

Curbing the political abuse of development approvals

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Online Opinion 1st February, 2006

Clover Moore has recently joined a long line of state government ministers in venting their rage about the activities of Max Moore Wilton, CEO of the Macquarie Bank-owned Sydney Airport Corporation Ltd (SACL). SACL is providing facilities on Commonwealth land that it controls for new shopping malls and cinema complexes.

While the fury of state politicians on this issue is seemingly surprising, it becomes all too understandable once the links between property development, politicians and regulation are properly understood. Planning approvals form the bedrock of a system of patronage that has long been the bankroller of NSW politics. Sydney Airport threatens to seriously undermine this.

Politicians use their veto powers on new development proposals to allow favoured parties to proceed with such infrastructure. The regulatory system allows a scarcity of such facilities and those fortunate enough to obtain approval are therefore cushioned from competition. Political power both grants planning approval and can deliver regulatory protection to those that have the approvals. This regulatory constraint means higher prices than would otherwise be necessary to attract the consumer. Higher profits from higher prices to the consumer are the corollary.

Some of these profits are passed back in informally pre-arranged payments to those politicians at a local and state government level that are manning the political gates.

Although very few politicians are corrupt in the sense of openness to personal bribes, they rely on networks of patronage in terms of helpers and cash to fund their election and re-election. Some politicians overstep the mark. The luckless Councillor Mohamed Abbouche from the Melbourne City of Hume, through what he calls an "honest oversight", failed to report a campaign donation from a developer who he supported in a successful application. The Victorian premier sees it differently and has banned him from the ALP Caucus.

Gold Coast Deputy Mayor David Power seems to be in even deeper trouble. A public inquiry has found that the deputy mayor solicited and, with other parties, controlled developer-backed finance to bankroll the election of a group of candidates posing as independents.

Development approvals are a formidable source of campaign finance because potential donors can clearly see the benefits.

Some of this source of funding also finds its way into local politicians' favoured projects like an ethnic association's club or parkland. However it is allocated, it helps politicians to retain public support. In some cases, funds derived in this manner find themselves diverted to bigger projects. This would appear to be the case of patronage controlled by the Turkish community that dominated the City of Brimbank in Melbourne's north. Much of that patronage appears to be directed towards the campaign to elect Bill Shorten to the Federal Parliament.

All of this is made possible only because the political barriers to entry allow controlled competition and this means higher prices and reduced levels of service. Without the political barriers, smart entrepreneurs will be attracted to the business opportunity that the higher prices represent. Like fishermen descending on a newly discovered shoal, in the process of seeking to obtain a share of the highly profitable business they will compete down the prices. By such processes, competition hands

the benefits back to the consumer and there is no longer a surplus to be spent on the politicians for the regulatory protection they can offer.

Where planning regulations create restraints to trade, competition is prevented from bringing about the lowest possible prices. This can be avoided if politicians eschew the misuse of their powers. As in most things involving human temptations to abuse power, a more certain approach would involve removing monopolies over planning.

A resourceful and innovative business like SACL is showing itself fully aware of the synergies that can amplify the profits of its main transport infrastructure business. With Sydney Airport, it finds itself within a federal enclave inside Sydney. It therefore represents a rival planning body and this seriously undermines the state government's planning approval monopoly.

In setting up the privatised airports authorities, the Federal Government was alive to the opportunities for higher sales prices that were being created by the regulatory created shortage of urban infrastructure. Planning controls, to the consternation and even puzzlement of state negotiators, were kept out of state governments' hands.

Both Melbourne and Brisbane have seen some developments as a result. But it is the planning restraints in place in southern Sydney that have the greatest profit potential. SACL, as landlord, now intends to exploit the high prices brought about by the areas's shortage of the services. There is a massive upside for the community as a result of this subversion of monopolistic protective planning structures. Undermining those monopolies unleashes competition and provides the consumer benefits that have previously been skimmed off by the protected suppliers and their associated political patrons.

Max Moore-Wilton, a veteran public service mandarin, is to be replaced as CEO of SACL by the ABC's Russell Balding. One of the final acts of Max, now en route to the non-executive chairman's role within SACL, may therefore be that of the inadvertent midwife of a genuine public benefit. By exploiting a rival planning jurisdiction, Sydney Airport is turning itself into a regulation-light zone. This unravels the web of regulatory protections that bind NSW developers to political machines. The ALP in NSW has been unrivalled in honing these mutual benefits. The NSW consumer may soon feel relief from some serious regulatory imposts its elected representatives have imposed.

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[2014](#)

- > [August](#)
- > [July](#)
- > [June](#)
- > [May](#)
- > [April](#)
- > [March](#)
- > [February](#)
- > [January](#)

[2013](#)

- > [December](#)

- > [November](#)
- > [October](#)
- > [September](#)
- > [August](#)
- > [July](#)
- > [June](#)
- > [May](#)
- > [April](#)
- > [March](#)
- > [February](#)
- > [January](#)

[2012](#)

- > [December](#)
- > [November](#)
- > [October](#)
- > [September](#)
- > [August](#)
- > [July](#)
- > [June](#)
- > [May](#)
- > [April](#)
- > [March](#)
- > [February](#)
- > [January](#)

[2011](#)

[2010](#)

[2009](#)

[2008](#)

[2007](#)

[2006](#)

[2005](#)

[2004](#)

[2003](#)

[2002](#)

[2001](#)

[2000](#)

[1999](#)

[1998](#)

[1997](#)

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