that delay the next collapse. Capitalism, therefore, must rebound from crisis with enough expanded investment that the system can prosper and grow beyond it, otherwise it will fail entirely.

In applying the insights gained from David Harvey’s discussion of the metaphorical “fix” to crisis conditions, we can theoretically envision the Canadian P3 waterscape as an advantageous space in which capital can invest and grow. Discussing his theory about capital’s fixes to these systemic moments, Harvey notes that “periodic crises must in general have the effect of expanding the productive capacity and renewing the conditions for further accumulation” by reaching a “new plane” of accumulation (2001, p. 241). While the primary capacity being referred to here is the orthodox feature of surplus value generation – namely, through the productive consumption (Marx, 1971) of labour and
capital – the secondary mechanisms through which this renewal is accomplished are also an important point of focus. Harvey’s most recent discussion of this “spatial-temporal” fix (2004) highlights the two capacities through which capital can be withdrawn from circulation during times of economic crisis: through temporal displacement in long-term infrastructure investment or social expenditures that insulate capital for extended periods of time, and through spatial displacements which open up new markets and productive capacities for resources, labour, or social possibilities. Applying such insights, we can observe how each of these features is present in context of municipal water services.

The recent growth in Canadian water privatization can be seen as characterizing what Harvey discusses as a key feature of the spatial fix of capitalism, the “penetration of capital into new spheres of activity by… organizing pre-existing forms of activity along capitalist lines” (2001, p. 241). This geographic expansion is necessary, Harvey argues, for capital to create the new space needed for accumulation. As this thesis has shown, there has been an unmistakable increase of attention towards the water sector as a site for private investment, which has materialized into the growth of the P3 water sector in total. PPP Canada’s website claims that capital investment in Canadian P3s in general was a staggering $21.7 billion from 2009-2011; considering the correspondence of this market success with the global economic crisis, one could argue that this spatial fix has already created a lucrative new market for capital to invest in. Recent policy changes will only expand this market, and into the water sector in particular. While water management practices have been traditionally performed by municipalities in-house, with only short-term, limited input by the private-sector, we now see its state-advocated presence at numerous stages of the infrastructure development process and its involvement in long-term service delivery.

Looking in more detail at the financial information available for Canadian water infrastructure projects since 2008, we can see that these P3s represent a compelling site for private capital investment. While the majority of such projects are considered “small” by the federal government (PPP Canada, 2013a), they still offer lucrative investment and return potential. For example, the 2012 Evans-Thomas Water and Wastewater project has a contract value of $30 million for the private partner (Ford, 2011) contained within the full construction and operations contract value of $59.6 million (Government of Alberta,
This means that beyond the $9.95 million offered through the P3 Canada Fund (PPP Canada, 2011b) the private partner EPCOR will be responsible for the balance of the project’s financing, and subsequently, the return. If this case is any indication, private capital’s “penetration” of the Canadian water sector is already visible.

The temporal aspect of this fix is achieved through the use of long-term contracts between the public municipal partner and the private firm. Currently, water-related P3s have an average contract length of fourteen years, providing ample time for surplus capital to ride out the instability that may characterize other investments. Further, these contracts not only lock the public partner into a relationship with the private-sector, in many cases they guarantee a fixed revenue source for the private party. This is observable in two of the recent P3 developments since the crisis, both involving Veolia Canada. Both the Municipality of Brockton and the Township of Huron-Kinloss have signed five-year service contracts with fixed rates of return for Veolia at $.611 million and $.475 million, respectively, with both set to increase annually (Brockton, 2011; Huron-Kinloss, 2012). Additionally, if the two most recent water P3s are any indication, contract lengths are increasing. Winnipeg, Manitoba, has signed a 30-year service contract with Veolia, and the Capital Regional District is currently taking bids for a 25-year DBFOM. As this type of P3 is recommended by the government for future water sector development (PPP Canada, 2013a), we may see more opportunities for long-term capital investment arise in the coming years.

Enveloping each of these cases is a financial climate created by the state, and largely endorsed by private capital, that helps to mediate the effects of the crisis, allowing for accumulation to continue. Harvey (2004) argues that the state and private capital have the ability to allocate “fictitious capitals” to future-oriented projects, in order to reinvigorate the economy following crisis. Arguably, the 2013 Federal budget aids in accomplished this task, through the various funds partitioned for P3 development. Private capital, acting concomitantly as financial credit, provides the balance required in stimulating economic growth while assuring ongoing profitability. This relationship,

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74 Marx referred to “fictitious capital” as those types of value such as credit, bonds, or paper money that exist without material equivalency in commodity form. We can understand the catalysts for the crisis of 2008 to have resulted from an excessive speculation of fictitious capitals, like the explosion of the derivatives market (and deregulated financialization in general). See Harvey (2006a) for more information.
therefore, provides a fix for both parties, if we take into account the tendencies of the neoliberal state.

As an agent of both crisis mediation and capital accumulation (Jessop, 2004; Harvey, 2005), the Canadian neoliberal state can realize, through the institutionalization of public-private partnerships, an economic and political “fix” of its own, in which it simultaneously alleviates both the pressures of the growing infrastructure deficit and the impediments to reducing the state’s role in providing a public service that has lingered since the days of “embedded liberalism.” Looking further, if we take into account that significant austerity measures are currently being pursued at both the federal and provincial levels in Canada at the same time that a marginal yet enduring federal budgetary allotment for P3s is announced, the state’s attention to developing the P3 market in Canada may be interpreted as a recognition for the long-term utility this model has in distancing the state from the responsibilities associated with financing municipal development. Thus, the temporal component of Harvey’s theory also relates to the ongoing capacity for the P3 model to become the modus operandi for Canadian infrastructure development beyond the immediacy of the recession. In this sense, P3s may be recognized in the years to come as a contemporary fixture of prolonged, neoliberal, public-sector enclosure.

**Accumulation by Dispossession or Public-Private Expropriation?**

Accumulation by dispossession, as discussed, offers a lucid conceptual framework for recognizing the ongoing nature of capital accumulation, though in a new form since the shift to neoliberalism. The privatization of the public sphere is understood to be at the forefront of these processes (Harvey, 2007a; 2004), as the key mechanism in gaining control of assets previously beyond reach of private capital circulation. As Harvey notes, accumulation has always required “the appropriate structures of law and governance guaranteed by a ‘facilitative’ state” (2005, p. 143). This, I argue, is what can be observed in the context of Canadian municipal water privatization, though in a contextually distinct form.

The state, in revising P3 funding policy and limiting the capacity for municipal governments to fund projects in alternative ways, is structuring the waterscape so to
channel public funds towards private accounts. This is a fundamental shift in governance, considering that until recently, municipal water services has existed beyond the scope of private capital, reliant on internal sources of revenue, such as property taxes and government transfers, to provide services and procure new infrastructure. While such restructuring may not entail the transfer of ownership, it does involve the extensive use of service contracts and fixed returns, and compounding degrees of private-sector involvement, all of which offer sources of profit previously inaccessible to private capital. In this way, we can envision the privatization of municipal water as a site of accumulation by dispossession.

Looking closer, however, this initiative is especially worrisome considering the inter-governmental dynamics that exist, which effectively restrict local government’s abilities to choose for themselves how to meet their own needs. The intensification of post-crisis neoliberal re-regulation is effectively “legislating,” following Marx, the enclosure of these public services and exposing them to the penetration of private capital. In his study of primitive accumulation, and therefore, the creation of the laboring class, Marx (1990) noted how the state was implicit in forming the “poor laws” that essentially forced the landless proletariat class into wage dependence. As he termed it, the “bloody legislation against the expropriated since the end of the fifteenth century” (1990, p. 896).

While the regulation impacting municipal water may not be as dramatic, it is nevertheless an indication of the Canadian state acting in the interests of the capitalist class in accumulating control as well as capital. Channeled funding aside, decades of ideological and budgetary opposition to taxation and public deficit have justified the “need” for municipal services to adopt private-sector norms in order to perform. In this sense, what is occurring may not be accumulation by dispossession, per say, but more the expropriation of local water services through the supra-municipal institutionalization of privatization through public-private partnerships. Aided by a strong state commitment to neoliberal policies that are devolving autonomy from the federal level downwards, neoliberal privatization shows its true colours; not in the transfer of municipal ownership to the private sector, but, more insidiously, through the recalibration of the practices of governance that enabling the penetration of non-democratic operating norms – those of capital accumulation – into publicly owned entities. Canadian municipalities have little
choice but to commercialize capital accumulation through their public water services, because, rhetoric or not, there is no viable economic alternative available to them to fund their needs.

With these observations in mind, I will now discuss the relationship between international trade and the expanding P3 waterscape, in order to explicate how such developments could in fact amplify the privatization of municipal water services. Following this, I will explore how the benefits (or surpluses) associated with this activity will be gained at the expense of the standard cornerstone of capital accumulation, namely organized labour. These discussions will offer a vantage point from which to briefly envisage the capacity for localized resistance to municipal privatization and a review of existing alternatives.

**The Implications of International Trade**

Free trade is a centerpiece of the neoliberal project, fusing the ideological commitment to individual and property rights with the practical expansion of markets, creating the optimal conditions for commodification (Harvey, 2007a). With legally binding investment provisions, trade agreements such as the NAFTA have secured stable pathways for capital to benefit from the environmental deregulation that accompanies neoliberal reform. In this way, free trade agreements can form the economic and political “infrastructure” that facilitates accumulation, by legislating the enclosure of the natural means of production by first privatizing the *conditions* through which production can take place (McCarthy, 2004). These conditions are, as O’Connor (1988) discussed, integral to capitalist progression, particularly because they cannot be created as commodities themselves. In light of the aforementioned argument concerning the expropriation of municipal governance, the expansion of trade networks is especially worrisome for municipal water services in Canada, and in particular the ongoing negotiations between Canada and the European Union (EU).

The Comprehensive Economic and Trade Agreement (CETA) between Canada and the EU may have significant implications for local government agency, directly impacting municipal water governance and expediting privatization (Sinclair, 2010; Cameron et al., 2010; CCPA, Duffy, 2012). CETA, in development since 2009, aims to
create an advanced agreement between these jurisdictions which, unlike previous trade deals such as NAFTA or the AGP,\(^{75}\) is anticipated to include sub-provincial government procurement as an accessible field for contracts with foreign firms (Sinclair, 2010). More significantly, the proposed agreement includes explicit demands by the European Union for the inclusion of water and wastewater services. Preliminary documents have requested that “all entities which provide or operate fixed networks intended to provide a service to the public in connection with the production, transport or distribution of drinking water, or supply drinking water to such networks” be accessible to European capital or firms (Sinclair, 2010, p. 13). Such an inclusion in CETA would have two significant implications for Canadian municipal water.

First, service commitments included in the CETA would prohibit “performance requirements” for private investors, such as those that would require them to source inputs locally (Sinclair, 2010). This would also exclude restrictions on foreign capital investments or limitations on the use of joint ventures in performing given economic activities in specific sectors, such as water, and allow for the import of foreign skilled labour (Sinclair, 2010). Stipulations of this sort could allow for the complete neglect of local building industries and unionized labour in P3 procurement processes, unless they could compete with international corporations who would be legally entitled to bid on municipal service contracts (Sinclair, 2010). Arguably, this would only intensify the drive for “efficient” management practices in relation to labour, as discussed in chapter three.

Second, it is anticipated that the CETA will include investor security, similar to Chapter 11 of NAFTA, which gives private firms the authority to take legal action against governments that inhibit, on environmental grounds, for example, their ability to invest and therefore earn profit. While such actions could result in development delays, as municipalities are forced to be especially cautious in handling the bidding processes in order adhere to the legality of such stipulations, investor security provisions could also have a much greater significance should the decision fall in favor of a private firm. The CETA would give corporations the legal right to bid on municipal procurement or

\(^{75}\) The Canada-U.S. Agreement on Government Procurement (AGP) came into effect on February 16, 2010. This deal was negotiated during the trough of the recent recession and was designed to ensure cross-border investment in Canada during the period of U.S stimulus spending deemed to be “protectionist” by the Harper government (Sinclair, 2010). For the first time in Canadian trade history, provincial and territorial procurement was included in the deal.
services, and once successful, secure the avenues needed to institutionalize their involvement in water and wastewater systems in Canada (Shrybman, 2010).

Investor protections under the CETA add another level of uncertainty, and, in light of the recent revisions to P3 screening policy, are especially disturbing for municipal autonomy. If this agreement is enacted, private firms will likely have the legal capacity to dispute the choice of using traditional procurement methods. And, should an arbitrator deem such a decision to be in violation of the market determination of competitiveness used in selecting the suitable option (Cameron et al., 2010), the municipality could be left with the responsibility for compensation. While this has occurred under NAFTA, such violations have been born by federal or provincial entities, not fiscally impotent local governments. As the CETA could require municipalities to pay compensation for such violations, similar to NAFTA, they could be more inclined – or, as it seems, financially beholden – to contour development towards P3 procurement antecedently, and away from traditional methods.

Should these concerns materialize through the CETA, it would amount to no less than an intensification of state-sponsored privatization, predicated on the accumulation of the legally binding conditions of production. The rights of municipalities will be compromised by an agreement which would prioritize the property rights of private corporations over the ability of local governments to select the most suitable “partners” for new or ongoing water needs. When combined with a state apparatus that institutionalizes privatization, trade agreements such as the CETA help to establish an environment in which private capital is legally supported in securing access to stable mechanisms for neoliberal accumulation through the long-term service contracts that accompany P3s. Thus, we can envision a two-fold privatization of water services; one, the surface privatization of the services associated with municipal water and wastewater, and two; “privatizing the right to transform and exploit general, social nature” (McCarthy, 2004, p. 337) through the legally-justified expropriation of municipal water governance.

It is not surprising, then, that numerous sub-federal governments have requested

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76 Canada recently paid $130 million to AbitibiBowater, following a dispute concerning water and timber rights in Newfoundland and Labrador. According to Stanford (2010), NAFTA-related claims against Canada totaled $28 billion in 2010.
they be exempt from the CETA. In total, over forty local governments have passed resolutions requesting they be removed from the trade agreement, and more than thirty other public entities have asked for additional information concerning how they will be impacted by it (Council of Canadians, 2012a).

**The Impact on Labour**

The fact that P3s are regularly touted as ways to increase employment (Government of Canada, 2013a), or that they are important for “job promotion” in Canada (PPP Canada, 2013d, p. 1) contradicts the actual outcomes of using them for infrastructure development or services. In his recent study of eleven P3s in Canada, Loxley (2010) found that there was a negative impact in seven of the projects, ranging from layoffs to the abuse of non-unionized workers in construction and operations. Of these seven, three were water or wastewater projects (2010). The social impacts of privatization are evident in many projects to date, and the policy changes discussed in this thesis raise concerns for future P3 development.

The Federal government’s endorsement for DBFOM-style P3s in the water sector sets a policy foundation that prioritizes the use of private-sector employment, arguably at each stage of a project’s development. In these arrangements, the key ongoing activities for P3s, such as “operations” and “maintenance,” refer not only to the financing of such duties but also the labour required to perform them. This is clearly stated by the government: duties are to be carried out by “[a] qualified special-purpose P3 partner selected on design, O&M plan, and price” (PPP Canada, 2013a, p. 8). While little additional information is given concerning this, the government’s endorsement of private firms in “address[ing] all aspects of project development and execution internally” means that the job security of those workers who typically perform these tasks – in most cases, organized labour – may be at risk, should this mode of project development be selected. Taking into account the increasing prevalence of DBFOM-style P3s in the Canadian water sector in recent years – four of seven projects since 2008 – this represents a legitimate concern for labour in the future.

The regulatory attack on labour is a recognized feature of contemporary neoliberal accumulation (Harvey, 2007a), and it is of particular concern in this context,
considering the size of the water sector as a whole. Considering that countries with well-established welfare systems have more public services to commodify (Huws, 2011), with some 3,700 water systems in Canada (Brubaker, 2011) one can imagine thousands of public sector employees whose traditional employment may be threatened due to the adoption of infrastructure or service policies which favor private-sector employment norms. The efficiencies of P3s have already been exposed as the result of reductions in the hard-fought benefits of public employment (Loxley, 2010); should more water and wastewater development be turned over to specialized, private firms, these benefits would also likely be viewed as sources of economic “inefficiency” in achieving their desired profit. In this sense, P3s must be recognized for their role in promoting the class division that is central in creating the surplus value necessary for capital to accumulate. Thus, it seems the government’s recognition of P3s as a source of “job promotion” is true, however the opportunities it promotes are located in the private-sector, where capital accumulation can be achieved with less interference.

The Secondary Contradiction of Municipal Privatization

In light of the increasing threat of non-democratic corporate control of municipal water in Canada, the discussion warrants another look at “the second contradiction” of capital accumulation (O’Connor, 1988). Water is of course an exceptionally fitting example of a “fictitious” commodity, one that cannot be reproduced by the capitalist system. Similarly, nothing can replace the role it plays for society or nature alike. Consequently, should it become (fully) commodified, it is at risk of exploitation as sustainable practices collide with an underlying need to assure that the operations associated with municipal water services achieve valorization. A reduction in the “‘productivity’ of the conditions of production” (O’Connor, 1998, p. 245) – or in the commercialized value of water or water systems – could have innumerable outcomes as water use, in a multitude of forms, comes under increasing private control.

It is therefore appropriate to view the increasing municipal privatization in Canada through the lens provided by the second contradiction, as it brings into focus both the social and ecological antagonisms that arise from undercutting the conditions of capitalist production. While the social implications have already been discussed, the
ecological contradictions that may materialize through municipal privatization are perhaps less foreseeable, considering the interconnectedness of the global hydrologic cycle, for example, and the general lack of knowledge concerning groundwater reserves or flows in Canada (Canadian Council of Ministers of the Environment, 2010). It is essential that the budding ecological contradictions of changing water governance not be underestimated, as they are potentially more severe.

As James O’Connor reminds us, “it is important to stress that the conditions of production are not produced in accordance with the laws of the market” (1998, p. 245), but instead through market regulation, in accordance with the actions of the state. This is indeed the case for water utilities in Canada, having been historically produced through more legitimate and cooperative ways that, until now, have transcended market relations. However, the fundamental irreplaceability of water itself transcends all such relations; this demands a critical outlook that does not ignore this fact. Therefore, analyses, resistance, and alternatives that recognize this transcending importance are not only suitable, but arguably are as essential as water itself.

**Resistance to P3s: Abbotsford-Mission, BC**

Taking into consideration the current and future implications of water P3s, it is no wonder that organized social resistance is on the rise. National campaigns against privatization are led by civil society organizations such as the Council of Canadians and the Canadian Union of Public Employees (CUPE). However, the main push is arguably at the community level, where the impacts of neoliberalism are most felt. “Water Watch” coalitions are becoming commonplace in localities that are being threatened by increasing commercialization, and consist of diverse groups of concerned citizens collectively organized against the privatization of their water services. A brief discussion of one campaign in British Columbia will shed light on the capacity for successful resistance.

Municipal privatization in Abbotsford and Mission grew from their mutual need for more water. Population growth in both regions stressed their shared water supply system, and associated increases in industrial and agricultural production only added to the demand. Although alternative options were presented to the joint water council in 2009,
demonstrating that “soft path”\textsuperscript{77} conservation could help reduce total withdrawals and therefore create cost savings of 70\% (Maas & Porter-Bopp, 2009), a decision was made to create a new treatment and delivery system at Stave Lake, BC, outside Mission, to both meet current requirements and prepare for future demands. A 2010 VfM assessment performed for the Abbotsford/ Mission Water and Sewer Commission (AMWSC) estimated the total cost of this project at $198 million (AECOM, 2010).

It became public knowledge in early 2011 that the commission was soliciting support from the Federal P3 Canada Fund to provide a component of the total project costs. As Perrin (2011, n.p.) states, both local governments claimed they had “no choice but to opt for a public–private water system if they want to access federal funding.” Around this time it also came to light that the anticipated cost of the new DBFO P3 project had risen significantly above the 2010 PSC, to an estimated value of $304 million spread out over the recommended 25-year contract period (Deloitte and Touche, 2011).\textsuperscript{78} This expenditure would have been the largest water P3 to date in Canada, and as such, localized opposition arose as negotiations, and the “partnership” conditions for federal funding support became public knowledge.

Focused activism in March of 2011 led to a District of Mission vote to withdraw from the project entirely, as community members and groups like Water Watch Mission Abbotsford (WWMA), CUPE, and Citizens Against Urban Sprawl rallied together to successfully convince their council leaders that a P3 was not in Mission’s best interests (Sandborn, 2011). This signaled a success to the growing movement against privatization in the City of Abbotsford, which, regardless of Mission’s withdrawal, was still committed to pursuing the project as a P3.\textsuperscript{79} The federal government, still in strong support of the project, characterized the P3 as “another example of our Government’s commitment to support important infrastructure projects that meet the needs of Canadian communities”

\textsuperscript{77}“The “soft path” is a planning approach for fresh water that differs fundamentally from conventional, supply-focussed water planning. It starts by changing the conception of water demand. Instead of viewing water as an end product, the soft path views water as the means to accomplish certain tasks. The role of water management changes from building and maintaining water supply infrastructure to providing water related services...” (Brandes & Brooks, 2007, p. 1).

\textsuperscript{78}This value is based on an estimated full term discount rate of 6.0\%. At 7.0\% the total costs were still much higher than the original assessment, at $262 million (Deloitte and Touche, 2011, p. 43).

\textsuperscript{79}Abbotsford was still committed to the P3, even without direct access to Stave Lake. Mission city council voted unanimously in May of 2011 to not allow Abbotsford use its roads for their P3 project.
(Department of Finance Canada, 2011). One might guess that the citizens of Abbotsford had a different understanding of need, as they were now solely responsible for the slightly smaller debt of $284 million (Perrin, 2011). Community-level dissent continued to grow. In response, Abbotsford City Council agreed to allow for a referendum to decide the project’s fate, scheduled to occur in November of 2011. Concurrent to this, the city council began an intensive $200,000 public relations campaign, in a final attempt to sway public opinion in favour of privatization (CUPE BC, 2011; Lui, 2011). This effort was unsuccessful. On November 19, 2011, citizens of Abbotsford voted against the P3 procurement of a new water treatment and delivery system for their community, and voted in support of meeting their growing needs through traditional, public procurement.

While this vote was heralded as success for the public water campaign in Canada (CUPE, 2011; Council of Canadians, 2011), it has also been recognized as an educational moment in the history of the Canadian P3 pipeline in which pro-privatization stakeholders can better understand the social impediments to achieving success (Law, 2012; PPP Bulletin, 2011). Learning how to convince the public that P3s are not privatization appears as a high priority for proponents. Nevertheless, as a frame for understanding privatization in general, this point sheds light on both the divergent ideological beliefs associated with P3s and the extent to which their proponents are committed to growing the privatization market, regardless of social movements against it.

This says something about the interconnectedness of struggles against privatization. The Abbotsford-Mission case can be understood as a site-specific moment of antagonism between privatization initiatives and those who are fighting against the mechanisms that uphold it, such as the commodification and commercialization of municipal water. However, it also provides a lens through which to recognize the need for a comprehensive approach to countering the pervasiveness of neoliberalization processes. Regardless of the recent crisis and the resulting hope for neoliberalism’s demise (Stiglitz, 2008), it has survived to live another day through policy revision such as that being unfolded onto the Canadian waterscape. This reality requires a multiscalar approach in opposition to neoliberal reforms. As Peck, Theodore, and Brenner (2012b) argue, “local

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80 As one advocate argues, implementing P3s is often difficult because opponents are “successful in framing the issue as ‘privatization,’” or because they are “demonized by public sector unions” for fear of losing employment (Law, 2012). As this thesis has discussed, such fears are legitimate!
experiments do matter, and should be taken seriously, but so too should the broader social rule regimes and interlocality policy relays” (p. 29) that characterize the roll-out of neoliberal reforms that materialize in ways such as Canadian municipal water governance. One P3 proponent claimed, “the Abbotsford example, like many projects, lacked a strategy to implement the use of public-private partnerships” (Law, 2012). From the perspective of the opposition, though, we can see the reverse to be true; the case study described above demonstrates the successes that can be achieved through the use of a “strategy” that counters the encroachment of privatization at the local, municipal level, while connecting it to the wider struggle against neoliberal capitalism.

**Alternatives to Privatization**

The consideration of strategies for opposing privatization brings into focus the existence of alternatives that allow water services to remain a fully public entity, as a bulwark against the mechanisms of neoliberalization. While the public service model does not offer a flawless method for managing municipal water,\(^{81}\) it has proven to be more democratically responsible than privatization. What follows is a selection of possibilities that center on this necessary feature of water governance.

The first, and perhaps most important alternative involves increasing the economic and political commitment to publically funding municipal water services. While the infrastructure deficit represents a substantial impediment to completing the required improvements needed for water services, it has, nevertheless, resulted from political decisiveness, and can therefore be alleviated in the same way, through enduring Federal funding which allows both ownership and autonomy to remain in-house. CUPE has been a long-time advocate of this approach, and offers numerous recommendations for doing so. A simple idea is that the P3 Canada Fund be converted into a Public Asset Fund, which finances municipal projects with no strings attached by issuing capital bonds (2004). CUPE also advocates regulations that would require public pension funds to invest a minimum amount in public infrastructure, also as government bonds. Another promising suggestion involves the “pooling” of borrowing power into a communal fund,

\(^{81}\) Select discussions by Karen Bakker offer a subjective evaluation of both public and private water governance. See her work from (2010b) and (2008).
creating an alternative source of development loans with cheaper interest rates (CUPE, 2004). Considering the municipal presence of unionized labour in Canada and the solidarity that this creates, this cooperative alternative fits nicely with those previously discussed.

Of course, what each of these options presume is a strong tax base to assure that revenues can be directed to municipally accessible funds in the first place. Re-establishing such a base amounts to a significant task, particularly in the context of neoliberalism’s resilience as described above; however it is a necessary direction if public infrastructure is to be owned and controlled by the public and operated in the public interest.

An emerging alternative to both public provision and privatization is the public-public partnership (PUP), described as “a collaboration between two or more public authorities or organisations, based on solidarity, to improve the capacity and effectiveness of one partner in providing public water or sanitation services” (Hall, Lobina, Corral, Hoedeman, Terhorst, Pigeon, and Kishimoto, 2009, p. 2). This definition highlights the democratic fundamentals that support this alliance in retaining and delivering public water services. To date, PUPs have been quite successful when involving civil society groups such as trade unions and community organizations. In fact, such beneficial cooperation has been found to motivate public water operators and community members alike to apply the PUP method elsewhere and creating a multiplier effect, therefore broadening the opportunities for capacity building that are central to this approach (Hall et al, 2009).

While the PUP may not be a flawless method of public service, it has been quite effective for inter-state initiatives between the Global North and South, offering some notable advantages to private-sector alternatives such as P3s (Boag & McDonald, 2010). These include the benefit of knowledge transfer and the promotion of democratic accountability, which, in the absence of profit-seeking initiatives, help to strengthen the provision of public services (Lobina & Hall, 2006). Taking into account the global presence of water privatization, and particularly in the Global South (Prasad, 2006), PUPs provide not only cooperative and democratic service delivery between public partners or states, but also the resources necessary in form a network of resistance against
future commercialization - the relationships that result from PUPs can help generate solidarity in safeguarding public water from privatization. As one member in a successful Peruvian partnership argued, “PUPs are a technical tool and at the same time a political tool for those working towards effective public water delivery and the universalisation of water services” (Hall et al., 2009, p. 5).

A final alternative for water services is the return of existing private operations to public management, known as remunicipalization. As Pigeon and his collaborators state clearly (2012), “the reasons for remunicipalisation are diverse, but in no small part stem from the failures of water privatization” (p. 8). There have been many successful operations (Pigeon et al., 2012), including the Hamilton-Wentworth water and wastewater system (the first water P3 in Canada), which returned to municipal operation in 2004 after a ten-year, multi-partner privatization scheme failed (Ohemeng & Grant, 2008). As was noted earlier, the Hamilton-Wentworth saved $1.2 million in operating costs in the year following the return to public management, with no increases in “efficiency” at the expense of labour. While only one example, this case exemplifies the incompatibility between public services and the private necessity to accumulate. Remunicipalization offers a solution to this, and thus I hope it will be further recognized as a starting point in reversion from the potential and contradictory future of municipal water P3s.

Conclusions

Water privatization has become a common political response to the purported inability of neoliberal states around the globe in adequately financing water services. While privatization has been widely unsuccessful at meeting its stated goals, it has nevertheless been repackaged in the form of public-private partnerships (P3s), yet still involves much of the same market-oriented regulatory change that characterizes neoliberal governance.

This research sought to investigate the growing government focus on public-private partnerships (P3s) in the Canadian water sector, despite the existing record of its failure. More specifically, I hoped to draw connections between this increasing preponderance of water P3s and the economic crisis of 2008, and to determine how the response of the
Canadian state – one of economic austerity and encompassing neoliberal governance – could be conceptualized as being facilitative of capital accumulation. In light of this, I hoped to uncover the incentives to private-sector involvement in Canadian water services, and therefore sought to discuss the contradictions that may arise in relation to these incentives and thus, to better envision alternatives and resistance to them.

In chapter one, I developed the theoretical and empirical framework in which to view Canada as a contemporary neoliberal state. Canada, having fared comparably well through the economic crisis of 2008, has nevertheless committed itself to entrenching neoliberal governance as a solution to the current economic recession. I described how such actions should be viewed, in contrast to the discursive representation of economic stability in recent years, as a socio-political future dedicated to the economics of neoliberal austerity.

Chapter two charted the impact of neoliberalism on water management, documenting the shift to governance techniques such as commercialization and privatization. Using common debates as well as topical Canadian and international examples, I argued that such changes themselves help to reveal water privatization as an extension of capitalist commodification, commercialization, and ultimately, accumulation. Following this, I presented the waterscape of P3s in Canada, by comparing the benefits of this method of procurement asserted by the state to the genuine outcomes observed in Canada. I explicated the reality that P3s, regardless of the rhetorical benefits to Canadians, offer no benefit compared to traditional public procurement, before presenting an overview of existing water P3s in Canada.

In chapter three, I analyzed recent policy changes affecting P3 political and economic governance, which, I argued, are characteristic of the ongoing entrenchment of neoliberalism in Canada. Recent theoretical work has highlighted the regulatory insecurity of neoliberalism following the crisis, which has resulted in a resurgence of political actions seeking to reestablish the conditions for capitalist growth by way of policy experimentation and adaption (Peck et al., 2012; Brenner et al., 2010). Applying these insights, I described how very recent policy changes concerning municipal infrastructure funding now incentivizes private investment in water services by hindering local governments’ ability to fund necessary projects without a heightened level of
private-sector involvement in both financing and service delivery. Stated succinctly, policy and regulatory change, characteristic of neoliberal governance, has opened the Canadian municipal water sector to state-sponsored privatization.

Taking these findings into account, chapter four focused on the capacities in which P3 water privatization can be seen as a site of capital accumulation. First, I drew connections between the theoretical work of Harvey (1978) in arguing that the temporal and spatial features of this recent activity can be viewed as a “fix” for private capital, offering a long-term, secure site I which to ride out the instabilities of the economic recession. This vantage offers a viewpoint from which to describe P3s as a more stable and ongoing feature of neoliberal accumulation and municipal expropriation, in which local autonomy is usurped by the state in order to facilitate private-sector penetration. I showed that this activity may have contradictory outcomes for organized labour, and, in conjunction with (un)anticipated international trade with Europe, could result in an even more extreme loss of municipal control in facilitating local infrastructure development or service delivery. Though not to end this thesis feeling defeated, I concluded with an example and discussion of the capacity for resistance to neoliberal privatization, and a review of existing public-focused alternatives.

**Future Research**

One goal of this research was to gain a comprehensive account of municipal privatization in Canada. While this approach has allowed for an understanding of how such activity connects to the developments of neoliberal capitalism in general, it has nevertheless limited my capacity to focus on the particularities of individual privatization projects. Future research is needed in determining how the funding policy described above will be mitigated at the municipal level. As such, case study research beginning with the P3 screening process may help determine how municipalities are now more prone to using P3 procurement (either by choice or political force), allowing for a second, more focused comprehensive survey of the P3 waterscape. Additionally, the research at hand exposed, though only briefly, the interconnectedness of pro-P3 stakeholders that are present in Canada. An investigation of the networks existing between different levels of government, private capital financing, construction, and third-party support firms would
help expose the relationship between privatization in Canada and circuitry of transnational capital, thus allowing for a more detailed critique of the resistance needed in challenging P3s.

In light of the growing opposition to international trade agreements such as the CETA, research is needed in determining how community-level organization has been successful in resisting privatization. Research of social movement activism of this sort has been informative for struggles against outright privatization in Latin America (Spronk 2007; Assies, 2003) and South Africa (Bond and Dugard, 2008; Bond, 2008), but little work has been done to investigate P3s in this way. Perhaps critical ethnography or a similar methodology could shed light on the political and organizational capacities of communities that have successfully opposed privatization schemes.

Finally, this thesis has invigorated a personal interest in understanding the competing rationalizations of value that exist in the debate surrounding the privatization of water. Neoliberal capitalism has been successful in reducing much of our social world to economic conceptualizations of how value is to be understood, thus permitting the ongoing commodification and privatization of what is an essential and irreplaceable entity for all life. The ability of the market to mask, or following Castree, “displace” (2003) the inherent nature of water is indeed troubling, considering our indebtedness to it. What this says about the extent to which we as humans are alienated from water, and thus – through our internal composition – from ourselves, is a point of philosophical interrogation I believe is important to pursue.
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