

PUBLIC-LED URBAN DEVELOPMENT PROJECTS – COMPARING VICTORIA AND SCANDINAVIA

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ABSTRACT

This paper compares public-led urban development processes in Victoria, Australia and in Sweden and Finland, both located in Scandinavia. Despite the long distance between Victoria and Scandinavia, the areas have a lot in common in urban development processes and legislation; and share also characters of New Public Management (NPM). Both Victoria and Scandinavian countries seek actively ecological sustainability in urban development, but lean mostly on private companies to deliver the development.

The paper draws on NPM and property development theories. The cases chosen to be investigated are examples of public-led but market-based urban development with aims toward greater ecological sustainability. Altogether three different approaches are examined with emphasis on approach to ecological sustainability and accountability of those responsible. The precise sustainability aims differ within the cases as the conditions are rather different.

The results illuminate possibilities of combining the ecological and economical sustainability in urban development in various modes of public-led urban development, and have practical relevance in both Victoria and Scandinavia. According to the results, it is possible to enhance ecological sustainability in public-led urban development. Accountability seems to depend on form of organisation and its steering.

Keywords:

Urban development, NPM, Ecological sustainability, Accountability, Residential development

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INTRODUCTION

In market economies, urban development is mostly private business. However, it deals with externalities and affects all built environment (Kuronen 2011). This is why the society in general depends on it and public sector has put some restrictions on urban development markets (Friedmann 1987). Usually these restrictions concern urban planning and building design.

Because of the societal dimension of urban development and the dependency of built environment in public service production, urban development in general can be considered a public service (Haque 2001). This is why the critique of 'the diminishing publicness' (Haque 2001) concerns urban development too, although the private business of urban development does not take place in public domain.

However, some of the urban development happens within public domain, at least the planning decisions. Lately public sector has adopted private sector means to deliver built environment for public sector service provision or general public use. On single project or a single plot level it is rather common to use Public-Private Partnerships (PPP) to deliver schools, motorways, and so on, to relieve the pressure on tax revenues. But, when widening the scope to an urban area level, similarly the domain changes. All urban development does not take place in public domain but most parts of it are genuinely private business. Either public or private sectors can be in charge of urban development project (Henneberry & Rowley 2002; Ball & Maginn 2005). The roles of development industry vary under different legislations (Healey et al. 1995) and the institutional arrangements are, and have been, various.

Co-operation between public and private sectors happens via land-use contracts, because public sector wants to share the costs of development and growth. While PPPs are seen as a financial device to relieve that pressure they developed within an approach to public administration known as New Public Management (NPM) (Corrigan & Joyce 1997, Aulich et al. 2001). This approach arose from concerns that public administration was considered moribund and inefficient and that the solution was to separate policy making ('steering') from service delivery or doing ('rowing') (Osborne & Gaebler 1992). As 'steering' as a word covers the essentials of the phenomenon rather well in this context, it will be used in this paper as well.

In administration literature, the tendency to adopt private sector means in public sector management is generally addressed as NPM. Characteristic to NPM is, according to many studies (Corrigan & Joyce 1997, Van Gramberg & Teicher 2000, Aulich et al. 2001, Haque 2001, Christensen & Lægheid 2007, Kuronen et al. 2012):

- Market solutions have become institutionalized within the public sector in pursuit of greater efficiencies in the use of public funds;
- Single-purpose organisations dominate, separation of policy-making and service delivery, internal trading arrangements within the public sector; and
- Structural devolution which resulted in the autonomization and agencification of public sector organisations due to preference for private sector models of management; such as adopting strategic business planning and considering public as customers.

And corresponding problems related to characteristics, according to Haque (2001) are:

- Lack of public accountability;
- Unintended side effects;
- The composition of service recipients does not equal the general public; and
- Responsibility changes and diminishing role of public sector.

Because urban development is not a pure public service as has been defined above, the responsibility changes are not seen as a problem in this paper. Side effects in urban development do occur, but mostly over longer periods of time and use, so they were not taken along to this study which bears little longitudinal elements.

In property research, the rationale of development – to ensure that a site is in its most productive use within current circumstances – explains the urban structure and is the underlying rationale in all urban development acts (Balchin et al. 1995, Harvey 2000, Henneberry & Rowley 2002). Now, the idea of public authorities taking charge of urban development partially undermines the essence of the development rationale, as often the steering concentrates on ecological and social sustainability, which are institutional norms and values in terms of Pedersen et al. (2011). According to general opinion the private actors would concentrate on the productivity in terms of economical profit.

NPM shares a lot with institutional models in property research, which emphasise the organisations involved more than individuals. Recently, researchers have strived to understand the larger institutional concept of the urban development process (Guy & Henneberry 2002). Institutions are not only organisations, but also intermediating institutions, such as

'markets' or 'politics'. Institutionalism provides a way of looking at institutions, not individual organisations, and as such, enables generalisations but not organisation-specific knowledge. Institutional models in property research share a lot with the coordinative planning paradigm.

Institutionalism is not so much a covering theory but a methodological approach to the property field (Guy & Henneberry, 2002, Verna 2007), and it has proved able to rise above the limitations of explanations of the mainstream economics paradigm (Guy & Henneberry 2002). This is why it is a good viewpoint because of the assumed challenges of the development rationale in this study.

Furthermore, NPM has been claimed to fragment government's capacity to address 'wicked problems', by which is understood that even the definition of the problem is not shared, not to mention the solution (Innes & Booher 2010). Good examples of wicked problems are environmental protection or promoting ecological sustainability (Aucoin 2002, Kuronen et al. 2010). Urban development has to deal with wicked problems, and especially environmental problems create disturbance to single-purpose function systems, such as NPM organisations. The systems have to react to problems in ways that are not the most effective (Luhmann 1989, Rydin 2010).

Recently, Hanssen (2010) and Sager & Sørensen (2011) have underlined the role of (local) politicians in accountability in NPM projects. It seems that at least in Scandinavia this political steering and the steerers' accountability to their voters in elections counts as accountability, and the ability to steer different kinds of institutions with various levels of autonomy is crucial in governance (Pedersen et al. 2011).

Occasionally it happens that the public sector wants to conduct urban development by itself on some specific area for various reasons. Generally, these reasons challenge the development rationale. It may be that public sector wishes to emphasise social or ecological sustainability over economical sustainability – in other words, wants to deliver something that the market does not deliver. So far, there is little evidence of research combining NPM with public-led urban development projects or modes, even if urban development takes place in public domain as claimed above. In this paper, the different institutions are called modes, which expression recognises the diversity embedded in them.

This paper sets out to occupy the niche mentioned above by comparing three different public-led urban development modes from Victoria and Scandinavia, drawing on NPM as the background. Particular emphasis in the comparison is put on addressing the ecological sustainability and accountability. Ecological sustainability is interpreted to be high on public sector's agenda, whereas accountability is one of the challenges of NPM and mentioned widely by its critics. The underlying assumption is that all the three investigated modes operate in governance environment dictated by methods of NPM, and their success is evaluated thus in that particular framework.

NPM is a doctrine but the study follows independent transformations and reformations of certain agencies. The field of this study is governance rather than management per se; the definition of governance being 'the ways by which binding decisions for cities and city-regions are made and carried out' (Friedmann 2000, p. 469). Thus, the execution plays as vital role as the decisions.

What comes to NPM, the Scandinavian countries have followed on the path opened by Anglo-Saxon countries (Aulich et al. 2001, Christensen 2003, Christensen & Lægreid 2007). Australia especially has been one of the trailblazers, though Haque (2001) enlists Sweden, too, as one of them. The literature is rather unanimous of draws of NPM affecting the public administration in Australia, Sweden and Finland alike. What is more, the countries share a lot in public administration and in urban development business. They all have somewhat extensive public sectors, a welfare state and strong social democratic party (although the modes compared in this paper have outlived several elections), and the responsibilities in urban development are similar (Christensen & Lægreid 2007, Treasury of Finland 2009). In Victorian two-party system the election-winning party forms the state government alone, in Swedish multi-party system the parties form blocks before the election and the winning block occupies the city board. In Finland, the city boards consist of all the parties represented in city councils according to their votes.

The results of this paper, based on a three-case comparison and analytical generalisations, seem to suggest that in public-led urban development in NPM framework the ecological sustainability issues are a major part of steering and that a company form provides accountability of the project, whereas special unit within city organisation somewhat lacks the accountability.

The following sections present, first, the methods and the data used. Next, the results achieved are served along an analysis. The paper concludes with a section on discussion, which especially elaborates on the institutions and steering in urban development. The discussion includes quality issues of the study, and the section also presents conclusions of the results. Some questions remain unanswered after the discussion, which points towards a need to further investigations.

METHODS AND DATA

This study employs a comparative case study method. The cases were selected as critical cases, which would be able to reveal the essentials of public-led urban development processes and differences in them in NPM framework and enable analytical generalisations. The data was originally collected for a larger comparison including other modes as well. Common to all cases is that they operate under full public-sector ownership, aim to operate without any subventions from the owner and use private sector means. Again, the public-sector owner (state in one case and local authority in two cases) has given the urban developer a task of pursuing ecological sustainability.

The data from the three cases was collected by various procedures. The primary procedures were participant observation, interviews of key actors and publicly available material, such as published annual reports and financial statements, web pages, planning documents and newspaper articles. Originally, the retrieved data was collected to a development project data bank and covered other cases as well. Data collection and observation period lasted from August 2010 to June 2011, although some archival data dates to earlier periods. The data collection especially focused on finding evidence on form of governance, institutional 'entrepreneurship' and responsibility on public sector, and issues in ecological sustainability as the last one was suspected to differ in the different continents although the governance is similar.

After data collection, a cross-case analysis followed.

The cases selected for comparison were state-owned developer VicUrban operating in Victoria, Australia; city-owned Älvstranden Utveckling in Gothenburg, Sweden; and the city-led urban development project of Suurpelto in Espoo, Finland. The latter two are the Scandinavian examples. The economical results (profit/loss) are not fully comparable as Suurpelto is not a subject to state corporate tax, but the turnover illuminates the magnitude of the action. What is more, in VicUrban and Älvstranden Utveckling the turnover is partially dependent on home sales or lease of properties, in Suurpelto the turnover consists of development fees and land sales. Table 1 below displays the characteristics of the cases.

VicUrban was originally founded in 2004 to develop the Docklands area in Melbourne, Victoria. Later it has adopted other development tasks as well, such as the redevelopment of central Dandenong. Since 2010, new coalition government has given VicUrban the task to improve denser urban structure. Contrasting to other two, VicUrban is state-owned enterprise, whereas in Scandinavia the local authorities (cities) possess much more resources in urban development.

Älvstranden Utveckling operates to develop a former shipyard area in Gothenburg, Sweden. Gothenburg is the second-largest city in Sweden with a surrounding metropolitan area of a million people. The shipyard became unusable in 1970s due to a need to build bigger ships than what was its capacity, and the property was left to state of Sweden. It became a responsibility of City of Gothenburg in 1996, already then in a company form.

Suurpelto is a greenfield area located in the urban structure in Espoo, Finland. Espoo is a city of 250,000 inhabitants within a million inhabitants' Helsinki metropolitan area. The initiative to develop Suurpelto arose from private landowners, and instead of conducting the urban development process via traditional decisions, Espoo City Council decided to organise the development in a special unit with its own balance sheet in 2004. The own balance sheet means that the project can have its own budget, although as a part of city budget.

VicUrban and Älvstranden Utveckling started as developers of problematic docklands or shipyards in urban core. Suurpelto is a Greenfield area inside urban structure but in the suburbs.

The characteristics of cases are enlisted in Table 1 below.

Table 1 – Characteristics of the compared cases

	<i>VicUrban; Victoria, Australia</i>	<i>Älvstranden Utveckling; Gothenburg, Sweden</i>	<i>Suurpelto; Espoo, Finland</i>
Form of governance	Limited company, the state owns 100% of shares	Limited company, City of Gothenburg owns 100% of shares	Special unit within local government (City of Espoo) with its own balance sheet
Institutional entrepreneur	State of Victoria	City of Gothenburg	City of Espoo
Responsibility in public sector	Minister of state; Victorian Urban Development Authority under state Department of Planning and Community Development	City Council; a board consisting of politicians	City Council; political Business and competitiveness subcommittee under City Board
Issues in ecological sustainability	Energy and water saving	Mixed-use development, energy saving	Reducing carbon emissions (official aim is carbon neutrality by 2030)
Original approach to urban development	Development of Docklands by the authority	Development of Älvstranden area by the State	Development of Suurpelto area by city and private landowners
Average turnover in 2007-2010	AUD 214M (EUR 158M)	AUD 51M (EUR 38M)	AUD 16M (EUR 12M)

RESULTS

The comparison revealed a convergence in approaches towards urban development. Although the modes are organised differently and the entrepreneurial ownership differs, all the modes clearly shared a ‘management by results’ approach. A clear result-oriented approach as is supposed in NPM.

The analysis revealed first the interesting aspects related to urban development and NPM to be approach towards ecological sustainability and accountability, as suggested above. Both of these depend on the NPM doctrine. Ecological sustainability is interpreted to be one of the institutionalised values of public sector and accountability concentrates on politicians’ possibilities to steer the urban development institutions, and get information necessary for steering.

Pragmatic approach prevails in all three modes. The initiative to undergo a transformation towards a market-oriented organisation can be clearly interpreted to have happened in VicUrban and Suurpelto, whereas in Älvstranden Utveckling the decision to continue with the state-owned existing company and build a group of companies around it arose from pragmatic needs to ‘get something done’. The traditional city-led model was generally seen in all the three as restricting these needs.

Financially both the companies have been able to show profit under the bottom line, if the global financial crunch of 2008 is left out. What is different is the approach to the revenue. Älvstranden Utveckling invests the money into development of the area, whereas the State of Victoria as the owner VicUrban keeps the profit to itself as do the pure private developers too. In Suurpelto the prevailing idea of own balance sheet is to be able to use the revenue to the infrastructure investments.

Legislation would have allowed the public sector to conduct urban development without a limited company in Victoria (unlimited company) and in Sweden (limited partnership). As well, legislation would have allowed Suurpelto to be organised as limited or unlimited company; the latter avoiding state income tax.

In Suurpelto the balance sheet approach enabled the project to develop a pressurised automated waste collection system under a separate company. This will reduce the need for garbage trucks and enable street design t cars and pedestrians

only. In Älvstranden Utveckling the company form enabled joint ventures with private landowners which were needed to develop some areas. The city as legal entity could not have entered such ventures on commercial basis.

The special interest in this study was approach to ecological sustainability and accountability of the modes. The results related to those are displayed in Table 2 below.

Table 2 – Display of the results related to ecological sustainability and accountability in the compared modes of public-led urban development

	<i>VicUrban; Victoria, Australia</i>	<i>Älvstranden Utveckling; Gothenburg, Sweden</i>	<i>Suurpelto; Espoo, Finland</i>
Approach to ecological sustainability	Quality program to ensure ecological sustainability.	Quality program with a strong emphasis on energy saving.	Area-specific overall environmental strategy.
Accountability	In two-party system the minister and their party is directly accountable to the voters. The minister appoints the company board.	The board of the company is manned by local politicians of the election-winning block (including the city mayor) and appointed by City Council. The Council is directly accountable to the voters.	No dedicated board but a sub-committee of city board with several responsibilities consisting of all the parties represented in City Council. No direct accountability to the voters.

In pursuit of ecological sustainability the main mean in all three is steering by quality programs which cannot overrule official building codes, but have a positive effect on urban planning and infrastructure. Älvstranden Utveckling builds also energy-efficiently itself. It seems to be that public-led urban development can enhance ecological sustainability.

Quite surprisingly, the accountability of limited companies is suggested to be better than that of an unit within city organisation. This is due to two reasons: first, to the political organ in charge of Suurpelto being responsible of many other tasks as well, and second, the multi-party City Board making major changes in board over elections extremely rare. In both the companies, the steering organ (minister appointing the board in VicUrban and City board in Älvstranden Utveckling) can undergo a total change in elections.

DISCUSSION AND CONCLUSIONS

As was already suggested in the Results section above, a balance sheet unit and limited company are not the only options of public-led urban development modes, nor are they the only ones in use. The issue corresponds tightly with public sector land policies and legislative environment.

Well-established urban development company can deliver urban development projects successfully, and the institutional arrangements with which the delivering organisation can be arranged are various. The results match well with the general idea of NPM, which is management by results. The multitude of arrangements also points to neo-institutionalism and a pluricentric approach to steering often purpose-built organisations (Pedersen et al. 2011). A weakness of NPM is that there are limited means of including people, even as consumers, in managerial processes (consumer satisfaction is frequently used) but these presume existing consumption relationships (Kuronen et al. 2012).

Also Sager (1994, 2011) has used the word ‘steering’ in the sense it has been used in this paper, although he connects steering with planning. This forms a clear link between property, administration and planning theories, and the link seems to be a fruitful basis for future theory generation.

Related to development rationale, this modest comparison would seem to suggest that ‘the most productive use of a site’ could also be ‘the most sustainable use of a site’, when public sector conducts the development and sustainability is understood as economical sustainability, ecological sustainability and social sustainability. These would seem to be at least partially inter-transferable. So, the rationale is connected to the institutional values. However, this line of thought needs much more confirmative studies.

The practical relevance of the study concerns mostly public administration and partially private developers in Victoria and Scandinavia. Even if the market share of any of the compared modes is not particularly high, in certain areas the

public sector can dominate urban development by operating in the guise of private company. However, demanding accountability from public sector actions, even within a company in public sector domain, is justified.

The theoretical contribution of the study is very limited, although the connection between NPM and urban development projects clearly is a strong one and has so far been in eclipse of scientific community interests. It seems that the single-purpose attitude of NPM needs to prevail in the steering organ as well. There is clearly a need to bring the issue forward in property related management and administration research in the future. Emerging theory of Pedersen et al. (2011) also supports this idea, so this paper is in no position to claim absolute originality but to contribute to discussion from urban development viewpoint.

The results throw light on possibilities of combining the ecological and economical sustainability in urban development, and have practical relevance in both Victoria and Scandinavia. The assumed and found similarity strengthened the analytical generalisations, which were propositional to NPM framework.

This study employed a comparative case study method. When conducted rigorously, case studies enable analytical generalisations. As the countries share surprisingly lot in public administration and urban development business, the comparison was fruitful indeed.

To increase validity, multiple sources of evidence were used in all three cases. The relevance of data was weighed based on authors' preunderstanding on urban development processes and several researchers both collected the evidence and discussed the analysis. The cases were rather, even surprisingly, replicable which also increases validity. A thorough key informant review was not possible in all the cases but it was conducted in Suurpelto and partially in VicUrban case. Approach to the cases was similar in all three which increases reliability.

This paper concludes that it is possible to advance different aspects of ecological sustainability in public-led urban development, but partially it may happen on the expense of profit. In accountability, a surprising finding was that company structure provides greater opportunities to steer than acting as a department of city. This also makes the board accountable of its actions.

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