

# **BUSINESS AS USUAL? RESPONDING TO THE GFC ON THE GOLD COAST**

**Paul Burton**

The nature and causes of the current global crisis continue to generate substantial debate, including over whether it is primarily a financial crisis, an economic crisis, a crisis of political legitimacy or some combination of all. While the roots of the crisis may well lie in the rapid expansion of an unsustainable financial regime it clearly became a more wide ranging economic crisis, posing substantial challenges to the financial rectitude of many governments and to the legitimacy of at least some superficial aspects of the capitalist mode of production.

This article is concerned less with the underlying causes and genesis of the crisis than with its spatial manifestations, or rather with its characteristics as an urban crisis. After considering briefly the analysis of the crisis presented by the Prime Minister, it focuses on manifestations of and responses to the crisis in the city of the Gold Coast in South East Queensland, described by some as 'our most obvious capitalist area' or 'a free market city' (Jones, 1986) but also as a place of 'adolescent urbanism' (Burton, 2009).

## **The GFC and Rudd's Response**

One of the most common responses to the GFC by governments around the world has been the introduction of packages of public spending designed to shore up vulnerable financial institutions and stimulate

economic growth. The nature of economic growth and the measurement of economic health are important aspects of our understanding of this crisis and thus of how we frame possible responses. Technical definitions of growth and recession also matter when it comes to wider measures of business confidence in markets and public confidence in government. Earlier this year (2009) the Westpac-Melbourne Institute Index of Consumer Sentiment rose by over 23% in two months. This was 'unquestionably a stunning result' according to Westpac Chief Economist, Bill Evans, and one attributed mainly to Australia dodging a technical recession while the rest of the world failed to do so (Westpac Banking Corporation, 2009).

Challenging the preoccupation with short term fluctuations in GDP as the main measure of national economic vitality, some political economists have considered the arguments for constructing and applying new measures of growth, progress and well-being (for example, Stilwell, 1999). Hamilton's Genuine Progress Indicator (GPI) presents one interesting alternative: his comparison of Australia's GDP and GPI profiles over a 45 year period from 1950 shows a steady increase in GDP but a downturn in GPI from the 1980s onward (Hamilton, 1997). This disjuncture was caused by changes in the underlying distribution of income – with the post-1980 downturn in GPI coinciding with a decline in the share of total income received by the bottom 20% of the population – along with rising levels of foreign debt, the growing cost of unemployment and overwork and rising costs of greenhouse gas emissions. Thus, while conventional economic measures suggested that things had got better for most Australians, an alternative measure indicated that the uneven distributional pattern has had a negative effect, not just on those who directly lost out, but on the aggregate as well.

The distributional impacts of the crisis were not especially prominent in the analysis of the current crisis presented by Prime Minister in his essay in *The Monthly* (Rudd, 2009). The essay is fascinating, however, both for its content and for the fact that the Prime Minister chose to present his views in an extended essay as well as in the more conventional sound-bite format. The challenge for the social democracy, according to Rudd,

is to 'save capitalism from itself'. If this is not achieved then 'new political voices of the extreme Left and nationalist Right will begin to achieve a legitimacy hitherto denied them'. While the 'unrestrained greed' of extreme capitalism is to be rejected in principle and regulated in practice, 'the great strengths of open, competitive markets' must be acknowledged. In short:

Social democracy's continuing philosophical claim to legitimacy is its capacity to balance the private and the public, profit and wages, the market and the state (Rudd, 2009:21).

The challenge facing the government is to restore and rebuild confidence in the value and potential of properly regulated markets; but little is said about new forms of government, new machinery and processes of government and the new approaches to policy making that are needed to rebuild this confidence on the ground. Little also has been said to date about how these new approaches to government might apply at state and local, as well as federal, levels and how they might play out in the Australian cities where most of us live.

### **Cities and the GFC**

Cities are not just a stage on which the economic crisis is played out. The quality of life for most Australian citizens is heavily influenced by the qualities of the city in which they live: by the nature and location of their housing; by the availability of employment opportunities; the quality of local services and by the ease with which they can move around their city.

Those responsible for managing and planning cities are obliged to deal with growth – positive or negative, actual and potential. They seek out footloose capital in order to stimulate growth in their area and compete with other places for this privilege. They try to organise growth so that it occurs in the places and in the forms they prefer and they must try to influence its phasing and timing. Prospective developers (in the broadest

possible sense of the word) routinely challenge these impositions on their activities for being onerous, ill-considered, causing delay and imposing unnecessary burdens on business. But the regulations provide valuable certainty in otherwise volatile markets, offer a brake on the more excessive proposals and collectivise some of the costs of development.

This is one of the enduring contradictions of urban development and planning in a capitalist society: trying to manage the difficult balance between regulation and facilitation, between reducing the profitability of development through taxation and the need to raise money to provide public goods, and between social investment and social consumption spending (O'Connor, 1973; Saunders, 1981). In Queensland the threat of a fiscal crisis of the local state prompted a recent round of council amalgamations, designed in part to improve their financial sustainability through economies of scale. More generally, there is a related, albeit lower profile, threat to Australian local government in the form of the capacity of councillors and the strategic planning capability of councils – as the following regional case study illustrates.

### **The Gold Coast and the GFC**

The small towns of Southport, Burleigh, Nerang and Elston (later renamed Surfers Paradise) grew in the first half of the 20th century and the whole of this area began to develop a reputation both as a holiday destination and as place of innovative housing development. Canal estates emerged and, from the late 1950s, high rise developments also began to appear and now dominate much of the coastal strip. Strata and community title legislation, along with favourable taxation regimes, further stimulated development and contributed to the Gold Coast's enduring image as a place of relaxed lifestyles and dubious politics: 'a sunny place for shady people' according to Jones (1986). Administratively, the South Coast Town Council became Gold Coast Town Council in 1958 and merged with Albert Shire Council in 1995 to

become Gold Coast City Council, the second largest local government jurisdiction in the country responsible for managing the sixth largest city.

The recent economic crisis has provoked some notable corporate failures on the Coast in the last year (2008-09). The Raptis Group, one of the most prominent local development companies has gone into administration along with local boat builder, Riviera and finance company, City Pacific. While these failures have a potent symbolic value, they also led to considerable hardship on the ground: an army of sub-contractors suffered through delays in the completion of Raptis' Southport Central scheme; substantial numbers of young apprentices in marine construction and engineering were laid off by Riviera and dependent companies; and many City Pacific investors lost all of their savings. More generally, the local development and construction sector has suffered from a pronounced contraction in the number of property finance lenders and the virtual disappearance of so-called mezzanine financing, previously a popular source of development finance on the Gold Coast (Abrahams, 2009).

There is, however, a sense of *déjà vu* about economic crises on the Gold Coast. In the early 1990s, the Raptis Group only just survived the global downturn of that time but by the end of the decade had bounced back and completed the commercially successful Chevron Renaissance project in the heart of Surfers Paradise. After the slump of the early 1970s, local real estate agents, the McWilliam brothers, formed PRD, which expanded rapidly as the local property sector revived to become one of the largest real estate companies in Australia by the time they were bought by Colliers International in 2006. In a city driven by property development and speculation it is not surprising that periods of national and international economic downturn are accentuated, but nor is it surprising that the economic misfortunes of some provide opportunities for others. Taken as a whole, the city economy has been remarkably resilient over the course of its comparatively short history.

This experience of the Gold Coast emphasises that place matters: that a global crisis will impact differently on the Gold Coast compared with

Brisbane, Sydney or Melbourne. The differences reflect different trajectories of economic development and local economic structures. A city based on tourism and building for an expanding population will have a different exposure or risk profile to one based primarily on manufacturing or financial services. However, the differences are also a product of local governance structures and how local councils, in partnership with other tiers of government, respond to major threats to their local economy.

On the surface Gold Coast City Council was reasonably well placed to cope with the crisis in 2009. Despite the recent loss of substantial revenue streams (from the transfer of bulk water assets to another entity and from the rate revenues lost from Beenleigh's population as a result of the previous year's council amalgamations), the Council still had a budget of over \$1 billion and an expanding rate base due to the continued inflow of migrants from overseas and from inter-state. State and Commonwealth investment in a new light rail system and a major new university hospital had been secured and two new sporting franchises established for soccer and AFL.

However, the Council faced a substantial reduction in the revenue from fees and infrastructure charges that had been driven by development activity and it continues to struggle with the perennial political challenge of minimising rate increases without cutting local services and other investment programmes.

While councils are regularly criticised in the press for their parochialism and short-sightedness, on the Gold Coast the Council had already embarked on a new programme of strategic planning for its future. The *Bold Future* visioning project was established in June 2007, with responsibility for overseeing the work and preparing a report to Council given to an Advisory Committee which met for the first time in October 2007 and submitted its final report to Council in November 2008. The Advisory Committee included representatives from many sectors and commissioned an extensive programme of public participation and community engagement.

A noteworthy aspect of this process is the high degree of consensus around the key principles to be applied when planning for and managing the future growth of the city. The overall vision for the future of the city over the coming 30 years is increasingly green, including a desire to see more vegetation cover within the city and a general disposition towards more localised lifestyles, with greater opportunities to work, learn, shop and play within distinct communities. This green vision also includes a clear preference for better connections between these smaller sub-city scale places that offer feasible alternatives to private car use and recognition that new forms and sources of employment will be needed if the growing population is to have reasonable opportunities for relatively secure and well paid employment.

As the economic crisis unfolded early in 2009, a different approach to planning for the future emerged in the city – one in which the interests of the development industry, never enamoured of the green and open, consultative character of *Bold Future*, were more prominent. The *Gold Coast Bulletin*, in conjunction with Griffith University and Business Gold Coast, hosted a half day event in March 2009 designed to identify local ‘shovel ready’ projects that would help the city deal with the economic crisis. Based loosely on the Prime Minister’s 2020 summit, the event brought together around one hundred local people, most invited because of their perceived knowledge and experience of business, commerce, tourism and property development, but with around one third of places filled by individuals who nominated themselves through the pages of the *Bulletin*.

The proposals that emerged from this process have since been promoted regularly in the *Bulletin* and supported by Gold Coast City Council (GCCC, 2009). They have included increased support for tourism promotion, the development of new eco-tourism opportunities and the integration of education and R&D facilities at the Gold Coast Health and Knowledge Precinct. One set of proposals signals a concerted effort to restore the principles of the old regime of governance on the Gold Coast. It echoes the views of the Urban Development Institute of Australia and the Property Council of Australia and reflects a belief that the

development sector would be best placed to meet the challenges of growth in Australian cities if its development proposals can be realised on land within an ever expanding urban footprint, are approved quickly by local councils and are supported by infrastructure paid for by local general taxation rather than by specific charges.

Buttressed by research that even *The Australian* described as of questionable rigour (Ryder, 2009), this viewpoint is unable to countenance the possibility that suburban expansion may already be unsustainable, let alone in a low carbon future, that complex development applications may take time to properly determine and that the public at large is resistant to increases in general taxation to underwrite the profitability of housing developers.

How has the Council dealt with the challenges illustrated by these different visions for the future of the city? In practice it is working within existing legislative and policy frameworks to plan for the longer term future, while trying to manage the short term political pressures of fiscal and social responsibility. It has prepared a Climate Change Strategy that proposes a number of modest measures (methane capture from landfill, green vehicles for council staff, and energy efficiency measures in council buildings) while avoiding issues such as coastal protection and the prohibition of new building in flood prone areas. It is currently reviewing its Planning Scheme and aspires to produce a clearer and simpler scheme that delivers good outcomes in a timely manner, but it is struggling with uncertainty created by a state-level transformation of the Integrated Planning Act into the Sustainable Planning Act.

More generally, the challenges faced by the Gold Coast City Council are those faced by many of the larger Australian cities: reconciling the short term imperatives of the electoral cycle with the longer term challenges of managing a relatively fixed urban environment; dealing with the inter-organisational problems of a three-tier system of government; meeting growing demand for social and physical infrastructure within a constrained budget; and exercising clear and strong leadership while trying to engage effectively with the mass of the population.



## Conclusion

Towards the end of the most recent long boom period of Australian capitalism, described by Lloyd (2008) as its 'millennial phase', the local state on the Gold Coast showed some signs of a new regime of governance with greater emphasis on long term planning and strategic intervention. In earlier periods it had been seen, correctly in the main, as a local regime dedicated to serving the direct interests of local development capital. Its planning scheme in the 1980s was described as a 'convenience document' (Jones, 1986); and what was good for developers was generally held to be good for the city as a whole.

In the early years of the new millennium, however, there were signs that the Council was prepared to pursue a more modern approach to planning and to negotiate vigorously with developers to achieve higher quality architectural and urban design outcomes. The *Bold Future* process indicated a commitment to a longer term and more strategic approach with a greater emphasis on social and community planning in the still rapidly expanding suburbs. This can be interpreted as an acceptance that urban growth might mean more than just an increase in population and house construction. As Wilkinson and Pickett (2009: 247) have said, 'further improvements in the quality of life no longer depend on further economic growth: the issue is now community and how we relate to each other.'

The effect of the current economic crisis has been to restore the primary concern of all tiers of government with economic growth. In urban Australia responses by government to the crisis have typically been limited to traditional economic stimulation measures in the face of familiar calls from developers for public subsidy and reduced regulation. There is little evidence of different conceptions of growth figuring in the discourses of national and local politics; and embryonic local plans for more sustainable urban futures appear to be under threat. However, the medium-term prospects remain contestable, as the experience of the Gold Coast illustrates. Meanwhile, although some commentators have asked,

‘crisis, what crisis?’, it might be more appropriate to describe the current state of play as ‘business as usual’.

*Paul Burton is Deputy Director of the Urban Research Program and Professor of Urban Management and Planning, Griffith University*

*Email: p.burton@griffith.edu.au*

## References

- Abrahams, A (2009), *Finding the money, presentation to Turning Point 2010 Conference*, Gold Coast, 27 August.
- Burton, P. (2009), *Growing Pains: adolescent urbanism on the Gold Coast*, Paper presented to the State of Australian Cities Conference, Perth, 24-27 November.
- Gold Coast City Council (2009), *Rescue Patrol Update Report*, Adopted report of the Economic Development Branch to the Economic and Tourism Committee Meeting of 26 May 2009, Gold Coast: GCCC.
- Hamilton, C (2003), *Growth Fetish*, Crows Nest, NSW: Allen & Unwin.
- Hamilton, C. (1997), *The Genuine Progress Indicator*, Discussion Paper No 14, Canberra: The Australia Institute.
- Jones, M. (1986), *A Sunny Place for Shady People*, Sydney: Allen and Unwin.
- Lloyd, C. (2008), Australian Capitalism Since 1992: A new Regime of Accumulation?, *Journal of Australian Political Economy*, no 6, pp. 30-55.
- Nicholls, W. (2008), The Urban Question Revisited: The Importance of Cities for Urban Movements, *International Journal of Urban Regional Research*, vol 32, no 4, pp. 841-859.
- O’Connor, J. (1973), *The Fiscal Crisis of the State*, New York: St Martin’s Press.
- Rudd, K. (2009), The Global Financial Crisis, *The Monthly*, February, 20-29.
- Ryder, T. (2009), Mire of misinformation makes sensible investing almost impossible, *The Australian*, 23 July 2009, p32.
- Saunders, P (1981), *Social Theory and the Urban Question*, London: Hutchinson.

Stilwell, F. (1999), Review of R. Eckersley (ed) *Measuring Progress: Is Life Getting Better?*, *Journal of Australian Political Economy*, no 44, 127-139.

Westpac Banking Corporation (2009), *Surprise Surge in Consumer Confidence*, Media Release, 8 July 2009.

Wilkinson, R. & Pickett, K. (2009), *The Spirit Level: Why more equal societies almost always do better*, London: Allen Lane.

## **LABOUR and INDUSTRY**

*A Journal of the Social and Economic Relations of Work*

Volume 20, Number 1: August 2009

### **Contributed Articles**

*Teresa Chase and Melissa Brewer*

Sexual harassment in the workplace and conciliated outcomes: who really benefits?

*Michael Barry and Marco Michelotti*

Market power constrained: union and non-union collective bargaining outcomes in the Australia resources sector

*Peter K. Ross*

New technology and work in the Australian telecommunications sector: what role for technicians?

*Sarah Kaine*

Regulation and employment relations in aged care

*Nick Wailes, Russell D. Lansbury and Anja Kirsch*

Globalisation and varieties of employment relations: an international study of the automotive assembly industry

Plus book reviews

**Submission and subscription enquiries can now be made by email to:**

***labourandindustry@buseco.monash.edu.au***