

**A ‘COMMON-SENSE REVOLUTION’?
THE TRANSFORMATION OF THE MELBOURNE CITY
COUNCIL, 1992–9**

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This thesis is the culmination of almost fifty years' interest professionally and as a citizen in local government. Like many Australians, I suspect, I had barely noticed it until I lived in England where I realised what unique attributes it offered, despite the different constitutional arrangements of which it was part. The research question of how the disempowerment and de-democratisation of the Melbourne City Council from 1992–9 was possible was a question with which I had wrestled, in practice, as a citizen during those years. My academic interest was piqued by the Mayor of Stockholm to whom I spoke on November 18, 1993, the day on which the Melbourne City Council was sacked. 'That couldn't happen here', he said.

I have found the project a herculean labour, since I recognised the need to go back to 1842 to track the institutional genealogy of the City Council's development in the pre-history period to 1992 rather than a forensic examination of the seven year study period. I have been exceptionally fortunate to have been supervised by John Halligan, Professor of Public Administration at University of Canberra. An international authority in the field, Professor Halligan has published extensively on Australian systems of government including the capital cities and the Melbourne City Council in particular. I am also appreciative of the support and encouragement of Dr Selen Ercan, Higher Degree Research convenor.

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ACRONYMS

ABC	Australian Broadcasting Corporation
ACTU	Australian Council of Trade Unions
ALGA	Australian Local Government Association
ALP	Australian Labor Party (Labour until 1912)
ASU	Australian Services Union (Municipal Officers Association and Municipal Employees Association amalgamated in 1993)
BOMA	Building Managers and Owners Association (renamed Property Council of Australia in 1996)
CAD	Central Activities District (redefinition of CBD in 1985 to reflect multiple functions and interests)
CBD	Central Business District
CCT	Compulsory Competitive Tendering
GBE	Government Business Enterprise
CFM	Committee for Melbourne
CFMEU	Construction, Forestry, Mining and Energy Union
CGRCM	Committee for Governmental Reform in Central Melbourne
COAG	Council of Australian Governments
DLP	Democratic Labor Party
GLC	Greater London Council
GMC	Greater Melbourne Council
IAESR	Institute of Applied Economic and Social Research, The University of Melbourne
IMRA	Inner Metropolitan Regional Association
IPA	Institute of Public Affairs
MAV	Municipal Association of Victoria
MCC	Melbourne City Council
MCCC	Melbourne City Chamber of Commerce (established 1858 and absorbed within VECCI in early 1990s)
MLA	Member of the Legislative Assembly
MLC	Member of the Legislative Council
MMBW	Melbourne and Metropolitan Board of Works
MVA	Melbourne Voters Action
NPM	New Public Management
NIEIR	National Institute of Economic and Industry Research
NIMBY	Not in my back yard
RAIA	Royal Australian Institute of Architects
RAPI	Royal Australian Planning Institute, became Planning Institute of Australia on July 1, 2002
RACV	Royal Automobile Club of Victoria
SES	Senior Executive Service
VCAT	Victorian Civil and Administrative Tribunal
VCOSS	Victorian Council of Social Service
VECCI	Victorian Employers' Chamber of Commerce and Industry founded in 1851 and absorbed MCCC and Victorian Employers Federation in early 1990s
VLGA	Victorian Local Governance Association
VROC	Voluntary Regional Organisation of Councils
VTPAB	Victorian Town Planning Appeals Board
VTPPA	Victorian Town Planning and Parks Association, became Town and Country Planning Association
VTHC	Victorian Trades Hall Council

ABSTRACT

The unilateral substitution of an appointed commission for the elected Melbourne City Council in October, 1993 by the incoming, neoliberal Victorian Government, was followed by its disempowerment as a democratic institution before reinstatement in emasculated form in 1996. The resounding defeat of the Labor government, in 1992, coincided with an unprecedented global property collapse whose cataclysmic economic and political consequences in Melbourne were conducive to this marginalisation of the City Council and citizenry. A historic dual conflict over the governance and development of central Melbourne between the Victorian Government and the City Council on the one hand, and between central city property interests and citizenry on the other, was immediately resolved. Whereas efficiencies justified council amalgamations statewide, the Melbourne City Council was subject to separate and extreme centralisation of state government power, deregulation of urban planning and de-democratisation as a micro CBD council.

In order to examine how this extraordinary capital city transformation was enabled the historical institutionalist framework of Mahoney and Thelen is applied.¹ The institutional change between 1992 and 1999 is thus interpreted in the context of the previous 150 years, rather than as a discrete period. In the seven year case study period, historical analysis of institutional change is grounded by interviews with twenty-three protagonists who had occupied positions of power in enabling, opposing or as experts witnessing the City Council's change.

While globalisation and neoliberalism were universal megatrends, certain historic political and institutional attributes of the Melbourne City Council and its setting (a Victorian paradigm) are seen to have shaped its singular and radical metamorphosis.

¹ Mahoney & Thelen (2009). *Explaining Institutional Change: Ambiguity, Agency and Power*. Cambridge, USA: Cambridge University Press.

Further, these attributes permitted a rapid evolutionary transformation rather than a commonly perceived revolution in the City Council from 1992–9. This longitudinal perspective also indicates that, insofar as revolutionary change occurred, it was during the previous Labor decade of government (1982–92), including the only democratically elected Melbourne City Council then or since.

It is argued that the changes which delegitimised Melbourne City Council from 1992–9 were in part counter-revolutionary in dismantling the democratisation of the 1980s, while harnessing Labor’s centrist, social democratic reforms to neoliberal ends. An extreme ideological commitment to small government and to facilitating the market, belies the claim by then premier Jeff Kennett to have effected a ‘common-sense revolution’ (1995) in Victorian governance. Indeed, the bipartisan interests of state governments and those of the property sector coalesced increasingly in post-industrial Melbourne from the 1970s as a so-called ‘growth machine’. This facilitated the dramatic institutional transformation of the City Council in the 1990s in strategically favourable economic and political circumstances. As a corollary, the delegitimised CBD council entailed the effective disenfranchisement of Melbourne citizens in capital city governance, without institutional recourse. It also represented another lost opportunity for metropolitan governance at the behest of its traditional opponents – state government (notably the Legislative Council) – and property interests.

In practice, rather than a dual conflict over the Melbourne City Council, relations between the political and institutional duality resemble a double helix, bound by the imperatives of property. Despite recurrent pressure for democratic city government and for metropolitan government for over a century, the nineteenth century paradigm of central government control of a property-based, central business council was substantially reinstated between 1992 and 1999.

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PART ONE: INTRODUCTORY CHAPTERS

CHAPTER 1: THE CASE STUDY

This case study seeks to explain the distinctive and radical institutional change imposed on the Melbourne City Council – the capital city council – during the term of a Liberal/National Party government in the state of Victoria, from 1992–9. It also examines the validity of the term ‘common-sense revolution’ as applied to this change, and as used by then Premier Jeff Kennett to describe his government’s comprehensive public sector change.² The introductory chapter provides an overview and context for the study, including its justification and structure.

Institutional context

On 3 October, 1992, in the depth of a property crash and worldwide recession, a landslide election victory delivered the incoming Liberal/National Party government control of both houses of the Victorian Parliament. In the face of the highest unemployment in the nation, high profile institutional failure and a claimed net public sector debt of \$33 billion, the government announced rapid and comprehensive public sector reform, including large-scale retrenchment and privatisation. The Victorian Auditor-General described the program as ‘arguably the most significant structural and resource management changes within the public sector in the history of the State’ (Auditor-General, 1998).

At the same time, in an economic and political climate akin to a state of emergency, local councils including the Melbourne City Council were summarily dismissed. They were replaced for several years with appointed commissioners contracted to oversee amalgamations and efficiencies, deregulation of planning and rapidly staged compulsory competitive tendering, from which few services were exempt. Many

² The title of the thesis is drawn from that of the Twenty-Ninth Alfred Deakin Lecture, given by Premier Jeff Kennett at the University of Melbourne, on August 29, 1995: *Victoria’s Common-sense Revolution*.

academics and politicians have judged the changes to be ‘revolutionary’ across portfolios including local government (Connolly, 2007; Dunstan, 1997; Economou, 2006; O’Connor, 2000). Premier Kennett himself described the neoliberal transformation of government during his term as a ‘common-sense revolution’ (1995).

The singular case of the Melbourne City Council

Within this statewide municipal transformation, that of the Melbourne City Council – the core of fifty-three metropolitan councils – was separately managed by a commission under the direct supervision of the premier and with significantly different outcomes. Hence, rather than amalgamation with adjacent councils to achieve efficiencies and economies of scale, traditionally Labor-voting residential areas were largely excised, and a business-weighted franchise, boundary and other electoral arrangements designed to reinforce the new identity of a central business city council. Thus the power of the Minister for Local Government over the Council’s revenue raising, expenditure and appointment of a chief executive was entrenched.

The changes marked a redirection of the Council’s trajectory in two key respects. On the one hand, it broke with over a century’s ossification of the local government system and on the other, a reversal of the democratic franchise of the 1980s. As to the first deviation, the leading historian of Melbourne observed a decade earlier, immediately before yet another failed attempt at municipal restructure: ‘Resistance to change has ... been the enduring feature of the Melbourne political scene for over a century’, shaping the existing pattern of urban government (Dunstan, 1984, p.7). Indeed, institutional arrangements in Melbourne were subject to bitter debate, official inquiry and impasse from 1861, only twenty years after the Town Council’s establishment.

As to the second deviation, whereas the City Council had also been dismissed without forewarning by the former Liberal government in 1980, in order to establish a CBD Council, that change was pre-empted by electoral defeat. Restored in 1983, under the succeeding Labor government (1982–92), the City Council’s unprecedented and long promised democratic franchise transformed its political complexion. Then barely a decade later, the second shock dismissal of the City Council by the Liberal/National

Coalition government occurred, in 1993. By contrast, the intended de-democratisation, disempowerment and redefinition as a CBD council was fulfilled.

Whereas such intergovernmental and political conflict is an inherent and universal challenge in urban government, the pattern of sustained resistance to change and failure to implement the recommendations of repeated inquiries into metropolitan Melbourne for well over a century, is distinctive. It is argued that this reflects exceptional political and institutional properties which together constitute a Victorian paradigm of government.

Aim and scope of the research

Given this intractable dual conflict between central government and City Council from the mid nineteenth century, and between business interests and citizens in the municipality, especially from the mid twentieth century, the two-fold research question is: How was the radical institutional change of the Melbourne City Council enabled from 1992–99? And to what extent did it constitute a revolution, ‘common-sense’ or otherwise?

The argument in this thesis is that the changes to the City Council in the Kennett era, however radical, can be seen in their historical context to be evolutionary rather than revolutionary. That is, the changes which disempowered both Council and citizenry vis-à-vis state government and business, chiefly property-related, conformed to the City Council’s institutional trajectory from 1842. There is thus a paradox at the heart of this case of dramatic institutional change from 1992–9; while the wholesale transformation was manifest at that time, its genealogy can be traced to colonial times. Further, it is argued that an institutional revolution occurred not in the 1990s but during the previous, unprecedented term of a Victorian Labor government from 1982–92. The paradox deepens when the ambiguity of that little acknowledged Labor revolution is considered, an ambiguity fundamental to the subsequent Liberal/National coalition government’s ‘reinvention’ of the City Council from 1992–9.

In the Labor decade comprehensive public policy underpinned low profile, gradual but transformative institutional change, which had major implications for the role of the state government, the City Council, business (chiefly property-related) and citizenry. Managerialist public sector reforms to social democratic ends were revolutionary in effect, chiefly in centralising power, in politicising the public service and eroding the independence of the powerful and quintessentially Victorian statutory authorities. The absorption of both Council and MMBW planning powers within the state government, in particular, vastly reduced the role of the City Council and that of the citizenry in urban planning, central city redevelopment being a prime economic focus. Unprecedented legislation in 1991, excluding both Council and citizenry from the mega development of both a casino and obsolete docklands, represented further revolutionary change in the dying days of the Labor government, change commonly credited to the Kennett government.

The ambiguity in the revolutionary change in the 1980s lay in such centralisation with the state government while, at the same time and under public pressure, the Council was restored and granted its first and short-lived democratic franchise. This had unintended effects which also contributed to the 1990s transformation. For, disempowered in statutory planning terms, the Council was politically empowered by the election of a majority of young professionals (Labor and Independent), some educated in urban design and all steeped in the politics of urban development of the previous decade. Active constituent support, recruitment of urban design expertise and unprecedented strategic planning, lobbying and conflict, had major planning outcomes in policy and heritage protection during the property boom of the mid-1980s. These outcomes also intensified antipathy in state government and CBD business alike to citizen involvement on Council.

The global property collapse at the end of the 1980s ushered in a period of counter-revolution in Victoria, especially in the central city. For in 1993 the Kennett government dismissed the Council, substantially privatised and outsourced assets and services and reinforced a CBD boundary. Its appointed commissioners were charged, on contract, to disempower the Council and its citizenry, diminishing its legitimacy as a

democratic entity to service central city business, predominantly property development. Paradoxically, Kennett's experience as Opposition Leader, in subverting Labor's attempted municipal restructure in 1985–6, informed his expedient volteface once in power. The successful pursuit of long overdue restructure was now not with a view to strengthening local government competence and representation but to its subordination, especially the Melbourne City Council, the site of proposed mega property development, not least the controversial casino.

In short, it is argued that Kennett Government changes to the City Council were both evolutionary and counter revolutionary. The revolutionary changes to social democratic ends, in the previous decade of the Labor government, were readily applied to neoliberal ends in the 1990s, when their impact was observable. At the same time, the democratisation of the Council was reversed. Not only were the Labor government's revolutionary changes a prerequisite to the high profile transformation in the 1990s, but the implementation of the City Council's 1985 Melbourne Strategy Plan (through draft amendments then legislated by the state government) enabled central city revitalisation widely credited to Kennett.

Furthermore, it is argued that this unacknowledged achievement by the Council was not an aberration. For, in the historical review of gradual institutional change from 1842 culminating in its transformation in the 1990s, it is shown that two other major achievements in Melbourne's metropolitan governance are similarly overlooked. First, was the establishment and chairmanship of what became the state's major planning authority, the largest and longest serving statutory authority, the Melbourne and Metropolitan Board of Works (1891). Second was the development of the pioneering Melbourne Town Plan, overseen by a Town Plan Commission established and chaired by the Lord Mayor, (1926–9). The third was the City of Melbourne Strategy Plan 1973 and its 1985 Review and substantial implementation. All three, arguably amongst the major institutional achievements in Victoria's urban history, are attributable to the properties and strategic leadership of the City Council. Its parallel institutional evolution, paradoxically, was one of delegitimisation and disempowerment in a state whose governments' record was one of non-implementation of urban reform (Board of

Review into the Role Structure and Administration of Local Government in Victoria, 1979; Dunstan, 1984; Stretton, 1989).

Approach to the study

The case study of the Council's reinvention from 1992–9 is placed in its historical context, tracing the dual power conflicts and outcomes which shaped its governance from inception. The theoretical framework adopted is that of Mahoney and Thelen (2009) in their interpretation of gradual institutional change, within the discipline of historic institutionalism, in their edited text: *Ambiguity, Agency and Power*. They argue that the customary theoretical focus on institutional persistence has led to institutional change being too readily attributed to exogenous sources and sudden shocks. Rather, they argue that the endogenous properties of both the political context and of institutions themselves are gradually conducive to particular institutional change, institutions being distributors of power. This analytical focus on political and institutional properties is apt in the examination of an historic dual intergovernmental and political power struggle shaping the Melbourne City Council – that between state government and the Council and between citizens and property interests.

The study does not seek to assess the efficacy with which stated economic and industrial goals were achieved for the City Council from 1992–9. Rather, it seeks to identify political and institutional properties, ambiguities, unintended effects and leadership styles which, according to Mahoney and Thelen (2009), provide the dynamic conducive to extreme outcomes as is evident in the transformation of the Melbourne City Council in that seven year Coalition government term of office. The justification for this examination of institutional change in the capital city council of Melbourne – centre of the primate and most populous city of Victoria, and the second most populous city in Australia – is both practical and theoretical.

Justification for the study

First, given the intractable, dual conflict politically, between citizenry and CBD interests (notably from the mid twentieth century), and institutionally, between central government and City Council, the key question is one of how the 'breakthrough' or

resolution of that conflict in the 1990s was enabled in favour of the state government and business interests. Nor is this solely of historic interest, given that the dysfunction of central city government remains a contemporary issue, even to those who advocated the central business district council model adopted. Given that by 2003, so soon after the defeat of the Kennett Government in 1999, the City Council should be reviewed twice, dismissed for a third time and subject to further institutional change, is testament to the contested settlement and continued dysfunction of city governance.

Second, in a nation and a state which, in important respects, have been at the forefront of democratic institutional reform, it is surprising that the governance of Australia's second largest capital city should be so recently and relatively easily disempowered and delegitimised; the influence of Council and citizenry were both diminished and effectively quarantined from urban planning. This paradox of undemocratic capital city government is the more worthy of examination in a traditionally highly urbanised country having an unusual concentration of settlement in its capital cities. That it took a more extreme form in Melbourne than interstate and even, in important respects, than the 1986 reform of metropolitan London, is also worthy of examination.

Third, with the passage of almost twenty years after the critical events and turning point in the evolution of the City Council in the 1990s, most of those who were key participants in the process – elected and appointed proponents, critics and professional observers – were available for in-depth interview as to how and why the Melbourne City Council was transformed, including behind-the-scenes, informal commentary.

This study may be justified on several related levels – international, national, state and local. Internationally, authorities such as the OECD and the Brookings Institution argue that attention to reform of city governance (overlooked relative to national governance) is critical for economic reasons, those of legitimacy and of enabling integrated, area-based strategic development (Katz, 2007; OECD, 2001). Not only is this reform, somewhat belatedly, deemed a matter of prime importance nationally, it is apparent that its definition, terminology and practice is so varied internationally as to impede

comparative research of urban governance. Stoker has observed a neglect of comparative local governance relative to national government in an international overview of the literature which he attributes to the disregard in which urban government is commonly held, both as a governmental system and area of research – a ‘disappointing backwater’ (Stoker, 2006, p. 495). In Australia, the unusually fragmented structure of local government, especially in Victoria, and the narrow range of chiefly property-related functions have further condemned the third sphere to be commonly regarded as the Cinderella of government. As its flagship, the Melbourne City Council, despite capital city status, is diminished by the minor status of the whole. Hence the crucial role it has played in relation to the decisions on metropolitan government, despite curtailed size and powers, has been overlooked.

At a state level, since Melbourne was for almost three decades from (1901), the location of the Commonwealth Government, there has been disproportionate academic focus on national rather than state governance in the twentieth century compared with other states (Davidson, 1986; Wettenhall 1985). As for the political history of local government, Dunstan has decried the neglect of research, notably of individual institutions such as the Melbourne City Council. In standard Victorian history texts the City of Melbourne is rarely mentioned. Internationally too, contemporary researchers in a number of theoretical schools advocate detailed case studies of urban government with varying methodological approaches. The case of the singular institutional transformation of the Melbourne City Council by the Kennett Government has not been undertaken at length, although its changed electoral and franchise arrangements have been documented and analysed in detail by Dunstan as has reference to the City Council within the statewide reform of the 1990s (Dunstan, 1997).

A central aspect of the present research is that, in Flyvbjerg’s terms, it identifies with the tradition of institutional analysis of ‘empowering society’ (Flyvbjerg, 2006). In the institutional literature, the agency of the citizenry as a *raison d’être* and in driving change is generally absent, with notable exceptions. Civic concerns are often represented as matters to be assuaged and managed instrumentally in enabling necessary institutional change, their latent opposition defused (Neilson, 2002; OECD,

2001). Hence, a unique (and government funded) collection of essays on Victorian local government reform in the 1990s, claims to represent: ‘insider and observer accounts ... from a variety of scholarly and practitioner perspectives’ most of which reflect involvement in and/or support for the ‘sweeping’ and ‘top down’ reforms described (Galligan, 1998, p. xvi). No contribution is included from community or non-government organisations which chiefly challenged (if ineffectually) the neoliberal regime of urban governance implemented from 1992–9.

This lack of recognition was compounded during the study period, given the low profile and esoteric nature of capital city governance. In the midst of comprehensive, rapid and simultaneous statewide reforms, issues of more immediate impact such as health and education cutbacks and energy service privatisation held centre stage. Those institutions with statutory responsibility, namely councils and the peak body, the Municipal Association of Victoria, without elected representatives, were appropriated and silenced. The ease with which the Melbourne City Council was stripped of democratic legitimacy and statutory importance from 1992–9, especially in urban planning where conflict had historically been greatest, warrants examination. Since it was perceived as of low priority at the time and hence the changes made to the Melbourne City Council barely registered, that oversight needs to be rectified.

Structure of the study

In responding to the research question of how the Melbourne City Council was able to be dismissed, disempowered and de-democratised from 1992–9, the study draws on a number of disciplines, chiefly political science and history. In a study of transformative change in those seven years, it examines the genealogy of the dual power conflict – intergovernmental and political – and its resolution in favour of state government and business, chiefly property interests in the study period. To that end, the research project is structured as follows:

The thesis is divided into three parts: **Part one: Introduction** includes four chapters representing the introduction to the subject, the literature review, the research design and changes made to the Melbourne City Council from 1992–9. **Part two: Historical**

institutional analysis includes three chapters addressing three distinctive periods prior to the study period, namely 1842–1901, 1901–82 and 1982–1992. **Part three: Interpretation** includes four chapters, the first three of which identify the political and institutional attributes which are found, historically, to have enabled the transformation of the Melbourne City Council from 1992–9. The final chapter draws conclusions as to how that transformation was enabled, its revolutionary status or otherwise – ‘common-sense’ or otherwise. The significance of the findings from this case study for effective democratic city government in central and metropolitan Melbourne is distilled.

Part One: Introductory chapters

Chapter 1: Introduction – provides the justification of and background to the study of a period of radical public sector change in Victoria as it impacted on the Melbourne City Council and its context. The motivation for the research in examining the question of how such extreme change was readily effected and of its revolutionary status or otherwise is outlined.

Chapter 2: Literature Review – examines international and Australian empirical, historical and political scientific literature on urban government, chiefly from the 1970s. It addresses definitional problems in the field and alternative theoretical and methodological frameworks for institutional analysis including the nature, determinants and process of distinctive responses to common global pressures. This includes the role of discourse in enabling those responses and the relationship between rationality and power in effecting institutional change. The literature review enables the Melbourne City Council study period, 1992–9, to be located within evolving public sector management practice and analysis, providing a theoretical and empirical foundation for development of the research design.

Chapter 3: Research Design – justifies the choice of a case study for the analysis of the radical institutional change in the Melbourne City Council from 1992–9, and the theoretical and methodological approach taken. A historical institutionalist framework, drawing on Mahoney and Thelen, enables the longstanding political and institutional attributes permitting and inviting the institutional changes to be identified in the case

study period and in the three periods preceding it. The interpretation of the 1990s changes is thus based on genealogical perspective rather than as discrete phenomena in a discrete period. It is also based on contemporary in-depth, semi-structured interviews with twenty-three leading informants variously involved in promoting, opposing and analysing the institutional changes to the Melbourne City Council from 1992–9.

Chapter 4: The Process of Change to the Melbourne City Council, 1992–9 – aims to crystallise the dramatic changes effected in this seven year period, together with leadership, strategies and tactics used. It includes internal electoral and management changes imposed by the state government and related intergovernmental changes impinging on local autonomy. It seeks to capture the transition from a democratic institution to an administrative, contract manager and marketing agent on behalf of central business, chiefly property related, under state government control.

Part Two: Historical institutional analysis

This part represents an historical institutional analysis of the Melbourne City Council and its context from the Town Council's inception in 1842 to the defeat of the Labor government and assumption of the Liberal/National Party in 1992. Based on Mahoney and Thelen's (2009) theoretical framework, the genealogy of the Council's institutional development is analysed in terms of political and institutional properties permitting and inviting the radical change manifest from 1992–9. Three chapters focus on three successive eras, each opening and closing with institutional changes of significance to the legitimacy and authority of the City Council.

Chapter 5: The Victorian Paradigm, 1842–1901 – identifies the emergence of a unique variant of the Australian paradigm. It is characterised by exceptional municipal fragmentation and concentration of the power of rural property in an exceptionally powerful Victorian Legislative Council, from 1855. The colonial period from the establishment of the Town Council to the establishment of the Commonwealth Government, is analysed in terms of political and institutional attributes of the Council and its context, ensuring intractable urban dysfunction in response to successive land

and gold rushes. The linked dual conflict – propertied versus disenfranchised and City Council versus Victorian Government – prefigures that erupting from the 1990s.

Chapter 6: The Metropolitan Problem, 1901–82 – examines the continuing political and institutional paralysis thwarting long sought metropolitan governance, (under pressure from traffic and urban expansion), and post-federation until the belated election of a Victorian Labor government in 1982. Political activism in inner Melbourne from the 1960s is also examined, challenging urban planning decisions (freeway construction and ‘slum reclamation’) and mobilising for democratic representation on the City Council.

Chapter 7: State Centralisation and Local Democratisation 1982–92 – analyses the decade of major institutional changes impacting on the Victorian paradigm and the Melbourne City Council by a reformist, unfashionably social democratic Labor government. This decade is compared with earlier periods and provides a basis for evaluation of the transformation in the City Council from 1992–9. The contradiction between highly centralised institutional reforms, marginalising both City Council and its citizens, and the establishment of its first democratically elected council is examined. The political and institutional consequences of a failed attempt to restructure local government in 1985–6 (including inner Melbourne) and of antidemocratic legislation facilitating mega development late in the term, are identified.

Part Three: Interpretation of change

This part is made up of four chapters, the first two of which interpret historic and recent political attributes which have cumulatively enabled the radical institutional changes to the Melbourne City Council from 1992–9. The third chapter focuses on the institutional attributes seen to have enabled these radical changes, in particular the changes made in the 1980s and their relevance to the claimed revolution of the 1990s. All three chapters draw on the previous historical institutional analysis, grounded in evidence derived from interviews with twenty-three protagonists in that City Council transformation. The fourth and concluding chapter brings together the main findings as to how the

delegitimisation and de-democratisation of the Council was enabled. It links the political and institutional attributes driving the dual conflict, such that evolving relations between property interests and governance are also clarified.

Chapter 8: Interpreting Political Attributes, 1992–9 – identifies global trends conducive to market-based reforms, but find that distinctive political attributes have chiefly enabled the extreme transformation of Melbourne City Council. The leadership style of the premier in enforcing the changes and ‘manufacturing consent’ is contrasted with his equally decisive role in subverting Labor’s attempted restructure in 1985–6. Five sets of political attributes are interpreted as enabling the City Council’s removal and disempowerment a decade later and, equally, disabling civic response (in the absence of an elected Council). Despite lack of leadership and limited critique from expected quarters – Opposition, union, municipal, academic and media – citizen organisations mobilised, the churches being significant advocates.

Chapter 9: Interpreting the Democratic Ethos of Government and Business Elites, 1992–9 – draws on interviewees’ interpretations and rationales for the City Council’s disempowerment to provide evidence of the market-based values of the proponents of a corporate concept of the capital City and its governance. Such values, often supported by ill-founded historical institutional analysis, enable a common denial of political motivation, disputed by interviewee advocates for democratic city government.

Chapter 10: Interpreting Institutional Attributes, 1992-9 – builds on the two previous chapters’ analysis of the political enablers of institutional change. The chapter examines how the City Council’s institutional attributes from 1842, and an ambiguous legacy from the 1980s, facilitated a dramatic delegitimisation of the City Council in the 1990s. The Victorian paradigm, notably federal and state government constitutional power, is represented as the fundamental institutional enabler. Evidence is also submitted of a powerful informal alliance (a growth machine) of state government and property lobbies. *Realpolitik* in the face of agreed urban dysfunction is seen to enable

the strategic implementation of a symbolic and ineffectual CBD Council and tacit avoidance of proposed solutions to the ‘metropolitan problem’.

Chapter 11: Conclusions: Rationality and Power – crystallises the response to the research questions analysed through historical institutional analysis. The City Council’s transformation is interpreted not as a revolution but as the culmination of historic, evolutionary institutional change by virtue of distinctive political and institutional attributes. The reversal, in 1993–9, of long sought democratic electoral arrangements introduced under the previous Labor government, is represented as a counter-revolution. Neoliberal narrative is seen to be a political strategy enabling states’ rights and property rights to prevail over the rights of citizens, in ideologically driven rather than ‘common-sense’ reforms.

CHAPTER 2: LITERATURE REVIEW

Introduction

The field of scholarship in which this study is located is that of urban institutional change. Within that field, the research problem addressed is that of the rapid and radical transformation of the Melbourne City Council, without forewarning, in the term of a newly elected Liberal/National Party Coalition Victorian Government, in 1992-99. The institutional transformation was evident in the redistribution of authority and responsibility in central city government between the state government and Council, in favour of the former, and of political representation on the Council between business and citizens, in favour of the former. The thesis aims to interpret this dramatic, in a sense paradoxical transformation, the outcome of an intractable, historic institutional conflict. It is this historic dual conflict, institutional and political and its implications for governance, which is at the heart of the study.

The following review of academic literature identifies and analyses contemporary thinking relevant to interpretation of the research problem, namely the means by which the transformational change in Melbourne's city government was enabled and the extent to which it can be judged revolutionary, as sometimes claimed. Major theoretical and methodological approaches to analysis of institutional change in developed democracies are considered – their applicability and evident research gaps. This is done with a view to refining the approach to the current study, grounding it in an inherited and contemporary academic context, and drawing on the key ideas by which it is characterised. The literature review therefore provides the basis on which a conceptual and methodological framework should be developed, and for the formulation of the research question.

The review is structured in five parts:

- research context – local and external
- approaches to the study of urban government
- approaches to the study of institutional change
- implications for the development of a theoretical and methodological framework
- significance of the contribution of the present study.

Research context

Comprehensive public sector change was effected statewide in Victoria, during the term of a Liberal/National party Coalition government in 1992–9. Coinciding with a global recession the market-driven change has been characterized as the ‘Kennett Revolution’, the then premier Jeff Kennett being its unquestioned leader. Local government restructure, historically resistant to change, was a sub-set of that wider reform programme, 210 councils being reduced to 78 by 1999. Within that municipal reform, 53 metropolitan councils were reduced to 26, the transformation of the Melbourne City Council being quarantined as a separate project. While an unprecedented opportunity for the aggregation of councils as an expanded Melbourne City Council existed, (as occurred statewide, notably in the main provincial cities), the redefinition of its boundary and of electoral, functional and intergovernmental arrangements reinforced a central business focus.

The metamorphosis in Melbourne of an aberrant variant of city government in international if not Australian terms (with the exception of Greater Brisbane Council), is thus examined through the lens of the institutional changes made at the city’s core. Nominally Victoria’s capital city council and flag bearer, by 1992 the Melbourne City Council in fact represented an extremely small proportion of the sprawling metropolis: it accounted for less than 4% in area and 2% in population of the metropolitan area in which 71% of Victorians lived.³ Given the megatrends, technological, economic and ideological which impacted on all western democracies in the 1980s, the challenge is to

³ Victorian Municipal Directory (1992) 103rd Edition. Arnall and Jackson, Brunswick; and Australian Bureau of Statistics (2008) Australian Historical Population Statistics 3105.0.65.001, Canberra.

explain how the distinctive redesign of the inherited institutional arrangements of the Melbourne City Council was enabled.

As to the external research context, debate over major philosophical and governmental shifts in the role of the state has dominated research literature since the 1980s. Such governmental changes are traced in large part to the transformation and ascendancy of the financial service sector in western democracies, as a result of the electronic revolution in communication. These changes and the terminology in which they are represented are those of an emerging post-industrial age. As British urban geographer and anthropologist, David Harvey, has argued, deregulatory policies in western democracies both responded to and facilitated a ‘new economic configuration – often subsumed under the term globalisation’ (2005, p. 1). With related deindustrialisation and the competitive pursuit by governments of ‘footloose’ capital, cities and regions assumed greater prominence as the focus for international (and national) competition, sharpening inherent tension between central and city government and between cities.

The word ‘revolution’ is widely used in institutional literature of the 1980s and 1990s. It variously refers to technological, communications and post-industrial revolution as well as to managerial and ideological or neoliberal revolution. Amongst others, Michael Moran, British specialist in the politics of institutional reform in this era, uses the term ‘new paradigm’. He cites cumulative, exogenous pressures to explain ‘fundamental and pervasive change’ in the public sector:

It could indeed be traced to the rise of distinctive ideas; or it could be seen as the response to structural changes, notably to the great wave of financial globalisation originating in the 1970s that made democratic governments anxious to conciliate new footloose financial institutions (Moran, 2006; p.157).

American historian, Gregory Schneider, traces the triumph of neoconservative ideology and influence from one of a marginal ‘reaction’ (represented by Republican presidential candidate, Barry Goldwater, in 1964), to a ‘revolution’ enabling its establishment as mainstream orthodoxy in the ‘conservative century’ (2009). By contrast Harvey, from a leftist perspective, challenges the logic and values of neoliberalism, but concurs as to its

revolutionary impact. He pinpoints the years 1978–80 as the period of neoliberalisation which then ‘proliferated on the world stage’, arguing that Prime Minister Thatcher’s Britain and President Reagan’s America represented ‘epicentres’ from which:

revolutionary impulses seemingly spread and reverberated to remake the world around us in a totally new image ... a new economic configuration often subsumed under the term globalisation, was plucked from the entrails of the old ... [its political advocates] took minority arguments that had long been in circulation and made them majoritarian though in no case without protracted struggle (Harvey, 2005, p.2).

Naomi Klein’s thesis of global economic crisis systematically permitting the application of neoliberal ideology was spelt out in *The Shock Doctrine: The Rise of Disaster Capitalism*, (2008). In Australia, a measure of the ideological shift is evident in the successive reframing of home-grown Liberalism by its leading advocates (including former prime ministers and premiers) in Melbourne’s annual Alfred Deakin Trust lecture series commencing in 1967. There is an evident recasting of traditional Liberal ‘individualism’ (as against collectivism) in terms of neoliberal orthodoxy. This entailed rejection of the key role of the state (as in industrial relations and tariff protection), which had been espoused by the prime ministerial ‘founding father’ whom they ostensibly honoured.⁴ Hence, in 1980, journalist and Liberal academic, Katherine West, addressed the topic of *Australian Liberalism and the need for change* and, in 1988, Hugh Morgan, as Managing Director of Western Mining Corporation, that of *Political vision and economic reality*. In 1990, then NSW Liberal Premier, Nick Greiner, further crystallised that ideological departure in his lecture, *Australian liberalism in a post-ideological age*, in which a free-market, ‘economically rational’ ideology was represented as the new orthodoxy. By 1992, Francis Fukuyama’s concept of ‘the end of history’ became conventional wisdom.⁵

The current study is thus required to be embedded in this period of global transformation, whose distinct institutional responses in central Melbourne require explanation. Alternative theoretical and methodological approaches to the interpretation

⁴ Alfred Deakin Lecture Trust (1980, 1988, 1990). Melbourne.

⁵ Fukuyama, Francis (1992) *The End of History and the Last Man*, Free Press, New York.

of the urban institutional impacts of the global economic and ideological revolution are therefore presented as follows.

Approaches to the study of urban government

Institutional change within or affecting Melbourne City Council from 1992-9 is amenable to theoretical analysis derived from many academic disciplines. Internationally, such analysis is chiefly within the disciplines of sociology, political science and history, also drawing on ethnography, public administration, urban geography and urban planning. Insofar as scholars specialise in the sphere of city or urban government, they also work within sub-fields of these disciplines, examining institutional differences within and between countries and over time. Stoker, a leading British political scientist in the field of comparative urban government, has identified three distinctive developmental phases in the traditional literature – those of definition and classification, shared trends in approaches to the study of city government and the emergence of a ‘new’ institutionalism (2006, p. 496).

Challenges of definition

As to definition, the study of city government is complicated by the multiplicity of organisations and the complexity and variability of urban institutional arrangements and terminology within and between nations, and over time. The study of national governments is, in that sense, more manageable and more widely undertaken. The field is also challenged by the disregard in which local government is commonly held both as a governmental system and an area of research – ‘a disappointing backwater’ as Stoker observes in an international review (2006, p. 495); and ‘the Cinderella of government’ in common Australian parlance. The challenge of defining capital city government in particular, even within Australia, is heightened by the absence of systematic factual studies of either the relevant city councils or the systems of which they are part. What, in Australia, ‘is this thing called local government’ was the question posed by the chairperson of a Victorian authority charged with developing an evaluative framework (Ben-David, 2011, p. 2).

Given the relative lack of attention internationally to the study of comparative local government, of which urban government is a dominant part, Stoker argues that such classifications as have been developed tend to lack depth and to offer little scope for understanding underlying informal practices. Being descriptive, they also offer little explanatory theory; insofar as they seek to do so, he concludes that they are ‘relatively unsystematic’ (2006, p. 495). The complexity of formal variations of city size in area and population, resources, technical capacity, powers, responsibilities and political forms is compounded by the variable structural contexts, notably that born of unitary or federal systems. Even within one nation or state/province, there are variations in administrative and political structure including the layers of ad hoc and quasi-autonomous bodies in which local government may be embedded. This has been evident to an exceptional degree in Victoria (Board of Inquiry into the Victorian Public Service, 1974–6). Typologies of institutional attributes as a basis for classification may therefore unwittingly forfeit consideration vital to the wider context. Stoker’s conclusion is challenging: ‘there is clearly no consensus in the literature on the basis for any institutional demarcations’ of urban government (2006, p. 498).

Over twenty years earlier, in an illuminating analysis of Australian cities, Parkin describes the inherent challenge of defining urban government, complementing Stoker’s conclusions. He notes, internationally, a ‘rapidly growing theoretical literature which discusses (and obfuscates) the ‘nature’ of urban government and urban politics’ and addresses four definitional problems (Parkin, 1982, p. 7). First, he questions an intrinsic ‘urban’ government and politics distinct from national politics. Nevertheless he defines the city as a distinct spatial unit – a ‘lattice of locations’ over which there is intense competition for access to other locations (e.g. jobs), to links (e.g. freeways) and to lifestyle or liveability qualities (natural, built and cultural). Urban politics and government are then the means whereby space and place are allocated to enable and constrain access by competing ‘socio spatial units’, be they households or private or public entities. Intense competition over land use therefore shapes the urban political and governmental arrangements at any given time, arguably more intensively than at

other levels of government. It is thus a vital attribute to be accommodated in the current interpretation of urban institutional change.

Second, Parkin identifies the definitional problem of an institutional level of analysis: is urban government to be understood only as one having urban jurisdiction or to include the urban responsibilities and effects of all levels of government? Third, and related, is the question he poses as to an explanatory level of analysis: can 'urban' be considered independent of other factors affecting politics and government, such as class, education and wealth? In response, Parkin claims convincingly that: 'it remains immensely difficult, perhaps impossible and certainly unfruitful to demarcate rigorously the urban level of analysis from other levels or dimensions' (1982, p. 8). Supporting American political scientist, Edward Banfield, he concludes that the urban political scientist cannot satisfactorily specify the object he is investigating (1982, p. 9). The fourth and final problematic aspect he identifies is that of 'ancient questions about the "essence" or "nature" of politics and government' (1982, p. 7). Hence, while accepting the concept of spatial conflict as a determinant of urban form, urban politics and urban government, he doubts that locational considerations are independent of other political resources or of other arenas.

Despite these acknowledged conceptual challenges, a range of relevant conceptual approaches was adopted in the 1980s and 1990s, through analysis of new forms of urban institutions emerging in the revolutionary external context. Analytic approaches to the study of urban institutions prior to that revolutionary era are also found to contribute significant insights into the process of institutional change.

Interpretation of institutional impacts

From government to governance

Theories of governance represent a dominant approach to the examination of the changes within and affecting urban institutions. The different systems developed in western democracies to solve the inherent and growing problems of major cities were

subject, from the 1970s, to massive changes according to pre-eminent specialist in city government, British academic and journalist, Tony Travers. He writes of the ‘seething and chaotic system’ of contemporary London, its ‘government arrangements a profound problem’ (Travers, 2004, pp. xi, xii). As he points out, the replacement of traditional models of government by new models of ‘governance’ affected both sub-central and central government and their patterns of relationships. *The Politics of London*, as his title implies, takes the ‘often-neglected’ urban sphere beyond the academic preserve of public administration by examining the political and intergovernmental struggle involved in competing views of the best way to govern that city, pertinent to the dual conflict on which this Melbourne study is focused.

The reconception of the role of government and the bureaucracy subject to globalisation is seen to have implications for the respective roles and relationships with and between business and civil society – relevant to the political dimension of the dual conflict under examination. The emerging international critique of ‘big’ government in shaping public sector reform and in the research literature, particularly in English speaking western democracies, was promoted in the influential text, *Reinventing Government*, which coincided with the election of the Kennett government in Victoria (Osborne & Gaebler, 1992). In this context, the term ‘governance’ increasingly replaced government in the language of researchers and public officials, being entrenched as mainstream by the 1990s.

Governance, according to Rod Rhodes, became the ‘vogue’ word – the touchstone for public sector reform – in the 1980s and 1990s. He quotes Stoker’s observation of ‘governance as the respectable face of pending cuts’ under neoliberal reform, whose ‘recurrent motifs ... are competition and markets’ (Rhodes, 1996, pp. 653, 661). Once synonymous with government in the literature, governance now signified (in contested ways) a new process or processes of governing. In his detailed critique of governance literature, including urban government, he writes of *The New Governance: Governing without Government*, his scepticism reflected in the title. The problem with its pervasive use, he argues, is that the concept of governance is imprecise (Rhodes, 1996,

p. 652). Its official usage in public administration also refers to a broader concept than government, encompassing that of institutions, as in:

The exercise of political, economic and administrative authority to manage a country's affairs at all levels. It comprises mechanisms, processes and institutions, through which citizens and groups articulate their interest, exercise their legal rights, meet their obligations, and mediate their differences (United Nations Economic and Social Council, 2006, p. 2).

Frederickson (2005) concludes from his more recent and comprehensive review of the relevant governance literature, that the concept is a useful and scholarly response to evident changes in this period and their implications for public administration. These observed practices are typically described as more horizontal decision-making through brokering and networking multiple third parties (public, private and not for profit) in concerted policy and practice, as against traditional models of hierarchical and centralised decision-making. Like Rhodes, he notes a tendency by researchers to use the term loosely, such that it fails to add meaning to the traditional concept of public administration. Noting the futility of seeking a generalised, all-encompassing theory of governance, he adopts a narrow definition, namely that of 'a kind of public administration', an 'extension' of jurisdiction.

Significantly, the findings of Hill and Lynn's meta-analysis of over 800 published papers on governance are that a seeming paradigmatic shift from hierarchical to horizontal is less fundamental than tactical (Hill & Lynn, 2004). That is, although governance has become a preferred organising term, they conclude that in fact it relies on the use of new techniques within what remains a hierarchical system (Frederickson, 2005, p. 297). Given also the immediate disenfranchisement and later exclusion and electoral sidelining of citizens in the City of Melbourne in the 1990s, the critique by some theorists of the 'democratic deficit' entailed in governance is important, reflected in the shift to 'a kind of unpublic administration' (Frederickson, 2005, p. 292). Hill and Lynn (2004) argue that there has been a discount on jurisdiction-based democratic traditions, and superiority accorded to the market over the polity in evaluating effective governance: governance as an expression of neoliberal revolution.

The involvement of citizens, and related transparency in the decision-making of shifting, multiple agency partnerships are arguably impeded, as they are by government recourse to claims of commercial-in-confidence as services are contracted out. Hill and Lynn conclude that the majority of governance studies they evaluated had adopted a top-down perspective with little emphasis on outcomes or stakeholder assessment. Australian public sector analyst Mascarenhas reflects such a perspective, despite acknowledging the emerging domination of ‘ideas of economy and efficiency’ over ‘justice, equity [and] fairness’ in the management of public affairs (1990, p. 311). He concludes that countries such as Australia and New Zealand, ‘when seeking to achieve large scale change, need to adopt a consciously technocratic strategy if they seriously intend to overcome the paralysis of pluralism’ (Mascarenhas, 1990, p. 322).

Another criticism of governance studies made by Hill and Lynn, relevant to its potential application to the current study, relates to the roles and independence of the public service. The authors note a characteristic lack of acknowledgement of the greater intrusion of public servants into the assumed political and policy-making preserve of elected officials, especially legislators. Based on the findings of this meta-analysis it appears that not only is the concept of governance as an organising concept ill-defined, but its application has been predominantly associated with a top-down perspective ill-suited to the current research.

New Public Management and managerialism

Managerialism and New Public Management (NPM) are concepts widely applied in the interpretation of public sector reform in the period immediately preceding and coinciding with that of the present research. The concepts are, like ‘government’ and ‘governance’, from which they derive, subject to varying definition. The editors of an overview of the ‘great debate’ over managerialism, conclude that as a term ‘widely used to describe all the organisational changes in the public sector since 1979 [it is] neither elegant nor exact’ (Considine & Painter, 1997, p. 2).

Halligan argues that Australia and New Zealand, with Britain, made up the ‘triumvirate of Anglo Saxon countries’ identified historically with new public management, as well as having distinctive features of their own (2007, p. 218). He distinguishes two successive but inter-related phases and associated models of reform relevant to the current study period. Hence, under managerialism, in the 1980s, management is the central concept, whereas in the 1990s, under NPM, it is the market (Halligan, 2007, p. 219). It is the rise of NPM – explicitly modelling public institutions on business institutions – that is seen to have shaped a close connection between democratic and economic institutions, deregulation of the market being imperative. Its rationale, beyond that of managerialism, was the substitution of corporate strategies and techniques, its three major effects in the bureaucracy summed up as ‘The rise of contractualism in the public sector; the rise of executive agencies; and the spread of a consultancy culture’ (Moran, 2006, p. 157). The term ‘contractualism’ applies to a wide range of developments, from contracting out services to full-scale privatisation. Its extreme application in Victoria in the study period is captured in a detailed, cross-sector analysis entitled *The Contract State: Public Management and the Kennett Government* (O'Neill & Alford, 1994).

Granted these successive evolutionary phases it is significant, Johnston argues, that a commitment to new public management as strategic public governance should first have been adopted in Victoria, and federally in Australia, by the Labor Party in the 1980s (2000). She argues that despite its largely New Right origin and rejection of trade union influence, the new model of efficiency through deregulation of the market and reduced public expenditure and taxation, was embraced by Labor governments (like their conservative Anglophone counterparts) in addressing common economic problems. That is, pragmatism trumped political ideology (2000, p. 349). The concept of such phases of reform has implications for the explanation of a claimed revolution in 1990s Melbourne.

The growth in institutional autonomy through ‘hiving off’ agencies, based on a variety of contractual relationships, has had a number of consequences in Moran’s view. These are chiefly that of blurring the separation between ‘state’ and ‘market’ and of

introducing ‘business’ cultures into the public sector, relevant to interpreting the resolution of the dual conflict reshaping Melbourne City Council governance in the 1990s (2006, p. 157). The validity of the extent of application of marketization was and continues to be strongly challenged. In Australia, Wettenhall argues that government is *sui generis*, its administrative, social and ethical responsibilities being inherently different. Among its debilitating effects, he observes the tax funded and transnational growth of certain ‘not-publicly-accountable quasi-governments’ undertaking policy development, such as regarding privatisation, and brokering consequent service contracts (Wettenhall, 1997, p. 237). Variation between and within nations in that process has been classified within alternative typologies of governance by several noted theorists as a conceptual approach to interpretation of identified institutional change.

Typologies of governance

The attempt to ground the concept of governance is reflected in typologies of urban governance which distinguish ways in which institutional structure and culture interact, and by which cities may be located in the context of shifts since the 1980s. Jon Pierre has written extensively on comparative urban institutional responses to the megatrend of globalisation, emphasising the interplay between governance theory and institutional theory. In interpreting emerging roles, he constructs four governance types which vary according to the degree of inclusion of organised interests (and hence in policy outcomes), labelled managerial, corporatist, pro-growth and welfare – the last in relation to social objectives rather than in the statutory sense (2011). He stresses that governance processes are not value neutral, but ‘manifestations of, and embedded in, systems of overarching societal values concerning the role of the state in society and collective goals’ (Pierre, 2011, p. 56). Beyond partisan values, like Parkin, he argues that nation-state factors play a key role. However, the lack of empirical application in real cities, and in the actual exercise of power and conflict in shaping the governance alternatives, limits use of his typology for the present study which seeks to examine the process of change. Nevertheless, a practical implication of his discourse is apposite and relevant to the concept of organised bias in any institution. For he observes that to prioritise business interests will alienate citizens while to prioritise participatory democracy (and welfare) will alienate investors, a useful perspective on the dual

conflict shaping the distinctive institutional form of the Melbourne City Council (Pierre, 2011).

Building on Pierre's model which was first proposed in 1997, DiGaetano and Strom have developed an alternative typology for comparing newly emerging urban governance cross-nationally (DiGaetano & Strom, 2003). They identify distinctive 'institutional milieux' or complexes of formal and informal political and governmental arrangements, differing between nations, which mediate interactions between institutions and actors. As with Pierre, but more so, their explanation is couched in highly abstract terms which fail to capture (or seek to capture) the *realpolitik* of embattled interests – of winners and losers as sought in the present study.

It is clear that a framework amenable to interpretation of the institutional change in the Melbourne City Council must go beyond typologies of governance to capture the dynamic of conflicting values, their proponents and factors shaping outcomes – the how rather than the what. It must also allow for a chronological approach in interpreting reforms executed in the 1990s in relation to those of previous eras, rather than in isolation of a *fait accompli*. A theoretical approach which offers such a combination of attributes is that of 'new institutionalism'.

New institutionalism

In his authoritative review of the literature of comparative local governance, Stoker distinguishes 'old' from 'new' institutionalism in terms of emphasis on formal and informal attributes. He defines the first as the study of formal organisations that make the rules and provide the framework for collective decision-making. Such formal structural attributes, he argues, are only part of the picture, calling for a focus on *how* the practices are put in place (Stoker, 2006, p. 499). He thus advocates examination of current arrangements in terms of its historic legacies and, importantly, offers the prospect of theoretical integration of institutional and political factors

While the traditional structural analysis of institutions remains central, Stoker argues that the literature of new institutionalism enables the significance of cultural attributes to be analysed – distinctive and often implicit patterns of values and norms. In so doing he also emphasizes the relations between governance theory and institutional theory. He thus connects often separate organising concepts, each in turn subject to multiple theoretical distinctions – chiefly those of governance, institutions and regimes (Mossberger & Stoker, 2001). Hence he writes of ‘how systems of governance are constructed through a complex interplay between formal and informal institutional forces’ – local governance as institutional regime building and regimes as ‘new’ institutions (Stoker, 2006, pp. 496, 503).

‘New’ institutionalism, being concerned with the way institutions are made and, in turn, influence actors and decision-making, has become the major focus of comparative local governance according to Stoker (2006, p. 504). He claims that the concept or model of a regime (rather than a predictive theory) offers a means of redirecting focus from formal government structures to actors from various sectors and organisations, as implied in the shift from urban government to urban governance. Regimes entail special sets of relationships and the ability to build public-private cooperation around a chosen agenda. He identifies different regime types ranging from those concerned with changing land use to promote growth, to those ‘middle class progressive regimes’ with aims such as environment and heritage protection (2006, p. 508). Thus, he argues, regime power is exercised apart from constitutional power, the main purpose of a regime being ‘redirection of ideology or image’, and hence institutional change (2006, p. 509).

Moving beyond alternative regime and governance types, several theorists offer conflict and power-centred conceptions of urban institutions which serve to ground analysis of ‘redirection of ideology’ in political reality. These conceptions of institutions have implications, in turn, for conceptions of institutional change, although some predate the external revolution, ideological and otherwise, gathering force in the 1980s.

Conflict and power-centred interpretation

The construction of typologies of governance which distinguish and compare models of governance between cities or over time within cities, tends to represent outcomes for which prior institutional and political conflict is implicit rather than the subject of analysis. Indeed Pierre, one such analyst, has observed that ‘governance research is often more occupied with configuration and measurement – who is involved and who is not, and less concerned with values and the conflicts they may entail’ (personal communication, November 4, 2014). Given that the aim of this study is to investigate how the particular institutional outcome for the Melbourne City Council was arrived at, analysis of the prior conflict is a precondition. Its resolution in 1992, whereby both the Melbourne City Council and the citizenry were ‘the losers’ vis-à-vis state government and central business interests, is of paramount importance. This relates both to the interpretation of the institutional change in the 1990s and to the form of democratic city government thereafter.

More meaningful, for a study of the dual conflict in the transformation of the Melbourne City Council, is the work of scholars explicitly focused on the dynamic nature of power and its exercise – on *realpolitik* rather than abstract models of urban governance or management. Stoker’s emphasis on the informal relations of new institutionalism seems to be anticipated by Bachrach and Baratz in their classic analysis, *The Two Faces of Power*, forty years earlier (1962). Here they respond to the question: ‘Can a sound concept of power be predicated on the assumption that power is totally embodied and fully reflected in ‘concrete decisions’ or in activity bearing directly upon their making?’:

to the extent that a person or group – consciously or unconsciously – creates or reinforces barriers to the public airing of policy conflicts, that person or group has power ... as Professor Schattschneider⁶ has so admirably put it: All forms of political organisation have a bias in favour of the exploitation of some kinds of conflict and the suppression of others because organisation is the mobilisation of bias. Some issues are organised into politics and others are organised out (Bachrach and Baratz, 1962, p. 948).

⁶ Schattschneider, E.K (1960) *The Semi Sovereign People*, New York.

The methodological implications of the joint authors' conceptual approach are pertinent to the present examination of institutional change. For while conceding that key decisions are more readily measurable, they urge the student of 'the human institution ... to be ever prepared to examine the forces which brought it into being and sustain it'; to recognise the possibility 'that an individual or group in a community participates more vigorously in supporting the non-decision-making than in participating in actual decisions within the process' (1962, p. 950). The historic non-implementation of 'greater Melbourne' reform may be usefully examined in terms of such decisive non-decision-making.

In his paper, *'Reflections on a Revolution'* Dunstan summarised the changes made to the constitution and electoral arrangements of the Melbourne City Council, distinct from local government statewide (1997). His focus is on documentation on the formal rules which delivered the dominance of propertied interests on the Council. However, like Stoker (but 40 years earlier) Bachrach and Baratz reject the purely formal concept of the possession and wielding of power as expressed by their contemporary, Robert Dahl, and its embodiment in documents such as constitutions. They likewise reject his primary research question: Who governs? (Dahl, 1961). Instead, they advocate a sequence of research steps, starting with investigation of the particular mobilisation of bias in the institution under scrutiny, as to 'which persons or groups, if any, gain from the existing bias and which, if any, are handicapped by it' (Bachrach and Baratz, 1962, p. 952). The dynamics of non-decision-making should then be examined, as to the influence of 'status quo oriented persons and groups on community values and political institutions'. Finally, using 'knowledge of the restrictive face of power as a foundation for analysis' the authors urge analysis of participation in decision-making of concrete issues, arguing also that 'unmeasurable elements are not unreal and must be accounted for' (1962, p. 952).

Danish geographer and social scientist, Bent Flyvbjerg, shares that philosophical interest and hence methodological focus on power: the overt and covert clash of values in urban government and its implications for democratic decision-making (2000, 2003). Like Bachrach and Baratz, he is concerned with the informal aspect of the interplay

between interests and organisations, also central to Stoker's definition of new institutionalism. With all three authors, he rejects Dahl's concept of power-as-entity – to be possessed and regulated by law. Similarly, his primary question is not 'who governs?' but, after Nietzsche: 'what are the rationalities when those who govern, govern?' Again in common with Bachrach and Baratz, in analysis of inherent power political conflict, he seeks to answer the question of any outcome: Who wins and who loses? (Flyvbjerg, 1998c, p. 6). Just as formal politics and *realpolitik* are commonly juxtaposed, he sets ostensible rationality against real rationality (*realrationalitet*) – claimed reasons against real, often implicit reasons – captured in the title of his city of Aalborg study, *Rationality and Power: Democracy in Practice* (Flyvbjerg, 1998c, p. 6). This distinction provides a key to the interpretation of *the process* of institutional change and of the role of the neoliberal rationality (economic rationalism) of those who governed. It also integrates the impact of a revolutionary, ideological megatrend with local application of its discourse as a strategic tool.

Flyvbjerg's study of city government provides erudite analysis of immediate relevance to the current research. For the interpretation of actual decisions, over a decade, and of how democratic planning reform in Aalborg failed, is akin to that required in explaining the process of delegitimisation of Melbourne City Council and disempowerment of the citizens in the 1990s. The political conflict between commercial lobbies (including the media) and citizenry over a publicly derived City Plan, offer a parallel to Melbourne's dual conflict over urban planning and electoral representation. His conceptual framework in interpreting the process of change (or its capture) enables gaps between the rhetoric and reality of reform to be discerned. As he claims, he is primarily concerned with actual practice – what really happened and how – rather than epistemology. He observes that 'modernity's celebration of rationality as an idea seems to result in, or at least coexist with, an ignorance of the real', and that rationality is not an independent concept (1998c, p. 2). Rather, it is context dependent, and that context is power such that power defines rationality: the discourse justifying decisions is a political tool. He advocates the close analysis of both the explicit and implicit case for particular reforms (rationality and *realrationalitet*) and of the consequent winners and losers.

Significantly, Flyvbjerg's concept of power as 'a dense and dynamic net of omnipresent relations', closely resembles the invisible modus operandi of a 'network' of visible organisations under governance theory (1998c, p. 5). Indeed, Hill and Lynn's conclusion that the distinguishing feature of governance theory is the adoption of new tactics and strategies within a continuing hierarchical model, complements Flyvbjerg's view of power as 'strategy-and-tactics'. Hence his major proposition, that rationalisation presented as rationality is a key strategy in the exercise of power, is relevant to the analysis of neoliberal thinking in the transformation of the Melbourne City Council. Linking the work of Hill and Lynn with that of Flyvbjerg, power is arguably the dynamic in the new 'networked governance'. However, whereas a claimed benefit of such governance is avoidance of institutional conflict – of conflict as a sign of dysfunction, Flyvbjerg identifies it as a positive attribute, indeed fundamental to democratic decision-making.

A further illuminating and complementary approach reconceptualises power in an analysis of urban intergovernmental and political conflict. It is that of American urban sociologists John Logan and Harvey Molotch, notably in their classic text, *Urban Fortunes: The Political Economy of Place* first published in 1987 (2007). Like their prominent contemporary regime theorist, Clarence Stone, and as their title implies, they analyse urban conflict over land and the informal arrangements by which public bodies and private interests function together to carry out governing decisions. Seeking to link 'the city to larger structures of economy and power, following the leads of Marx and Weber into more contemporary and empirical domains' they have 'striven to be concrete, to use concepts with transparent links to everyday experience, and to indicate by examples the kinds of phenomena that would validate' their claims (2007, p. viii).

Their perspective is also akin to that of Flyvbjerg in his concern with the everyday experience over the long term. Their key idea, like Flyvbjerg's, is that local conflicts over growth and urban development are central to the organisation of cities. They argue that rather than outcomes being determined by a capitalist class or impersonal 'market forces', urban development is subject to influence exercised through symbiotic

relationships between elected institutions and ‘place-based entrepreneurs’, a sub-set of business. To these place-based entrepreneurs, their business is not simply located in the city; the city *is* their business. This conceptual approach differs from that of DiGaetano and Strom, and of Pierre in that it represents analysis of actual contest and power imbalance, rather than abstractions devoid of politicians, citizens and business other than in generic terms. Typically too, business is represented as a bloc or sector.

Logan and Molotch thereby propose a means of examining the way costs and benefits accrue in urban development – the ‘winners and losers’ to Bachrach and Baratz and to Flyvbjerg. Above all they conceptualise institutionally the way influence is exercised. Their originality and relevance lie in distinguishing those who favour and benefit from *exchange value* and those who favour and benefit from *use value* in an everyday sense, in land use and statutory planning. Further, they argue that any development, large or small, public or private, distributes values of both types: it should not be seen as neutral or inevitable nor its public benefit automatic. They propose the concept of a ‘growth machine’ to signify who is dominant and how, in a regime which constitutes a coalition between place-based entrepreneurs and city government. They convincingly argue that this specific business sector profits from higher rents and real estate prices; hence more demand calls for more people needing housing, retailers needing stores and companies needing locations.

Such development needs to be directed to winning ‘the freeway intersection, the major league ball team, the convention center ... deflecting such property value-generating schemes from going elsewhere’ (2007, p. x).⁷ These real estate and construction interests need permissions, subsidies and particular infrastructure for which government decisions, central and local, are required. Hence bankers, lawyers and media are crucial ‘associates’, it is argued, as part of the machine, as are the enlisted government agencies who seek such private investment. The impact is to distort local agendas and city budgets as well as to take a toll on *use value* of land and hence the standard of

⁷ The Brookings Institution has documented similar outcomes in American cities whose economies are vulnerable, as with Melbourne, in the face of deindustrialisation and whose residents, despite supportive referenda, failed to halt such projects (Noll & Zimbalist, 1997).

living of residents. This detailed and concrete analysis, bridging the academic gap between political science and planning literature, is instructive in interpretation of the present case of a deligitimised Council and disempowered citizenry.

Importantly, Logan and Molotch find differences between American cities in their institutional susceptibility to growth machine interests – that is, endogenous attributes which predispose institutions to particular outcomes.⁸ They also contrast the American urban model of local land and property-related taxes, designed to foster fiscal self-reliance and competition for private investment, with that of Western Europe. There national governments typically raise and disperse revenue on a needs basis, as in the traditional welfare state, despite a tendency to measure progress in growth. In an updated edition, linking the operation of external with internal change factors, they argue that (in America as in Australia) the absence of such national involvement rendered urban government vulnerable as ‘the free market model pushes around the world and seems to take with it the use of cities as growth machines’ (2007, p. xiii).

They further interpret the philosophical ascendancy of the free market as being associated with growth by whatever means as the measure of urban success: ‘a way of accounting – the metric of local progress’ (2007, p. xv). The authors identify the mode of local/national fiscal equalisation in America and in Australia as promoting similar urban growth dynamics. Those dynamics shape institutional arrangements whose pre-existing attributes explain the more extreme neoliberal transformation than in Western Europe, relevant to interpretation of revolution or evolution in the City of Melbourne.

Indicative of the applicability of the concept of a growth machine to the present study, Parkin argues that Australian cities have grown ‘largely through private action’ (1982, p. 13); at a Melbourne metropolitan scale, McLoughlin’s systematic tracking of the relationship between strategic and statutory planning and urban development leads to

⁸ San Francisco is judged better able to negotiate with the development lobby than the ‘average American city’, exacting a price in the public interest through fees and conditions, such as public open space and facilities and heritage restoration. New York City government, by contrast, has subsidised businesses to remain and to set up in the city (Logan & Molotch, 2007, p. xiii).

the same conclusion (1992). Indeed Leonie Sandercock's pioneering analysis of the failure of urban planning in Adelaide, Melbourne and Sydney, *Cities for Sale*, reinforces the primary importance of land-use conflict to the study of city government (Sandercock, 1975). Her study of the period 1900–1973 foreshadows the respective state governments' post-industrial strategy of facilitating central city property development as a primary economic development strategy. The application of Logan and Molotch's conceptual approach is apt and the need to place distinctive changes in the Melbourne City Council in the 1990s in their historical context apparent. As a recent reviewer of their book observes:

The idea of the urban growth machine was rooted in boosterism going back to the 'frontier' era, after the indigenous Native Americans had been disposed of their lands and put on reservations. Land speculation and boosterism were planted on top of the emphasis in American history on property and efforts to try continually to increase its value (Rudzitis, 2009, p. 578).

The key ideas of Logan and Molotch of value to the current study are thus threefold. First, they convincingly explain (and ground) the development of urban institutions in terms of cumulative conflicts over competing land-use values and decision-making; second, they conceive of a 'growth machine' or informal partnership between city government and a sub-set of business which enables the dominance of the values of 'place entrepreneurs' (as against business in general) under particular revenue-raising regimes; third, they integrate the influence of internal attributes in mediating external, global pressures.

It is on the basis of this review of conceptual approaches to *urban institutions* that the following examination of the literature of *urban institutional change* relies. It surveys three schools of thought, the third of which is seen to build on the previous two.

Approaches to the study of institutional change

As Hall argues, the interest of social science in 'new institutionalism' – the emergence of new forms of government and of their analysis – has naturally led to interest in the 'intrinsically difficult ... second-order problem' of explaining *when* and *how* institutions change (Hall, 2009, p. 204). This is at the nub of the current study of radical

change to the Melbourne City Council in the 1990s. Strands in the literature on conceptual approaches to institutional changes in response to external megatrends, as reviewed, provide a means of characterizing the outcomes. Building on that analysis, several schools of thought contribute to the interpretation of the actual process by which such institutional outcomes are delivered. It is their focus on the process of institutional change (and continuity) that renders them of value to this research. These approaches may be grouped as theories of path dependency, of convergence and divergence and of historical institutionalism, a variant of new institutionalism. They differ in their assumptions as to historical legacy and as to drivers of institutional change and hence as to methodological approach, but clusters of theorists emerge as best able to contribute to the interpretative framework for this research.

Path dependence

American political scientist and sociologist, Martin Lipset, pioneered the application of the economic concept of path dependence in theorising ‘modernisation’ in his classic work, *Revolution and Counterrevolution: Change and Persistence in Social Structures* (1969). He aimed to show the extent to which ‘key historical events and factors continue to affect the behaviour of nations and institutions for generations and centuries afterward ... In a world that has been changing so rapidly, we are all aware of discontinuities; it is important to recall the persistencies’ (Lipset, 1969, p. ix). Like Bachrach, Baratz, Flyvbjerg and Stoker in particular, he cited embedded values as key elements in such persistence.

Now a common but ambiguous term, path dependence tends to fluctuate in use between broad and narrow conceptions, according to Pierson in *The Politics of Time* (2000). Broadly, previous events in sequence influence outcomes and trajectories, not necessarily in one direction, but possibly in reaction. Narrowly applied as it is by Pierson, the entrenchment of particular institutional arrangements increases the probability of further steps along that path, since the cost of exit to previous alternatives increases. Hence the ‘increasing returns process’ can be described as ‘self-reinforcing or positive feedback processes’ (Pierson, 2000, p. 252). Indeed, he argues, irreversibility or institutional ‘lock-in’ may follow.

Ruth and David Collier, among others, have built on Lipset's work in conceiving of 'a path dependent pattern of change, in that outcomes during a crucial transition establish distinct trajectories' (Collier & Collier, 1991, p. 27). Their approach draws on major events in the comparative analysis of institutional change. Hence, a 'critical juncture', or period of fundamental political reorientation, can be seen to allow 'contingent choices' which may then reinforce or lock in a particular trajectory of institutional development – the latter being an interpretation disputed by Flyvbjerg, Mahoney and Thelen (Collier & Collier, 1991; Flyvbjerg, 1998c, p. 8; Mahoney & Thelen, 2009).

Convergence and divergence

Another approach to analysis of institutional change is that of theories of convergence or divergence in response to megatrends (notably globalisation), in predicting the likelihood of similar or dissimilar responses to common forces. Both perspectives contribute insights to the analysis of change in the Melbourne City Council in the 1990s, change and persistence being opposite sides of the institutional coin. Indeed, the identification of a persistent Australian and within that Victorian governmental pattern, bears on argument as to the relative influence of internal or ethnocentric factors (embeddedness), vis-à-vis external forces in determining institutional arrangements.

A detailed historical and comparative study of changes in the political and administrative structures governing the national capitals of Berlin, London and Paris offers insights relevant to the interpretation institutional change in the Melbourne City Council (Röber & Schröter, 2004). The authors analyse the extent to which divergent or convergent responses to trends (notably globalisation) have shaped recent reforms in urban governance. Their particular focus, as with the current research, is on 'the vertical dimension of centralisation versus decentralisation', reflected in the power balance between city-wide authorities and lower tiers of government (Röber & Schröter, 2004, p. 2). Central to the model of city government in Australia (other than in Greater Brisbane), Australia's capital cities are 'amongst the few in the developed world without metropolitan governments' (Gleeson, Dodson, & Spiller, 2010, p. 7).

The parallel holds, however, in that the state/territory governments represent, by default, the city-wide authority in Australia, and the urban power balance is between state/territory governments on the one hand and their capital city councils and, indeed, all metropolitan councils on the other.

The sample cities were selected by Röber & Schröter to represent three distinct, ‘most dissimilar’ national and urban administrative cultures or ideal types, in order to interpret variations in late twentieth century institutional reform of capital cities. Hence Paris represented a classical, centralised, unitary city government and London (despite its then recently installed Greater London Authority) a pluralistic and borough-centred approach, with Berlin midway on the spectrum, having a well-established city-wide government and relatively autonomous district authorities. According to theories favouring divergent dominance, the three national and urban cultures were expected to be significant factors in determining distinctive outcomes by ‘defining a corridor of path-dependent reform trajectories’ traced over a century (2004, p. 1). The authors conclude, however, that although such distinct positions on the centralisation/decentralisation scale remain, the influence of three successive megatrends, namely industrialisation and urbanisation, suburbanisation and globalisation, have caused a series of convergent institutional shifts such that:

the predominant model of big city government in Europe has gravitated over time towards a more centrist position on the decentralisation spectrum, a position that can be best described as a robust two-tier system with a leaning towards a lean upper level of city government (2004, p. 21).

Significantly, in all three European capital cities, despite the institutional resolution achieved, ‘there is an ongoing intense debate about the precarious relation between centralised and decentralised control and steering mechanisms’, a tension they observe to be as old as all big cities (2004, p. 2). The issue of power imbalance and related conflict between levels of government, resolving conflict in further centralisation or decentralisation, has clear implications for the present study.

Aulich draws a similar conclusion to Röber & Schröter in his analysis of Australian local government (not only capital city) reform in the 1980s and 1990s. He argues that a focus on the differences between states risks lack of attention to strong similarities in issues, process and outcomes (Aulich, 2002). His two ‘generations of reform’ from the 1970s equate to those labelled managerialist, as a prelude to neoliberal or market-based reforms, both responding to a globalisation megatrend in Röber & Schröter’s terms. In his analysis, Aulich too focuses on convergence and divergence between states in terms of shifts in degrees of centralisation and decentralisation between state and local government. He locates the first phase, in the 1980s, as essentially within the separate states but with transfer of solutions between jurisdictions. This was chiefly reflected in reforms of their respective Local Government Acts, involving a shift away from the prescriptive and limiting powers reinforced by the doctrine of *ultra vires* (Aulich, 2002, p. 14).

Characteristic of Australian urban literature, Aulich makes only passing reference to such state government reform being a response to ‘bottom-up’ pressure in the 1980s through peak local government bodies for *general competence*. Consistent with the findings of Hill and Lynn, despite devolution being the ostensible reason for reform, Aulich found ‘no evidence of significant changes to the state-local power nexus and no new functions’ added (2002, p. 14). Again it recalls the potential disjunction, to which Flyvbjerg alludes, between reality and rhetoric. To the extent that common issues, outcomes and timing are observed in this rare (once-in-a-generation) reform of the respective Local Government Acts, it may be seen, in effect, as convergence through nationalisation of the institutional reform process by state governments themselves. Unlike the state-based first generation reform, Aulich interprets the second generation of institutional reform, in the 1990s, as driven by the Commonwealth Government.⁹ A national approach to micro economic reform thus legitimated unprecedented Commonwealth engagement in reform of local government, overcoming the states’ traditional resistance, and indeed constitutional impediment, to such involvement. As with the impact of the first generation of reform, while local government may have

⁹ 1991 National Competition Policy, drawing on the coordinative machinery provided by the Special Premiers Conferences and the regular meetings of the Council of Australian Governments (COAG) ensured broad agreement on its scope and direction.

been 'released from the nineteenth century stranglehold imposed by state government legislation and regulation' liberation was arguably illusory according to Aulich (2002, p. 12). That is, a twentieth century, market driven requirement for convergence in institutional change is argued to have replaced the earlier form of prescriptive, bureaucratic control.

Furthermore, the deregulation required in the name of efficiency entailed variable democratic loss, as Aulich later observes. Hence it was in the degree to which the states enforced such efficiencies that he identifies institutional divergence. Victoria is seen to have led the field in its extreme version of microeconomic reform and, correspondingly, of democratic loss. As with the review of literature on the institutional impact of megatrends, so the macro approach to analysis of institutional change falls short in enabling explanation of that difference. It is the analysis of the operation of power imbalance, institutional and political, convincingly presented by Bachrach and Baratz, Logan and Molotch and Flyvbjerg which illuminates that difference. It is within new institutionalism that the opportunity exists to design a framework which will account for both the intergovernmental dimension and the political power struggle in institutional change, within a context of successive reform phases.

Historical institutionalism

It is in new institutionalism that Stoker cogently links the separate academic strands of governance, regime and institutional theory. Within new institutionalism, Mahoney and Thelen's variant of historical institutionalism appears best able to incorporate the above conceptual approaches to the analysis of conflict and power in the process of institutional change. A case study of institutional change and its corollary, persistence, is at the same time, a case study of power in the shaping of the Melbourne City Council. Their framework for the analysis of gradual institutional change provides for the inductive analysis of political and intergovernmental conflict, contemporary and historic, in a consistent format. It complements Flyvbjerg's analysis of the 'genealogy of change' over the long term rather than confining examination to an atypical watershed event, such as the suspension of elected local government.

Whereas Lipset, forty years earlier, wrote of the tendency to overlook persistence, Mahoney and Thelen seek to redress a contemporary tendency to overlook incremental, endogenous change with potential to culminate in institutional transformation. They argue that a path dependent focus on persistence explains a propensity to interpret institutional change in terms of sudden, exogenous pressure or variation. Instead, they argue, a focus on gradual change in a particular institution encourages examination of specific endogenous properties, institutional and political, in explaining the source and variety of change.

Their jointly edited collection of empirical essays, (although focused on cases at a national government level), captures the state of play in theoretical debate on institutional change. Its title, *Institutional Change: Ambiguity, Agency and Power*, represents their three conceptual foci (Mahoney & Thelen, 2009). Rather than establishing the ‘either or’ of exogenous versus endogenous change in an institution, their framework accommodates both, being avowedly unusual in focusing on the latter. Like Flyvbjerg, they reject (or minimise) the prospect of path dependent ‘lock-in’ and, like Bachrach and Baratz, that of Marxist or neoliberal determinism. Their adoption of historical institutionalism reflects their concern with a cumulative legacy of resolved and unresolved conflict. Institutions are conceived of as ‘distributional instruments with implications for power’, whether through dominance or ambiguous, contested compromise. Hence, shifts in power (intended and unintended), are born of such ambiguity and represent the ‘basic motor for change’ (2009, pp. 6, 7).

Mahoney and Thelen thus theorise institutional change in new ways, chiefly causal propositions in terms of distinctive institutional and political properties which ‘permit or invite’ particular change strategies and change agents at particular times. The dual conflict – institutional and political – may thus generate power shifts, especially at ‘critical junctures’ or ‘periods of contingency’. Usual constraints may then be lifted, providing opportunities for differently motivated actors, change strategies and rule change. The categorisation by Mahoney and Thelen of political and institutional properties as the two sets of determinants of gradual institutional change, lends itself

well to the study of the Melbourne City Council in terms of its historic dual conflict. Consistent with their school of historical institutionalism, it also enables and requires comparable analysis of the institutional change in the Council before the case study period, 1992–9. Their approach makes possible a well-defined tracking of the power struggle fundamental to the conflict-based analysts reviewed above.

Implications for the development of a theoretical and methodological framework

Three main implications for the present study emerge from consideration of schools of thought relevant to the interpretation of urban institutional change in 1990s. Three measures are therefore proposed by which to frame and locate the examination of unexpected and transformational change in the City of Melbourne, revolutionary or otherwise. It is apparent that the variant of historical institutionalism developed by Mahoney and Thelen in the analysis of institutional change offers unique advantages, including potential for integration of the central ideas of several complementary theorists. On the basis of the literature review their proposed framework provides a conceptually and methodologically apt approach to tackling the current research problem in the following respects:

- explanatory versus descriptive approach;
- longitudinal perspective;
- conflict and power-centred analysis;

Explanatory versus descriptive approach

The field of urban institutions is found by leading theoreticians to have been bedevilled to an unusual degree by problems of definition and constrained by dependence on descriptive and chronological classification. Consistent with Stoker's advocacy of moving beyond classification to the question of *how* institutions are formed, Mahoney and Thelen (like Flyvbjerg) develop causal propositions which locate sources and varieties of institutional change both in given institutions and their institutional context. Traditionally, the propensity to study institutional persistence, (which characterises path dependent theory as well as sociological, rational choice and historical institutionalism in general), is associated with attribution of change to external shock. Incremental,

endogenous shifts which may be hugely consequential are accordingly overlooked. All three theorists dispute the validity of path dependent lock-in and inevitability of outcomes. Further, their propositions (rather than predictive theory) are amenable to systematic comparison across varied empirical settings. To Mahoney and Thelen basic properties, both political and institutional, can be defined in ways that permit and invite particular change not explicable in terms of external pressures. This focus on identifiable attributes enables definitional rigour in the interpretation of incremental, potentially transformational institutional change.

Longitudinal perspective

It is only with a longitudinal perspective that the significance of gradual institutional changes and their contribution to transformation can be determined. Mahoney and Thelen provide an interpretive framework by which to apply an historical perspective, as also advocated by Stoker and Flyvbjerg. It provides a consistent format and context for tracking the trajectory of change and for distinguishing revolution from transformational change born of gradual incremental change. To Flyvbjerg, this perspective enables genealogical interpretation of recent circumstances over the long term, rather than in isolation. Interpretation of both endogenous and exogenous change, substantive and ideological, benefits from evidence gleaned from that perspective.

Conflict and power-centred analysis

It is the definition by Mahoney and Thelen of institutions as distributive instruments, laden with power implications, which enables their contribution to the analysis of the second order problem of institutional change in the current study. They propose that basic, identifiable properties contain within themselves the possibility of change and that what animates change is the distribution of power and related contest, be it political or intergovernmental. Their framework enables the centrality of the concept of power and conflict as the motor for institutional change to be applied. It is enriched by the work of Barach and Baratz, Flyvbjerg and Logon and Molotch, to all of whom the analysis of power is central, unlike much of the literature of urban governance reviewed. In particular, the first two authors highlight the power to prevent

consideration of certain institutional outcomes, the second the power to define ‘rationality’, itself a strategic ideological tool in conflict resolution, and the third the concept of a growth machine – a regime in which the interests of city government and property-based business coalesce at the expense of the citizenry. The combination of these three highly original perspectives on power and conflict, broaden the scope for interpretation of institutional change in the City of Melbourne.

All three sets of authors share with Mahoney and Thelen a concern to identify the winners and losers in urban governmental and political conflict as reflected in institutional outcomes, the means whereby ‘winning’ was achieved and its significance. The contribution to the present study of the work of Logon and Molotch is in the conceptual tools for analysis of the nexus between property and city government and in the shaping of city government in the long term. The framework for identification of the endogenous attributes which render a given institution more or less vulnerable to such coalescence, especially under the global impact of free-market ideology, provides a model for the analysis of the transformation of the Melbourne City Council in 1992–9. The categorisation by Mahoney and Thelen of political and institutional properties as the two sets of determinants of gradual institutional change, lends itself well to the study of the Melbourne City Council in terms of its historic dual intergovernmental and political conflict. Consistent with their school of historical institutionalism, it also enables comparable analysis of the institutional change in the Council during three chronological eras (Chapters 5, 6 and 7) before the case study period, 1992–9.

Significance of the contribution of the present study

The neglected state of scholarship of city government has been cited as a matter to be addressed by successive analysts, notably Gerry Stoker, following his international review of comparative urban governance and, in Australia, by David Dunstan. In Australia, especially Victoria, the neglect has been greater, perpetuating local government’s (and the Melbourne City Council’s) perceived unimportance in academia and the media. Hence there has been (and continues to be) a superficial level of public

awareness and critique of transformational changes effected in the 1990's. Barach and Baratz identify such public unawareness as an important enabler of the institutionalisation of 'organised bias', a bias also represented in Logan and Molotch's concept of city governance as a growth machine.

It is significant, in view of the focus of the current study, that pioneering Australian political scientist, Alan Davies, should express regret in the preface to his classic text, *Local Government in Victoria*, that two sections 'received more cursory treatment than they deserve: the Melbourne City Council's special features and the relations between state government departments and municipalities' (1951). He observes that the advocacy of strong local authorities has been one of the few subjects about which there has been agreement in general between political philosophers: an enthusiasm generally not shared by legislators and administrators. As with distinguished British political scientists George Jones and John Stewart, Davies identifies the unique attributes of local government. These mark its importance in a liberal democracy, notably the potential to realise 'the cardinal democratic ideal of personal participation in the work of government' (Davies, 1951, p. 11; Jones & Stewart, 1985).

This study seeks to contribute to the neglected field of urban government research in Australia, the more important since it is exceptional in being a 'nation of cities'. In terms of the more radical change which occurred in Victoria relative to other states, it seeks to examine how that extreme change was enabled in the case of the Melbourne City Council. Swamped by comprehensive public sector change at the time, it was inaccurately regarded as merely one of 210 affected councils. In fact, it represented the epicentre of the intergovernmental and the political conflict between business, chiefly the property sector, and citizenry. It is thus an optimal scale at which to undertake a power-centred case study of urban institutional change.

As indicated, many scholars internationally have stressed the need for case studies of such singular institutions and for placing such change in a historical context – Flyvbjerg and Mahoney and Thelen in particular. They advocate attention to the concrete,

everyday decisions and to the political and institutional attributes which ‘permit and invite’ distinctive institutional change within a common external environment. Within Mahoney and Thelen’s theoretical framework, this entails longitudinal examination of change agents and change strategies, of endogenous properties conducive to successive and of often imperceptible shifts in political and institutional power. Beyond interstate comparison, the international field of comparative urban institutionalism, as Stoker argues, calls for exemplars to be drawn from further afield than Britain and North America, of which Melbourne City Council is one.

Just as the study of urban institutions has been neglected internationally and locally, so the related second order analysis of institutional transformation has been constrained. From the 1970s, as commonly argued, fundamental economic, technological and related ideological change constituted megatrends which have generated distinctive institutional outcomes. The value of Mahoney and Thelen’s theoretical framework of historical institutionalism lies in its clarity and focus on the two aspects of endogenous properties – political and institutional – singularly fitting in a case study of a dual intergovernmental and political conflict. Given the complexity, fragmentation and multiple definitions of concepts such as governance and regime, apart from the multiple variants of urban institutional arrangements in existence, their newly developed framework offers a rigorous structure within which the historic evolution of institutional arrangements in Melbourne and the transformation of the 1990s may be examined in a format amenable to comparison over time, nationally and internationally.

The numerous studies of governance in the 1980s, as demonstrated by Hill and Lynn’s meta-analysis, have tended to be top-down in orientation as, they find, is the governance under examination. The framework within Mahoney and Thelen’s variant of historical institutionalism, by contrast, enables a bottom-up approach through analysis of the three eras preceding the case study period as well as the period itself. Such a philosophical and methodological orientation is consistent with Flyvbjerg’s alignment with ‘thinkers for civil society’, implying an explicit commitment as in this research to citizens’ empowerment and to the necessary function (rather than necessary dysfunction) of conflict in shaping urban development (Flyvbjerg, 1998b).

Drawing on this framework, the present study of institutional change in the Melbourne City Council has implications for reconsideration and redefinition of citizens' democratic rights in capital city government; of the role and relationships of Australian capital city councils within three levels of government; and finally, of the crucial but insufficiently acknowledged role of land-use planning in shaping the institutional form of city government. The significance of the framework lies also in the provision for clearly defined attributes and for their systematic analysis as to *how* such institutional form developed. This is consistent with the priorities identified by Stoker in his comparative international analysis of the study of urban government (2006).

CHAPTER 3: RESEARCH DESIGN

Aim and scope of the research

This chapter identifies and justifies the methods chosen to address the research question of how radical institutional change in the Melbourne City Council was enabled and the extent to which it was revolutionary. It explains the decisions made about collecting and analysing the evidence on which interpretation is based. This includes identification of practical and ethical problems faced, and how they were dealt with in both data collection and analysis. The chapter draws on the literature review in justifying the interpretive framework adopted.

Justifying the case study methodology

The method chosen to address the research question was that of the case study. A dual conflict between state government and City Council and between business, chiefly property interests, and citizenry culminated in a radical redistribution of power in favour of state government and business between 1992 and 1999. It is thus a case study of power and of related institutional change in the Melbourne City Council. In implying qualitative, empirical research the question lends itself to examination by case study, on several grounds.

First, it meets commonly stated criteria in that it focuses on a discrete statutory and spatial entity, in a discrete time period and in a particular urban institutional and political context. According to Robert Yin, historian, psychologist and leading authority on social science methodology, the circumstances outlined qualify the present research for case study as the preferred method (Yin, 2009, p. 2). Acknowledging that research methods overlap (e.g. case study with historical survey), he regards the case study as fitting where the investigator has no control over events and where the focus is on a contemporary phenomenon in a real-life situation as in this instance. The richness of the phenomenon and the extensiveness of the real-life context, he maintains, call for the investigation to cope with a technically distinct situation with multiple variables:

‘Multiple sources of evidence with data need to converge in a triangulated fashion’ (Yin, 2009, p. 2).

Second, such an approach to examination of urban institutions is advocated internationally and locally by prominent analysts of differing disciplines and schools of thought, responding to the under-researched, ill-defined, diverse and increasingly important field of urban governance (Dunstan, 1984; Katz, 2007; OECD, 2001; Pierson, 2004; Röber & Schröter, 2004; Stoker, 2006). Like Dunstan, but with an international perspective, Pierson identifies the need for empirical studies of particular institutions set in a local and temporal context. He argues against the contemporary trend to ‘decontextualisation’ in the generalised application of theories (Pierson, 2004, p. 167). Specifically, a case study of Melbourne City Council provides an opportunity to establish an exemplar of capital city government in a federal system subject to the radical application of neoliberal principles, in a seven-year term of a Victorian Liberal and National Party government from 1992–9.

Third, there was a finite opportunity to elicit evidence and interpretations of the rationale and process from key participants in the transformation of the City Council in the 1990s. Fifteen to twenty years later, most protagonists were available to be interviewed for the first time on a reform program managed in-house rather than following government policy papers or with public foreknowledge and consultation. Conflicting views and values could be triangulated and behind-the-scenes negotiations and private judgments recorded.

As indicated above, this research arose from professional and public involvement in inner city and regional government and planning from 1975. In the 1990s this commitment to local government translated into civic involvement in seeking the return of a democratically elected City Council, in contesting privatised planning, and in the

collaborative development and advocacy of a model of an expanded inner Melbourne City Council.¹⁰

Fourth, the methodology adopted draws heavily on two mutually reinforcing sources favouring case study. Together they offer a productive framework for the research design, data collection and interpretation of the City Council's transformational change. They are the realist theoretical and empirical studies of Danish urban geographer, Bent Flyvbjerg, and those of North American political scientists, James Mahoney and Kathleen Thelen, in the application of historical institutionalism (Flyvbjerg, 2001; Mahoney & Thelen, 2009). Their primary question (like Yin and in this thesis), is 'how' rather than 'why', and this approach is especially amenable to case study. Their second relevant and common focus, as in this thesis, is on power relations in a given institution and consequent change.

It follows that a fundamental element of the methodology in this case study is a communitarian perspective 'in the tradition thinkers for civil society', ancient and modern, from Aristotle to Robert Putnam (Flyvbjerg, 1998b; Putnam et al. 1993). Valuation of the empowerment of civil society is explicit as in Flyvbjerg's stance. It is implicit in the moral and political logic of Mahoney and Thelen's framework for interpretation of the outcomes of political and institutional contest, on which this thesis draws.

Defining the case: Melbourne City Council, 1992–9

As determined from the Literature Review, in the field of urban governance there is a universal difficulty in specifying the object under investigation. Stoker concludes that there is 'no consensus in the literature on the basis for any institutional demarcations' (2006, p. 21). To Parkin, 'it remains immensely difficult, perhaps impossible and certainly unfruitful to demarcate rigorously the urban level of analysis from other levels

¹⁰ Member of The People's Committee for Melbourne, 1994–8, small lobby of planning academics and community advocates with particular regard to the process of planning of the Docklands; Convenor of the Royal Park Protection Group, 1993–9 (Munro, 1998); Convenor of the Committee for Governmental Reform in Central Melbourne, (1992–3) including academics, representatives of professional planners and property lobbies, former councillors and local resident associations (Committee for Governmental Reform in Central Melbourne, 1993)

or dimensions' (1982, p. 8). Peter Hall extends the challenge of defining the present case in describing 'the second-order problem of explaining when and how institutions change ... (as) ... intrinsically difficult' (1999, p. 204).

Locally, Dunstan writes of the further challenge of defining an institutional approach to the governance of a metropolis in which 'political authority in Melbourne, and by virtue of the metropolitan impact of the State as a whole, remains a confused, and confusing, tangle of municipal and state departments, and a jumble of other special purpose, *ad hoc*, authorities' (Dunstan, 1984, p.2). The choice to be made in setting even a geographic boundary for this case of urban institutional change was between the metropolitan area, the inner urban region and the central city, most clearly and consistently defined by the Melbourne municipal boundary.

Prima facie, there is questionable validity in analysing the political and intergovernmental tensions between the state government and the diminutive, nominal 'capital city council' at the heart of the sprawling metropolis – the smallest of Melbourne's thirty-one councils at the time of writing. On the other hand, there was historically no metropolitan government in Melbourne – no electorally accountable, geo-political unit responsible for the governance of Greater Melbourne. Nor was there a continuing body, directly or indirectly elected, representing the inner urban region.

The Melbourne City Council was thus the major continuing, directly elected institution for the government of Melbourne for one and a half centuries. Importantly, it was the kernel and flagship of the metropolis in which most Victorians lived, and thus its main theatre of conflict – intergovernmental and political. As urban historian Hugh Stretton has argued, 'The government of cities is as complicated and conflict-ridden as the government of whole societies' (1976 p. 221). The conflicts in the central city may thus be seen as a microcosm, their analysis offering insights into the power relations in the wider polity.

Analytical framework

The case study method chosen draws on two complementary approaches. First, there was historical analysis of the dual conflict which shaped the City Council's institutional change during 1992–9, in the context of its evolution from 1842–1992. Second, semi-structured interviews were conducted with twenty three protagonists who had been significantly engaged in, and/or expert witness to, the process of institutional change. The two approaches are integrated within the historical institutionalist framework of Mahoney and Thelen (2009) as follows.

Historical institutionalism

The relevance of the theoretical framework, developed by Mahoney and Thelen, is its focus on the political dynamic of gradual institutional change rather than institutional persistence. They theorise that the source of distinctive trajectories is to be found in particular political and institutional properties, not only or predominantly in external shocks or megatrends. They share with Flyvbjerg the long-term view and emphasis on context. Their framework is readily applied to the collection and organisation of data, to structuring the analysis of institutional change, and to the presentation of findings. In examining sources of internal change in political and institutional properties, they seek to identify the sorts of gradual change which only 'show up' or 'register' in a longer time frame than is characteristic of studies of institutional change. Based on political and institutional properties, their framework is singularly fitting in an examination of the dual conflict (political and intergovernmental), and related institutional transformation central to this thesis.

The initial intention of this study was to confine analysis of conflict and institutional change to the seven-year period in which it occurred, 1992–9. However, it became apparent during preparatory reading, including that of Flyvbjerg and Mahoney and Thelen, that the case study of that period could best be interpreted in the context of political and institutional properties and shifts in power in the Council's evolution from 1842. The framework used to analyse the case study period 1992–9, was thus also applied to interpreting the genealogy of intergovernmental and political conflict and change, from 1842–1992.

Three historical periods preceding the case study period were defined: first, the colonial period, 1842–1901; second, that marked by the growing ‘metropolitan problem’, 1901–82; and third, that characterised by state centralisation and social democracy, 1982–92. The historical evidence of significant conflict and of institutional change was identified and recorded within the two chief categories defined by Mahoney and Thelen’s framework for the analysis of gradual institutional change, namely the institutional and political properties inviting and permitting change.

Data collection from documentary sources

Primary and secondary sources of evidence of political and institutional properties and conflicts over 150 years were inevitably wide-ranging. However, Victorian secondary sources, chiefly within the disciplines of history and political science, were fewer for the twentieth than the nineteenth century and fewer than interstate. Further, studies of the institution of the Melbourne City Council are rare – Dunstan’s body of work being the most comprehensive source drawn upon.

Given these limitations, the three fields of scholarship on which the historical institutional analysis drew were those of urban history, urban political science and urban planning. Historical research by Barrett, Davidson, Davison, Shaw and Strangio, in particular, were a valuable source (Barrett, 1979; Davidson, 1986; Graeme Davison, 1978; Shaw, 1996; Strangio, 2012). So too were specific institutional studies such as that of the Melbourne and Metropolitan Board of Works (Dingle & Rasmussen, 1991). Political scientists’ multiple contributions in texts, conference papers, journal articles and commissioned reports of Melbourne’s governance by various authors represented a further valuable source (Considine, 2005; Costar & Economou, 1999; Davies, 1966; Galligan, 1998; John Halligan & O’Grady, 1985; Power, Wettenhall, & Halligan, 1981; Saunders, 1984; Wettenhall, 1997). Major Melbourne urban plans and critiques of such plans and of planning practice and ideology were also drawn on (Buxton, Goodman, & Budge, 2003; Dovey, 2005; Freestone, 2010; McLoughlin, 1992; Sandercock, 1975; Spiller, 2005).

Primary sources in all four periods (before and during the case study period) included key legislation and Victorian Hansard debates, chiefly in the case study period. Media records, again chiefly in the 1990s, were readily available in digital form from major newspapers, the Australian Broadcasting Corporation (ABC) radio and television and, to a limited extent, from local newspapers. Submissions, notably by the Melbourne City Council and other municipal bodies in the 1980s and 1990s were examined, as were those by professional, non-government and industry lobbies relevant to Melbourne City Council governance and planning, chiefly from the 1970s onward. Media releases, speeches and archived interviews with protagonists in the institutional development of Melbourne, chiefly in the 1980s and 1990s, were examined as were websites of significant individuals and organisations such as the Committee for Melbourne, the Institute of Public Affairs and the Mayne Report.¹¹ The University of Melbourne Archives and Victoria University's Crow Collection provided access to considerable published and unpublished non-government and community campaign material, from the 1970s to 1990s¹².

Data collection from case study interviews

The original source of data for the interpretation of the institutional changes to the Melbourne City Council between 1992 and 1999 is that of transcripts of one to two hour, semi-structured interviews conducted with twenty three protagonists in that transformational change. These were supplemented by short, unrecorded interviews with seven others who were recommended as experts in or privy to specific information not available to case study interviewees. The names and positions of all interviewees but two, (a City commissioner and a departmental head), who failed to respond to requests to authenticate their transcripts, are listed in Appendix 2.

¹¹ Stephen Mayne was a media advisor to Premier Kennett, cataloguing political and commercial decisions in the 1990s in an on-line expose (e.g. the Casino development) following his resignation.

¹² The Melbourne Voters Action files relating to the campaign to restore an elected City Council in 1981–2 were accessed from University of Melbourne archives.

Those selected were not representative in a statistical sense. Rather, they represented relevant stakeholders in the institutional changes to the City Council, based on Hansard and media records and a spectrum of perspectives. All interviewees held senior office in their respective fields in government, the private sector, civil society and academia in the lead-up, during and, in some cases, also following the 1992–9 reforms.

Of the twenty-three interviewees three were women, a reflection of the lack of statistical validity but also of the predominance of middle aged and older men in positions of authority – elected, employed and voluntary, in government, business, union and the non-government sector. It was the qualitative analysis of the views of those in positions of power in proposing, implementing, challenging, negotiating or analysing the institutional change, which was the focus of the interviews, rather than a weighting of incidence of values and interpretations.

Broad political and cross-sectoral representation relating to the Council's transformation was required of the sample, although party political affiliation was uncertain before interview. Evidence of intergovernmental and political conflict and related values required that those engaged in or observing such conflict be well represented. Given the subtlety of interviewee interpretations (not necessarily mutually exclusive as to supporting or opposing the changes made) the twenty-three interviewees could be grouped, after interview, in three approximately equal categories as follows: First, a chiefly politically right wing group was made up of eight interviewees involved in promoting the institutional change as elected, appointed or employed officers of the Coalition government. There were also three leading business lobbyists and a prominent analyst from a neoliberal think-tank. Second, a chiefly left-leaning group of eight was opposed to and/or highly critical of the process of institutional change. This included a union and a Trades Hall secretary, a prominent community activist, two former Lord Mayors, three former state parliamentarians (a Labor Premier, a Liberal Minister and a Labor MLA for Melbourne) and a former manager of Melbourne City Council planning. Third, seven interviewees had been well-equipped to observe and analyse the changes either as academics, senior journalists or having previously held

pivotal positions (e.g. official reviews of local government), in the Victorian and non-government sectors before and/or during the study period.

The final set of interviewees was large, of sufficiently broad organisational, professional and political base, and made up of informants of such senior experience as to contribute a unique and credible body of data in response to the research questions.

Conduct of interviews

A semi-structured interview schedule was designed to elicit in-depth responses to research questions and to enable unanticipated issues to be examined, as attached in Appendix 1. The aim of the interviews was to provide qualitative and, as appropriate, quantitative data as to the transformation of the governance of Melbourne City Council in the period 1992–9, notably the institutional and political properties and conflict, together with leadership strategies and tactics of proponents and opponents. That is, interviews sought to identify individual and organisational roles and interpretations of how, why, and with what implications such changes were made, from the perspective of key personnel with first-hand experience of the process or as expert witnesses, as attached in Appendix 2.

The schedule covered personal and organisational involvement, the nature of the Council reforms and their perceived rationale, process and efficacy. The concepts and actual experience (or observation) of conflict and the exercise of power were probed, follow-up questions enlarging on responses to the scheduled questions. This enabled evidence and examples of the dual conflict, intergovernmental and political, to be discussed and tested within and between interviews and against contemporary records.

Gaining access to information

The passage of twenty years was an obstacle to gaining accurate information from interviewees; four interviewees had retired, two were in their eighties and all but two

were over fifty years of age. Failure by a journalist to remember that the Melbourne City Council had been sacked in 1993 was an instance of loss of recall. Several informants expressed reluctance to record their views of others' performance, motives, or integrity and of incidents reflecting such attributes. Responses were then to couch their comments in general terms and, in several instances, to request that the account be 'off the record' or require permission from the interviewee for citation. All but two interviewees authenticated transcripts without amendment or with minor edits. One requested that his interview not be quoted without permission and two excised considerable text of candid evaluation of personnel, decisions and events on grounds of possible defamation. Evidence relevant to internal Liberal Party or Cabinet decision-making, deregulation of planning, privatisation of services and the beneficiaries of such processes was thus circumscribed and deleted in several interviews.

Analysing the data

As indicated, the explanatory framework adopted for extracting and triangulating data from interviews and from primary and secondary documentary sources, as well as for its interpretation, is that of a variant of historical institutionalism developed by Mahoney and Thelen. In addition to external megatrends or shocks, they focus on identification of internal political and institutional properties in 'permitting or inviting' gradual institutional change over the long term and with potentially transformative effect. Hence, the focus on the two sets of properties structured the analysis over three historical periods before 1992 and in the case study period, 1992–9.

The authors' concept of institutions as distributors of power and on the dynamic of shifts in power in generating gradual change, entail identification of further enabling factors in the data. These are leadership styles and strategies to promote or thwart such shifts, as well as ambiguities and unintended effects of institutional decisions which fuel that dynamic. Mahoney and Thelen's framework also enables the identification of two subplots, in Flyvbjerg's terms: first, the immediate plot of actors and actions and second a conceptual plot of the relationship between rationality and power – power being the context in which rationality is framed and change or status quo enforced. In

applying this framework, the institutional and political properties which characterised the Melbourne City Council were drawn from primary and secondary sources, as outlined above, in each historical era.

The same framework was applied in analysing interview data. Each interview followed the order of the schedule, some producing more detailed responses than others, and counter arguments were posed by the interviewer to clarify the case made and the values held. The process used was that brief notes were taken during recorded interviews including dominant themes, the need to check evidence, validity of argument vis-à-vis alternative sources, and evidence of personal and professional networks. Further notes were made during transcription of audio records with a view, again, to crystallising key concepts and clusters of concepts underlying the interpretations, especially conflicting interpretations and values. Given the adopted framework, the transcriptions were then culled for categorisation of evidence as to the defining institutional and political properties, rationales and perceptions of leadership strategies.

Three Excel spreadsheets enabled each interviewee's response to be recorded (or coded), first, as to what changes were seen to have been made, second, as to how they were implemented and third, as to identified determinants of implementation. The question of how the changes were effected produced twenty-eight identified factors, multiple factors being variously cited by interviewees. Such factors were then combined and reduced to a dozen categories, as with responses to the first and third issues. Quantification was not the object but rather gleaning patterns of response, especially agreement and disagreement.

It was in the multiple analyses of stated, implied and contested reasons for the changes, and of the means whereby they were enabled, that Flyvbjerg's principle of power informing rationality was applied. His concept of *realrationalitet* – the real reasons or real rationality (and power) behind institutional decisions – rather than, necessarily, the argument or rationalisation proffered, was a useful analytical tool. This was especially so, given the persistent claims of 'depoliticisation' or of apolitical intent in justifying

changes, both in the historical records and in interviews of key proponents of changes. That the City Council's transformation was a central part of what Premier Kennett claimed to be a 'common-sense revolution' highlights the benefit of applying Flyvbjerg's unusual analytical focus on the relation between rationality, values and power in institutional change.

Just as the theoretical framework of Mahoney and Thelen is applied in this study to both historical evidence and that gleaned from interviews, the interpretation of both sources of evidence is integrated. There is thus a synthesis in the presentation of findings within several chapters, rather than one, notably Chapter 4: Institutional changes made to the Melbourne City Council, 1992–9; Chapters 5–7, Historical institutional analysis in three periods 1842–92; Chapter 8–9: Interpretation of the political attributes enabling the change; and Chapter 10, Interpretation of institutional attributes enabling the change in the City Council between 1992 and 1999.

Evaluation of the method

This case study has been designed in response to the research question: How was the transformation of the Melbourne City Council from 1992–9 enabled and to what extent was it revolutionary? It draws on two complementary approaches to analysis of institutional practice – that of urban geographer, Bent Flyvbjerg and political scientists, James Mahoney and Kathleen Thelen. Both approaches focus on conflict and power in interpreting the functioning and evolution of democratic institutions. Accordingly for both, as for this study, leadership and related strategies and tactics enabling change are central, including the outcome for 'winners and losers' in the dual conflict – intergovernmental and political.

The combination of theorists provides for the interpretation of the institutional and political properties which enabled the delegitimisation and dedemocratisation of the City Council between 1992 and 1999, within its historical context. The phronetic approach of Flyvbjerg, to whom competing values and power relations are uppermost – the grey, under-researched area of relations between rationality and power – is

developed by induction within the historical institutional framework proposed by Mahoney and Thelen. Following Flyvbjerg, the perspective of this study is in the tradition of ‘thinkers for civil society’ (1998b, p. 1). As Flyvbjerg argues, there is no one right interpretation. Nevertheless this case study aspires to his ideal that ‘discourse analysis must be disciplined by analysis of practices’ and ‘self-removal on the part of the researcher to allow him/her to disinterestedly inspect the actual events’ and ‘the brutality of fact’ (2001, pp. 48,135).

The strength of the research design is in its in-depth and longitudinal historical institutional analysis of an exemplar of neoliberal change in urban governance. Above all, the case has been examined through two lenses – historical research, drawing primarily on secondary sources from the Council’s inception in 1842, and twenty-three interviews with a cross-section of protagonists from 1992–9. All interviewees were privy to the institutional transformation, being involved in enabling or opposing the changes, and/or being eminently qualified as contemporary observers (and insiders) from a range of ideological, disciplinary and organisational perspectives. The historical research enabled genealogical tracking of change within three periods, through the political and institutional attributes which enabled it. The testimony of expert witnesses together with understanding, many cases, of the previous institutional evolution, enabled confidence in the judgements made. These conclusions could not have been as soundly based if they had drawn on historical analysis or interviews alone.

Prior experience in local and regional planning and advocacy in the lead-up to and throughout the case-study period carries the risk of biased interpretation. Such involvement has been acknowledged above, as have the communitarian values which inform the interview schedule and the study itself. Further, experience in the field at the time, including legal challenge to planning decisions and in convening a cross-section of stakeholders to develop a model for reformed City governance, enabled the familiarity with which key interviewees and organisations could be identified (Committee for Governmental Reform in Central Melbourne, 1993). That, apart from two government appointments, the interviewees authenticated their transcripts indicates

confidence invested in the integrity of this politically sensitive research. A high degree of interest and value in the research is recorded in those transcripts.

Finally, the application of the recent theoretical framework of Mahoney and Thelen provides for this case study's contribution to the field of comparative urban governance in Australia and internationally. The records of interview also represent a unique and lasting archive from 'insiders' engaged behind the scenes, two decades earlier, during a watershed era in Melbourne's City Council's institutional evolution. The archive provides opportunity for critique and for further development of the study of institutional change in urban government.

Boundary of the Melbourne City Council before and after restructure, 1993–1996

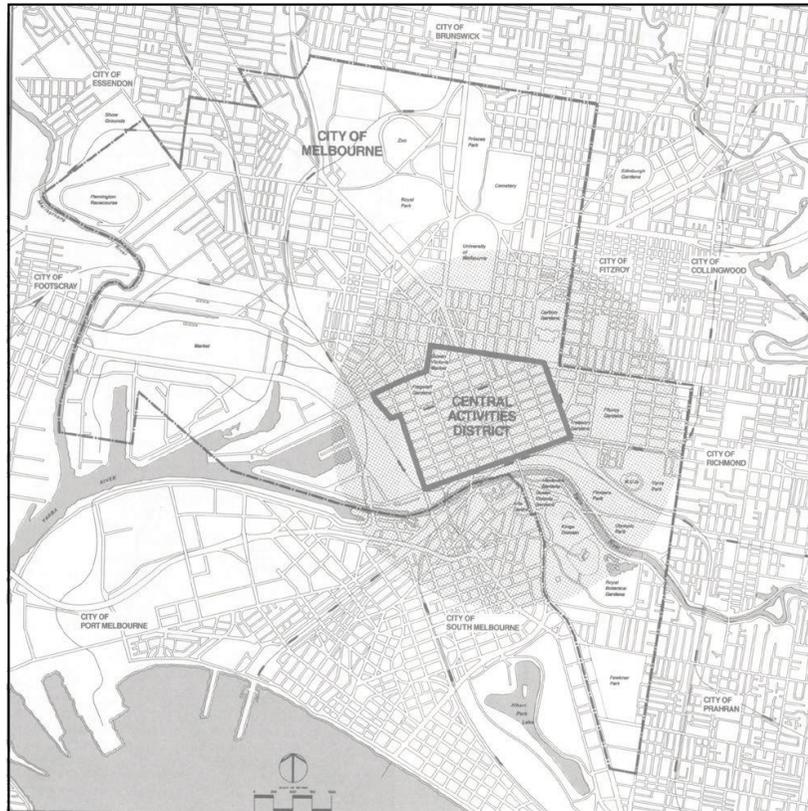


Figure 1. Municipal District of the Melbourne City Council before restructure, 1985.
 Source: City of Melbourne Strategy Plan Review Melbourne 1985 - 2000 (1985). Melbourne: Melbourne City Council.

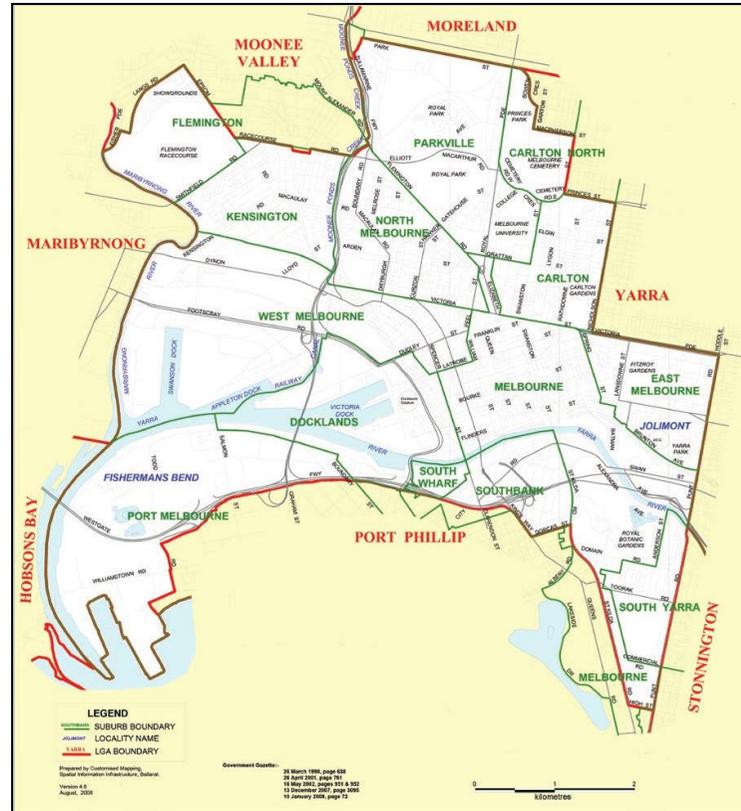


Figure 2. Municipal District of the Melbourne City Council after restructure, from November 1998.
 Source: Victorian Surveyor-General (2003) Melbourne: Victorian Department of Sustainability and Environment.

Victorian municipal boundaries with metropolitan inset, 2006

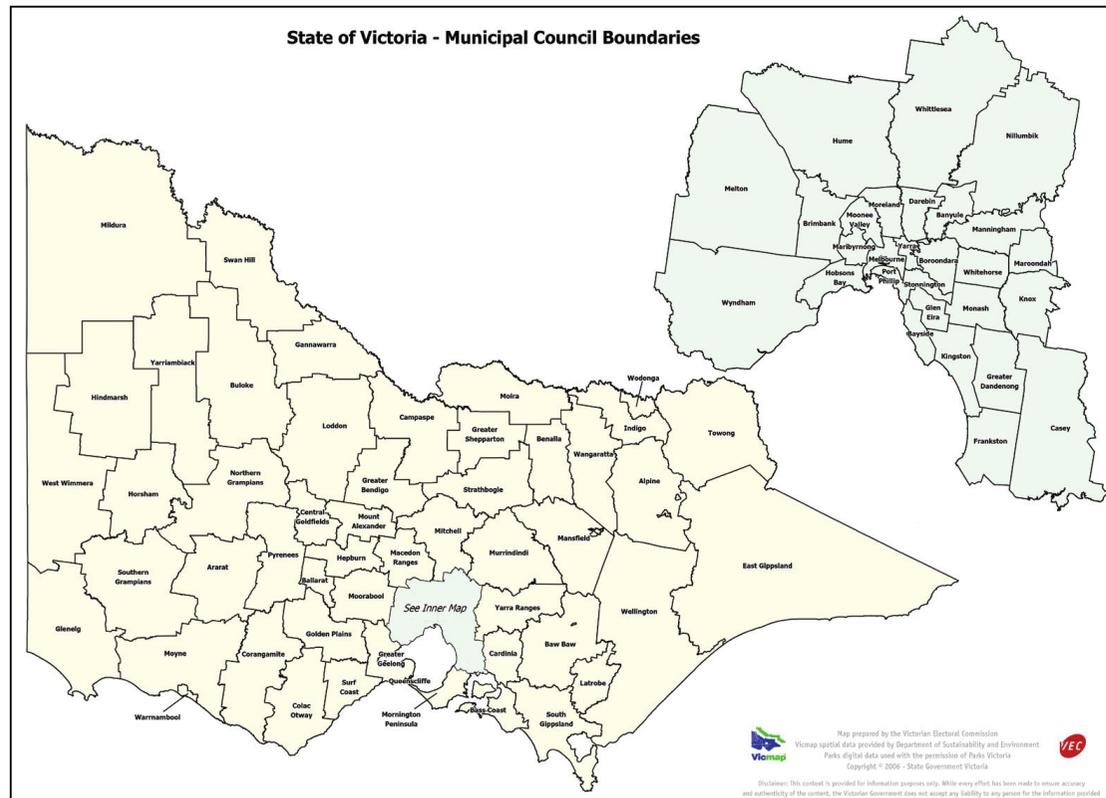


Figure 3. State of Victoria - Municipal Council Boundaries.
 Source: Victorian Electoral Commission (2006) Melbourne.

CHAPTER 4: CHANGES TO THE MELBOURNE CITY COUNCIL, 1992–1999

Introduction

This chapter aims to describe the major institutional changes made to the Melbourne City Council in the study period 1992–9 and by what means. The description includes related power shifts in the evolution of the dual conflict between state government and City Council and between citizens and CBD business, chiefly property-related. The interpretation of those institutional changes in terms of Mahoney and Thelen's theoretical framework, namely those political and institutional properties that invited and permitted such change, is undertaken in Chapters 8, 9 and 10. It is there that the research question of how these changes were enabled in the seven year period of the Kennett Coalition government is addressed.

The Kennett Liberal/National Party Coalition government swept confidently to power in a landslide victory on October 3, 1992, achieving an 8.14 per cent swing against Labor compared to the 1988 election. Labor was demoralised and discredited, marginalised in both the Legislative Assembly and Council.¹³ It was in the circumstances of an unprecedented global property collapse, more severe than the recession during which the previous Labor government won power (Ball, 1994). Victorian unemployment was 11.4 per cent in the critical pre-and post-election period of 1992–3 (Dixon & Mahmood, 2007, p. 2). The collapse of Tricontinental, the entrepreneurial merchant banking arm of the State Bank of Victoria, itself brought down, and the state lost its AAA credit rating in 1992 for the first time. The Labor Party was publicly shamed by the Coalition as 'the Guilty Party' in the 1992 election campaign.

¹³ The Coalition won 61/88 Legislative Assembly seats and 30/44 Legislative Council seats (Australian Broadcasting Corporation, 1992).

Economic circumstances thus ensured a climate conducive to public sector reform. The changes made to capital city governance in the ensuing seven years related to internal Council governance and to external, intergovernmental relations. The internal changes were of four kinds: legislative reconstitution, electoral and franchise arrangements, boundary definition and management of Council assets and staff, while intergovernmental relations largely related to urban planning powers. These changes will now be discussed.

Melbourne City Council governance: internal changes

The reform of the Council was in part shaped (and overshadowed) by the comprehensive Victorian public sector reform undertaken from 1992–9. Yet in crucial respects it was a separate reform process, politically and administratively, even from that of the local government system itself. The latter was undertaken by a Local Government Board of Review, established in 1993 and chaired by a former metropolitan vice-president of the MAV.¹⁴ It oversaw the reduction of the remaining 209 councils to 77 over three years. Melbourne City Council's was a stand-alone process, despite also being subject to certain general legislation, such as requiring compulsory competitive tendering (CCT). Managerialist and corporatist reform, including a twenty-five per cent reduction in the workforce, had occurred over the three years before the election (Power, 1993, p. 506). On becoming premier, Kennett was closely involved in changes made to the Council, unlike the statewide process (Burke, 2010).¹⁵

No documentation could be found at the State Library of Victoria, the Victorian Public Records Office or the Victorian Liberal Party headquarters of a Liberal Party pre-election commitment to local government reform, (Liberal Party of Victoria, 1992; Power 1993, p. 512). Reference was made by Coalition members, including Planning

¹⁴ Leonie Burke – see Appendix 1 Interviewees

¹⁵ Having requested that the recorder be turned off, one well-placed interviewee conveyed the view that Kennett was determined that the proposed reform of the MCC succeed, being pessimistic and less concerned about the restructure of local government statewide. The close involvement was also evident in interviews with the Commissioner (Commissioner, 2010a).

Minister Rob Maclellan, to innumerable reports concerned with ‘lines on maps’ rather than ‘tackling the real issues of the role and function of the pre-eminent Council’ (City of Melbourne Bill, 1993, p.1250). Opposition members cited prior denials of forced amalgamations by the Coalition (Kennett in particular), and media reports of municipal and industrial reform were also strongly denied (City of Melbourne Bill, 1993, pp. 1621, 1628; Community and Public Sector Union, 2013). This approach contrasted with the Thatcher government’s dismissal and industrial reform of the Greater London Council, which were pre-election commitments in 1979 and based on a White Paper.

Legislative reconstitution

Following its election on October 3, 1992, the Coalition Government moved rapidly to enact several key pieces of legislation which authorised institutional reforms to the Council – structural, electoral and industrial. In the words of the Minister for Local Government, Roger Hallam: ‘We’d actually planned in advance and hit the ground running’ (2010, p. 1). According to the Shadow Minister, Pat Power, Melbourne city councillors were not notified of their dismissal before the Bill for the City of Melbourne Act was tabled (Power, 1993, p. 502).

Major legislation included the *City of Melbourne Act 1993*, the *Restructure of the Electricity Industry Act 1993*, the *Local Government (Competitive Tendering) Act 1994* and the system-wide *Local Government (Amendment) Act 1995*, half of which related to the Melbourne City Council. Importantly, the latter precluded the Supreme Court from proceedings brought against the Local Government Board members or staff, or the Minister for Local Government, rights defined under the Constitution Act 1975. It also included a catch-all section, ‘Powers to make Orders’ (s.220Q), which gave the Minister a wide range of unprecedented and unfettered powers (Local Government (General Amendment) Act, 1993). The shift of power from Council to state government was absolute and unchallengeable.

The innocuous title of the Bill for the City of Melbourne Act, introduced by Minister Hallam on September 27, 1993 was: ‘A Bill to re-constitute the City of Melbourne, to

amend the *Local Government Act 1989*, to alter the boundaries of specified Councils and for other purposes'. The Act was to apply to Council from the following day, prior to receiving royal assent, according to Hansard. It also provided for the appointment of commissioners, no mention being made of urban planning powers (Hallam, 1993).¹⁶

The Council of the City of Melbourne (the Corporation of the City of Melbourne under the *Local Government Act, 1989*) ceased to exist by virtue of the *City of Melbourne Act (1993)* and 'reconstituted' forthwith.¹⁷ Appointed commissioners were 'deemed to be the Councillors of the Melbourne City Council and, together, to constitute the Melbourne City Council as Councillors'; their functions, obligations and powers were to be the same as elected councillors (Hallam, 1993, p.1581). By law and by name, the City of Melbourne was replaced by the Melbourne City Council. Under the Act, current Council staff would be retained and the commissioners report to the Minister for Local Government on such matters and at such intervals as the Minister determined.

New electoral arrangements and franchise

While elected councillors would cease to hold office, no reference was made in the Act to suspension of residents' and ratepayers' constitutional right to vote for Council. Their representatives would, pending the Council's reconstitution, be appointees of state government and their right to vote for the Council, by implication, suspended. New electoral arrangements and franchise were briefly set out in the Act, to apply on restoration of an elected council at a date 'unspecified'. It provided for twelve rather than eighteen elected councillors, three to represent each of four wards.

¹⁶ In introducing the Bill for the City of Melbourne Act the Minister For Local Government listed the five tasks to be: (a) re-constitute the City of Melbourne; (b) amend the *Local Government Act 1989* in relation to the City of Melbourne; and (c) appoint Commissioners to administer the City of Melbourne until an election is held; and (d) alter the boundaries of the municipal districts of the City of South Melbourne, the City of Port Melbourne, the City of Fitzroy and the City of Essendon; and (e) provide for consequential and transitional matters to enable the effective implementation of the restructuring provided for by this Act (Hallam, 1993).

¹⁷ Under the interim arrangement of appointed commissioners, it was 'deemed to have been constituted under the *Local Government Act 1989* as a body corporate constituted as a City Council by the name of Melbourne City Council' (Hallam, 1993, p.1557).

Four prominent Melbourne businesspeople (three male and one female), were appointed as commissioners in November, 1993; Kevan Gosper, the Chief Commissioner, was the former Melbourne-based chairman and chief executive of Shell Australia and longstanding International Olympic Committee office bearer, including former Vice President.¹⁸ The commissioners, according to the Act, were to be replaced by councillors at the first election of the restructured Council. The Minister held to a later public commitment that the election would be held in March 1996, despite the Victorian Chamber of Commerce and Industry (VECCI) request, with the apparent support of the Premier, that it be deferred to 2000 to allow the business community to find suitable candidates (Dunstan & Young, 2005, p. 35).

As to the task of reforming the franchise and electoral arrangements, the commissioners appointed three consultants, two being former senior office bearers in the Victorian Liberal Party (Dunstan & Young, 2005, p.36). Their March, 1995 report (its existence denied under a media Freedom of Information request but discovered in September, 1998 by the then town clerk) ranged over several topics (Dunstan & Young, 2005, p.37). It proposed redefining the Council's role as a board of directors, adopting the terminology of 'steering not rowing', popularised in the American management text *'Reinventing Government'* (Osborne & Gaebler, 1993). Hence, citizens or ratepayers became referred to as 'shareholders' and 'consumers' and the case made for a smaller, more strategic and more prestigious council. This was reinforced by the consultants' recommendation for a two-tier Council, with four single-member wards and a second, whole-of-municipality tier returning five councillors. The latter was intended to counter ward parochialism and to attract high calibre candidates. The commissioners adopted this model, rather than that foreshadowed in the 1993 Act. The Lord Mayor would continue to be elected by fellow councillors but, like them, for a three-year term, rather than annually, as in the past.

¹⁸ The Deputy Chief Commissioner was John Rose, The University of Melbourne, School of Management; two other commissioners were Catherine Walters, managing partner, Clayton Utz, commercial law firm; and Kevin Courtney, Associate Director, Colliers International, residential and commercial property services.

In April the *Local Government (Further Amendment) Act 1995* enabled implementation of the recommendations of the consultants and commissioners for a nine-member council, half the size of the previous council. Each voter must cast a vote for the municipality-wide district of five councillors as well as for a councillor in the ward in which he/she was enrolled. The district election was to be determined by proportional representation. Unlike the previous regime, all votes were to be cast by postal voting. Though the consultants had not recommended changes to the franchise, under the subsequent legislation companies were accorded two votes rather than one, with enrolment to be compulsory. In the event of failure to enrol, the company secretary and a director would be enrolled by the compiler of the roll, and failure by either to vote would incur a \$100 fine. These new franchise and electoral arrangements had the intended effect of strengthening the so-called non-Labor or business vote and were the antithesis of those based on the Legislative Assembly, introduced a decade earlier by the Cain Labor Government.

Redrawn municipal boundary

When Kennett came to power in 1992 the boundary of the municipality of Melbourne had been stable for a century.¹⁹ The justification for the Council's new boundary made by Minister Hallam in introducing the *City of Melbourne Act 1993*, a year after the election, was that: 'It will take in the city's best assets ... It is a major realignment of the boundaries that will position Victoria and its capital city in the 21st century' (1993, p. 570).²⁰ The municipality would now include the prestigious Southbank arts precinct and adjacent development sites, notably for the planned casino south of the Yarra River which, like municipal road boundaries, had illogically divided the central city almost from inception. The inclusion of the obsolete docklands of the former City of Port of Melbourne within the municipality of Melbourne doubled the size of the CBD. The Council was excluded from the planning and development process and indeed from service responsibility until development was complete. At the same time, the predominantly residential areas of North Carlton and Princes Hill to the north east and

¹⁹ Refer Figs 1 and 2 for maps of Melbourne City Council boundaries before and after restructure.

²⁰ The assets were named as: the university (sic), the research and scientific areas of Parkville, the Exhibition Building, the parklands, the show grounds, Flemington Racecourse, Docklands, Webb Dock and the south bank of the Yarra.

Flemington, Kensington and part of North Melbourne to the north west, were hived off to newly amalgamated councils as reflected in the preceding maps²¹. Changes to the north east corner of the boundary indicate the excision of particularly activist citizens in North Carlton and Princes Hill, adjacent to proposed infrastructure development in public parkland. The new boundary inclusions and excisions thus redefined the city as a geo-political unit – both the distribution of power between citizens and business and between Council and state government.

Versions of a CBD council had been proposed by several peak business organisations, in the absence of an official review process, in the lead up to the October 1992 election, represented in Appendix 5.²² Indeed it had been the outcome they had sought from the previous Liberal government, whose appointed commissioners were terminated by the election of a Labor government in 1982. Unlike the attempted statewide restructure by Labor in 1985–6, there was neither forewarning nor public consultation as to the City of Melbourne’s boundary changes. Jeff Kennett, then Leader of the Opposition, had championed opponents of the restructure (rural and union-based), promising a referendum if he became premier, and forcing the abandonment of the reform. Further, denials of planned amalgamation were dismissed as scare-mongering on the eve of the 1992 election.

It is clear that many discussions were held with business representatives before and during the appointment of the commission (Hull, 2010, pp.50,51; Kirk, 2010, p.2; Sherry, 2009 p.6). Resident groups organised public meetings in protest at excision when it was announced, but were refused meetings with the Premier and Minister for Local Government (North Carlton Residents Group, 1994). The Council belatedly moved on October 18, 1993, the day before the Bill’s second reading speech, to conduct a voters’ poll as to the annexations, also failing to persuade the Premier and Minister for Local Government to attend a public meeting on the matter (Power, 1993,

²¹ Refer to Fig. 1 and 2 p.62: Maps of Melbourne City Boundary before and after restructure.

²² These included the Building Owners and Managers Association and the Melbourne City Chamber of Commerce and an opposing option involving amalgamation of eight inner city councils was adopted by the Council itself in December, 1992 (Committee for Governmental Reform in Central Melbourne, 1993). Refer to Fig 4 – 8 Appendix 5: Maps of Proposed Changes to the Melbourne City Council Boundary. p. 310–11.

p.506). The views of local citizens and councils affected by Melbourne's new boundary were nevertheless forcefully, if unsuccessfully, represented by several members of the the Labor Opposition in the parliament, given the Coalition control of both houses.²³

The ministers for local government and planning reiterated that the reconstitution was not a reflection on City Council competence but was, in planning minister Robert Maclellan's words, in order to redefine the role of the capital city council 'from first principles, to reflect what should be the prime focus of municipal government of our capital city council – that is, the administration and development of the city's major assets in conjunction with the State government and the private sector' (*City of Melbourne Bill, 1993*, p.1250). Residents of the municipality were perceived by the government and by peak business lobbies to have no legitimate role or record of interest in capital city governance, but to impede development and divert rate revenue away from business promotion. Residential areas were therefore to be hived off as far as practicable to adjacent 'suburban' councils. According to a senior public servant, the 'rationale [was] that people who lived in what you called the hinterland ... had an interest in their own localities. They didn't particularly have an interest in the nature of Melbourne as a capital city' (Department Secretary, 2010, p. 3).

Former City Councillor, David White, Leader of the Opposition in the Legislative Council, expressed a contrary view, praising past 'residential councillors' for protecting city assets and blaming business councillors for having 'destroyed' streetscapes, creating 'a soulless CBD' (1993, p.512). Significantly, given his membership of Cabinet in the previous Labor government which had jettisoned the commitment to a Greater Melbourne Council, he now advocated it as a preferred institutional arrangement (White, 1993, p. 513).

²³ In particular, the Shadow Minister for Local Government, Pat Power, in the Legislative Assembly and the Shadow Minister for Major Projects and Infrastructure Development (a former Melbourne City Councillor), David White, in the Legislative Council, made a strong case for consultative municipal reform, of which Melbourne City Council was part, identifying negative impacts in terms of representation and efficiency (Power, 1993).

Administrative change: asset and staff management

The fourth category of internal change was that of the management by the Melbourne City Council of assets and services, to which industrial relations reform was central. As in the public sector at large, so with the Council, privatisation, corporatisation and contracting out of services were the three chief means of transforming traditional bureaucratic practices to enable a competitive, market-based operation serving, as was stressed, a capital city 'gateway' function and city-based interests.

Privatisation and corporatisation of assets and services characterised the reform strategy in administrative changes made. Community facilities and services of the residential areas excised from Melbourne, such as libraries, were transferred to the adjacent, newly amalgamated councils and in some cases sold. Under the *Restructure of the Electricity Industry Act (1993)*, the Council's Municipal Electrical Undertaking, (dating from 1897) was compulsorily acquired and transferred to the State Electricity Commission of Victoria, in September 1994, before disaggregation and privatisation.²⁴ This little known appropriation, long refused by successive Melbourne City Councils, was indicative not only of the loss of the City Council's financial autonomy, but of the quintessentially Victorian reliance, historically, on the statutory energy authority and hence the transformation of the state's inherited paradigm of government.

Another major City Council asset and service (dating from 1842), the Queen Victoria Market, was corporatised and certain reservations and Crown grants on the site revoked under the *Queen Victoria Market Lands Act (1996)*. Successive proposals for its demolition and redevelopment (e.g. for a World Trade Centre) had been advocated by the Melbourne City Chamber of Commerce and City Council from the early 1970s. This had been prevented by a sustained *Save the Queen Vic Market* campaign supported by the Victorian National Trust and by a BLF 'black ban' on demolition and

²⁴ State governments had long sought to acquire the inner city's eleven municipal electricity services as had other councils with such services. Information on the public record as to the receipt and disbursement of Melbourne City Council's 'transfer payment', including annual statements of accounts, is limited; the Council claimed (with qualifications as to accuracy) to have received \$206.89 million in compensation for the asset and revenue forgone (City of Melbourne, 2011). According to Trevor Huggard, it was \$600 million, all of which had been disbursed, chiefly on state capital works by November 2008, when Lord Mayor John So retired, and the Melbourne City Council 'was in the red' (2009b, p.5).

redevelopment (McCaughey, Hoban, & Maddison, 1984). Corporatisation in 1997 entailed the appointment by the commissioners of a board of six directors, most property related.²⁵ Decisions made by the new company were subject to commercial-in-confidence and staff no longer Council employees. Councillor, union and citizen influence was thereby removed and power concentrated with the Chief Executive who appointed the board and oversaw its business plan.

Complementing privatisation and corporatisation, workplace reform was at the top of the incoming government's public sector reform agenda, as Premier Kennett stressed on October 4, 1992, at his first media conference (Mayne, 1992). There had been consistent pre-election commitments to tackle government debt and high unemployment in which the excessive size and cost of the public sector, union power and the burden of rates and taxes were seen as priority targets (Liberal Party of Victoria, 1992). However, as with local government restructure there was no pre-election platform as to the ensuing scale of job cutbacks and deunionisation. Indeed, on the eve of the election, Kennett, as Leader of the Opposition, denied there would be municipal changes without consultation, and dissociated his party from media reports of imminent industrial reform, notably those of Des Moore of the neoliberal IPA (Community and Public Sector Union, 2013).²⁶

It followed that there was no reference to the primary means whereby workplace reform would be delivered, namely compulsory competitive tendering (CCT) for municipal services and capital works. The Coalition appointed an Independent Commission of Audit whose contested assessment of government debt and unfunded liabilities was cited to justify a mini budget within a month of the election (Community and Public Sector Union, 2013; Hayward, 2000; Victorian Commission of Audit, 1993b)²⁷. In the

²⁵ The board was chaired by former merchant banker and management consultant, David Elsum, frequently engaged by Elizabeth Proust on the Council's behalf. Hitherto chaired by a committee of council and managed by Council staff, the board of the now Queen Victoria Market Pty Ltd, still council-owned, was required to submit an annual business plan to Council for approval, subject to commercial in confidence. Corporate management and contractual arrangements comparable to those in commercial shopping malls were instituted, stall holdings in the past being commonly handed down between generations.

²⁶ Statewide, local government jobs were cut by 40 per cent from 53,000 to approximately 34,000 (O'Connor, 2000). Within the Melbourne City Council, union membership was reduced from 3000 to 1500 (Parkinson, 2009, p.37).

²⁷ The Commission chairman was Professor Bob Officer, Melbourne Business School, The University of Melbourne

face of looming public sector cutbacks and industrial change the Victorian Trades Hall led two 100,000 strong protest marches in Melbourne on November 10, and December 1, 1992 (Long, 2009b, p. 33; Mayne, 1992). Mass street protest and industry-based strikes then dissipated (Beechey, 1993).

The *Local Government (Competitive Tendering) Act (1994)* is regarded by critics and proponents as requiring the most far-reaching reforms overseen by the commissioners statewide (Ernst, Glanville, & Murfitt, 1996; Hallam, 2010; Hayward, 2000). For Melbourne City Council its impact was greater, since it had the largest workforce and owned and managed more assets, facilities and services, in which there was a high level of commercial interest. By 1995, the Council workforce had been reduced from 2300 to several hundred ('The company we keep,' *The Australian Financial Review*, April 28, 1995, p. 1). To Minister Hallam CCT was 'perhaps the most powerful thing we did because it actually forced the operation of councils out into the public arena ... there was an enormous amount of pain' (2010, p. 9).²⁸

Its implementation was the more challenging in coinciding with the unprecedented municipal restructure, whereby over 1000 councillors were sacked and chief executives (excluding Melbourne's Elizabeth Proust) competed for their positions, as 210 councils were reduced to 78 over a fifteen-month period (O'Connor, 2000, p.2). Senior positions, traditionally the preserve of town clerks, were opened to applicants with qualifications and management experience elsewhere. Staff changes then cascaded down the organisations, as they were restructured and restaffed subject to appointment by unelected commissioners, themselves contracted to the state government. Proust described her five years as CEO as 'somewhat turbulent' (University of Melbourne, 2010). Two centralising and transformational local government reforms, structural and industrial, thus went hand in hand, to which neither an elected City Council nor its citizenry were party. The winners and losers, in Flyvbjerg's terms, were obvious. Further, there was a convergence between Council and citizen loss and between State

²⁸ Minister Hallam explained that local government was used as a test case for accrual accounting reform later applied in state and Commonwealth public sectors.

government and business gain. The power conflict had lost its duality as business and state government interests coalesced as a growth machine (2007).

Just as the Labor government had established a consultative framework for municipal restructure in 1985–6, agreement with the unions had also ensured that there would be no forced redundancies (O'Connor, 2000, p.2). The previously unannounced and authoritarian approach of the Kennett government was the antithesis of that of the Cain Labor government and of its stated position in Opposition in 1985–6. Under the *Local Government (Competitive Tendering) Act (1994)*, mandatory exposure of services to competition was required through public tendering, such that between 1993 and 1999, the staged percentage of budget exposed to CCT was increased from twenty to thirty per cent and finally fifty per cent. It thus involved far greater scope than the British precedent on which it drew both in service range – including community services – and in level of exposure (O'Connor, 2000, p. 2). Each council was required to submit annual CCT statements to the Minister for Local Government who, in the event of failure to meet targets, was empowered to intervene.

Indicative of the urgency and military precision with which the power shift was engineered was the immediate passage of the Employee Relations Bill by the Legislative Assembly, at 4am on Friday, November 13, 1992. This enabled the government to end automatic deduction of union dues from public sector payrolls. Unions were thus in organisational and financial disarray at a crucial juncture in the uncertain reform process, locating and re-signing members in the 1992 pre-Christmas period (Mayne, 2008; Parkinson, 2009, p. 2). Deceit, secrecy and hence surprise characterised the strategy to disarm the union in advance of suspension of constitutionally guaranteed local democracy.

The staged implementation of a package of five industrial relations acts, of which the *Employee Relations Act (1992)* is best known, involved the abolition of the Victorian Industrial Tribunal and of all state awards, taking effect on March 1, 1993. Next day the Secretary of the Australian Council of Trades Unions (ACTU), Bill Kelty, addressed

the ALP state conference, describing the industrial relations program as ‘a savage attack on working people’ (Mayne, 1992, n.p.). It was (whether supported or opposed) ‘the first serious attack mounted in Australia against the established system of centralised wage-fixing’, a system unique to Australia and definitive in workplace relations since 1904 (Phillips, 1993, p. 107). No other state or territory government followed the Victorian example.

The referral of industrial powers by the state government to the Commonwealth carried with it the loss of accumulated entitlements such as for superannuation and long service leave. According to the then blue-collar Municipal Employees Union organiser, ‘there would have been anywhere between half a million to three quarters of a million people that were really out in the cold ... because they didn’t have any coverage and unions couldn’t cover... overnight he took any rights away’ statewide (Parkinson, 2009). The Australian Services Union (amalgamating municipal unions in July 1993), like other public sector unions, quickly mobilised to gain federal award coverage. This avoided members being forced into the government’s preferred individual or collective contracts (Costar & Economou, 1999, p. 163; Parkinson, 2009, p. 3).

Immediately before the councils’ prospective removal, however, the ASU negotiated agreements individually with over half of the 210 councils. These employment terms were then certified by the Australian Industrial Relations Commission under federal legislation. State government legal representatives opposed this certification when it became apparent, but the agreements had legal standing and were ‘transmissible’ to councils yet to be formed by amalgamation. An important element of the government’s intended (and the union’s anticipated) cost cutting was thus forestalled. Hitherto unable to secure a meeting with the Minister, the ASU was invited to negotiate the ‘G17 agreement’ to apply to the remaining councils. This provided a two-year safety net, removing involuntary redundancy and providing a package for those voluntarily accepting redundancy (Parkinson, 2009, pp. 6,10). Nevertheless, there was a ‘massive reduction in membership’ through redundancies and voluntary departure in disillusion; ‘back in ‘94 we had 3000 members ... we wouldn’t have 1000 now’ (Parkinson, 2009, pp. 1,11).

The compulsory competitive tendering regime was implemented differently in key respects in the Melbourne City Council whose Chief Executive, Elizabeth Proust, led the way in advance of legislative requirement, according to then town clerk and the shadow minister (Power, 1993, p. 506; Young, 2011). In councils other than Melbourne, in-house units were established to submit tenders in competition with alternative, often private sector bidders.²⁹ Unique to Melbourne was the establishment, in 1995, of a government business enterprise focusing on the traditional functions of road construction and maintenance, street cleaning, waste collection and parks and gardens maintenance. Named CityWide Service Solutions Pty Ltd, it was a subsidiary company wholly owned by Council and amenable to sale. Those who successfully tendered for their former jobs thus acquired a new employer whose board of directors, as with the Queen Victoria Market Pty Ltd, was at arm's length from Council (Parkinson, 2009, p. 25). The company not only provided 'asset management services' to the Council, but also bid to services a range of organisations, including councils such as Sydney City Council.

Melbourne's Chief Executive saw herself (and was seen by the premier and commissioners) as charged with leading a cultural revolution in the Melbourne City Council, overseeing its restructure in terms of external and internal electoral boundaries and franchise as well as a program of privatisation, corporatisation and contracting out (Kennett, 1993a, p. 1918; Proust, 1997). A corporate logo replaced the heraldic coat of arms, symbol of the City since 1843, and every street sign replaced accordingly. There was irony in the Council's historic motto, *Vires Acquirit Eundo*: We gather strength as we go.

Melbourne City Council governance: intergovernmental changes

²⁹ The bidding team would thus compete for contracts to undertake work hitherto undertaken as employees of council. Thus a previously unitary organisation was restructured internally to accommodate a so called 'purchaser/provider' split, overseen by a chief executive whose dismissal now required ministerial approval.

Financial arrangements

The suspension of the elected Council and the appointment of four businesspeople as commissioners for an indefinite period, signified an unforeseen and sudden concentration of power with the state government. It enabled the government, given the bipartisan history of intergovernmental tension, to effect major and unilateral political and managerial changes to the City Council without municipal or citizen participation or legal challenge. Given that the fundamental attribute of democratic city government is its capacity to raise revenue and determine its expenditure, the *City of Melbourne Act 1993* introduced a period of local taxation without representation; the state government, through its appointed commissioners, assumed control of revenue raising and expenditure both between services and precincts of the municipality, to be of lasting effect.

There was unprecedented provision for the Minister for Local Government to intervene not only on an interim basis but on restoration of an elected council. Also unprecedented and ‘pernicious’, according to the Opposition, was the immediate imposition, in November 1992 of a poll tax of \$100 per household (State Deficit Levy Bill, 1992, p. 949). Local Government statewide was thus required to raise revenue on behalf of the state government, as an emergency measure to reduce state debt. When Rob Maclellan, Minister for Planning from 1992, assumed the additional portfolio of Local Government after the March, 1996 election, he increased state government centralisation further, announcing in May, without prior warning: ‘the imposition of a rate cap and legislative amendments to make his rate-pegging power permanent’ (Kiss, 1998). The taxing power of local government on which its limited autonomy relied was thus further eroded. As elected councils were restored in 1996–7, the then Minister for Local Government and Planning remained the arbiter of rate levels, rather than the relevant electorate or elected councils, subject to review by municipal inspectors at the Minister’s discretion.

While CCT reforms were internal managerial and industrial reforms, like corporatisation and privatisation, they also constituted intergovernmental reforms. They were predicated on costs and hence rates being held in check by the state, and on

councillor and union influence being minimised, the private sector better equipped to deliver services. In the words of the Commissioner: ‘it was hard to believe that a public entity in all aspects of its business ... would do a better job than something that had been contracted out’ (Commissioner, 2010b, p. 7).

Urban planning

Economic circumstances, especially the property collapse, together with the dire state of government finances as depicted by the 1993 Commission of Audit, explicitly justified state government control of city planning. The dismissal of the elected City Council enabled an unprecedented degree of centralisation. The rationale, as premier Kennett and fellow parliamentarians repeated, was that such reforms ‘will enable our State's capital to realise its potential as a vibrant cosmopolitan city’ (Kennett, 1993b, p. 570). Aimed to promote investment and employment, mega developments were marketed under the rubric of Agenda 21. It was, ironically, a term borrowed from the United Nations Earth Summit held in Rio in June, 1992 when participating nations, including Australia, committed to a revolutionary program of ecologically sustainable development in the twenty-first century – hence Agenda 21.³⁰ It was thus the antithesis of the Kennett government’s property-led agenda, itself identical to that of the Committee for Melbourne, namely to position the city as an engine room for growth in a global market.

By amending the *Planning and Environment Act (1987)* the government introduced an unprecedented amount and type of standardisation into council planning schemes statewide in 1996. The dismissal of all councils rendered state-imposed deregulation of planning a *fait accompli*. It followed a review chaired by prominent ‘place entrepreneur’, Les Perrot, in November 1992, examining the means to reduce complexity, cost and delay and to remove the inherited ‘strong orientation towards local variation and influence’ (Buxton et al. 2003, p. x). Such local influence had already

³⁰ The United Nations Conference on the Environment and Development was known as The Earth or Rio Summit, being held in Rio de Janeiro in June, 1992. Kennett’s Agenda 21 included Melbourne Museum construction (\$250 million); National Gallery of Victoria renovation (\$160 Million); Melbourne Sports and Aquatic Centre in Albert Park (\$65 million); restoration and upgrade of the State Library of Victoria (\$100 Million); provision for demolition and construction of a city square to celebrate the centenary of federation (\$130 million) (Gordon, 2012).

been reduced in the City of Melbourne by the former Labor government's assumption of Council planning powers, through its Major Projects Unit and especially the casino and docklands legislation.

The dismissal and restructure of the City Council in 1993 made its disempowerment and that of its citizenry complete. However, the institutional foundations for the four mega projects with which the Kennett government was identified (and identified itself), had already been legislated for under the previous government: the development of Southbank, chiefly as the site of a casino, the Docklands and the pursuit of major events, including the Formula 1 Grand Prix. A new Melbourne Museum on Southbank, overlooking the Yarra River and within the arts precinct, was half built by October 1992. It was revamped as a Melbourne Convention and Exhibition Centre and a new museum was built in the Carlton Gardens, adjacent to the national heritage (later World Heritage) listed 1880 Royal Exhibition Building. Undertaken directly by the state government during the commissioners' term, the museum's design and location provoked one of the many protests over alienation of public parkland, to no effect in every case.

Deregulated urban planning in the 1990s was the key strategy and property development the key arena in which the benefits of the City Council's reinvention would accrue in fulfilling the government's vision. The exclusion of citizens (unlike the City Council) was unstated but intrinsic to that reform. The role of senior public servants as strategic deliverers of these reforms was central, notably Elizabeth Proust as CEO of the Council, (and Secretary to the Department of Premier and Cabinet from 1995), John Paterson as Secretary of the Department of Infrastructure, including planning, and Yehudi Blacher as Secretary of the Office of Local Government.³¹

The casino was the centrepiece of Agenda 21 projects – the single most important development in the CBD in the 1990s politically, economically, and in land use planning terms including sheer scale. It was also the Agenda's underwriter through

³¹ All three received national honours for their public service.

licence fees and a Community Support Fund levied on gambling revenue. Announcing assignment of the licence to the parliament on September 6 1993 the premier, sensitive to its Labor provenance, explained that the casino would be:

located on land made available by this government after it came to office in October (1992) ... it can be proud that a Victorian firm ... beat competitors from all around the world ... A payment of \$275 million will be made upfront (Kennett, 1993b, p. 269).

The casino was the embodiment of the new urban planning regime: a fast-tracked, custom-made arrangement subject to 'commercial-in-confidence' between executive government and the successful proponent, Hudson Conway Pty Ltd, in the absence of an elected City Council and without the involvement of the commissioners (Commissioner, 2010b, p. 13). Ron Walker, partner in the consortium, was then national treasurer of the Liberal Party and subject to charges of impropriety in the bidding process as was the premier, including by ITT Sheraton whose bid lost by a narrow margin, the bidding period being extended (Mayne, 2009). As with Labor's *Casino Control Act 1991*, there was neither citizen input by virtue of suspension of planning controls and third party rights, nor access by the media to contractual arrangements under commercial-in-confidence provisions. It was an unprecedented Public Private Partnership poised to vastly enrich not only the licensees, Crown Ltd, notably Ron Walker and Lloyd Williams, but the state treasury, through the *Casino (Management Agreement) Act 1993* (Mayne, 2009).

The Act was amended in 1994, 1995 and 1996. Originally designed for a five and a half hectare site, when the complex opened three years later it covered nine hectares, the equivalent of several city blocks, on a forty-year lease and with confidential terms (Elias & Heinrichs, 1997). As the project site increased so too did the number of facilities and buildings, their scale and the number of gaming tables.³² Indeed, the building underwent at least four major design changes, differing substantially from the

³² Elias, David and Heinrichs, Paul (1993) 'Vegas-on-Yarra', *The Age*. The original floor space of 230,000 square metres had more than doubled to 510,000; the original 22-level Crown hotel had become a 38-storey, 1000-bed tower; along with 2500 gaming machines, thus 200 gaming tables had become 350. The site included a 15-theatre cinema complex, 3000 seat ballroom, 25 restaurants, a convention centre and shopping 'street'. Originally a \$560million project, it increased to \$1.6 billion with mooted \$2.1 billion as the ultimate cost of proposals at time of publication by *The Age*.

‘outstandingly better’ design which had won the tender, a component of the lapsed legal challenge by the losing bidders.

Significantly, Crown Ltd’s announced plans for expansion preceded formal approval, the urban planning process being managed by the Casino and Gaming Authority and by a Cabinet Sub-Committee headed by the premier. No planning permit was issued. The 180 architects working on the project reportedly ‘suffered from a design-as-you-go’ approach and no accurate internal or external photographs were released prior to the opening (Elias & Heinrichs, 1997). The casino, long resisted and alien to a dominant anti-gambling ethos in the state, was the largest in the southern hemisphere. The scale of development was also unprecedented in Melbourne and in the allied centralisation of planning control with the executive; carriage of the development was by the premier rather than the minister for planning, according to the Westminster tradition.

A similar institutional regime provided for the privatised development of the publicly owned docklands, as defined by the former Labor government, under the Docklands Authority. Unlike the master planning for a mixed use, medium density Olympic Games Village by Labor, part of the unsuccessful bid for 1996 Olympic Games in which Melbourne City Council was involved, no such planning occurred. Public expenditure was explicitly eschewed, justifying privatisation. The Kennett government amended the docklands legislation in 1993 and 1997, the site being released for sale in 1996 in seven precincts, amenable to tender by major developers alone (*Docklands Authority (Amendment) Act, 1993 and 1997*).

A detailed critique of both the design and planning outcomes indicated that instead of planning, including for infrastructure, there were ‘evocative collages’ showing a constellation of ‘precincts’ outlined as fluid blobs with indistinct boundaries labelled ‘world education’, ‘cultural venues’, ‘bio-health’, ‘recreation’ and ‘advanced transport’ (Dovey, 2005, p. 132). It was a marketing prospectus rather than a master plan, development being receptive to market forces and ‘the people with ideas’. Those with other ideas, such as planning academics in The People’s Committee for Melbourne,

were excluded from the process, despite informed effort (Long, 1997). When sales proved elusive, planning controls were no impediment to ad hoc proposals such as for the Grollo Tower in 1998, ‘the world’s tallest building’ which, however, failed to materialise for reasons other than planning.

The first construction in the Docklands was that of a multi-purpose sports and entertainment stadium, an inward-focused building adjacent to the harbour on government donated land.³³ Personal, sport, commercial and political connections facilitated that development by a private consortium. As a prominent Liberal Party office bearer, member of the board of the Docklands Authority and of the Australian Football League (AFL) Commission, Graeme Samuel, was pivotal to the development, the AFL being the leading tenant and ultimate owner.³⁴

At the same time cities in North America with a declining industrial base, like Melbourne, adopted a high profile major events strategy with commercialisation of public land, despite strong community opposition (Noll & Zimbalist, 1997). Ron Walker’s appointment by the Kirner Labor government to chair the Melbourne Major Events Company, (in the first instance to negotiate the removal of the Formula 1 Grand Prix from Adelaide to Melbourne), and to chair the Melbourne bid for the 2006 Commonwealth Games, reflected that phenomenon. Both initiatives came to fruition in the Kennett term and entailed allocation of permanently reserved city parkland, despite mass public protest and attempted litigation.³⁵ However the Australian *Grand Prix Act (1994)*, like the *City of Melbourne Act (1993)*, epitomised the unprecedented Kennett government reliance on removal of decision-making from judicial review by the

³³ The consortium was led by Baulderstone Hornibrook and included KPMG, Merrill Lynch, Channel 7, News Ltd and Westpac.

³⁴ Graeme Samuel, merchant banker, member of the board of the Docklands Authority (from 1997–2002), former Treasurer of the Victorian Liberal Party, Australian Football League Commissioner, 1985–2002, former chairman of the Melbourne and Olympics Park Trust and former president of the Australian Chamber of Commerce and Industry.

³⁵ Application made on May 20, 1999 for an Enforcement Order by the Royal Park Protection Group on grounds of permit issue in contravention of the Melbourne Planning Scheme and the *Planning and Environment Act (1987)*, was withdrawn; the *Royal Park land Act (1999)* was enacted on May 26, 1999 to enable post hoc excision for a netball stadium, and pre-empting the hearing at the Victorian Civil and Administrative Tribunal, tacit admission of abuse of due process.

Supreme Court (Public Interest Law Clearing House (Vic) et al. 1995, p. 2).³⁶ Citizens were thus deprived of remedies to which they were otherwise entitled and privileges not available to others were conferred, including immunity from prosecution.

The Grand Prix legislation was strongly but unsuccessfully opposed not only by sustained, mass public protest though Save Albert Park, but by The Victorian Council for Civil Liberties (later Liberty Victoria), the Bar Council and the Law Institute. For it relied on amendment to Section 85 of the *Constitution Act (1975)* such that the constitutional status and protection of the Supreme Court, was 'ousted'. This occurred regularly during the Kennett government by various statutory techniques, The City of Melbourne Act, 1993 being one such case of denial of citizen rights to judicial review.³⁷ Whether due process in relation to the City of Melbourne and Grand Prix legislation, through required assessment of the proposed constitutional amendments by a bipartisan parliamentary committee as to whether they were 'appropriate and desirable in all circumstances', is not known (Public Interest Law Clearing House (Vic) et al. 1995). Given minister Hallam's account of 'hitting the ground running', the premier's refusal to meet with residents opposing excision and disenfranchisement, and failure to inform City councillors in advance, together with the damaged condition of the parliamentary Labor Party, use of such a democratic safeguard seems improbable.

³⁶ The Act precluded claims for compensation, removed the event from the jurisdiction of the Supreme Court, overrode The Freedom of Information Act and environmental and planning laws and granted the AGPC extensive powers to occupy and undertake works in Albert Park.

³⁷ Jurisdiction of the Supreme Court was regularly limited by statute - five times in the first month of government, November to December 1992. In 1993 and 1994 it numbered thirty-two and twenty-seven times respectively (Public Interest Law Clearing House (Vic) et al. 1995).

Conclusion

The seven year case study period witnessed immediate and transformational change in the Melbourne city Council and in the distribution of power between City Council and state government, as well as between CBD businesses (chiefly property-related), and citizens. That the dismissal of the City Council and its reconstitution was announced without pre-election commitment or a white paper and with immediate effect was akin to a corporate raid. Much of the change imposed had been sought in 1980, blocking completion of the former Liberal government's staged democratisation of the Council.

The recession in 1992 made achievement of the de-democratisation and disempowerment publicly palatable, rather than being its *raison d'être*. Likewise, the radical implementation of CCT and outsourcing of services, in the context of amalgamations and transfer of industrial awards to a federal jurisdiction, was consistent with antipathy to union influence rather than simply seeking efficiencies. That the Melbourne City Council, alone, was not subject to amalgamation with a view to efficiency exposed the *realrationalitet* of the corporatist reforms. Faced with a *fait accompli*, citizens had little scope for effective opposition. Indeed, there was no organised opposition to the dismissal and disempowerment of the City Council. Removal of the right to judicial review by the Supreme Court, together with commercial-in-confidence arrangements, as with the docklands and casino developments, pre-empted effective opposition. The co-option of former municipal leaders and of the building and construction unions, similarly disarmed opposition.

Legislative, electoral and boundary change together with privatisation and outsourcing, redefined the City Council as an administrative body under the control of the minister for local government. This oversight included revenue raising and distribution, even to the extent of power to intervene in the distribution of the Lady Mayoress's Charity Fund. The Council was intended to operate as board of directors from 1996, rather than as the elected representatives of their constituents, and local autonomy and local accountability undermined. A state government and business growth machine, focused on property development and related infrastructure provision, operated at the expense of both the City Council and citizenry, their disempowerment linked. This power shift

in capital city governance from Council and citizenry to state government and property interests, and the related deregulation of planning from 1992–9, relied on the withdrawal of civil constitutional rights. The genealogy of these transformational changes to the Melbourne City Council is analysed in the following three chapters, in three eras from 1842–91; 1901–82; and 1982–92.

PART TWO: HISTORICAL INSTITUTIONAL ANALYSIS

Part Two of this study represents an historical institutional analysis of three successive periods in the evolution of the Melbourne City Council prior to the election of the Liberal/National Coalition government, in 1992. Chapters 5, 6 and 7 thus focus in turn on the colonial and post-federation periods and the unprecedented decade of a Victorian Labor government: 1842–1901, 1901–1982 and 1982–1992. Evidence is found of distinctive political and institutional attributes which shaped the gradual evolution of the Melbourne City Council – the genealogy of the radical changes identified in the 1990s. Rather than interpret the changes made during 1992–9 in isolation, the trajectory of a century and half of gradual institutional change is sought as a basis for later interpretation.

CHAPTER 5: A VICTORIAN PARADIGM, 1842–1901

Introduction

The first of three chapters applying an historical institutionalist framework to the analysis of the development of the Melbourne City Council and its context, commences with the establishment of the Town Council in 1842, and ends with the federation of the six colonies as states within the Commonwealth of Australia, in 1901. An extraordinary constitutional achievement it followed two remarkable land and gold rushes, in quick succession, in the then Port Phillip colony. The dual conflict at the heart of this thesis, between the Council and colonial government, and between the propertied and the populace, is entrenched by (and within) the Victorian parliament from 1856 with major implications for the City Council. The chapter examines those conflicts and the early emergence of a constellation of political and institutional attributes representing a paradigm of government unique to Victoria in important respects. It thus focuses on the first of three eras in the development of the City Council, identifying attributes and outcomes of conflict conducive to the radical transformation of the City Council in the 1990s.

Political attributes

The political context for the institutional development of nineteenth century Melbourne hinged on two events of immense economic significance. The first generated a rush for land from 1836 and the second a rush for gold (and land) from 1851. By the boom of the 1880s Melbourne was said to be one of the richest cities in the richest empire in the world (McDonald, 2008).

Unlike other Australian colonies, Port Phillip District was not settled under government authority, as were the convict settlements of Brisbane, Hobart, Perth and Sydney, nor by treaty as was Adelaide. On the contrary, the camp set up in 1835 by Vandemonian

sheep farmers, including ex-convicts, was under the auspice of the Port Phillip Association, a business syndicate. Foremost Australian historian, A.G.L Shaw, found these newcomers to be less guilty of trespass beyond the legal boundary than ‘theft, for such it was, of Crown land’ (1996, p.204). The institutional importance of property-based colonial settlement was to prove decisive for Melbourne.

The year 1835 is identified by historian, James Boyce, as the pivotal point at which ‘the real conquest and colonisation of Australia’ began, rather than with the First Fleet at Sydney Cove in 1788 (2011). His findings bear on the unique power relations and alignment of interest between the ‘squatters’ and the colonial and imperial government, illuminating the political context in a governmental vacuum at this formative stage. Unlike Barrett, Boyce contends that the prompt removal of the limits on white settlement in 1836 was not inevitable, nor acceptance of a *fait accompli*, but represented a policy crisis and policy reversal unique in the British Empire (1979, p. 5). He argues that the decision appears to have arisen from a convergence of interests of the governors of New South Wales and Van Dieman’s Land, the British Colonial Office, and pastoral and commercial interests enabling the flow of speculative capital to support expanded settlement. The power of rural property and capital, informal and formal, was early established in the colony, indeed its *raison d’être*.

An explosion in immigration and uptake of pastoral land, phenomenal on a global scale, followed the removal of the boundary.³⁸ Indigenous rights to land were without standing, as then defined by British law, Australia being deemed to be without prior sovereignty, or *terra nullius*. Indigenous occupants were dispossessed, at times brutally, and the squatters’ enterprise and defiance of authority rewarded in the pre-emptive acquisition of fine grazing land, as unauthorised runs were converted to leasehold.

³⁸ The demand and price for wool in London was high, driving the search for further pasture. The figures are uncertain but if, as claimed, the population of the district rose during 1839 to nearly 6,000, this was an increase of 70 per cent (Shaw, 1996, p. 85). Accordingly, the number of sheep rose steeply from 300,000 to over 1,000,000 between 1838 and 1840, and in 1847 wool exports were equal to more than 80 per cent of that from central NSW (Shaw, 1996, p. 87).

Superintendent (later Lieutenant Governor) Joseph Latrobe was appointed to and based in the District in 1839. NSW Governor Bourke assented to legislation establishing the Corporation of the Melbourne Town Council in 1842, its status raised to City in 1849. Further reflecting the District's confidence and political power, (based on the pastoral industry), the Council thus functioned as the first locally representative institution of the Port Phillip District of NSW, both franchise and candidature based on male ownership of property. Significantly, in terms of political relations between propertied interests and government (and in terms of institutional change in the 1990s), Port Phillip (predominantly Melbourne) was 'a flourishing business concern well before the establishment of any public authority' (Barrett, 1979, p. 3).

Port Phillip pastoral and merchant interests soon mobilised to gain self-government, resentful of minor representation, inaccessibility and inequitable funding from the NSW Legislative Council. Indicative of the tension from inception between the new Town Council's power and responsibility, despite difficulty paying salaries during the 1840s recession, it was refused loans both by banks and the NSW government (Barrett, 1979, p. 95). The Council was thus in the forefront of the Separation Association's political campaign for colonial independence, granted by British Act of Parliament in 1850. As to impetus for self-government Dunstan argues: 'it is likely that uppermost in the minds of many were the public lands of the Colony, then occupied in the main on leasehold by tenants of the Crown' (1984, p. 43). An Interim Legislative Council, a third appointed by Latrobe and the rest elected on a substantial property franchise, served from November 1851 for five years, charged with drafting a colonial constitution.

The composition of this Interim Council, its task and timing were of immense institutional significance, including for the future of the City Council. For the political context changed dramatically that year, with the official announcement of the discovery of gold in Ballarat, west of Melbourne. Within two years the population had grown seven-fold, from 77000 to 540000, drawn from Britain, Europe, North America and China, and the nascent colony of Victoria was soon producing over one third of the world's gold output (Australian Government, 2012). Fortuitously then, the context for the privileged constitutional deliberations became one of mounting political conflict on

the goldfields. A miners' tax revolt against the monthly license fee and its punitive administration ended in 'humiliating surrender by the government within a fortnight' (Eastwood, 2012). Resentment festered, however, and 'monster meetings' and petitions were organised under the leadership of the Ballarat Reform League, the tax revolt translating into political demands. A brutal skirmish at the Eureka diggings in November 1854 forced an immediate Royal Commission into conditions, vindicating the miners' claims. Like the squatters before them, the miners succeeded in mobilising informal political power with institutional effect.

Harnessing collective political experience in industrial and democratic movements in the 1840s, the League drew on the 1839 English People's Charter, with demands for universal adult suffrage, the right to candidature without property qualification and to 'unlock the land'. For their part, the squatters were ideologically opposed and in pursuit of the privileges of property embedded in British Common Law and nineteenth century government. The political conflict of which the Eureka Stockade was symbolic was between government and miners, but its institutional implications brought the underlying conflict between propertied and landless to the fore. The legitimacy of their case for adult male suffrage aside, the gold rush generation faced, on arrival, the *realpolitik* nexus between property ownership and political and hence institutional power.

Institutional attributes

The distinction between the formal *institutional* characteristics of Melbourne's initial governance and those of the *political* context within which they evolved is not as clear as Mahoney and Thelen's framework may imply. For the frenzied political context of two waves of migration is inseparable from the adversarial and opportunistic forging of an institutional matrix. The dual conflict from 1852 is more complex, a triangular alignment with the goldfields generation confronting the political rights and land tenure of propertied interests and, by virtue of the latter's institutional dominance, the parliament (subordinate to its Legislative Council) and the City Council.

Before 1851 the institutional characteristics of Port Phillip were formally those of a centralised colonial hierarchy. In practice, ambiguities provided the dynamic to which Mahoney and Thelen attribute gradual institutional change. Indicative of the first settlers' de facto empowerment, was the pressure successfully applied to La Trobe in 1849 (with threat of violence) to refuse docking to the convict ship, *Randolph*, contrary to British Law and to his own career prospects (Eastwood, 2012). His formal power was thus informally constrained from above (in NSW and Britain) and below, by both Town Council and landholders. Similarly, the Town Council, despite nominally wide powers, lacked the autonomy to raise or receive necessary funds from the NSW Legislative Council to exercise them.³⁹ It then bore the odium and associated loss of standing as to the dire level of services – a recurring theme (Shaw, 1970, p. 67, 68).⁴⁰

Separation of the colony from NSW in 1851 marked a watershed in the institutional evolution of the dual conflict between the City Council and central government – now the Victorian colonial government – and between propertied (especially rural landholders) and the goldfields generation. The composition of the Interim Legislative Council and the magnitude of its responsibility in drafting the Victorian constitution capture Flyvbjerg's interest in 'how the exercise of power affected the possibility for further exercise of power, with resulting reinforcement of certain power relations and the attenuation of others' (1998c, p. 123). Following Mahoney and Thelen, the political and institutional properties from inception 'permitted and invited' the institutionalisation of the political power of men of property.

The City Council having advocated self-government was overshadowed on its achievement, and suffered a decline in the calibre of councillors.⁴¹ The new gold rush constituency achieved small inroads when the City's property qualification for

³⁹ Only after gaining the status of city was the Melbourne council granted power by the NSW Legislative Council (urgently sought and twice rejected) for regulating sanitation and fire protection in a rapidly expanding urban settlement (Shaw, 1996, p. 247).

⁴⁰ The severity of the problem is reflected in an article in the *Sydney Morning Herald*, November 4, 1852, albeit with a trace of inter-city rivalry: 'I must say that a worse regulated, worse governed, worse lighted, worse watered town of note is not on the face of the globe ... nowhere in the southern hemisphere does chaos reign so triumphant as in Melbourne' (R. Wright, 2001, p. 36).

⁴¹ City councillors were elected unopposed in 1852 and 1853, with little press coverage (Barrett, 1979, pp. 105,114)

enrolment was halved in 1852, equivalent to that for the Legislative Council (Barrett, 1979, p. 293). However, the strong propertied weighting remained and the municipality was reduced in area by 1861, when local property interests (motivated by lower rates and control over ‘improvements’), agitated for the creation of eight additional municipalities (Barrett, 1979, p. 116). As has been observed,

This curtailment of Melbourne as a municipal political entity was to have profound implications for future metropolitan government. It was also a geo-political curtailment, keeping many suburbanites off the City of Melbourne voters’ roll (Dunstan & Young, 2005, p. 8).

The contest for influence within the City Council paled beside that which convulsed the new Victorian parliament for almost three decades. The gold generation (including manufacturing, artisan and farming-selector categories) having won the right to vote, quickly established its strength in the lower house. The power of property, however, indeed rural property, was entrenched under the constitution in an upper house which ‘earned a reputation from colonial times as the most intractable in the land ... ultra-conservative in ensuring that the upper house would serve as a brake on democracy’ (Strangio & Costar, 2006, pp. 3,4). This was achieved through its property qualification for voters and for candidacy, while malapportionment ensured an anti-metropolitan weighting. The control of rural propertied interests was reinforced by the exceptional upper house veto powers over supply and ordinary legislation, those powers also effectively rendering it indissoluble.

The two houses (indeed the colony) were locked into ‘two mutually antagonistic camps’, characterised by upper house failure to pass appropriation bills or to agree to constitutional reform (Dunstan, 1984, p. 10). This sustained crisis culminated in an unsuccessful appeal to the British Conservative government in 1879 to reduce the power of the upper house. Even in the lower house, ‘a chaotic party system ... the turbulent and occasionally anarchic nature of Victorian politics’ caused a high turnover of ministries (Strangio & Costar, 2006, p. ix).⁴² The political and institutional context,

⁴² There were eighteen premiers in thirty-two separate periods in office during the forty-six years up to and including 1901

including the anti-metropolitan perspective of the dominant rural constituency, was inimical to strategic response to the mounting problem of urban government.

As with the timing of the gold rush, so the timing of self-government had major implications for the City Council. Dunstan argues that a post-gold rush separation and constitution may well have resulted in a more democratic upper house, ensuring passage of reformist legislation including that affecting the franchise, powers and boundary of Melbourne City Council. Given that timing, he speculates that the Council 'would most likely have remained the supreme local authority accruing to itself additional powers ... along the lines of provincial British cities' (Dunstan, 1984, p. 9). While the upper house was the final arbiter of the council's fate, suburban and rural property holders also contributed to its geo-political erosion and to municipal fragmentation.

It is in the gradual evolution of the municipal structure of Melbourne post separation that the emergence of a dual, interlocking conflict between the City Council and Victorian Government and between propertied and other residents can be seen. Three pieces of Victorian legislation highlight the institutional tensions and their contradictory consequences.

The first, the *Municipal Institutions Act 1854*, followed a Select Committee report which, contrary to accusations led by the press, affirmed the Council's fitness to borrow funds as financial crisis accompanied rapid urban development (Barrett, 1979, p. 120). Such was the political climate, the City Council is said to have been 'on trial for its life' (Dunstan, 1984, p. 55). Despite such vindication, the Committee recommended limiting municipal size and confining the City Council itself to the city proper. Further, the act empowered the Council to enable secession but not annexation, so that not only was the Council constrained but the fragmentation of local government promoted.⁴³ Barrett identifies the resistance of the Legislative Council and its rural constituency to a strong

⁴³ *The Argus* newspaper, arch critic of the Council, conceded there was little practical logic in the boundaries drawn (Dunstan, 1984, p. 68).

City Council and to a strong local government system as the major factor behind this early and crucial institutional decision. He concludes that municipal resistance to amalgamation in order to protect property values also contributed to the dismemberment of the metropolitan area (Barrett, 1979, p.128). The inextricable connection between political and intergovernmental conflict – between the ‘*realrationalitet*’ of protection of property rights and institutional change – is clear.

A decade later, the *Municipal Institutions Amendment Act, 1863*, reflects the obstacle to removal of demonstrable dysfunction posed by dominant economic individualism and the way in which political conflict informed institutional change. A preceding inquiry had recommended amalgamation of the City Council with sixteen surrounding municipalities, none of which expressed interest, including the City Council; the latter representing substantial property interests feared an added rate burden. Furthermore, the assumption on which the Act was based, namely that removal of state largesse would eliminate non-viable councils, proved unfounded. For in response they formed symbiotic relations with local members of parliament. Localism and clientelism were thus entrenched at a metropolitan scale, permitting the survival of the fragmented municipal system of limited capacity and resources (Dunstan, 1984, p. 72).

At the same time the weighting of property interests under the City Council’s franchise was increased at the behest of the Legislative Council, under the *Melbourne and Geelong Corporations Act Amendment Act 1863*. While plural voting was introduced statewide, qualification for multiple votes was easier to secure and of decisive importance in the dominance of propertied interests in the two main centres of commerce. It was indicative of the special electoral arrangements traditionally made for the councils of Melbourne and Geelong (Dunstan & Young, 2011).

As to the structure of urban government to this point, Dunstan observes the ‘injustices inflicted’ on the Council, leaving a ‘legacy of divided jurisdiction which was to seriously frustrate metropolitan affairs within the experience of the same generation’ (1984, p. 9). By outlining controversies in the late nineteenth century over sanitation,

public transport, gas supply and harbour facilities, he conveys ‘something of the multi-faceted nature of this phenomenon’ of dysfunction. This he defines as ‘the want or breakdown of authority and the orderly provision of services in the face of the changing urban form’ due to a failure of political structures to adapt to rapid expansion of population and settlement (Dunstan, 1984, p. 10).⁴⁴

The fact that Melbourne was the seat of the colonial Victorian Government in itself explains the conflict between the two and the way in which, from 1853, ‘the new authority acted to curb the City Council and to involve itself, and its extensions, in the public works programmes and affairs of the City’ (Dunstan, 1984, p. 9). This took the form of statutory bodies and of privatisation which together removed authority and spending powers not only from the City Council but, being separate from the civil service, from the direct control of parliament (Dunstan, 1984, p. 55).

Dunstan offers several explanations for this institutional development, notably a crisis born of the extreme service backlog and the inexperience of a new, overstretched and strife-torn legislature. So vulnerable was the City Council in a hostile political and institutional context, that he suggests the crisis may explain the Council’s sheer survival. Dunstan further suggests a reason for the government’s creation of the various commissions and boards in this ‘extraordinary time’ may have been

to keep the reins of power within a charmed circle of influential types who had informal as well as formal associations (and) this was not to be a temporary aberration in the style of government but the start of a long tradition (1984, p. 55).

The wasteful and competing private enterprises which secured contracts for costly services in high demand, such as gas and rail, compounded urban dysfunction. Privatisation created problems of jurisdiction, economy and management, as well as corruption in terms of Legislative and City Councillor pecuniary interest in bidding

⁴⁴ The four key institutional elements of dysfunction he identifies are: the divided pattern of local authority; the lack of a structural affinity between the metropolis and a government whose duty, despite its power to satisfy metropolitan needs, was to the colony as a whole; recourse to specific, ad hoc authorities in the face of crisis – often short-term and undermining local authorities, confusing accountability and impeding coordination; and the absence of authority when a pressing new need arose, such as sanitation (Dunstan, 1984, p. 11).

companies (Barrett, 1979). The City of Melbourne was thus progressively undermined and sidelined such that the government, as Dunstan observes:

seemed little inclined to allow the development of a metropolitan system that could both take advantage of and provide for the consequences of growth, instead of encouraging a not so benign neglect and the exploitation of profitable services (1984, p. 12).

Rather than plan ahead, the government chose to direct the benefits and responsibilities of supplying utilities to private enterprise, the rationale (or rationalisation) being to reduce the risks involved. In effect the parliament ‘virtually granted a licence to print money with no questions asked and only the slenderest attempt to safeguard the rights of the public’ (Dunstan, 1984, p. 12). Private enterprise proved less willing to take on the costs and he observes that a ‘typically Australian phenomenon emerged of capitalising the profits and socialising the costs’ – an apt representation of winners and losers in a partnership between government and private institutions characteristic of most of the second half of the nineteenth century (1984, p. 12). He goes on to observe that municipal government, especially the City of Melbourne, potentially well-suited to the management of metropolitan utilities, was not allowed to realise that potential. Here he contrasts contemporary international models, notably the provincial cities of Britain.

It was clear as early as the 1870s, he argues, that a political vacuum existed at the metropolitan level and that the desperate need ‘to solve problems of administration and services ... did much to shape the ad hoc nature of the government of Melbourne and, by virtue of metropolitan impact, the government of Victoria’ (Dunstan, 1984, p. 11). The depression of the 1890s exposed widespread land speculation and fraudulent commercial activity during the boom of the 1880s, one historian describing the parliament as a ‘speculators’ club’ (Cannon, 1967, p. 29). That is, property interests were not simply favoured by a parliament ideologically predisposed to and largely representing them; investment in real estate was an expected benefit of office. The abuse of power, notably in the prior acquisition of land used for rail extensions, demonstrated the parliamentary culture of economic individualism. The subsequent financial collapse in the 1890s, public and private, demoralised both parliament and society.

Leadership of the City Council as institutional problem solver

The collapse of the 1890s land boom nevertheless provided a climate conducive to metropolitan reform and civic unification. There were several inquiries from as early as 1862 recommending council amalgamations, but momentum increased in the 1890s. Alternative institutional solutions were mooted, with shifting definitions and allegiances, including by groups of councils. The City Council itself favoured annexation rather than federation to form a Greater Melbourne Council, supported by *The Age* newspaper, inspired by the London County Council which superseded the London Metropolitan Board of Works in 1889.

Significantly, it was the small and disempowered Melbourne City Council, not the responsible colonial government, which developed the institutional response to the most pressing aspect of the 'metropolitan problem', namely water and sewerage supply and related ill-health. Dingle and Rasmussen (1991) attribute the incapacity of any single municipal authority to fulfil metropolitan water and sewerage functions to successive colonial governments' deliberate fragmentation to prevent the formation of a rival metropolitan power and tax base. The domination of rural interests also reinforced the anti-metropolitan bias in colonial expenditure.⁴⁵

As the sanitation crisis worsened municipal conferences wrangled about what should be done, many fearing domination by the Melbourne City Council and contesting representation on a proposed metropolitan board.⁴⁶ It was the Council's strategic leadership (chiefly that of Town Clerk, Edmund Fitzgibbon) in negotiating the political consensus which enabled a local government-based metropolitan solution, rather than the government's preferred small board of experts. Inspired by the London board, established in 1855, the establishment of the MMBW was a notable but isolated

⁴⁵ Successive colonial governments, dominated by rural interests, 'were unwilling to apply the surplus earned from water supply to capital works for sewerage out of fear that country voters would resent increased spending on the metropolis' (Dingle & Rasmussen, 1991). The result was growing dissatisfaction by city dwellers (the losers by virtue of the electoral distortion), seeing their surpluses applied to consolidated revenue as a hidden tax.

⁴⁶ First proposed by a municipal conference in 1874, by the 1880s a majority of councils agreed to support the concept of a Board of Works, also recommended by a Royal Commission into Sanitation in 1888. With the collapse of the land boom and economic recession the prospect of inclusion in a larger entity made both pragmatic and economic sense (Dunstan, 1984, p. 292). Having been stripped of responsibility for water and sewerage in 1853, the Council secured institutional reform by skilful negotiation and enlistment of fellow councils and, ultimately, the parliament in the MMBW Act of 1890.

example of the City Council as ‘winner’ in the intergovernmental conflict – through skilful compromise and collective political clout, rather than statutory power. The Council thereby enabled (and for many years chaired) what became the most significant metropolitan institution in Melbourne for almost a century. The role and powers of the council-based Melbourne board were a matter of contention and confusion relative to those of a putative Greater Melbourne Council. An inquiry into the MMBW in 1900 found no evidence of alleged maladministration but concluded that it would be superseded by a Greater Melbourne Council ‘at no very distant date’, making no recommendations for its implementation.

Establishment of the Commonwealth of Australia, 1901

A further and decisive institutional change impacting on the City of Melbourne at the close of the colonial era was the federation of the six colonies as the Commonwealth of Australia, on January 1, 1901. A remarkable institutional achievement in world terms including adult suffrage (other than for Indigenous people), the constitution defined local government and land-use as ‘residual’ functions of the state governments. Significantly, local government was not recognised in the *Constitution Act 1901* which, unlike its Victorian counterpart, was subject to amendment by popular referendum – a majority of voters in a majority of states. Consistent with Bachrach and Baratz’s theory of the ‘two faces of power’, the exclusion of national government from urban governance was to be a crucial institutional property in enabling (or suppressing) changes to the Melbourne City Council (1962).⁴⁷

The intense intergovernmental conflict, ambiguity and unforeseen effects of division of power between Commonwealth and state government, between the two houses of state parliament and between state parliament and City Council was conducive to attempted reinterpretation of the rules. It was thus conducive to power shifts which, according to Mahoney and Thelen’s framework, permitted gradual but profound institutional change which culminated in the 1990s.

⁴⁷ Refer Chapter 2, Literature Review, p. 34: Logan and Molotch (2007) identify national involvement in urban governance as an important determinant of state and urban planning in the public interest in northern Europe.

Conclusion: Melbourne's institutional legacy from the colonial era, 1842–1901

The response of state government to the metropolitan imperative evident from the 1870s has been summed up by Dunstan as follows:

Parliament only reluctantly conceded the need for change of a limited nature. The institutional reform that did occur was piecemeal and ad hoc in character. Proved money-spinners were handed over to private enterprise, despite municipal protests, and extensive new burdens imposed on the taxpayer in one form or another. Although a resolution of sorts had taken place, a complicated and confused legacy of authority at the metropolitan level was handed down to the next generation (1984, p. 15).

The analysis of institutional change in the colonial era indicates that a distinctive Victorian variant of the Australian paradigm of government was substantially in place by 1901. Its institutional properties were as follows: the state capital also the primate city of Melbourne (McDonald, 2008); the dominance of the colonial government, reinforced following Victoria's separation and, further, by federation; an exceptionally powerful and rural property dominated Legislative Council; an exceptionally fragmented metropolitan system of small, weak local authorities narrowly representing property; a Melbourne City Council legislatively confined to the central city, its boundary, electorate, functions and autonomy cumulatively constrained; and the related reliance on privatised services and, to an extreme degree statutory authorities, weakening parliamentary accountability and compounding fragmentation.

A combination of extreme versions of the Australian political and institutional context can thus be seen to have 'permitted and invited' the diminution of Melbourne City Council by 1901. The pastoralists' economic and hence de facto political power from inception is reflected in the rapid legitimisation of their illegal settlement (unique to Victoria) and removal of the boundary impeding settlement in 1835. It is also reflected in their institutional empowerment through the evolving property-based candidature, franchise, multiple voting and malapportionment of the Melbourne Town, later City Council. Above all, it was enshrined in the dominance of rural property in electoral arrangements for the Legislative Council whose powers of veto over decisions of the

more democratically elected Legislative Assembly (including supply) were unparalleled in the British Empire.

While the extreme institutionalisation of property at parliamentary and City Council level might be viewed as path dependent ‘lock-in’, it was contingent on the fortuitous timing of colonial separation in two respects. First, the Interim Legislative Council representing rural propertied and merchant settlers, and responsible for drafting the constitution, was barely in place when the 1851 gold rush began and political protest gathered momentum. The miners’ prior political experience and strategic leadership enabled a remarkable though Pyrrhic victory in adult male suffrage in the lower house, while control of the upper house by rural property was entrenched. The goldfield generation and its successors were thus disempowered and forestalled in access to land and to democratic government as prolonged conflict within the Assembly and with the Legislative Council convulsed the parliament. That the Victorian Labor Party, established in 1891, lagged behind other states in its electoral impact reinforced conservative dominance and anti-metropolitan bias.⁴⁸

The second implication of the timing of separation for institutional change was that the anti-metropolitan bias in the upper house ensured a fragmented municipal system. As Dunstan observed, the Council had insufficient time (barely a decade) to consolidate its role before being displaced and curtailed geo-politically by the Victorian legislature. In terms of the dual conflict shaping urban governance, democratic disempowerment (in parliament and Council) was thus paralleled by municipal disempowerment vis-à-vis the state government. Despite the widely assumed inevitability of a Greater Melbourne Council by the end of the colonial era, the *realpolitik* of the dominance of state government, chiefly the upper house, meant that not only was the City Council diminished but a Greater Melbourne Council was doomed. The two strands of the conflict, the political and institutional elements of Mahoney and Thelen’s framework, appear in this case to be inextricably linked – the political equivalent of a genetic double helix.

⁴⁸ Factors included the concentration of Labor’s electoral support in the industrial inner city and the relative strength of the liberal protectionists in Victoria.

In essence, the two huge and extraordinary ‘discoveries’ of land and gold, within two decades, posed problems of rapid growth and governance of unimaginable magnitude. A dysfunctional colonial/state parliament was unequal and ideologically disinclined to undertake the task of institutional reform. Municipal fragmentation was at the core of the metropolitan problem of that multifaceted dysfunction and, paradoxically, the fragmentation was deliberate. Neither the colonial nor later state government would countenance an expanded City Council as a rival taxing authority representing the bulk of the population. Similarly, neither rural nor suburban property-holders would countenance such concentration of power with a populous, urban electorate. The power and perceived rights of property at suburban and state level, notably the Legislative Council, ensured jurisdictional fragmentation and severely limited the potential of the Melbourne City Council as an effective and democratic institution of city government. Significantly, despite this statutory weakness, unique political and institutional attributes enabled the Melbourne City Council, under the leadership of a visionary town clerk, to negotiate and, from 1891 to chair the city’s most enduring contribution to metropolitan governance, namely the Melbourne and Metropolitan Board of Works.

CHAPTER 6: THE METROPOLITAN PROBLEM, 1901–82

Introduction

The second era identified for the analysis of political and institutional properties in the City Council, and their relevance to the 1990s transformation is from 1901 to 1982. It begins and ends with unprecedented institutional change: the inauguration in Melbourne of the Commonwealth of Australia on May 9, 1901 and the election of a Victorian Labor government on April 3, 1982, after twenty-seven years in opposition. Both changes had decisive impact on Melbourne's governance. The era also witnessed successive global upheavals affecting governance and inhibiting reform, including the Great Depression of the 1930s and two world wars, 1914–18 and 1942–5, followed by a 'long boom' before the 1970s global recession.

The purpose of this second historical chapter, as with the first, is to apply the historical institutionalist framework of Mahoney and Thelen in interpreting the City Council's change. It identifies the ways in which political and institutional attributes permitted or invited shifts in power between 1901 and 1982, with implications for the further exercise of power in capital city governance. The analysis focuses on those attributes and conflicts at and between Commonwealth, state government and City Council levels in this period. It then examines related community politicisation and its implications for the state government and City Council. Finally, it examines the 'metropolitan problem' of fragmented government. It is in this context that it is apparent that the primacy of individual property rights, and antipathy amongst property interests and in the parliament to urban planning, largely explains the problem of governance. The leadership of the City Council (rather than the Victorian Government) in metropolitan problem solving, (as with the MMBW in the colonial era), is examined in relation to two notable planning-related institutional achievements.

Political and institutional attributes: Commonwealth Government

Despite the Victorian Government's responsibility for local government and land-use under the 1901 Commonwealth constitution, two related legislative changes by the Commonwealth Labor Government during World War II had far-reaching implications for Commonwealth State relations and, indirectly, for Melbourne's governance and planning. First, the *Commonwealth Income Tax Act, 1942*, centralised control over income taxation under emergency war-time powers. The retention of such power produced a marked revenue and expenditure imbalance, with states' dependence on grants limiting their autonomy and institutionalising intractable conflict.

Victorian Governments having embraced privatism in urban development, the first planning legislation was enacted at Commonwealth insistence. By virtue of the 1942 legislation, the second key legislative change made receipt of Commonwealth funds under the *National Housing Act, 1944* conditional on the implementation of metropolitan planning schemes. This was of pivotal importance in the evolution of the dual conflict shaping the Melbourne City Council. A later source of crucial Commonwealth impact on capital city government was the election of the reformist Whitlam Labor Government in 1972, after twenty-three years in Opposition. It overcame constitutional constraint (and High Court appeal, including from Victoria) in partnering with local government through a new Department of Urban and Regional Development and its minister, Tom Uren – ironically of the Socialist Left but widely respected by councils and their peak bodies.

Councils were then, for the first time, funded by the Commonwealth individually and regionally, building strategic planning and research capacity and enabling more effective engagement with state government. It thus had indirect influence on the dual conflict in shifting intergovernmental and political power to councils and citizenry respectively. It fostered a new concept of the institution of local government (including the business-dominated Melbourne City Council) and of the citizenry. It was less focused on property services reflected in unprecedented participation by women as

citizens, employees and councillors, especially in inner Melbourne (Hartnell-Young, Morgan, & Wills, 2001).

That short-lived federal Labor government's dramatic and unprecedented dismissal followed the conservative dominated Senate's refusal of Supply in 1975.⁴⁹ In a climate of global economic stagnation, the constitutional crisis intensified party antagonism. That recent, traumatic dismissal was indelibly imprinted on the psyche of the newly elected Victorian Labour government in 1982, similarly threatened by the powers of the conservative upper house. Significantly it was the 1970s recession, Wilenski argues, which enabled Australia as one of a few chiefly English speaking countries, to adopt an ideology representing cutbacks as a positive virtue, a distinctive political attribute and legacy in the 1990s (1986, p. 65).

Political and institutional attributes: Victorian Government

The establishment of the Commonwealth Parliament and bureaucracy in Melbourne, pending relocation to Canberra from 1927 made Melbourne the centre of national attention. It also diminished the Victorian Parliament in status and talent. Although by 1950 the Legislative Council had been somewhat democratised, its powers remained largely intact. In Strangio's words, 'with an effective veto over supply and ordinary legislation rendering it practically indissoluble', it was able to employ these powers 'not to hold governments to account for their actions but to reject progressive legislation and governments' (Strangio & Costar, 2006, p.4). Party political and institutional dysfunction were endemic and symbiotic and the high turnover of coalitions inimical to reform of urban governance.⁵⁰ Insulated from the contest, the upper house and hence the interests of rural property, were guaranteed continued

⁴⁹ The dismissal by the Queen was on the formal advice of the Governor-General, Labor appointee, John Kerr (his constitutional powers undefined). It was later revealed to be on the informal advice of Anthony Mason, High Court Judge (McCallum, 2012).

⁵⁰ Between Federation and 1952, the turning point for majority government, there were twenty nine ministries averaging twenty-two months duration, and four different premiers in 1924 alone. Elections were, in Strangio's words, 'incidental to the rise and fall of governments' all but five of twenty-six governments between 1913 and 1952 being ousted by vote of the parliament (Strangio & Costar, 2006, p. 6).

supremacy in the dual conflict through the power of veto and lack of provision for resolution of deadlock.

Strangio writes of Victorian 'exceptionalism' as to both its political and institutional properties compared with the other colonies/states (2004). It was reflected in the belated consolidation of parties, notably the Labor Party, such that there was a triangular rather than two-party configuration.⁵¹ This produced volatility and lack of policy certainty in the half century after federation, schismatic tendencies reflected in frequent party name changes and coalitions were associated with rapid turnover of governments. Deal-making and patronage in delivering benefits to local electorates were inimical to authoritative leadership and to negotiation of urgent and controversial matters of urban governance. The Victorian parliament was also discredited by corruption, including that of premiers, exposed after the financial and property collapse of the 1890s.

The triangular configuration was decisive in enabling propertied, conservative dominance in the resolution of the dual intergovernmental and political conflict in Melbourne. Strangio attributes Labor's weakness to the long term effect of the state's exceptionally deep recession in the 1890s, the inner city concentration of support and the extreme electoral malapportionment which 'cruelly penalised' Labor, but was 'manna' to an 'especially feisty and independent' Country Party in the lower house (Strangio & Costar, 2006, p. 7).

A self-inflicted disadvantage for Labor Party was its schismatic nature, especially in Victoria. Archer argues that the progress of the party was held back 'under the powerful impact of repression, religion, and political sectarianism' (2010, p. 209). Having achieved Victoria's first majority government in 1952, it was reduced to a demoralised rump after the Roman Catholic/anti-Communist breakaway in 1955.⁵² This was the

⁵¹ Victoria was the last state to elect a Labor government in 1913 (lasting fourteen days), and the last to elect a majority Labor government, also the first majority government in the state, in 1952.

⁵² According to Dunstan, Liberal leader Henry Bolte 'was an active behind the scenes participant in Labor's demise'; he also both marginalised the Country Party and negotiated the support of the DLP (and Roman Catholic Church), remaining in power for seventeen years (2006, pp. 279,282).

sole party committed (from 1907) to a Greater Melbourne Council and to one person, one vote, one value. The party's political and institutional schismatic attribute was thus instrumental in permitting the retention of fragmented urban governance and, in Arthur Calwell's view, of the Melbourne City Council as 'the most undemocratic municipality in Australia'.⁵³ Thereafter Victoria bore the title of 'jewel in the Liberal's Crown', coined by Henry Bolte who became the longest serving premier, from 1955 to 1972 (Colebatch, 1983).⁵⁴

Victorian public administration and accountability

The idiosyncratic Victorian political climate of the first half of the twentieth century was conducive to a public sector exceptionally reliant on the politically insulated public corporation or statutory authority – so-called *socialisme sans doctrines*.⁵⁵ It reflects the inseparability of institutional and political properties in shaping Melbourne City Council. Developed as 'an instrument to allow governments to conduct business enterprises in the factional political climate of the nineteenth century ... an ad hoc and short-lived solution to immediate political problems', statutory authorities served long-term to circumvent the problem of jurisdictional fragmentation; it was 'the golden age of socialism' according to Frederick Eggleston, their leading ministerial architect (Holmes, 1984, p. 103). Paradoxically such so-called 'socialism' expanded under the premiership of Bolte, avowed champion of free enterprise, ensuring 'politically sympathetic figures' at their helm (Dunstan, 2006, p. 282). The effect was to perpetuate the marginalisation of the City Council and fellow metropolitan councils and to weaken ministerial accountability and co-ordination. Exceptional reliance on statutory authorities was a defining feature of the Victorian paradigm of government, including city government.

⁵³ Arthur Calwell was a Melbourne City Council alderman and councillor from 1938–45 and instrumental in reform of franchise. Dunstan & Young (2012).

⁵⁴ In 1961 and again in 1969, federal Labor won landslides in all other states, but by the 1980 election Victoria was Labor's strongest state. For the first time since 1929 Labor had won a majority of Victorian seats and votes, after preferences (Colebatch, 1983).

⁵⁵ Albert Metin, head of a French mission in 1899 to inspect 'the most advanced social laboratory' namely, Australasia, coined the expression in 1901, observing the paradox of socialist application without familiarity with socialist theory, a theoretical vacuum disputed by Robin Archer (Archer, 2010, pp. 208,209).

Attempted reform of public administration and urban governance

Liberal governments from 1955–82 inherited the system of statutory authorities independent of state government budgetary allocation and ministerial responsibility and superimposed on a fragmented local government system. Hence a series of major reviews were undertaken. An inquiry into the Victorian public service, from 1974 to 1975, found that ‘the majority of State employees ... were not under the umbrella of the Public Service Act’ (Rodan, 2006, p. 303). As to municipal restructure, similar arguments were mounted without effect; those recommendations not acted on following a 1962 review were comparable to those opposed in 1862, according to Dunstan (1984); those made in 1973 were opposed by all affected councils, including the Melbourne City Council (Patterson, 1973). The authors of a major review of local government, in 1979, noted a ‘reluctance on the part of representatives openly to discuss options for the reform of the municipal system’ (Board of Review into the Role Structure and Administration of Local Government in Victoria, 1979, p. 2). A Melbourne Metro was recommended in that final report, but that its governance be subject to further examination. Given the metropolitan fragmentation, the question was posed: who speaks for Melbourne? Symptomatic of the expediency with which persistent problems and commissioned analysis of urban governance were dealt, this landmark review received only a formal Ministerial response.

Political and institutional attributes: Melbourne City Council

The City Council’s institutional and political properties in this second era, 1901– 82, as agent of the state, were an extension of state government institutional and political properties. In the last two decades of the 1970s and 1980s, however, the general accord was subject to growing public challenge. A political conflict between citizen and property developer extended into conflict with, within and between the institutions of state government and City Council over representation of the rights of property vis-à-vis those of citizens. This generated the dynamic for the Council’s institutional change in two chief respects as follows.

Franchise and representation

It was in response to resident activism from the 1960s rather than to government reports that pressure built for democratic reform of the City Council. Its franchise was unchanged between 1906 and 1938, when a ‘Vigilance Committee’ of formidable Melbourne City councillors failed to retain their distinctive plural and non-occupying voting system.⁵⁶ The skewed roll produced large disparities between wards favouring propertied and commercial interests.⁵⁷

The effect of the *Local Government Act 1938* (at Labor’s behest) was that ward re-subdivision and abolition of multiple company enrolments for the City Council, delivered almost a third of councillor positions to Labor. Many were of high calibre, notably Arthur Calwell, later the leader of the federal Labor Party from 1960 to 1967.⁵⁸ As at the state level, the Labor split also cruelled the party’s chance of controlling the City Council. Henry Bolte’s Liberal premiership from 1955 further insulated the Council from democratic reform opposed by his urban and rural constituencies.

Property-based plural voting for the City Council was abolished as late as 1969, with a Country Party member of parliament expressing fear that ‘politics would enter local government’ (Dunstan & Young, 2005, p. 18). The abolition exposed extreme variation between wards (unchanged since 1938) and hence between the value of votes, to the disadvantage of low-income neighbourhoods.⁵⁹ A decade passed with mounting pressure from combined residents associations for electoral reform, a compromise being reached in May, 1979. It provided that a reduced number of business wards would be phased in at Council elections in 1979, 1980 and 1981. The collaborative

⁵⁶ The Country Party government dependent on Labor support brought the Melbourne and Geelong City Councils into line with all other Victorian councils under the *Local Government Act 1938*.

⁵⁷ One to three votes were allocated according to property valuation. Indicative of the preferential treatment of propertied interests, provision for multiple company enrolments for companies was abolished in Victoria, but retained in Melbourne and Geelong until 1938.

⁵⁸ Arthur Calwell was elected President of the Victorian Labor Party in 1931, federal member for Melbourne in 1940 and appointed first Australian Minister for Immigration in 1945, being the chief architect of the post-war immigration scheme. Remaining in the ALP after the 1954/5 split, he was Leader of the Labor Opposition from 1960–67.

⁵⁹ Dunstan and Young (2005) record discrepancies ranging, in 1971, between 1674 in Hoddle Ward (East Melbourne) to 6514 in Hopetoun Ward (working class Flemington and Kensington) the location for Housing Commission high rise flats; a Hoddle Ward vote was worth four Hopetoun Ward votes.

leadership of an effective Labor MLC and a reformist Liberal Minister, supported by a Local Government Advisory Board, acceded to public pressure and exposure of the gerrymander. Political and institutional properties together permitted the prospective rule change. Even then some councillors maintained that the ratio of voters to property valuation constituted the real discrepancy (Dunstan & Young, 2005, p. 20). Citizens' rights were thus to be prised from property ownership in the City Council twenty-five years after their achievement in the Legislative Assembly.

Non-Labor ascendancy

A second institutional and political property of Council which invited civic pressure for democratic reform was the longstanding non-Labor ascendancy. According to an archival interview with Sir Leo Curtis (Lord Mayor 1965–7), eligibility for membership of what was known from the 1950s as the Civic Group, was non-membership of the ALP, its claim to being 'non-political' (Rusden, 1993).⁶⁰ Its members were committed to collective selection of Lord Mayor and Committee chairmanships, quarantining positions of power. In the 1960s according to Dunstan and Young, 'non-Labor influence was in the ascendant absolutely in terms of both *realpolitik* and relevant policy' (2005, p.17). However, as Curtis recalled, common party political allegiance was no guarantee of intergovernmental harmony and the premier's recommendations for Lord Mayoral knighthoods was a powerful reminder of institutional hierarchy (Rusden, 1993).⁶¹ Further, he observed that Frank Rogan, the authoritarian Town Clerk (1956–80), sought for twenty-five years to guard the City Council's bailiwick, such that many in state parliament 'were not kindly disposed towards him' (Rusden, 1993, p. 55).

⁶⁰ Sir Leo Curtis, city retailer and Lord Mayor 1963–5, interviewed for a National Library Oral History project, 1993.

⁶¹ In the 1993 interview, Curtis gives many examples. In one, he recalls the enlistment of three insurance companies to buy several sites (for a City Square), and sell them 'on terms' to Council, to circumvent the refusal by Premier Bolte and the Loans Council for Council to borrow funds. Bolte later threatened financial retaliation, instructed Curtis not to stand for Lord Mayor and ensured, when he persisted, that he would narrowly lose, by manipulating Bernard Evans' vote with the threat of denial of a knighthood.

During the 1970s, the dual conflict escalated and the City Council was embattled on three fronts: with citizens in pursuit of democratic reform and the preservation of built heritage; with property interests organising to prevent consequent reduction in plot ratios and hence property values;⁶² and with the state government over these issues and the controversial imposition of a metropolitan rail levy (a state responsibility) on Council. So intense was the political contest between ‘development’ and ‘conservation’ – advocated by citizens with the support of the National Trust and the Builders Labourers Federation’s (BLF) bans on demolition – that both Council and state government were caught in the crossfire. Community activists and an invigorated Labor Opposition together capitalised on the emerging party political contest.⁶³ The dual political and institutional conflict was thus entwined, developers and citizenry (with opportunistic Labor support) exerting pressure on both Council and state government, each weighted towards the interests of property.

This tumultuous period of confrontation highlights the nature of the conflict of which Logan and Molotch theorise. That is, it juxtaposed ‘place entrepreneurs’ (in coalition with elected local and state representatives) seeking maximum land exchange values, against those espousing land use or liveability values. The latter called for strategic protection of the city’s cultural attributes, much of it dating from the gold rushes. The protection from demolition of a grand, 1929 picture palace, the Regent Theatre in 1975, is illustrative of the intense political and intergovernmental conflict, and of an informal power shift to the citizenry, backed by the BLF and following successful Supreme Court challenges.⁶⁴ The press remained unsupportive of such challenges.

⁶² A Victorian Building Owners and Managers Association (BOMA) chapter was established in Melbourne.

⁶³ The Shadow Minister for Planning, Evan Walker, was elected convener of the newly established Collins Street Defence Movement, of political benefit to the community conservation lobby and to the ALP.

⁶⁴ The property had been acquired by Council for demolition to provide for a City Square. Lord Mayor, Ron Walker (a developer and leading ‘place entrepreneur’) reluctantly complied with the request for an inquiry, disparaging the citizen lobbyists. A study of that public campaign concludes that without the leadership of the Save the Regent Committee and the crucial support of a BLF black ban (applied to many notable city buildings), the theatre complex would have been demolished. The committee (part of a wider coalition) was made up of former employees of the theatres, members of the Theatre Organ Society of Australia, its spokesman a nearby woman restaurateur; eminent artists including Dame Joan Hammond, Robert Helpmann and Gladys Moncrieff were enlisted to lend their support (Blake, 2005, p. 9).

Sir Leo Curtis captured the competing political values driving the conflict in which the Council was embroiled and to which it was party. He argued that the Regent Theatre was ‘not of much real value ... it had become derelict ... I think we were anxious to get our city developed, regardless’ (Rusden, 1993, p. 63). As to the tertiary educated, often non-party political representatives making inroads onto Council in the 1970s, to Curtis ‘four years behind the counter is probably of more use than four years at a university’ (Rusden, 1993, p. 92). An educational divide, an element of ‘town and gown’ thus characterised political contest. Some of these young ‘Independent’ newcomers to the club-like City Council in the 1970s were, ironically, of establishment backgrounds, compared with upwardly mobile retailers whose values they opposed, as they did those of ‘Tammany Hall, old Labor’ (Richards, 2013).⁶⁵

Drawn from the residents associations they were equipped to challenge the Housing Commission’s compulsory acquisition and broad-scale demolition of nineteenth century terrace housing, as the bulk of low income and immigrant residents were not. Inclined to vote with new Labor councillors on issues of conservation, they largely displaced old-style Labor councillors (Richards, 2013).⁶⁶ The end of the male dominated era of Lord Mayoral Balls and Lady Mayoress’ Charity Committees approached. A disincentive to business candidates occurred in 1975 when the federal Labor government abolished the imperial knighthood, hitherto expected after two years as Lord Mayor. Internecine conflict also raged; the Civic Group, dominant for a generation, was under threat from new and younger business recruits, among them leading ‘place entrepreneur’, Ron Walker, elected Lord Mayor in 1974.⁶⁷

⁶⁵ Peter Druce, with city solicitors Tolhurst, Druce and Emmerson; Andrew Richards, with city solicitors Maddock, Lonie and Chisholm; Rob Peck with architecture firm Peck and Von Hartel; John Mitchell with architecture firm Jackson Walker.

⁶⁶ Barry Jones (MLA) is quoted in interview in June 1973, describing the Council as ‘a cosy collection of club-land cronies’ (Sandercock, 1975, p. 159).

⁶⁷ Former Lord Mayor and former chairman of the Civic Group, Sir Leo Curtis, explained in a 1993 interview, his interpretation of the demise of the Civic Group in the early 1970s as the result of deals as to committee chairmanships negotiated by several young, newly elected councillors, of whom Ron Walker was one, becoming the youngest Melbourne Lord Mayor in 1974–6 (Rusden, 1993).

Citizen mobilisation and politicisation

In the institutional history of the conflict of citizens versus developers, state government and City Council, the 1960s can be seen as a decade of property development (and demolition) in the central city: an ‘orgy of speculation’ according to A.G.L. Shaw (1970, p.59). In response, the 1970s can be seen as a decade of community pressure for electoral and institutional reform, notably in urban planning: political contest developing into institutional contest. As urban planning historian, Robert Freestone, observed:

Melbourne, through long-standing independent organisations like the Town and Country Planning Association (TCPA), ephemeral environmental and resident action group campaigns, and lay activist legends like Ruth and Maurie Crow, arguably boasts more informed community critique of planning issues than any other State capital city (2008, p. 3).⁶⁸

Beyond protest and critique, there were informed and influential alternative proposals for inner city and metropolitan planning published and submitted to inquiries, in which the Crows, members of the Communist Party, played a strategic and collaborative leadership role in the community (Crow & Crow, 1969, 1970).⁶⁹

It was ‘slum reclamation’ for public housing and major freeway development, initiated by Premier Bolte, which generated mass protest under his successor, Rupert Hamer, from 1972–80. While a reformist anti-slum alliance had formed in the 1930s, Bolte’s commitment was supported by business, chiefly property development, represented in the Victoria Promotion Committee and City Council (Dunstan, 2006, p. 282).⁷⁰ The protest in response to compulsory acquisition, eviction and broad-scale demolition in inner Melbourne was spear-headed by the nationally pioneering Carlton Association, from 1969. It set out to halt both housing and freeway programs and to tackle City and

⁶⁸ The TCPA was established in 1914 as the Town Planning and Parks Association.

⁶⁹ In 1972 Maurie and Ruth Crow received the Robin Boyd Award from the RAIA (Vic) for contribution to the literature of planning and, in 1973, received the Barrett medal from the TCPA for their ‘notable contribution to planning’.

⁷⁰ Bolte appointed a Metropolitan Transport Commission in 1964, developing a Strategy with American freeway consultant and advocate, Wilbur Smith, in 1969 for more than 300 miles (500 km) of urban freeways. Radial road reservations had already been identified along waterways in 1929 and 1954, now to be supplemented by a network of inner city freeways.

state government – ‘the enemy within our gates’, in the words of activist, architectural historian and composer, George Tibbits (1988).⁷¹

Significantly, in the trajectory of the dual conflict a related trajectory in political leadership can be seen: the Association’s first president was Trevor Huggard, later a City Councillor and Lord Mayor.⁷² Part of the international mobilisation of environmental, feminist and anti-Vietnam war protests of the 1960s and 1970s, and the election of a federal Labor government in 1972, it was a period of politicisation and ferment as to democratic urban government and planning. This grew locally through community press and reforming Labor councils which now encircled the City Council.⁷³ It culminated in a mass physical and human anti-freeway blockade in December, 1977. Premier Hamer capitulated on both fronts and Commonwealth public housing funds were redirected to outer metropolitan Melbourne (Barricade: the resident fight against the F19 freeway, 1978; Grimshaw & Stafford, 1987; Rodan, 2006). He was also pressed to undertake important democratic institutional reforms, notably in establishing the Town Planning Appeals Board (1971) and the *Heritage Buildings Act 1974*, the latter drafted by the Victorian National Trust (Blake, 2005).⁷⁴ Above all, his government’s staged electoral reform of Council from 1978 was poised to challenge business control and likely to deliver resident citizens (assumed ALP) dominance by 1981. This reform was the most decisive power shift towards citizenry and the Council in the dual conflict shaping the institution since 1842.

Citizen politicisation reinforced a Labor renaissance in which response to the Liberal government’s ‘land scandals’ of the 1970s was instrumental. The shift to land acquisition for public housing in outer Melbourne, gave rise to the so-called ‘lands

⁷¹ Huggard and others of relevant expertise (civil engineering, architecture, politics and law) resourced this pioneering campaign (Logan, 1985). Based on block-by-block enlistment, ‘slum’ dwellers – including post-war immigrants, university students, academics and newly settled young professionals resisted high-handed, often brutal eviction and arrest (Grimshaw & Stafford, 1987).

⁷² Trevor Huggard was an interviewee for this study, a member of Melbourne Voters Action in 1981/2 and chair of the Melbourne Strategy Plan Committee of Council in 1984/6.

⁷³ The *Melbourne Times*, a free local newspaper (acquired and renamed in the 1960s), was set up by several teachers (Ann Polis, Mietta O’Donnell and Tony Knox), initially to halt the demolition of Carlton and provided high quality investigative reporting, scrutiny of government decisions and a forum for community views.

⁷⁴ Following community activist success in Supreme Court appeals to protect heritage buildings from demolition a Town Planning Appeals Board was established in 1971, followed by the *Historic Buildings Act, 1974*.

deals' saga of bureaucratic ineptitude, graft and windfall profits for developers, exposed by *The Age* newspaper, in 1974. The scathing reports of a Board of Inquiry in 1977 and a Royal Commission in 1979 dominated the media as the 1982 election loomed – grist to the mill for a renewed Labor Opposition (Grabosky, 1989). Rodan observes that Hamer's effective exoneration of then Minister for Housing, Vance Dickie, for gross failure in oversight if not complicity, indicated how 'low the bar was set ... in the Australian version' of the Westminster system of ministerial accountability (2006, p. 301). The documented connections between property interests and elected and honorary Liberal Party officials reflect the institutional culture which invited and permitted abuse of power, with profligate waste of taxpayer funds, for which an election appeared citizens' only institutional remedy.⁷⁵

Simultaneously, the economy went into recession and fear was expressed as to the 'dying' CBD and the future of Melbourne (Davidson, 1986; Ellingsen, 1980). Intractable conflict over planning paralysed both Council and state government and the prospect of imminent democratisation of the City Council struck fear into the business constituency and the Liberal Party, whose campaign donations were at risk. It was in that volatile political and institutional climate that promised electoral reform of the City Council was dramatically aborted by its dismissal on December 23, 1980. Premier Hamer himself was deposed six months later – the last of the Deakinite Liberal premiers according to Rodan, as the Party moved to the Right (2006).

Given that the Council's sacking is commonly attributed to its dysfunction it is significant that Rodan (like Dunstan and then Council town planner, Noonan) viewed it as 'a possible attempt to placate business critics and appear decisive ... citing factionalism among members and indecision on planning issues, the latter allegedly contributing to the Central Business District decline' (Dunstan, 1984; Noonan, 2012a; Rodan, 2006, p. 309). Such blame accorded Council reflects the rationale or rationalisation of the business and state government case for its removal and restructure

⁷⁵ According to Grabosky, five years after the first land purchase, not one house had been built on the land. 'By the end of 1974, the Housing Commission had spent just under \$11 million ... nearly half of which was pocketed by speculators and developers ... who purchased land at low prices and sold it to the Housing Commission at a handsome profit' (Grabosky, 1989; pp. 197,199).

as a business-focused Council, contrary to the recommendation of the local government review less than a year earlier. In fact, the decline in property values was more likely attributable to global and national factors and to laissez-faire state planning.⁷⁶ In Flyvbjerg's terms, the *realrationalitet* was to remove the threat of a democratic and hence more powerful City Council and disenfranchisement of the citizenry, guaranteeing exchange values over use and livability values in planning and development. The dismissal was a decisive point in the institutional trajectory of the Council both as a precedent and in producing a forceful public counteraction.

The City Council was sacrificed at a time and by a premier who in other respects had supported it as an effective institution, in negotiated democratisation and in both requiring and endorsing (in principle if not legislation) the Council's 1974 Strategy Plan. Indeed, Hamer and Hunt made historically significant progress in urban and regional planning when many cabinet colleagues viewed 'planning and socialism as synonymous' (Rodan, 2006, p. 300).⁷⁷ A shift back to the right in the Liberal Party after a more progressive though ultimately tumultuous period, was enabled by the economic, political and consequent institutional urban crisis at the end of the 1970sThe 'metropolitan problem' and the Greater Melbourne movement

Despite the constraint of its municipal boundary, in practice the City Council's functioning and evolution was inseparable from that of Greater Melbourne. Whereas in the first historical study period 1842–1901 the pressing need was for co-ordinated provision of water and sewerage in Melbourne, in the period 1901–82, it was for transport planning. This was compounded by post-war immigration and urban expansion, a development which further reduced the City Council's share and level of population, of commerce and employment, and its political influence. Politicians and others thus continued to be exercised by the 'metropolitan problem', an *Age* editorial in 1935 claiming a breakdown in metropolitan government (Dunstan, 1984, p. 299).

⁷⁶ Global economic recession; the gradual shift in corporate and government head offices (e.g. the Reserve Bank and Australian Broadcasting Commission) from Melbourne to Sydney; and the permitted commercial and residential expansion of the metropolis of Melbourne at the expense of its central core.

⁷⁷ Alan Hunt, MLC, an interviewee for this study, was Minister for Local Government 1971–79; and Minister for Planning 1973–76 and 1978–79.

Dunstan defines this dysfunction as ‘the want, or breakdown, of authority and the orderly provision of services in the face of the changing urban form. Essentially it reflects a failure of political structures to adapt’ (1984, p. 10).

Conflict at the heart of the Greater Melbourne movement

The era 1901–82 was characterised by persistent support from different quarters for competing forms of Greater Melbourne governance. Dunstan has examined the tortuous course of the Greater Melbourne movement, dogged as it was by disputes within and between political parties, non-government organisations and the press, and within and between levels of government over structure, boundary and franchise. It was also captive to economic circumstances and to parochial and personal intransigence, coloured by the prospect (welcome or unwelcome) of a powerful and potentially Labor dominated (and taxing) authority (Dunstan, 1984, 2008).

As indicated, before 1952 the Victorian parliament and its schismatic parties provided insufficient stability to pursue a controversial reform of such magnitude. The Legislative Council maintained an anti-metropolitan bias and the power of veto over any proposal likely to challenge the dominance of rural and urban propertied interests. Further, as Dunstan argues, the state government as a whole had a ‘vested interest in denying influence to the Melbourne City Council or a metropolitan authority’ and, during Liberal rule from 1955, was ill-disposed to such delegation (1984, p. 9).

The City Council played an inconsistent role in negotiations over metropolitan governance, favouring (and at times resisting) expansion through annexation, and preferring increased powers for the MMBW to a metropolitan Council. Despite minor electoral reform, the City Council remained the political and institutional embodiment of propertied interests throughout this period, culminating in an eighteen month suspension from 1981, pending restructure as a business Council. Indeed, a ‘conservative strategy mooted in the 1970s as a cure-all for the City’s ills was to ... hand over the City of Melbourne’s residential wards to surrounding municipalities’ (Dunstan, 1984, p. 303). The restructure of the City Council in 1993 may not have

been a pre-election commitment, but it was a latent response to the problem of city governance, as defined by property interests and more conservative elements of the state government and entirely consistent with a tradition of privately led urban development.

The significance of the Greater Melbourne movement in the decades before 1982 may be seen in the political and institutional forces aligned for and against a metropolitan authority.⁷⁸ Propertied and rural interests, represented by the Legislative Council, consistently opposed a potentially Labor dominated authority elected by adult suffrage. However, the institutional reform had four influential bases of support: the Australian Natives Association (ANA), *The Age* newspaper, the MMBW and, above all, the Labor Party which committed to a GMC in 1907 and, in 1912, to unification. According to the latter policy all councils, trusts and boards would be replaced and a GMC elected by adult suffrage.⁷⁹ Adherence to competing models of governance, without a facilitating leadership, weakened the movement.

At the state government level, numerous separate inquiries addressing aspects of the metropolitan problem (municipal, GMC, MMBW, transport, planning) were held over the eight decades from 1901, recommending a metropolitan authority.⁸⁰ Fruitless effort was expended in its legislative pursuit. The final GMC Bill failed by one vote in the Legislative Council in 1951; the Country Party had delivered on its promise to its Labor supporters but was strongly opposed by a conservative controlled Melbourne City Council and its allies in the upper house. According to Dunstan, the Bill would have passed had the federal option for a GMC (rather than municipal unification) been under consideration (1984, p. 301). It exemplifies the failure of leadership and a forum for

⁷⁸ David Dunstan (2008) has detailed the history of the Greater Melbourne Movement.

⁷⁹ The ANA, established in 1871 as an urban, non-sectarian and politically unaligned friendly society, mobilised its branches on the issue in 1901, its 1911 proposal including adult suffrage; *The Age*, through the leadership of its editor Leonard Biggs, championed a GMC based on adult suffrage, being critical of the MMBW. The MMBW advocated a federal form of GMC, retaining local councils as links to the community.

⁸⁰ Two royal commissions (1906 and 1944), four Greater Melbourne Bills before the parliament (1913, 1914, 1936–7 and 1951), and two seeking to reform the MMBW (1941 and 1942) foundered over shifting allegiances and competing options, chiefly unification or federation, extending the MMBW or establishing a GMC, and adult franchise or otherwise.

negotiation in a factionalised parliament, stymieing the chance of a long sought solution to dysfunctional metropolitan government.

As in 1900 so in 1952, with Labor winning majority government, the achievement of a GMC seemed imminent. It was the split in the ALP in 1955 that put paid to its chance to govern and to implement its platform for a Greater Melbourne Council. In 1967, the City Council itself, concerned by the decline of the central city through urban expansion and Sydney dominance, failed to unite in support of the 'Rogan Plan' for inner city amalgamation, for fear of Labor domination (Dunstan, 1984, p. 302).

The sustained public and governmental debate and inquiry in the period 1901–82 and the failure to act on one or other option for urban governance, brings to mind Hugh Stretton's diagnosis (in the context of urban planning) that, rather than inadequate plans, 'Melbourne's trouble is a general incapacity to implement any plans' (1989, p. 215). The failure of state governments to negotiate agreement between warring parties, intergovernmental and political, was a failure of leadership and political will. It may also reflect the 'second face of power' of Bachrach and Barantz, namely 'vigorous participation in non-decision making' by business lobbies and state government in thwarting urban governance which could threaten a favourable balance of power (1962, p. 949).

Despite this incapacity and/or unwillingness of state governments to implement metropolitan governance, the 'remarkable recovery of the Victorian ALP' in the 1970s put it again within reach (Davidson, 1986, p. 74). After a generation in Opposition, the Labor Party took to the 1982 election the commitment to implement its seventy-year platform to establish a Greater Melbourne Council, together (ambiguously), with the restoration of a democratic Melbourne City Council.⁸¹ Ambiguity, as Mahoney and Thelen argue, represented scope for power shifting.

⁸¹ Whereas the restoration of the City Council was a high profile pre-election commitment by the Labor leader, John Cain, the commitment to a GMC was an inherited policy position.

Leadership of the Melbourne City Council as metropolitan problem solver

Alongside the Greater Melbourne Council as a major, unresolved political and institutional issue during the period 1901–82, was another integrally related yet separately pursued issue of institutional arrangements for metropolitan land-use planning. The forum for the failed resolution of the first was the state parliament, whereas the forum for successful resolution of the second was at a metropolitan-wide local government level, led by Melbourne City Council. On the one hand, the City Council was jockeying for power and ultimately subverting, with the support of the Legislative Council, attempts to establish a GMC other than by annexation. On the other, it played a leading role in two outstanding institutional achievements during this period in contributing to reform of metropolitan governance, the constitutional responsibility of the state government.

Both of the latter initiatives were responses to the metropolitan problem of urban planning born of fragmented jurisdictions, land-use planning and development being increasingly at the core of political and institutional conflict and resolution. Strangely, urban planning receives little attention in generalist Victorian historical or political literature, with notable exceptions such as Sandercock (1975) and Stretton (1989). Yet it is in urban planning that the intergovernmental and political conflict over land-use – or liveability versus land exchange values – were conducted, and that shaped the changing urban institutional arrangements.

The first of the two achievements of the Council was the facilitation and leadership of the Melbourne Town Planning Commission 1922–9, and its production of the Melbourne General Plan. This was the first comprehensive metropolitan plan for Melbourne and indeed for Australia. It was recognised in town planning circles nationally and internationally as being at the forefront (Freestone & Grubb, 1998; Wright, 2001). The second achievement was the Council's production of the award-winning Melbourne Strategy Plan in 1974, its strategic framework and intergovernmental and community engagement causing major change in statutory planning statewide (Adams, 2005, p. 50; Huggard, 2010, pp. 24,28; McIntyre, 2012;

Noonan, 2012a).⁸² Just as the establishment in 1891 of the MMBW, and its subsequent chairmanship, were the achievement of the City Council and the most significant metropolitan institutional reform in Melbourne then or since, so the Planning Commission and its 1929 Melbourne and Metropolitan General Plan and the 1974 Melbourne Strategy Plan represented internationally pace-setting achievements (Freestone & Grubb, 1998). Each institutionalised a mechanism for co-ordinated, strategic development and each was based on exhaustive consultation and negotiation. In the case of the 1929 General Plan it was inter-agency and intergovernmental consultation and in the case of the 1974 Plan, unprecedented intergovernmental, business, professional and public consultation.

Insufficiently acknowledged in the literature is that Melbourne City Council was primarily responsible, under skilled leadership, for the negotiated intra and intergovernmental achievement of the council-based Melbourne and Metropolitan Board of Works in 1891; legislated by the State Government, it is thus credited to the state. In the second historical era (1901–82), this local government-based board continued as the de facto metropolitan authority, acquiring additional responsibilities, above all urban planning, in 1949.

Similarly, the Metropolitan Town Planning Commission, created by state legislation in 1922, was the result of the Melbourne City Council's leadership in the face of state government indifference, if not antipathy to its operation (Kemsley, 1981). Again, the political and institutional attributes and leadership qualities of the Council which made the achievement possible are overlooked. As to the 1974 strategy plan, credit has gone (in planning awards) to the consultants, InterPlan Pty Ltd, whom the Council engaged and ostensibly managed, under duress from the Minister for Planning.⁸³ Hence there is

⁸² It is indicative of the complexity and inconsistency of the path of attempted institutional reform that at the same time that the City Council voted down the 'Super Council' recommended in 1973, it received (if half-heartedly) the visionary Melbourne Strategy Plan providing a metropolitan context, albeit engulfed in internal conflict and unimplemented until 1985-6 (Patterson, 1973).

⁸³ Trevor Huggard, involved in an advisory panel in 1973, reported that the Plan 'was run by Peter McIntyre and InterPlan, completely without involvement of Councillors and Lord Mayor – not by Peter McIntyre's preference or strategy, that's just how Councillors were in those days. You (Lord Mayor) were an executive person who gets driven to work in the Rolls Royce Ron (Ron Walker was Lord Mayor) had then and so forth, and you stayed clear of that' [policy work] (Huggard, 2010, p. 24; McIntyre, 2012).

a need to distil the political and institutional characteristics which enabled the two major institutional reforms of the period by the City Council.

Melbourne and Metropolitan Town Planning Commission and Plan of General Development, 1922–9

The rights of property and their consequences for urban government were at the heart of both intergovernmental and intra governmental conflict, state and local, as well as extra-parliamentary, political conflict over urban governance. By the 1920s, a town planning movement emerged in Melbourne reflecting rising international awareness of the ill effects of unregulated development in industrial cities. Professional and popular concern (e.g. for open space) came together in a Victorian Town Planning and Parks Association (TPPA) in 1914 and councils were receptive to the movement. By the 1920s, Melbourne was a sprawling, low density city – the sixth largest in the British Empire – and local government was under pressure from speculative, ‘leapfrog’ development.

It was Frank Stapley, former Lord Mayor (1917–19), Melbourne’s leading advocate of town planning, organising promotional conferences nationally, who spearheaded metropolitan institutional reform in this the fundamental metropolitan issue. As a board member of the MMBW, president of the TPPA from 1917 and of the Royal Australian Institute of Architects (RAIA) in 1920–21, he was exceptionally well placed to mobilise municipal, professional and community networks. The aim was to develop a ‘comprehensive scheme of Development Planning for the Metropolitan Area to cover the next 30 or 40 years’ (Freestone & Grubb, 1998, p. 132). The government, being ‘faced with a groundswell of municipal support, and rising indicators of demographic and economic growth in the metropolis in a surge of post-war prosperity ... was compelled into legislative action, if half-heartedly’ (Freestone & Grubb, 1998, p. 132).

commission was authorised, in December, 1922 to be of fixed term, advisory only and self-funded.⁸⁴

After seven years, Australia's first comprehensive, 'meticulously argued' statutory metropolitan plan was submitted to the government in December, 1929 (Wright, 2001). Its recommendations included the establishment of a metropolitan planning authority, and the plan was received with acclaim by councils and leading architects and planners at home and in America (Freestone & Grubb, 1998, p. 140). The contrast between adversarial and failed reform at a state level over a metropolitan authority, and the cumulative, collaborative process over a decade between councils and statutory authorities in producing the Plan is instructive. Such engagement ensured that many councils implemented the recommended open-space reservations in the absence of legislative requirement.⁸⁵

The institutional and political response soon reverted to type however. A Bill to enable implementation of the Plan was presented to the parliament in December, 1930 but was deferred and lapsed, and the lack of enabling legislation 'torpedoed the overall package' (Freestone, 2008, p.836). Indicative of the institutionalised power of property interests, the tension between 'the collectivist urges of planning and the inherent individualism' was resolved in favour of the latter (Freestone & Grubb, 1998, p. 128). Never supportive of the Commission and its mission, especially as the depression deepened in the 1930s, the state government was loath to commit to the costed infrastructure programme or to a new planning bureaucracy as recommended. This also reflected the longstanding antipathy to metropolitan issues by the ruling Country Party throughout the 1920s.

⁸⁴ Five of the nine commissioners were members of the TPPA and five were councillors, Stapley as chairman, indicative of the political network intent on institutional change (cultural and structural), to enable strategic regulation of hitherto laissez-faire urban development.

⁸⁵ According to the Commission's administrator, Arthur Kemsley, the consultative approach with agencies throughout meant that, in the absence of legislative requirement, much of the recommended zoning for open space was applied by local councils (Kemsley, 1981).

Disappointing to Stapley (a City Council alderman until 1939), was the gradual erosion of support for a metropolitan authority in the late 1920s by councils keen to guard their turf. Strong opposition developed within the City Council itself, 'sensing a threat to its own power and status', also ensuring non-implementation (Freestone & Grubb, 1998, p. 140). World War II was further grounds for inaction, until a Commonwealth Labor Government used its fiscal muscle to force the Victorian Government's hand in passing the *Town and Country Planning Act in 1944*, in order to receive housing funds (Sandercock, 1975, p. 149). Thus a combination of municipal and federal political and institutional pressures forced Victorian legislative steps towards metropolitan institutional reform in the conflicted area of land-use and property development.

The MMBW (having assumed planning responsibility) acknowledged its debt to the 1929 Plan of General Development in its first Metropolitan Planning Scheme, in 1954, significantly not gazetted until 1968. Collective support for the 1922 Commission and its 1929 Plan dissolved in the face of the institutionalised power of property, in which councils were themselves embedded and confronted the sobering prospect of diminished institutional authority.

City of Melbourne Strategy Plan, 1974

In addition to the 1929 General Plan produced by the Melbourne Metropolitan Town Planning Commission, a second major institutional reform in the period by the City Council was the production of the 1974 City of Melbourne Strategy Plan. Again, the reform was led by a prominent architect, Peter McIntyre. It was an achievement acknowledged at the time in the most prestigious national professional awards available but, not having been legislated, later rarely acknowledged.⁸⁶ It may have been considered misguidedly as a municipal plan and inconsequential in the history of metropolitan Melbourne.

⁸⁶ Peter McIntyre received the Sir James Barrett Memorial Medal and the bronze medal for urban and community design from the Royal Australian Institute of Architects in 1974 and 1977. *The Sydney-Melbourne Book* – a collection of Melbourne essays comparing the cities historically in political, economic and cultural terms – makes two passing references to the City Council. Without naming the 1974 Strategy Plan, it refers to post-war plans as being generally 'in the blandest tradition of land use planning: the proper role of government is to assist the orderly and economical expansion of the city in whatever directions households, and particularly firms, might wish to go' (Davidson, 1986, p. 260).

However, not only was the 1974 Strategy Plan located in a metropolitan context, it was based on a then internationally radical consultative and strategic rather than regulatory philosophy and methodology (Adams, 2005, p. 51; Huggard, 2010; McIntyre, 2012; Noonan, 2012a). It addressed the impact of an expanding metropolis and loss of population and economic activity from the City of Melbourne, being required by Premier Hamer at the instigation of leaders in the Royal Australian Institute of Architects (RAIA Victoria) (McIntyre, 2012).⁸⁷ Further, the MMBW's 1971 Master Plan, based on high growth and abandoning a commitment to urban consolidation, had created major conflict between the MMBW and the City Council. This was intensified by their overlapping roles and the competing implications of the 1971 Plan for property interests (and values) in the CBD and on the metropolitan fringe; hence the support of the premier for a City Council based planning process.⁸⁸

In commissioning the 1974 Plan, the Council was thus carrying out a state government directive, the old-style councillors (both business and Labor) largely disengaged, and the handful of new, professional and resident councillors reportedly highly engaged (Huggard, 2012; McIntyre, 2012; Richards, 2013). The strategic thinking was that of a hand-picked and talented team of international consultants guiding and guided by a formal network of advice from government, business, professionals and community. Community leaders, such as Ruth and Maurie Crow, made major contributions to the planning process and the extensive involvement of the community was a cause of considerable councillor and business discontent (Huggard, 2010, pp.26,27; Hull, 2010, p.35).⁸⁹

⁸⁷ Robin Boyd, author of *The Australian Ugliness* (1960) and notable Australian architect, was among those favouring a Melbourne Plan, but died in October 1971. Melbourne City Council was then managing planning under an Interim Development Order.

⁸⁸ Drawing on the framework of the 1963 Metropolitan Transport Study (essentially a freeway plan), it provided for radial development corridors separated by 'green wedges' and for satellite expansion.

⁸⁹ Ruth Crow was recipient with Maurie Crow in 1972 of a Robin Boyd Award (RAIA) and, alone, recipient of the Sir James Barrett Medal (RAIA), also being made a member of the Order of Australia in 1994. They published a pioneering and influential Plan for Melbourne, Part I (1969), Part II (1970) and Part III (1972). Huggard reported that McIntyre was regularly 'carpeted' by Council following 'his direct use of the media to explain the urban planning changes' (Huggard, 2012).

Trevor Huggard, who was involved in a community advisory committee during the preparation of the Strategy Plan in 1974, recalled in interview that the genuine and extensive public consultation was ‘a complete surprise ... out of left field’ (Huggard, 2012). He described Peter McIntyre as a ‘revolutionary thinker’ who, under criticism from councillors and the property sector, ‘took it up to parliament every day’; the process and Plan were ‘incredibly forward thinking for their time, and courageous’ especially in the ‘unimaginable’ emphasis on public transport to service higher residential densities in the CBD (Huggard, 2010, 2012). The ‘revolutionary’ perspective is evident in the Plan’s provision for opportunity costs to be borne if land use patterns were to be ‘other than that which the market is likely to deliver’, a confronting proposition to both state government and City Council (Melbourne City Council & Interplan, 1974, p. 356). In terms of institutional change, it represented a strategic, educational and political process – a power shift – four community participants becoming councillors thereafter. Importantly, citizens were then able to draw on its principles at subsequent town planning appeals (Huggard, 2012). John Hull, then BOMA board member and admirer of McIntyre, observed in interview that he suffered professionally for his role, ostracism being a powerful tactic of the ‘development community’.⁹⁰

The 1974 Plan was not implemented despite its detailed Action Plans (including limited plot ratios in heritage areas, pedestrianisation in the CBD and urban renewal in the docklands). Premier Hamer endorsed it in principle but under his successor, Lindsay Thompson, a spate of high-rise development inconsistent with the plan was permitted immediately before the 1982 election (Noonan, 2012a). That is, neither state government nor Council formally adopted the Melbourne Strategy Plan as policy or pursued its implementation. It was controversial and complex and challenged the institutional support for maximising land exchange values (Llewellyn-Smith, 2010, p. 72). As fear of a ‘dying’ CBD grew, however, Council belatedly voted for the Plan’s review in 1980, just months before its sudden dismissal (Ellingsen, 1980).⁹¹

⁹⁰ ‘In my view he was fundamentally wiped by the development community after that, because he upset too many people. He was regarded as stepping outside his patch’ (Hull, 2010, p. 35).

⁹¹ Significantly, the intergovernmental and community-based planning process and outcome, justified in detail in the in the 1974 Melbourne Strategy plan, closely resembles the internationally acknowledged ‘best practice’ of the

While the State Government required the 1974 Plan, at the instigation of prominent architects, the Council was not merely a passive vehicle. Institutional attributes peculiar to a City Council made the intergovernmental and consultative process possible.⁹² Political attributes of the City also meant that activist professional and resident communities were highly receptive, after a decade of protest and litigation, to the professional and strategic leadership of McIntyre and within the RAIA, with its ‘hotbed’ of young architects (Huggard, 2012). Significantly and indicative of the lack of women then in positions of authority in government and business, women were barely represented amongst the 150 named ‘key participants’ in the development of the Plan.

Conclusion

The evolution of the Melbourne City Council between 1901 and 1982 can thus be viewed in two parts – before and after 1955. Neither was politically or institutionally conducive to reform of undisputed dysfunction in urban governance. In *Cities for Sale*, Sandercock’s chapter headings represent Melbourne’s pre-war era pithily as ‘bureaucracy tempered by anarchy’ and, post-war, as ‘capitalism crude and uncivilised’ (1975). The distinctive Victorian reliance on statutory corporations was an expedient response to political instability and corruption, and to jurisdictional fragmentation, itself attributable to successive anti-metropolitan state governments and property interests. The year 1955 marked the start of an unprecedented period of almost thirty years of political stability – of Liberal Party hegemony over the Commonwealth and Victorian Governments and, de facto, the City Council. Large statutory corporations, independent of the state’s budget process, continued to flourish and to service privately led development. They limited the City Council’s institutional authority and political

Greater Vancouver regional planning process in the same period (Lash, 1976). The difference was that in Vancouver the planning moved on to implementation whereas in Melbourne in 1974, as in 1929, there was neither the political will nor the institutional vehicle to undertake such implementation.

⁹² The MCC was able to provide intergovernmental and stakeholder enlistment of state government ministers and senior staff, representatives of ten adjacent councils, leading non-government and business organisations and community representatives in a pioneering planning process. The process reflects the potential for area-based, cross-sectoral, vertical and horizontal intergovernmental collaboration not achievable at a State government level, enhanced by the practical reality of land-use decisions, their proponents and opponents.

clout, as did the growth in population and of metropolitan Melbourne beyond its core municipality.

Schismatic tendencies characterised all parties in the first half of the twentieth century, with fatal consequences for Labor and for the cause of a democratic Melbourne City Council and/or a Greater Melbourne Council. Having belatedly achieved the first Victorian majority government in 1952, Labor's split in 1954 compounded its electoral disadvantage and disempowered the party at both state and City Council levels until 1982. Nevertheless, Labor's support for the Country Party delivered vital electoral reform in 1938 and in 1969, a glacial movement whose momentum built as the 'organised bias' in favour of property was exposed.

Two political and institutional attributes persisted from the nineteenth century: dysfunctional metropolitan governance and the dominance of property in the electoral arrangements at state and City Council levels. Above all, the malapportionment and exceptional powers of the Victorian Legislative Council guaranteed that in the continuing dual conflict, state government and business would win out over the City Council and citizenry. Despite recognition of the scale of dysfunction through numerous official inquiries, a sustained movement for alternative forms of a Greater Melbourne authority and repeated official recommendation to that effect, it failed to materialise. Neither state government nor business favoured the power shift entailed in a politically powerful City Council or, even more, a Greater Melbourne Council. The latter was not an inevitable failure, however, but a near miss borne of the organised bias of the Upper House in which the 1951 Greater Melbourne Council Bill failed by one vote.

It was the superior values and rights attached to property ownership and development by both City Council and state government under Liberal premier Henry Bolte from 1955, which came to a head in the term of his more progressive successor, Rupert Hamer. The authoritarian imposition of broad-scale 'slum reclamation' and freeway development generated sufficient public opposition to cause the abandonment of both

in 1973. This shift in political power to the citizenry, away from the institutional power of business, City Council and state government, was reflected in major reforms. First, Victorian legislation ensured public and expert planning rights in consideration of heritage values.⁹³ Second, a negotiated agreement in 1978, between the state government and City Council (the Hunt Plan), delivered staged electoral reform of the Council, to take effect in a fully democratised franchise by 1981.

Just as these bottom-up reforms were forced on a reluctant state government, City Council and business constituency, so intergovernmental reform was imposed top-down. Hence a Commonwealth Labor Government required that statutory planning be implemented in 1944 as a condition of housing funds, although that Melbourne plan was not gazetted until 1968. A second Commonwealth Labor Government overcame a state government High Court challenge to partner with local government directly from 1972–5, with significant institutional impact.

Just as the major urban institutional reform in the colonial era was due to municipal collaboration led by the Melbourne City Council, so it was in the period 1901–82. The establishment of a Town Planning Commission in 1926, acceded to by the state government under pressure from metropolitan councils, was the notable institutional development in this era. The enthusiastic reception locally, nationally and internationally of the General Plan illustrates the intrinsic attributes of a city council, under capable leadership, in co-operatively tackling the major urban challenge of its day.

The political and institutional obstacles to reform of urban governance in this era are captured in the shock announcement of dismissal of the City Council in 1980, acted on in April 1981. This followed non-implementation of recommendations of a commissioned review of local government, arrangements for metropolitan Melbourne to be subject to a further, specific review (Board of Review of the Role Structure and Administration of Local Government in Victoria, 1979). A combination of factors,

⁹³ Town Planning Appeals Board (1971); *Heritage Buildings Act 1974*.

notably global recession, and the prospect of a Labor government and a resident or Labor controlled Council from 1981, was the *realrationalitet* which drove an expedient dismissal of the City Council, together with blame-shifting for planning conflict and a property collapse.

The reforms extracted by newly gentrified inner Melbourne electorate, politicised by the battles of the 1960s and '70s, invited a counteraction from state government during a recession. Further, the Victorian constitution permitted the right-wing Liberal and business 'coup' in the sacking of the Council, terminating the promised democratic reform of the City Council. The community may have been politically effective and offered more informed critique of planning issues than in any other state capital (Freestone, 2008, p. 3), but institutional power was concentrated in the state government, representing the dominant political power of chiefly property-related business and rural property. On the other hand Labor, in Opposition since 1955, enlisted (and was enlisted by) a disenfranchised community, committing to democratic reform and restoration of the Council at the election in 1982.

CHAPTER 7: STATE CENTRALISATION WITH LOCAL DEMOCRATISATION, 1982–92

Examining the 1980s: continuity and discontinuity

The divergent institutional trajectory of Melbourne's capital city governance in the decade 1982–92, during the first sustained term of a Victorian Labor government, sets it apart from its pre-history. This chapter examines that process of institutional change which is argued to be revolutionary in important respects. It builds on the examination of the evolution of the political and institutional attributes of the City Council in the two previous chapters, namely 1842–1901 and 1901–82. Fundamental continuities (a 'Victorian paradigm') are seen to invite and permit the unprecedented institutional change in the Labor decade. In tracking the historic dual contest, substantial redistribution of power between the Melbourne City Council and state government on the one hand and between citizens and business, chiefly property-related, on the other are evident. Importantly, changed relations between both interests and state government took place in the dramatically changed state and national context, politically and economically, notably a post-industrial focus on CBD property development. This chapter therefore provides a basis for comparison as to the process and degree of institutional change in the Council in the case study period of 1992–9.

Above all, in Strangio's words, the continuing conservative and anti-metropolitan power of the Legislative Council 'menaced' a reformist social democratic Labor Party (2004, p.124). The population of Greater Melbourne, the primate city, continued to represent the majority of the Victorian electorate, a circumstance also conducive to institutional conflict. This was most evident with the Melbourne City Council, as the capital city council encompassing the CBD and the focus of contested property development, politically and institutionally.

1982–92 was an extraordinary period constitutionally and politically. This is signified by the fact that this atypical, Labor government was bookended by two sudden and

unprecedented dismissals of the Melbourne City Council by Liberal governments, in 1981 and 1993. There is a related symmetry in a decade beginning and ending in recession and property collapse, associated in each case with a change of state government, in 1982 and 1992. The associated institutional change impacting on the Melbourne City Council is discussed in three sections: first, institutional changes in the Melbourne City Council; second, exogenous pressures, global and national; and third, endogenous attributes, political and institutional, permitting and inviting change at a state level, to which the Council was subject. Thus, the ‘what’ and ‘how’, and to a lesser extent ‘why’ of the Council’s changes are examined in this section, as is their significance for the evolution of the dual conflict, intergovernmental and political, as it erupted in the 1990s.

Central city institutional change

The first Victorian Labor Government for twenty-seven years, the first to win three successive elections and, again unprecedented, to govern with Labor in power federally from 1983, reflected a dramatically different political landscape. Equally dramatic, the dual conflict over capital city governance, between state government and City Council and between business and citizenry could scarcely have been more inflamed than that inherited by the Cain Labor Government in April, 1982. The third and final stage of democratisation of the Council franchise had been blocked by the state government’s arbitrary sacking of the Council in 1980 under pressure from central city business lobbies. This pre-emptive resolution of the dual conflict caused it to morph into a single conflict aligning citizens against state, City Council and business, chiefly propertied interests: the hegemony of propertied interests, political and institutional.

The ALP as the sole political party with a continuing historical commitment to democratic electoral arrangements in the Melbourne City Council and, since 1912, to unification of authorities in a Greater Melbourne Council, held power, although four seats short of control of the upper house. Having a pre-election commitment to restore a reformed, democratic City Council, the new government offered the prospect of more cooperative relations between City Council and state, and of citizens with both.

Contradictory institutional change in the Melbourne City Council

The Cain Labor Government restored the Melbourne City Council in 1983, as promised. It was explained by then newly elected City Councillor, Trevor Huggard, one of the leaders of the combined community, union and small business lobby, Melbourne Voters Action (MVA), as an expedient response to public outcry: prior to the 1982 election, then Leader of the Opposition, John Cain, was confronted by 2500 stamping, chanting voters in the Melbourne Town Hall (Huggard, 2010, p. 46).⁹⁴ The first (and only) democratically elected Melbourne City Council thus functioned from 1983–93; the extreme swing of the political pendulum in 1980 was counteracted in 1983. That such an unprecedented resolution of the dual conflict in the citizens' favour did not signify a new era of intergovernmental co-operation, however, was borne out in the government's ensuing reforms of urban governance and public administration.

The new City Council franchise was based on the Legislative Assembly voters roll, including tenants, as well as non-citizens with a minimum six month's residency in Victoria. Henceforth businesses must apply for enrolment, a source of resentment and a further obstacle to CBD lobbies seeking maximum votes from a largely indifferent business community, other than property interests directly affected by municipal planning. This radical departure from the distinctive property franchise and malapportionment of the City Council had contradictory and unintended consequences outlined below, notably in urban planning. It generated pressure for rule change and power shifts back to propertied interests, paradoxically during the decade of Labor government, and especially during the two-year Kirner premiership from 1990–2.

Counteracting the impact of its democratic representation, the Council's full planning powers were not restored, despite pre-election commitment, an assertion of state

⁹⁴ 'John Cain looked like he might win but he wasn't certain. When he turned up at the town hall there were two and a half thousand people chanting for local government to be reinstated. He came on the stage – I'm sure he never went there that night intending to say what he said: 'If I'm elected as premier I'll reinstate this council'. He didn't love this council – never has, never will', (Huggard 2010, p. 46).

government power and at the behest of CBD business (Greco, 1985; Noonan, 2012a).⁹⁵ Significantly it was the Council which then reportedly developed the operational definition of the intergovernmental roles in planning (Noonan, 2012b).⁹⁶

Despite this contradiction between electoral empowerment and statutory disempowerment, the democratic franchise delivered predominantly young, tertiary-educated councillors, closely linked politically (though not necessarily party politically) to an informed and politicised constituency, with dramatic impact. The election of Council's first (and only) two women lord mayors and the appointment of its first woman as chief executive epitomised the cultural transformation of Council in the 1980s. Symptomatic of the new and hard fought citizen empowerment, in one residential ward three professional community candidates stood as Independents and were elected in 1983, repudiating the unknown 'machine' candidates preselected by the Labor Party.

The political impact of electoral reform was also evident in the Council's administrative and staffing restructure, including an urban design unit. This enabled development of urban planning and lobbying capacity, consistent with pursuit of land 'use' values or liveability rather than the former 'exchange' values or capital appreciation sought by major CBD business, chiefly property interests (Bachrach & Baratz, 1962; Saunders, 1984). In the words of the Council's (and Melbourne's) foremost urban designer, Rob Adams, engaged in 1984: 'Activists with a design background and a love of Melbourne stood and won office ... They put in place an administration that was as committed as they were to seeing the city regain its previous position of greatness on the world stage' (Adams, 2005, p. 51).

⁹⁵ 'The Government, through the City of Melbourne (Central City) Interim Development Order, has established firm guidelines for new development in the City': statement by the Minister for Planning, Land Use and Development Strategy (December 1984).

⁹⁶ John Noonan, in interview, explained that MCC Director of Planning, John McNerney, proposed a compromise in defining new institutional roles, 'the best we could hope for'. It gave Council 'authority for all applications for change of use and new developments up to 25,000 square metres ... the average size of new high rise building applications outside the CBD at that time ... The argument was that the government's main interest should be concentrated on the largest investment opportunities, especially those which were being encouraged in the CBD. In other words the government could theoretically 'fast track' those significant applications without fear of Council procrastination, and leave applications of a more local nature to the Council' (Noonan, 2012b).

The political and institutional transformation of the Council is epitomised by the influential 1985 Strategy Plan – widely praised, including by the respected Planning Minister, Evan Walker (Adams, 2005; Davidson, 1986; Farrelly, 1996; Greco, 1985; McLoughlin & Huxley, 1986). It addressed inner city decline in population, employment and commercial dominance, developing strategies for renewal in implementable form including, controversially, promoting public transport, a state responsibility and against transport union and CBD business opposition.

The combined effort of newly appointed staff in intergovernmental negotiation (enlisting all three levels) with business and community engagement, led by a supportive Council, ensured both the preparation and implementation of the 1985 Strategic Plan. The 1974 Plan on which it drew was an obscure document to the non-planner, but familiar to Huggard, a community representative in its ‘revolutionary planning process’ (Melbourne City Council & Interplan Pty Ltd, 1974; Noonan, 2012a). He thus provided the strategic link and political leadership in overseeing its implementation (Adams, 2005; McIntyre, 2012; Noonan, 2012a). It ultimately also had legislative effect in shaping the strategic planning of local government statewide (McLoughlin & Huxley, 1986; Noonan, 2012a; Stretton, 1989, p. 215).⁹⁷

As to the breakthrough of implementation (a departure from past experience), the 1985 Plan was followed up by a Development Approvals Task Force in Council. Chaired by Huggard, he explained, in interview, what became his ‘mission in life to see all of this through to the bitter end’ (Huggard, 2010, p. 32).⁹⁸ The result of this extensive and research-based consultation was that familiarity and support by all stakeholders ensured that all but one of the Council’s 400 draft legislative amendments were enacted by the

⁹⁷ It proposed that ‘planning should be based on a well-researched statement of policy, which would go beyond statutory planning as it was then understood, and give direction to all aspects of Council’s responsibility. This approach was all the more significant as it became, albeit slowly, the forerunner for both strategic and Corporate Planning for all Local Governments in Victoria’ (Noonan 2012a).

⁹⁸ Monthly reporting of commissioned research and practitioner diagnosis resulted in the drafting of 400 amendments to an array of state government legislation, such as the Building Control Act. Over two years, the Task Force consulted with a wide range of professional, government and business organisations to determine how changes could best be framed and with what impact (Huggard, 2010, p. 32).

state parliament.⁹⁹ The impact, according to Huggard and Adams, was reflected in increased residency and retail activity by the end of the 1980s (Adams, 2005; Huggard, 2010, p. 36). Huggard emphasized the Melbourne Strategy Plan's significance for metropolitan planning which 'had to start in the hub of the whole metropolitan system'.¹⁰⁰

A further distinctive achievement by the new Council consistent with action on the Strategy Plan (and 'outstanding' in the eyes of then conservation manager with the National Trust), was in the conservation research and successful inclusion of fifty-four city buildings on the state heritage register in 1985 (Huggard, 2010, p. 10; Wight, 2010, p. 27).¹⁰¹ This list included five historic theatres subject to state government demolition permits, having been dismissed as economically unviable and with potential for multi-storey development. The Council nevertheless pursued negotiation with developers in defiance of ministerial opposition.¹⁰² Huggard conveyed the 'ugliness' of face-to-face argument and ultimate enlistment of 'place entrepreneurs' in the campaign to save the theatres, promoted as central to the CBD's commercial revival in the 1990s.¹⁰³

The case illustrates the array of strategies used: engaging expertise in theatre management, enlisting prominent theatrical identities, and offering tax breaks, rate holidays and plot ratio bonus transfers from a theatre to another site, together with formal and informal planning appeals (Huggard, 2009b, p. 9). A style of collaborative,

⁹⁹ Those consulted included BOMA, RAIA, Ministry of Planning and Environment (Building Control), Metropolitan Fire Brigade, Practising Building Surveyors (Huggard, 2010c, p. 32).

¹⁰⁰ 'It had to start in the hub of the whole metropolitan system; you weren't going to get anywhere unless the city did it first – the suburbs would follow later ... and that's where the Strategy Plan (came in); people said, 'Oh, that only affects the central city and that's not going to change anything.' And we said, 'No, the Strategy Plan's for the entire metropolitan area' (Huggard, 2009a, p. 14).

¹⁰¹ At the time of interview, no further additions had been sought or made to the Historic Buildings Register

¹⁰² According to Huggard, Cabinet, including the Minister for the Arts, Race Matthews, argued that the new Arts Centre was absorbing available public subsidies. Council's retort was that planning conditions to enable private restoration and management of the theatres was required, not public subsidy. However, in the absence of specific powers, 'it was bloody hard I can tell you' and the Arts Minister 'not so much convinced as we were able to continue on and do our bit and defy him' (Huggard, 2009b, p. 11).

¹⁰³ 'I can't emphasise strongly enough that it was a huge campaign that took up countless thousands of hours of very, very ugly meetings, with David Marriner saying, 'I'm the only person here that owns a theatre and all you guys are sitting around the table telling me how I can run a theatre. I'm the only person that knows all about this' ... Marriner was the first one that got on the bandwagon, that went from being the one that wanted to knock it (The Princess Theatre) down to build car parks ... to recognising 'this may save me'' (Huggard, 2009b, pp. 8,10).

professional leadership by Council (elected and employed) enabled substantial rear-guard intergovernmental and political conflict resolution from a position of statutory impotence. As with heritage protection, so with promotion of public transport, its facilitation and greater patronage was central to the 1985 Strategy Plan for revitalisation of the CBD. To Huggard: ‘The biggest and the toughest battle we had was to try to get public transport recognised as part of the transport plan ... the RACV were terrible, terrible lobbyists against the whole thing’ (Huggard, 2009b, p. 13).¹⁰⁴

According to Huggard, the politicised state planning bureaucracy responsible for the CBD was compliant in acceding to development applications contrary to the 1985 Strategy Plan. However the Council (with Labor councillors fundamentally at one with fellow Independents) was free from such party political control.¹⁰⁵ While formally disempowered, the Council’s high standing in urban planning, both of councillors and staff, fuelled conflict over specific sites, at a time of an extraordinary global property boom. Huggard conveyed the hysteria and, paradoxically, the related informal power Council wielded in an ostensibly unequal intergovernmental and political conflict, through policy leverage with developers subject to exceptionally high interest rates and hence the penalty of delay (Huggard, 2010, pp. 12,13).¹⁰⁶

At the same time, residents were highly organised in challenging alienation of public parkland for major sports stadium expansion, such as sought by then president of the Carlton Football Club, national president of the Liberal Party, and aspirant Prime

¹⁰⁴ ‘It’s interesting now how motorists accept that the central lane is for trams and that it’s antisocial ... to be driving there. But you can imagine what a huge battle it was in the mind-sets of the unions and everybody else, to get even lines painted and bring in laws that meant you had to stay off the tram lines – the fairway system ... the RACV were terrible, terrible lobbyists against the whole thing’ (Huggard, 2009b, pp. 13,14).

¹⁰⁵ Issues in dispute included protection of the CBD ‘grid’ orientation and scale, of heritage buildings especially corner buildings, and of laneways, sold cheaply by the previous Council to enable owners of adjacent properties greater plot ratios for redevelopment by incorporating lanes.

¹⁰⁶ ‘I remember John Cain saying, ‘When I became premier there was one crane in the sky. Now look at it – fifty-four, the most ever in the history of Melbourne,’ as if that was some sort of achievement. The world was going crazy – it was 18–19 per cent interest rates. It got up to 22 per cent and it all fell through ... there were so many developers desperate, with these interest rates killing them, that they wanted their permits quickly and they’d do anything to get it. We had this incredible ability. With people saying, ‘Oh, Melbourne City Council is irrelevant ... It’s state government’ ... We’d explain: ‘No, no. We’re not spending money, we’re directing the private sector, which is spending billions of dollars, and getting a better result out of it. And this is what is so important about this period in time: we can either destroy this city or we can gain some real developments’ (Huggard, 2010, p.12)

Minister, John Elliott. The newly democratic Council ('captured by the residents' as the planning institute saw it) repeatedly opposed the commercialisation of parkland, in the tradition of the colonial town clerk, Edmund Fitzgibbon, who coined the slogan 'Hands Off Our Parks' (Wright, 2001).

Metropolitan institutional change

Two momentous metropolitan policy changes confirmed the new trajectory of urban governance under the Cain Labor government, concentrating power with the state government at the expense of citizenry and local government, especially the Melbourne City Council. The first was the immediate and low profile abandonment, in 1982, of the ALP's seventy-year commitment to a democratically elected Greater Melbourne Council. The second policy change was the transfer of metropolitan planning from the local government-based, indirectly elected MMBW (in operation since 1891) to the state planning department, in the same year (Dunstan, 1984). The significance of these esoteric changes to institutional policy largely escaped notice. Yet from inception in 1891, the Board (the largest statutory authority in Australia) had been considered and, at times, hotly debated as an alternative to or basis for a Greater Melbourne Council (Holmes, 1984).

It was indicative of an ideological and pragmatic shift in the Labor Party that, having at last gained power in 1982, it jettisoned both available alternatives for metropolitan governance – one an institutional reality and the other a long held tenet of policy. The Board was regarded by the activist and party political left as an engineering-led, politically conservative and unaccountable (if not corrupt) statutory authority (Cain, 2010, p. 6). Its abolition rather than reform was welcomed by the left, that 'non-choice' evident in Prime Minister Thatcher's parallel abolition of the Greater London Council and metropolitan councils, in 1983/4 (Flynn, Leach, & Vielba, 1985).¹⁰⁷ As in London, so in Melbourne in the 1980s, maintenance of the MMBW and the GMC was

¹⁰⁷ The authors argue that if metropolitan government was so difficult to establish in a unitary state, such as Britain, it was unlikely in the US context of fragmented jurisdictions and, one might add, Australia, notably Victoria. They further conclude that the reforms were driven by centralisation, not the claimed cost savings, councils being inclined to represent social and economic policies inimical to business and to the 'economic evangelicals' of central government (Flynn et al. 1985, p. 13).

incompatible with the centralisation of power within the state government and antipathy to alternative institutional power bases. The loss of a historic, local government-based statutory body eliminated the sole metropolitan forum and planning authority in a city plagued by jurisdictional fragmentation. Further, in concentrating power with the minister for planning it politicised planning decisions, simplified access by lobbies and reduced accountability and transparency – this at the time when property development was becoming central to economic strategy and on the cusp of the 1980s property boom.

In addition to these two major metropolitan reversals, part of a new trajectory in Melbourne's governance, there was a third contrary and short-lived attempt to strengthen local government through long sought restructure in 1985–6. The failure of this expert Local Government Commission, established in 1985 and disposed to strengthening local government, had major unanticipated effects. According to its Chairman, Stuart Morris QC, it was a post-election initiative of the Local Government Minister, Frank Wilkes, seeking to implement the Hamer government's neglected report on the role, structure and administration of local government, published in 1979 (Board of Review into the Role Structure and Administration of Local Government in Victoria, 1979; Galligan, 1998, p. 34).

Its simultaneous statewide remit and generous timetable enabled the alliance of 'extreme right-wing' rural shires and 'Labor controlled inner city councils' with blue-collar union leadership to undermine the reform, abandoned in 1986 (Cain, 2010, p. 3; Parkinson, 2009, p. 19). Championed by then Opposition leader, Jeff Kennett, unruly opponents were promised, in the glare of the television lights, that 'any forced amalgamations would be stopped' (Galligan, 1998, p. 31). Despite this obstruction, the Cain government's *Local Government Act 1989* completely reformed the internal electoral boundaries and processes. This included universal franchise, a ten per cent tolerance for ward population variance and triennial elections.

The government's prime interest, however, was in CBD development and in concentrating urban planning power through institutional changes at the state level. While institutional changes to the Melbourne City Council and to metropolitan governance represent a new trajectory in important respects, they themselves were subject to transformational global and national circumstances which overrode the state government's constitutional powers.

Exogenous attributes: national level

While the Commonwealth Government lacked responsibility for local government and land management, endogenous institutional and political characteristics under the impact of global circumstances in the 1980s, invited and permitted its decisive influence. Urban planning historian, Ian Winter, has clarified the nexus between Commonwealth policy and an emerging 'entrepreneurial state' in Victoria in the 1980s, to which the Council was perceived as an impediment (Winter, 1993). He identifies financial and opportunity costs as well as loss of democratic accountability attributable to forms of entrepreneurialism such as privatisation, liberalisation, commercialisation and elitism. He interprets these as responses to megatrends, ideological and economic, enforcing the state government's focus on central city property development in three main respects.

First, global restructuring led to the demise of manufacturing (in which Victoria was dominant) and the rise of service industries, with new land-use pressures: deindustrialisation generated redevelopment for high-rise offices, luxury residential and tourism-related construction. Second, the adoption of economic fundamentalism 'as the framework to set policy for the integration of Australia into the global economy ... led to the deregulation of banking and financial systems'; significantly this was initiated and implemented by a Commonwealth Labor Government (Winter, 1993, p. 46). Third (and given Commonwealth taxation powers), federal-state relations ensured that as greater demands were placed on state governments, cuts to Commonwealth grants and spending limits were imposed, reducing available funds.

At odds with federal Labor's neoliberal program, the Commonwealth Minister for Local Government from 1984–7, Tom Uren (no longer in Cabinet), continued his strong support for local government, as in the 1970s. This included development funds for Voluntary Regional Organisations of Councils (VROCs) which fostered a high level of municipal collaboration and lobbying capacity, for which Victorian Governments had shown little inclination. The Inner Metropolitan Regional Association (IMRA), of which MCC was a member, was one such body – a *de facto* capital city council including nine councils. Significantly Hull, as BOMA representative, singled out the organisation for high praise as a 'metropolitan body' in which he had been involved (Hull, 2010, p. 46).¹⁰⁸ Dunstan (1984) argued, however, that federal funding may have inadvertently stalled municipal restructure. As to constitutional recognition of local government, a second Commonwealth Labor referendum held on September 3, 1988 was opposed, as in 1973, by all states and the federal Opposition, being represented as covert centralisation of power with Canberra (Reith, 1988).

A further feature of the global economy and of related deregulation nationally in the 1980s was the focus on capital city regions, and confirmation of Sydney as premier state capital and *de facto* national capital. In the 1980s Sydney-Melbourne became an extended metropolitan investment zone and major private and public corporations were now predominantly located in Sydney.¹⁰⁹ Recognition of Melbourne's decline from being the commercial and one-time national capital, in the longstanding Melbourne/Sydney rivalry, caused demoralisation associated with reduced CBD occupancy levels and property values (Davidson, 1986, p. 10).

Endogenous attributes: state level

Political attributes

¹⁰⁸John Hull (interviewee) chaired IMRA's Jobs and Investment Task Force for Inner Melbourne, pre 1993.

¹⁰⁹Commonwealth Government bodies such as the Reserve Bank and the Australian Broadcasting Authority were established in Sydney, as were the majority of national arts agencies.

While a Commonwealth Labor Government pursued market-based reforms, the Cain Labor government was committed to social democratic objectives – an ultimately fatal intergovernmental and intra-party conflict.¹¹⁰ Strangio observes that this ‘paragon of social policy innovation’ represented a ‘counterpoint to the neoliberalism of the Hawke Labor government in Canberra’ (Strangio, 2012, p. 325). Following federal intervention in 1970, an invigorated Victorian Labor Party brought to government in 1982 an ambitious reform agenda and a core of talented ministers, John Cain being elected Leader of the parliamentary party six months before the election. Strangio writes of the membership’s involvement in ‘a web of policy committees [which] crafted a policy framework for the Victorian ALP of unprecedented comprehensiveness’ in Victorian history and in contrast to piecemeal Liberal policies (Strangio & Costar, 2006, pp. 326,327). Progressive citizenry also found avenues for political engagement and influence, actively sought over the previous two decades. Significantly, the restructure of local government attempted in 1985/6 was not part of that ‘comprehensive’ policy framework (Morris, 1998, p. 34).

The political climate in the 1980s may be seen, in inner Melbourne, as the culmination of over twenty years of activism and pressure for democratic reform to which the renewal of local government was central. Commonwealth Labor support in 1973–5 fell on more fertile ground in Victoria, with its strong community sector. Inner city Labor councils and an influx of tertiary educated women (officers and councillors, newcomers both in gender and education) were instrumental in developing strategic collaboration between councils for intergovernmental negotiation. This entrepreneurialism was necessitated by their dominant field, community services. For it depended on grantsmanship in mobilising the complex of discretionary, matched and specific purpose grants, generally from the Commonwealth, but delivered through the ‘post office box’ of the state government, as Bowman wryly put it (Hartnell-Young et al. 2001; Sinclair, Bowman, & Strahan, 1987; Wills & Fratta, 1985). Several prominent Victorian institutions strongly advocated a co-coordinative role for local government

¹¹⁰ That his father, John Cain senior, as the previous Labor premier, had lost government over the party split in 1955 almost certainly intensified Cain’s determination to implement reform denied during twenty-seven years in Opposition.

(at state and national levels) in this decade.¹¹¹ The cultural transformation of Victorian councils perceived as passive agents of the state intent on ‘roads, rates and rubbish’, is reflected in their almost unanimous support for assuming responsibility for planning and coordination of community services, subject to block funding, inconceivable a decade earlier (Munro, 1984).

Institutional attributes

The Commonwealth/State conflict, intensified by economic and ideological changes, has been outlined. In addition, intra-governmental and party political conflict at the State level resulted from the incoming Labor government being without a majority in the Legislative Council. In the words of a later Labor member of parliament, Alistair Harkness, between 1982 and 1992 Labor was ‘in government but not in power’ (2011, pp. 1,10,11). Fighting for its authority with the Commonwealth Government, the Liberal state opposition and with the upper house, it was ill-disposed to accommodate the newly assertive City Council.

In addition to the momentous changes to the City Council and to its immediate metropolitan context, two related institutional changes were effected within the state government with implications for the evolution of the Melbourne City Council. They were the centralisation of government and politicisation of the public service together with specific institutional arrangements for major development projects and events.

Reorganisation of state government, executive and bureaucracy

¹¹¹ The prestigious Institute for Applied Economic and Social Research (IAESR), based in the University of Melbourne and chaired by the eminent Professor Ronald Henderson, also chairman of the peak body, Victorian Council of Social Service (VCOSS), championed participatory and municipally planned local services. The establishment of the nationally influential lobby, Community Child Care, largely the achievement of young women, related closely to local government. Likewise, the calibre and intergovernmental impact of policy development and advocacy across portfolios in the Municipal Association of Victoria, was transformed by the recruitment of able local strategists, many being women.

The first and most evident departure from Liberal practice was in Labor's 'rapid and spectacular managerialist transformation' (Halligan & Power, 1992, p. 34). Further, what was apparently the most pluralist regime was 'quickly subordinated to the control of a strong political executive collectively committed' to such reforms. Restructure and centralisation of power in fewer, mega departments is detailed in *The Fall of the House of Cain* (Murray & White, 1992). Two new departments had special oversight in ensuring adherence to policies and co-ordination across portfolios: the Department of the Premier and Cabinet and the Department of Management and Budget, headed by the Premier and the Treasurer respectively.

Such bureaucratic centralisation reinforced centralisation of decision-making with the Executive even, according to Labor MLA for Melbourne, Neil Cole (a former City Councillor), excluding him from decisions regarding his electorate.¹¹² The Labor Party having traditionally encompassed centralist and to a lesser extent localist traditions, the former was in the ascendant and with the Executive in particular. It was a long awaited opportunity, in government, to implement 'counter-revolutionary economic strategy – a style of Keynesian-inspired interventionist policy at odds with the prevailing orthodoxy of Friedmanite marketism and government withdrawal from the economy, espoused by the then federal Labor government (Harkness, 2011, p. 2).¹¹³

Microeconomic reform of statutory authorities

The second major arena for centralisation was in ministerial oversight and regulation of the Victorian statutory authorities, or government business enterprises owned and managed by the government. This represented an assault on the traditional pillars of the Victorian paradigm of government and, as such, the governance of Melbourne. Just as Cain's attempted local government restructure in 1985/6 drew on the previous Liberal government's 1978 review, so the regulation of independent statutory authorities drew on the 1976 inquiry into the public service, and on the 1981 public bodies review

¹¹² He named in interview the successive ministers for planning in that decade who 'didn't listen to me. They didn't put me on to anything to do with (*Melbourne*) ... not at all' (Cole, 2010, pp. 11,12).

¹¹³ Milton Friedman is identified with the Chicago School of free-market economics, American Nobel Laureate economist and author of influential texts notably *Capitalism and Freedom* (1962) University of Chicago Press.

(Board of Inquiry into the Victorian Public Service, 1974–6; Board of Review into the Role Structure and Administration of Local Government in Victoria, 1979; Public Bodies Review Committee, 1981). The latter review identified 9000 public bodies, whose number, variety and distance from the budgetary process, it was argued, ‘rendered efficient management of the public sector virtually impossible’ (Holmes, 1984, p. 104). While Liberal Premier Hamer had addressed urban dysfunction in commissioning definitive reports, it was Labor Premier Cain who in large part succeeded in acting on their recommendations.¹¹⁴

Reform of the statutory authorities was designed to improve productivity, responsiveness to government policy, co-ordination of borrowing and investment and to gain access to their reserve funds, including from dividend payments. This introduction of economic regulation to hitherto self-regulating (and operational) authorities broke radically with past practice, eight years in advance of a Commonwealth approach to microeconomic reform under the National Competition Policy. Far from being, as originally conceived, agents for efficient government – *socialisme sans doctrine* – statutory authorities were judged an obstacle (Holmes, 1984). A further incentive in holding statutory bodies to account was that their chairmen were deemed politically sympathetic to the previous Liberal regime from the time of Bolte’s premiership, not least the MMBW (Cain, 2010, pp. 5,6; Dunstan, 2006, p. 281).

Wettenhall interpreted the failure of attempted public service co-ordination in the 1970s, small government sentiment and pressure for efficiencies as setting the stage for stronger central control in the 1980s (Wettenhall, 1985, p. 44). Observing that ‘prior to 1982, there was no clear movement for the elimination of statutory authorities’, he was prescient in his view that ‘it will be a great pity if, in the process of renewal, the public sector corporate institutions which have done so much to develop the state in the past are seriously weakened’ (Wettenhall, 1985, p. 45). In fact ‘the boundaries between government and private business enterprises ... essentially stable from the 1920s

¹¹⁴ Evidence of the scale of the problem tackled by the Cain Labor Government is that before 1982, less than one fifth of Victorian public servants were subject to the Public Service Act and the jurisdiction of the Public Service Board.

changed radically with Victoria, the home of statutory authorities, leading in the imposition of centralised controls' (Marsden, 1998, p. 3). The reform of statutory authorities was revolutionary both in departing from the traditional Victorian trajectory of urban governance, in overcoming resistance to change, and in spearheading a new national institutional trajectory.

Politicisation of the public service

Given Liberal state governments for twenty-seven years by 1982 and an historic resistance to reform of governance, the public service was a potential obstacle as well as an essential vehicle for Labor's social democratic program. Attempted depoliticisation went hand in hand with institutional centralisation of the public sector. Administrative reforms designed to increase efficiency and accountability were instituted at parliamentary, cabinet, ministerial and bureaucratic levels, much of it under the rubric of managerialism, drawing on corporate principles: government as business (Harkness, 2011, p. 20).

Political control was facilitated by use of external appointments and generalists to senior positions, consistent with managerialist principles. The influence of expert advice 'without fear or favour' was diluted. A Senior Executive Service was established, with fixed-term staff contracted to deliver against performance indicators, replacing permanency and promotion on (challengeable) merit via the gazetted process of the Victorian Public Service Board. Instability, demoralisation and deskilling occurred and staff inclined to compliance (Harkness, 2011, p. 20). In an effort to depoliticise and increase the skills and flexibility of the public service, the opposite outcome was evident to some extent. The new system of appointment and active oversight of the bureaucracy by ministerial advisers (often an apprenticeship for Party pre-selection) served to increase such centralised policy-making and to filter, even determine advice submitted to Cabinet. Increased use of consultants was likewise amenable to politicisation in both their engagement and recommendations. Centrally co-ordinated media management, it is argued, delayed emergence of signs of weakened bureaucratic performance (Harkness, 2011).

Institutional arrangements for major projects and major events

In tandem with such radical centralised and ‘repoliticised’ restructure of government, and with the municipal and metropolitan changes outlined, specific institutional change transformed capital city governance and urban planning. In this post-industrial era, with reduced federal funding and a decline in manufacture, the pursuit of investment and facilitation of major projects – public, private and joint – was a priority (Noll & Zimbalist, 1997). As in North America, commercial alienation of central city parkland by state government proceeded at an increased scale and frequency in the 1980s. The Melbourne Tennis Centre, championed by Premier Cain, was the most significant sports infrastructure of the period. It was constructed in public parkland in the CBD and intended to ensure Melbourne’s retention and attraction of international competition. A former National Trust planner recalled ‘there was outrage, and they had to promise to swap and give back bits of open space ... (but this)... disappeared into the collective amnesia’ (Wight, 2010, p. 31). The City Council spear-headed the furore over what became a precedent for further construction and unmet commitments to ‘no net loss of parkland’. Ministerial discretion in ‘calling in’ such projects of ‘regional’ and ‘state significance’ (undefined) was used to justify sidelining the City Council and hence the citizenry, whose involvement was delegitimised and blocked (Gallagher, 2012).

Freestone has categorised the decade nationally as an urban planning period in which ‘new paradigms’ shaped new institutional arrangements. He identifies pursuit of the ‘competitive city’ and entrepreneurialism in planning associated with deregulation, privatisation and planning systems reform, neoliberal attributes in which the ostensibly social democratic Victorian Government led the way (Freestone, 2010, p. 9). Centralised urban planning was a key to this economic strategy, as was exclusion of the City Council and citizenry from third party rights of appeal. Inevitably there was a high level of both intergovernmental conflict and of developer/citizen conflict. It arose from commercial development of public parkland, ministerial suspension of heritage protection, scale and height limits, as well as from lack of transparency in land disposal and development.

Significantly, in this urban planning and development context, one of the great political battles of the 1980s was over deregistration, in three jurisdictions, of the powerful and militant Builders Labourers Federation (BLF) (Wheeler, 2006). After a joint Commonwealth and Victorian Royal Commission into the building industry in 1981, the fight was led by the Cain government, industrial disputation being highest in Victoria.¹¹⁵ With bipartisan intergovernmental support, that of the development industry and several building unions, Victorian Labor confronted its constituency. Deregistration in 1986 removed from the industry the union which had played a pivotal role in the heritage battles of the 1970s, which had obstructed inner city property development and humiliated state governments.¹¹⁶

Indicative of new institutional arrangements was the establishment in 1988 of a Major Projects Unit. It was designed to ‘fast-track’ commercial and retail development, from which process the City Council and the citizenry were excluded. In a building boom, the sites for conflict were many, the government-owned, heritage listed former Queen Victoria Hospital site which occupied a city block being a case in point. A protracted and high profile battle culminated in its sale to a prominent developer with permission to demolish all but one classified pavilion, and able to receive the windfall profit from subdivision. That the Council fortuitously retained ownership of relevant roads and laneways enabled it to require the monolithic development to be broken down for public access, reflecting the distribution of power, and corresponding tactics used (Huggard, 2010, p. 64).¹¹⁷

¹¹⁵ A Commonwealth Royal Commission in 1981 into the BLF led to the charging and conviction of its Secretary, Norm Gallagher.

¹¹⁶ The construction of light towers for night sport at the Melbourne Cricket Club, of which Premier Cain was a trustee, was occasion for the final stand-off by the BLF, police presence ensuring completion in 1984. They were part of the major events infrastructure strategy, the first event being a World Series Cup competition between Australia and England in February, 1985.

¹¹⁷ The Queen Victoria Hospital for Women and Children was built in 1912 through donations from the women of Victoria under a ‘shilling fund’ instituted, in 1897, by the first woman to be registered with the Medical Board of Victoria, Dr Emma Constance Stone. The retention of one of the pavilions for a women’s centre was intended by the government as compensation for the loss, given the public outcry by women’s organisations.

Two planned mega projects on public land were those of 158 hectares on Southbank, (in the municipality of South Melbourne, including a relocated State Museum), and the adjacent 200 hectare docklands mixed-use redevelopment (in the municipality of Port Melbourne, land and water equivalent to the size of the existing CBD). Characteristic of the period in Australia and elsewhere, both sites had been identified for renewal in the 1974 Melbourne Strategy Plan. Consolidation of the Southbank titles was a major achievement in converting obsolete, industrial land use and connecting the site to the Yarra River, albeit with removal of all heritage listings. Focused on the municipality of Melbourne and supplanting the Council's former urban planning role, the Major Projects Unit managed a privatised client relationship at odds with the City Council's past involvement, and with its preference for medium density mixed residential and commercial development, rather than primarily the latter.

The Docklands was also subject to master planning as the basis for an unsuccessful bid for the 1996 Olympic Games. The City Council was heavily involved with the state government in both design and funding for the 1980s Olympic bid. Its failure, announced in September, 1990, was a severe blow to business and government morale, as the property boom collapsed. It coincided with the failure to secure Japanese investment in a proposed 'high tech city', or Multi-Function Polis, to be based in the Docklands. As the 1992 election approached and Labor's defeat loomed, a fraught political and economic climate contributed to evident desperation within government (and within CBD business associations) to produce tangible evidence of progress – comparable to the climate in which the previous Liberal government had fallen.

In the last two years of Labor government, under Kirner's premiership, panic was reflected in unprecedented planning legislation, with bipartisan support, delivering mega and privatised development in Melbourne. Hence the passage of the *Docklands Authority Act 1991* which quarantined development from statutory planning. It was modelled on the London Docklands Authority, as advocated by the chief infrastructure lobby, the Committee for Melbourne (Dovey, 2005). That Evan Walker, as a Minister (including well respected Minister for Planning until 1986), was a member of that infrastructure lobby from 1988–9 reflects the convergence between government and

property development in urban governance (Victoria, 2001). That in 1991, prior to retirement as a parliamentarian, he was appointed Hudson Conway Professor of Architecture at the University of Melbourne suggests a similar convergence.¹¹⁸

This legislation was followed by the *Casino Control Act 1991*. Former premier Cain had strongly opposed introduction of both a casino and poker machines but facing an economic and electoral crisis, and related lobbying, the chance of stemming the annual gambling flow of \$400 million to NSW convinced premier Kirner otherwise (Willingham & Dowling, 2012). ‘I suppose we wilted a bit towards the end, to making this the gambling capital of the world. We didn’t want a casino’ as Cain explained in interview (Cain, 2010, p.17). Indeed, the casino and poker machine legislation represented a largely unexamined and radical break with Victoria’s ‘wowsers’ traditions and with the policy of the previous Liberal government.¹¹⁹ As with the Docklands, the casino legislation provided for removal of heritage protection on a 40 hectare site and for the exclusion of the City Council and citizenry from the planning process in a defined zone amenable to expansion (*Casino Control Act 1991*). The same year, the Melbourne Major Events Company was also established and its chief proponent, Ron Walker, developer and national treasurer of the Liberal Party, appointed as chairman. Its charter was to acquire international cultural and sporting events, and Walker was authorised to secure the Australian Formula I Grand Prix, then contracted to South Australia.

The ‘moral hazard’ created by the combination of extreme financial and urban planning deregulation (especially in the Anglosphere) and the collapse of the global property boom of the 1980s, was the climate in which an increasingly disunited Labor government suffered an ignominious defeat in October 1992. According to Ball, technical change in key service industries caused an ‘upsurge in building demand from the mid-1970s [and] shifts in employment patterns then generated repercussions in

¹¹⁸ Evan Walker was appointed Hudson Conway Professorial Fellow in Architecture at The University of Melbourne in 1990, and Dean of the Faculty of Architecture and Planning in 1991, retiring from the Parliament on October 2, 1992. The Hudson Conway consortium, led by Ron Walker and Lloyd Williams, won the tender for the Casino in 1993, in controversial circumstances and subject to litigation by Sheraton-Leighton (Forbes, 1994).

¹¹⁹ According to Paul Rodan (2006, p.309), Premier Hamer made a case for a casino, given the state’s dependency on federal revenue sharing, but was opposed by social conservatives in his cabinet.

housing markets', impacting on land use, not least in the over-supply of CBD office buildings (1994, p. 688). Like Mahoney and Thelen, Ball attributes differential national responses to the boom to their distinctive institutional and political characteristics, including housing markets, taxation and planning, rather than simply to 'market madness' and 'misguided government'. Several high profile cases of excessive risk exposure culminated in the collapse of the Tricontinental merchant bank and consequent sale of the State Bank of Victoria in 1992, under Commonwealth Government duress. The enormity of such loss obscured this global perspective and sealed the fate of the Labor Party.¹²⁰

Conclusion

The shift in power in capital city governance, politically and institutionally, was dramatic during Victorian Labor's unprecedented and long term of office from 1982–92. 'A historical aberration' according to then premier, John Cain, in retrospect, it was a 'truly Labor government ... different from those before or since' (1995, pp. xv, 35). The Cabinet discipline under his leadership, with which the government pursued an exceptionally detailed social democratic platform for the first eight years, transformed the machinery of government (1995, p. 53). It reshaped capital city governance directly and indirectly.

The revolutionary change in the Melbourne City Council, having been summarily sacked in 1981, was that it was reinstated in 1983 as a democratically elected institution for the first and only time. This permitted a majority of communitarian, progressive councillors, reflected in the first woman appointed as Chief Executive and the only two women ever elected as Lord Mayors of Melbourne. Restructuring and staffing to fulfil explicit urban planning objectives, the Council's 1985 Melbourne Strategy Plan and its laborious translation into 400 draft legislative amendments, substantially enabled rapid commercial and residential reinvigoration. Passed by the parliament, they enabled

¹²⁰ The State Savings Bank of Victoria was an iconic institution, established in 1842. Failure of loans made by its newly established merchant banking arm, Tricontinental, forced its takeover in 1992 by the Commonwealth Bank of Australia at the behest of Prime Minister, Paul Keating, and amidst controversy as to level of compensation and as to the role of the Reserve Bank in its failure.

integration of higher density land-use with public transport as well as heritage protection, including that of five historic theatres subject to demolition and, in the 1990s, the basis for a claimed theatrical renaissance in central Melbourne.¹²¹

The traditional dual conflict over representation and development in the municipality between state government and Council and between citizens and CBD business, chiefly property-related, was thus ostensibly resolved in 1983. In practice, however, it was unabated. Indeed, it was magnified by global economic and related land-use pressures expressed through the financial deregulatory and cost-cutting reforms of a neoliberal Commonwealth Labor government, from 1983–1991. The global ‘service sector revolution’ of the 1980s had extreme impact in post-industrial Victoria and, as Ball and Winter argue, the dominance of economic fundamentalism at a Commonwealth level ensured that consequent financial difficulties, of exogenous origin, were interpreted as a locally induced crisis (Ball, 1994; Winter, 1993). The focus in the City of Melbourne, as internationally, was on property development, as the 1980s boom attested. Political and institutional characteristics determined distinctive centralisation and politicisation and, as the crisis deepened, susceptibility to the overtures of leading lobbyists for unprecedented legislation to enable certain privatised mega developments to circumvent media, City Council and citizenry.

Three decisions highlight the lack of commitment by the Labor government to strong local, urban governance, in apparent contradiction to the policy of City Council democratisation and to democratic metropolitan governance. First, the state government substantially retained the Council’s former planning powers, second, it quietly removed Labor’s historic policy commitment to a democratic Greater Melbourne Council and third, with major though possibly unintended implications, absorbed the metropolitan planning responsibilities of the almost century old MMBW within the ministry. Such centralisation of executive power and administration was the defining attribute of the

¹²¹The 1985 Plan was based on review and updating of the unimplemented, award-winning 1974 Plan. According to Trevor Huggard, chairman of the Council Task Force focused on implementing the 1985 Plan: 399 of 400 draft legislative amendments submitted to the state government were enacted to enable improved public transport flexibility, heritage protection and use of properties hitherto constrained by anachronistic regulations – building control, fire protection, etc. (Huggard, 2009, p. 9)

new Labor government, reflected in two new coordinative, mega departments of Premier and Cabinet and Management and Budget. Corporatist and managerialist principles informed innovations, such as support for ministers' offices in overseeing bureaucratic advice, and for short-term Senior Executive contracts and external staffing in place of traditional public service appointment. Centralisation and fiscal stringency justified unprecedented regulatory control over and financial dividends from the independent statutory authorities, which had characterised the Victorian paradigm of government for almost a century. Politicisation accompanied such practices, its ultimately debilitating effect on the bureaucracy noted by several analysts, including Cain himself (Cain, 1995, p. 270).

Two persisting institutional challenges were the conservative control of the Legislative Council and the dysfunction of capital city and metropolitan governance. Thwarted as to the first, as to the second, the Cain government itself undermined institutional capacity as indicated. Reflecting the ambiguity in public sector reform, his government implemented structural efficiencies recommended to, but not acted on, by the previous Liberal government (Board of Inquiry into the Victorian Public Service, 1974–6; Public Bodies Review Committee, 1981). By contrast, a crucial failure was the aborted restructure of local government in 1985–6, based on the former government's 1979 review (Board of Review into the Role Structure and Administration of Local Government in Victoria, 1979). This pressing metropolitan reform, and the high profile demonstration of its political capture by vested interests, supported by then Leader of the Opposition, Jeff Kennett, remained a live if subterranean issue, its implementation unarguable and, in practical terms, readily imposed in the 1990s. Responsibility for that failure lay not only with crude opposition, but in its implementation: statewide rather than targeting the priority of cities and failing to harness the experience of members of the 1979 Board of Review (Power, 2009).

The Major Projects Unit was a further trail blazing institutional change, reflecting centralisation of urban planning powers over the central city. It was accountable to the Minister for Planning and designed to streamline and facilitate property development, notably ill-defined 'matters of regional and state significance' – a pragmatic rationale

for Council and citizen exclusion. The Unit's responsibility included oversight of planned development of the vast and obsolete Southbank and Docklands sites, symbols of a new state government entrepreneurialism in the 1980s (Freestone, 2008). Major events were also sought, relating to such development, of which the Melbourne Tennis Centre, constructed in public parkland, was a contentious example. It was in the context of intense focus on building and construction that Cain enlisted the NSW and Commonwealth Governments in the conduct of a Royal Commission into corruption in the building industry in 1981 and the subsequent deregistration of the powerful Builders Labourers Federation in 1986. It was significant that a Labor government should tackle such perceived union obstruction in the building industry.

As recession and party disunity set in, it was in the term of the first woman premier, Joan Kirner in 1990–2, that quarantined mega development took extreme form. Successive legislation in 1991, with bipartisan support, provided for a Casino Authority, a Docklands Authority and a Melbourne Major Events Company, all advocated by CBD property, finance and infrastructure interests. A significant shift from the Cain term, the Major Events Company reflected a close working relationship between the following Labor premier and the city's most prominent place entrepreneur, Ron Walker, its first chairman.

In this revolutionary economic and ideological climate, endogenous factors – political and institutional – can be seen to have enabled a new trajectory of institutional change in the Melbourne City Council. The inherent ambiguity of the democratisation of the City Council alongside exclusion from statutory planning, and the abandonment of municipal restructure, left a legacy of heightened and unresolved political and institutional conflict by the end of the Labor term in 1992. It was such ambiguity and unintended effects of reforms which, as Mahoney and Thelen argue, invited and permitted institutional change. In the absence of a state framework, the Melbourne City Council voluntarily tackled the 'metropolitan problem' in Green and White Papers, advocating the amalgamation of eight inner Melbourne councils in June 1992 (City of Melbourne, 1992b). By contrast, at the same time the Chamber of Commerce published the case for a CBD Council (Melbourne City Chamber of Commerce, 1992).

In a global property collapse, with the highest unemployment in Australia, and the Labor government in terminal decline, the battle lines were drawn between the first democratically elected Council and a major business lobby, as to the future of capital city governance. The incoming Liberal/Coalition government was silent on that matter of prime importance to itself and its chief constituency. The political and institutional preconditions were in place, however, to tackle the unfinished business of the Melbourne City commissioners appointed in 1981 to establish a business controlled, development-focused council. Both the public sector reforms and the aborted municipal reform of the Cain Labor government provided the platform and dynamic for the changes wrought by the incoming Coalition government in 1992. So too did the ambiguity of reforms affecting the Melbourne City Council and, paradoxically, its revolutionary impact as a disempowered though democratically elected institution. The revolutionary institutional changes reflected in the Casino and Docklands legislation of the Kirner government in 1991 presaged those of the Kennett term of office, the antithesis of the Freedom of Information legislative reform, which was a hallmark of her predecessor's term.

PART THREE: INTERPRETATION

Commonwealth government constitutional context

A major institutional factor predisposing the Melbourne City Council to the transformation which occurred in the 1990s was that of the 1901 Commonwealth constitution. Certain constitutional attributes, in particular, may be seen to have contributed indirectly to the intractability of metropolitan governance in Melbourne, the municipality of Melbourne being at the epicentre of tension between state and local government, and of both with activist citizenry.

First, consistent with the classic model of federalism, the constitution provided for two levels of government: local government not being recognised as an order of government but as a competence of the constituent states, whose residual responsibilities, importantly, also included land management and urban planning (Steytler, 2007, p. 393). Labor Government initiated referenda in 1973 and 1988 failed to secure an amendment to enable such recognition which was (and remains) opposed by the Liberal Party. A unique interlude (1972–5) ensued in which a federal Labor Government (unsuccessfully challenged by the states in the High Court) directly related to and funded local government individually and as groupings of councils, including planning and administrative capacity as well as physical and social infrastructure. Second, the *Commonwealth Income Tax Act 1942* (also having been unsuccessfully challenged in the High Court by several states including Victoria) ensured that the Commonwealth raised income tax and that the states, being exceptionally responsible for service provision in international terms, bore the impact of vertical fiscal imbalance.

Despite lobbying by peak local government bodies from the early 1970s, the Liberal and National Parties opposed constitutional recognition (several options being canvassed) arguing that such recognition should be restricted to state constitutions. Much of the argument made by the Coalition Task Force in the ‘No case’ for the 1988

referendum proposition to recognise local government in the constitution is well supported; it warns of implications for High Court challenge as to interpretation, related uncertainty and potential for competition between local government and states.

The fiscal imbalance in the federal system and the vulnerability of councils to 'delegation of responsibilities' and cost-shifting in the provision of funded services, has been symptomatic of intergovernmental dysfunction and conflict from the 1970s. As a multifunctional and area-based level of government dealing with two central governments, whose departmental boundaries were guarded by incumbent ministers, local government was best able to observe the intergovernmental and interdepartmental fragmentation. It was also least able to defend itself in intergovernmental coordination and to promote integrated planning and development.

Victorian Government constitutional context

Unlike its Commonwealth counterpart, that the Victorian constitution was an act of parliament subject to amendment by a government in control of both houses of parliament, was a crucial institutional attribute in enabling the transformation of Melbourne City Council from 1992–9. Certain of its attributes gained added traction in the context of the predominant concentration of the state's population in the primate city, itself inviting intergovernmental and land use conflict.

The Australian paradigm of city government and the institutional attributes peculiar to Victoria, before and after the establishment of the Commonwealth, were examined earlier in Chapter 5. The analysis of the historical institutional evolution of the Council from 1842 focused on the dual conflict with state (or colonial) government on the one hand and between business and residents or citizenry on the other. Two crucial constitutional attributes – defining power relationships can be seen to be instrumental in the transformational dynamic: First, the threat of a competing and populous urban taxing authority largely ensured that propertied interests and state government (from inception in 1851) found common cause in constraining the boundary, powers and franchise of the City of Melbourne. The major consequence was the fragmented

municipal system in place by 1992, fifty-six in the metropolitan area. Indeed, that common cause was institutionally entrenched by the Victorian constitution of 1851 in the most powerful, property-based and conservative upper house in the British Empire. It was the electoral power and malapportionment of the upper house that ensured the successive defeat of four Bills sponsored by Labor to establish a Greater Melbourne Council, between 1913 and 1951, the last failing by one vote. Second, the Victorian constitution was an act of parliament subject to change by a majority vote in both houses; there was thus no legal impediment to taxation without representation at a local government level, or to the counter-revolutionary restoration of a business-weighted franchise and City Council boundary in 1994. The distinctive constitutional attributes outlined, given the demographic concentration in the primate city, held the potential for a showdown. When economic and electoral circumstances combined, constitutional properties permitted and invited the solution which a neoliberal and authoritarian premier adopted in a zero sum game, namely the City Council's disenfranchisement and disempowerment.

CHAPTER 8: INTERPRETING POLITICAL ATTRIBUTES

Approach to interpretation of institutional change

The previous historical institutional analysis of the period 1842 to 1992, Chapters 5–7, provides a genealogy of the political and institutional attributes which characterised the trajectory of the Melbourne City Council prior to the Victorian Coalition government, 1992–9. It provides a long-term perspective in interpreting the longstanding institutional power struggle between colonial, later state government and the Melbourne City Council, and the related political struggle between propertied interests and the relatively disenfranchised – a battle over powers, responsibilities and blame in the face of intractable dysfunction, as well as legitimate electoral representation. Thus the radical institutional change is examined in its historical context rather than as a phenomenon peculiar to a seven-year period.

The present chapter addresses the research question of how this transformation was enabled by the Council's political attributes, separated from institutional attributes for analytical purposes, and drawing on the theoretical framework of Mahoney and Thelen (2009). The continuity of key political attributes and related conflict in the 1990s between citizens and business, chiefly property-related, is thus traced. The implications of shifts in power for the institutional transformation of the City Council are also identified.

The significance of internal, political enablers of distinctive change has tended to be overlooked in institutional scholarship, given its focus on institutional persistence and often sudden, external factors in explaining major change. The line distinguishing external and internal pressures which generate power shifts between spheres of government and between political interests is necessarily blurred. However, it is apparent that the manner and degree to which global pressures – technological, economic and ideological – were interpreted and harnessed between 1992–9, were

more radical in central Melbourne than in other Australian capital cities and in the British city government reform in the 1980s on which it drew (Ernst et al. 1996; Flynn et al. 1985; Hubbard, 2010).

Interpretation of the role of political attributes in enabling the transformation of the City Council takes account of the major external forces or megatrends, economic and ideological having urban institutional implications worldwide. However, the interpretation of the internal political attributes of the City Council, their provenance and contemporary context from 1992–9, focuses on five attributes seen to have enabled, in that common context, distinctive institutional change. The corollary is that they also disabled the potential for informed dissent and resistance. Whereas all five attributes draw on historical institutional analysis and on evidence from the interviews, the last one, namely constraints on the democratic culture of government and business elites, relies almost exclusively on the interviews. Therefore the following chapter focuses on the culture of the elites in detail.

Those engaged in the process of transformation of the Melbourne City Council being privy to it from different perspectives, provide rare insights into the research question of how political attributes enabled particular change.¹²² The rationales expressed or implied by proponents, critics and expert witnesses to the dual conflict and its institutional resolution bear on Flyvbjerg's study of urban democracy in practice, and the relation between discourse and power (1998c). These two chapters on political attributes therefore examine both stated and real reasons (*realrationalitet*) in the resolution of the historical dual conflict of citizenry with business and government elites. It is on the evidence of constraints on civic engagement and of a shallow democratic culture of business and government elites that the legitimacy of Kennett's claimed 'common-sense revolution' is interpreted.

¹²² Refer to Appendix 2: Interviewees.

International forces enabling reform of the Melbourne City Council

Transformative international changes had political impacts on city governance leading up to and during the study period. They provide the context in which internal political attributes had effect in central Melbourne. The post-industrial technological and economic changes, captured in the term 'globalisation', invited 'rule change' in urban governance and consequent power shifts. The new focus on city regions (rather than nations) in developed economies competing for investment, and the substitution of service industries for manufacturing, had major land-use and hence property valuation impacts. Mediated within different institutional structures they took distinctive forms, as a comparative study of Berlin, London and Paris (three ideal types in degree of centralisation) demonstrates. It concludes that despite 'clear lines of comparison ... in each case government reform has followed conspicuously different routes' with particular regard to the vertical power distribution between central and urban government, key to the evolution of the institutional arrangements in the City of Melbourne. The authors identify a 'reform corridor' which limits the choice of alternative institutional options, affecting timing, content and implementation styles (Röber & Schröter, 2004, p. 3). Despite global convergence, they conclude that distinct national and urban administrative cultures are significant factors in shaping divergent institutional developments.

Before analysing the political attributes which shaped extreme institutional conflict and change in central Melbourne between 1992 and 1999, the external economic and ideological context is outlined.

Economic circumstances in 1992

The economic and financial circumstances in Victoria in which the Kennett government claimed overwhelming victory in October 1992, were exceptionally open to the rule change imposed on the Melbourne City Council during three years of administration by four appointed commissioners. This involved complete centralisation of planning and financial powers with the state government; privatisation and corporatisation of its assets and services, (through rapidly and widely applied compulsory competitive tendering); and disempowerment of elected councillors (redefined, on their return, as board members), in favour of the chief executive. The Council was de-democratised in operation, structure, boundary and franchise, reinstating capital city government of, by and for the business community, more securely than before its democratisation in the 1980s.

The spectacular and humiliating failure of the entrepreneurial, state-owned Victorian Economic Development Corporation (VEDC) and the forced sale ‘for a pittance’ of the State Bank of Victoria, symbolised the economic crisis and resulting crisis of confidence in the Labor government, and in Victoria itself (Birrell, 1990). Electoral annihilation confirmed the devaluation of the Labor alternative, despite the vindication of the former premier and treasurer by the Royal Commission into the VEDC (Davidson, 1992). Indicative of the political and economic circumstances favouring radical intervention from 1992, were unstable public sector finances, the highest level of unemployment in the nation and high public sector debt as a proportion of gross state product (Audit Review, 2000, p. 7). The unprecedented loss of Moody’s AAA rating of Victoria’s credit worthiness in 1990 (unique in Australia) lent legitimacy to the extreme public sector change in which the City Council was subsumed, as did an early audit of state finances by the incoming Coalition government (Victorian Commission of Audit, 1993a).¹²³

¹²³ Similar downgrading occurred in 1986 and 1989 at a federal level (Costello, 2011).

Impact of globalisation and neoliberalism in Victoria

In Australia, the impact of globalisation, specifically the electronic and regulatory ease with which capital could move between cities competing for investment, took a disproportionate toll in Victoria, chiefly Melbourne. Its manufacturing sector began a steady decline following deregulation from the 1970s, under a federal Labor Government, which took office in 1983. The critical junctures of successive 'technological shocks' and structural adjustments coincided with an unprecedented global property collapse and with recession, as governments struggled to deal with high inflation and unemployment (Ball, 1994). These external shocks and property collapse coincided with changes of government in Victoria in 1982 and 1992; each heralded periods of greater discord in land-use planning, pitting City Council against state government and citizenry against property interests, with consequent power shifts in governance and urban planning in favour of state government and property interests (Ball, 1994; Long, 1999).

Wilenski observed the extreme embrace of 'the small government movement' by the Australian government and Anglophone countries in general in the 1970s, relative to Northern Europe; its claimed economic benefits were not borne out empirically, he argued, and its social impact was inequitable (Wilenski, 1986, p. 15). Again, in the 1980s and 1990s, the 'revolutionary' embrace of neoclassical economics was far greater (Logan & Molotch, 2007; Schneider, 2009). The global technological and related economic external shocks were thus intensified by an exceptionally strong local adherence to an ideology whose discourse emphasised the role of the market, predisposing Melbourne's capital city government to its reinvention in the 1990s.

The embrace of managerial principles from the late 1970s implied facilitation of corporate practices in public administration. This local, political attribute, pioneered in Australia by the Victorian Government in the 1980s, dovetailed with the external pressure of technologically driven economic change in Australia. The political culture in the Victorian Government (historically wedded to privatism in urban development from inception), was exceptionally receptive to these economic and ideological megatrends by the 1990s. The 'revolutionary impact' of neoclassical economic theory,

which Schneider documented as an adherent, was also greater in Australia in drawing on the experience of Britain under Prime Minister Thatcher, and in the United States under President Reagan, in the 1980s (Schneider, 2009). A notable precedent was the Thatcher government's abolition of the Greater London Council and six metropolitan councils in 1986.

Capitalising on and enlisting British expertise in advance of the expected electoral landslide in 1992, magnified the speed, scale and shock value in translating external pressure into 'the most extensive privatisation and public sector reform program ever witnessed in Australia' (Connolly, 2007, p. 2). Thus, allied to external technological and consequent economic shock was added the 'shock doctrine' of neo-liberalism, a discourse readily applied where 'disastrous' circumstances invited community acceptance (Klein, 2008). As to the Kennett government's political tactics, in the words of Bruce Guthrie (editor of *The Age* in the study period), it was a case of 'never waste a good crisis' (Guthrie, 2009).

Political attributes enabling institutional change

While the scale of global transformation facilitated the changes to the Melbourne City Council, distinctive political attributes are found to have enabled the divergent institutional change which occurred, as follows:

- a disabled Labor Opposition and union movement;
- a disabled municipal opposition;
- limited media scrutiny;
- limited civil response;
- limited democratic ethos of government and business elites (See Chapter 9).

A disabled Labor Opposition and union movement

Major political factors enabling the reforms of the City Council were the incapacity and disinclination of the Labor Party to resist them, despite criticism of the authoritarian

process compared with its failed attempt in 1985–6. The political consequences of the high profile and protracted economic failures in the run-up to the October, 1992 election were decisive: the Liberal Party won control of both houses of parliament in a landslide victory.¹²⁴ Labor suffered loss in number, calibre and experience of representatives through defeat and pressure to retire, including former ministers and former premiers, John Cain in 1992 followed by Joan Kirner in 1994. Although the Victorian Commission of Audit acknowledged the impact on Victoria's economy of global forces beyond the state's control, and of reduced federal government funding due to recession, the Coalition's pre-election 'Guilty Party' campaign resonated with public anxiety and anger in a *de facto* state of emergency (Victorian Commission of Audit, 1993a). The disempowerment and loss of credibility of the Opposition were complete, enabling rapid and comprehensive public sector transformation.

De facto consensus between Government and Opposition

The Victorian Hansard nevertheless records articulate criticism from Labor parliamentarians in opposing the City of Melbourne Bill (1993) as to lack of democratic process, secrecy and dishonesty. This included a succession of shadow ministers for local government and, notably, David White MLC and John Thwaites MLA. They spoke out forcefully on behalf of what were represented as unsuspecting and outraged constituents denied their democratic rights, while acknowledging 'not being in the trenches' as to the case for reform (Power, 1993, p. 500ff; Thwaites, 1993, p. 1624; White, 1993, pp. 511,512).¹²⁵ Nevertheless, Labor voted against the City of Melbourne Bill. In interview, Local Government Minister, Roger Hallam, ridiculed the hyperbole

¹²⁴ The Coalition won 61 of 88 seats in the Legislative Assembly and 17 of 22 in the Legislative Council – an 8 per cent and 9 per cent swing against Labor respectively.

¹²⁵ In this debate David White provided a blistering critique of the record of CBD business councillors and their prospective return to such dominance: 'The CBD councillors destroyed the top of Collins Street and messed up the Mall, the City Square, the Regent Theatre and Swanston Street; they had nothing to do with the success of Southbank, the National Tennis Centre or the Melbourne Cricket Ground; they failed to make the city attractive for residential living, and they have created such a soulless central business district that only 6 per cent of Melburnians regularly visit the city. Under the changes planned by the coalition government the Melbourne City Council would revert to a closed club with social trappings controlled by the business failures and bankrupts of the 1980s whose vision for Melbourne would be less important than a mate's building permit. The coalition government has proposed no vision for Melbourne city, nor has a visionary leader been identified or come forward. The last time administrators were appointed it was a failure, and the coalition government needs to learn from that lesson and realise there is no need for administrators at this time' (White, 1993, p. 513).

engendered by the dismissal of the Melbourne City Council: ‘The world was going to stop ... the press, the debate in the house – death and despair’ (2010, p. 18).

However, the record of parliamentary debate pales beside that of the British Parliament a decade earlier. There, despite the abolition of the Greater London Council (GLC) being part of the Conservative Party’s pre-election manifesto in 1983, along with central government power to limit rate rises, there was a revolt by Conservative backbenchers; in both the House of Commons and Lords they railed against the ‘shameful’ substitution of ‘a nominated quasi quango of another political party’, on democratic and constitutional grounds (Flynn et al. 1985, p. 17). By contrast, the incoming government’s reforms to the Melbourne City Council and to local government were neither based on an election platform nor a White Paper, being akin to an ambush. They inspired no such parliamentary revolt, even from the Opposition.

Yet the municipal reforms represented a policy *volte face* from Kennett’s high profile stance as Leader of the Opposition a decade earlier. The Shadow Minister for Local Government, Janet Wilson MLA quoted, in parliament, from a letter published in a local paper in her electorate on September 5, 1986, in which he had repudiated the Labor Government’s ‘full frontal assault ... to force council amalgamations’ and gave the ‘promise of the Liberal Party ... to defend your right to live where you wish, and be administered by the local government system of your choice’ (*City of Melbourne Bill, 1993*). The obstruction of that earlier, deliberative process built up pressure for and acceptance of the 1990s reform. Deprived of their champion, opponents were now subject to Kennett’s ‘full frontal assault’ to constrain rather than strengthen local government, especially in urban planning.

The comparison with the British parliamentary debates on transforming capital city governance highlights a second aspect of the relative weakness of Victorian parliamentary resistance in the 1990s. For the Labor Party essentially shared the Coalition’s goal of facilitating property development at the expense of citizen participation and, in government, had centralised planning power with the state

government in the municipality of Melbourne. Former Labor premier, John Cain, expressed the view in interview that ‘state parliament has, until we intervened in the ‘80s, failed to adequately control the City Council’ (2010, p. 13). There was thus a *de facto* consensus between government and opposition as to the ends if not the means by which they were pursued. Cain further expressed disbelief in the capacity of the Melbourne City Council and its legitimacy vis-à-vis the state government, in land-use planning decisions shaping Melbourne (2010, p. 25).

Further, though he criticised the Coalition’s approach as ‘rough as guts ... develop at any cost’, and the development process of the casino as ‘outside what I regard as being the proper forms of decision making’, he cited ‘60 cranes on the skyline’ as a primary measure of economic wellbeing during his term, as he did at the time (Cain, 2010, pp. 17,18). He distinguished between the pro-development efforts of his own and that of the Kennett government, as being in pursuit of jobs and within a strategic planning framework rather than in facilitating and rewarding property interests, banks and Liberal party donors. However, as to the stripping of authority from the City Council, the observation of the unnamed departmental secretary is telling: ‘The Labor Party was quietly very supportive of it ... the general view was ... more power to your right hand, just get on and do it’ (Departmental Secretary, 2010, p. 13).

A disabled union movement

Unlike local government restructure, de-unionisation was an explicit target of the Kennett pre-election platform. The evidence of union responses, including in relation to the Melbourne City Council, is mixed. Spearheading immediate rolling strikes post-election, and leading 100,000 strong protest marches on two occasions, the Victorian Trades Hall Council (VTHC) resistance dissipated. This was incomprehensible to some, given the scale of the protest – perhaps a ‘loss of nerve’ according to a planning activist and urban historian in interview (Long, 2009a, p. 33). Regret was expressed in an illuminating archival interview, towards the end of the Kennett term, with former VTH Secretary and ex-Communist, John Halfpenny, in which he conveys the ‘clear division’ and ‘despair’ within the Executive. This was obviously a crucial political attribute, yet not widely known. It enabled the imposition of anti-union reforms, also

diminishing the political muscle of citizens in planning disputes and the autonomy of the City Council in industrial relations. According to Halfpenny:

The unions, by and large, were very gung ho on taking action and pushing issues ... when the Labor Government was around, but then as soon as Kennett got in they all went to water ... The problem was to keep the unity alive and keep the ACTU on side ... you have to make a judgement about whether or not you go on with those who are prepared to do something ... I think if something happened now of that magnitude there would be a chance of toppling the government, but the climate was difficult. So that's probably a doubt that I'll live with (1998, p. 108).

Insight into the division in the union movement on matters of principle was given by Halfpenny in explanation of the role of the building workers union (CFMEU) which, above all, stood to gain from 'Agenda 21', the focal city building and construction program of the Kennett government. In his words, they would 'stop work for a quid ... the battering arm for the wages campaigns but they were the ones we had most difficulty in getting to support, for example, the work to stop the [Vietnam] war' (Halfpenny, 1998, p. 97). By contrast, according to the Secretary to the Australian Services Union (ASU), the union relevant to the de-unionisation of local government forestalled removal of workers' conditions following the sacking of councils, including Melbourne City Council (Parkinson, 2009).¹²⁶ Nevertheless, an article published on the World Socialist Website, however, a week before the Kennett government's unexpected defeat in 1999, accused the Victorian union leadership of:

The key role in suppressing workers' opposition to the Kennett Government ... (having) entered into negotiations with the government and subsequently agreed to facilitate Kennett's entire agenda ... even as their membership base declines (Mitchell & Tenenbaum, 1999, p. 4).

It is significant that, in interview, then chairman of the Melbourne City Chamber of Commerce (MCCC), Graham Sherry, could recall no role for the unions in opposing the City Council's restructure (2009, p. 39). It is clear that demoralisation of both parliamentary and union wings of the labour movement, limited their capacity to challenge or obstruct the Kennett reforms.

This political attribute of a divided union movement under faltering leadership, was critical in enabling the institutional transformation of the Melbourne City Council, and

¹²⁶ Refer to Chapter 4

the public sector statewide. In terms of a ‘Kennett revolution’, however, it was the Cain Labor government in the 1980s which challenged the powerful Builders Labourers Federation (BLF), the thorn in the side of property developers since the 1970s, achieving its deregistration with the support of Commonwealth and NSW Labor governments (Wheeler, 2006). Thus political attributes of the union movement and of the preceding Victorian Labor government can be seen to have invited and permitted the Kennett program of de-unionisation. While both the parliamentary and union arms of the labour movement were disabled as a voice of opposition in the 1990s, at the same time, ambiguously, they were predisposed to the policies adopted.

A disabled municipal opposition

A second aspect of the political vacuum which enabled the transformation of the Melbourne City Council, was the sudden and indefinite replacement of all elected councils by appointed commissions on contract with the government. An inner city mayor wrote of ‘the quiet liquidation’ of a level of government and the appropriation of the office and resources of its peak, statutory body, the Municipal Association of Victoria (MAV) (Costello, 1994a). The MAV, which opposed the removal of the elected Melbourne City Council, was soon deprived of the elected delegates of the 210 councils which were its constituency, power and revenue base. According to Minister Hallam, the unelected Victorian commissioners were incredulous when required by interstate councillors to leave a national local government conference in 1993, not being locally accountable (2010, p. 18). The state government’s appropriation of the MAV, (a prominent support base over the dismissal of the elected Melbourne City Council in 1980–1), was a fundamental strategy in enabling reform in the 1990s. The pre-emption of political opposition was made easier by the association’s rural and conservative party political bias, the Coalition government being assumed to be its natural protector. Hence the reported envy of local government ministers interstate that a statewide sacking of local government had been so readily achieved (Hallam, 2010, p. 24).

Co-option of municipal leaders as commissioners from both major parties statewide (including a former Labor leader and Minister for Local Government, Frank Wilkes), further disabled and pre-empted public challenge to municipal reform, lending credibility to the claimed political independence of the reform process (Sherry, 2009).¹²⁷ In Minister Hallam's words: 'We actually went head-hunting for people ... from the other side of politics' (2010, p. 32). Leonie Burke, the outgoing metropolitan president of the MAV, applied for and was appointed chairman of the Local Government Board which oversaw the restructure (Burke, 2010, p. 1). Citizens were thus deprived of the very leaders who were in a position to comprehend, influence and advocate for democratic municipal reform, since they were now contracted to a state government intent on privatisation of services and deregulation of planning.

The call by the Melbourne City Council for a referendum on residential excisions from the municipality was belated and reactive to citizen pressure (North Carlton Residents Group, 1994). The political isolation and lack of intellectual capacity, political skill and determination of the then City Council, notably its Lord Mayor, restaurateur Allan Watson, left the institution and its constituents leaderless and impotent.¹²⁸ The isolation of the Melbourne City Council not only by the State government but by its fellow councils, and perhaps also self-imposed, was politically conducive to its dismantling. It was reminiscent of the historic alienation of the City Council, which was initially to be excluded from the MAV by fellow councils in 1879, until persuaded otherwise by a proactive Lord Mayor and Town Clerk (Municipal Association of Victoria, 2004, p. 2).

Even amongst inner city councils, the official history of the former City of Prahran, for example, details the lack of solidarity with the City of Melbourne whose intergovernmental wrangle about 'whether residential or business interests should dominate' was not, to their cost, seen to be a common cause (Wilde, 2000, p. 5). They

¹²⁷ Frank Wilkes was Labor leader (1977–81) and Minister for Local Government (1982–88), overseeing the 1985/6 attempted restructure. He was later appointed a commissioner at the City of Greater Geelong (1993–5).

¹²⁸ Former Lord Mayor, Trevor Huggard (who retired in 1992 before the state election) highlighted the inertia of the Council: 'I'm absolutely convinced that if I was on a Council that was being threatened with dismissal, it wouldn't be dismissed because I would run a campaign. I was appalled ... there are certain Councillors who have been dismissed three times', of which the incumbent Lord Mayor was one (Huggard, 2009a, p. 1). The interview with Allan Watson, as then Lord Mayor, both in his account and in response to specific questions, reinforced the leadership vacuum on the City Council (Watson, 2009, p. 6,7,9,10,21,22).

therefore rejected the preferred option of the City Council for amalgamation of eight councils (City of Melbourne, 1992b). Political division within and between councils disabled municipal advocacy for strategic, democratic reform. Lack of solidarity was reflected in panic-stricken bids and counter bids with (and for) adjacent councils, rendering the inner metropolitan area divided and conquered by the state government, and the Melbourne City Council politically isolated (Wilde, 2000, pp. 5,6).

Significantly, however, according to the then chairman of the powerful Melbourne City Chamber of Commerce, Graham Sherry, in interview, considerable debate was generated within government over the boundary of the City of Melbourne. A compromise was struck involving more residential areas than the Chamber favoured. This was presumably attributable to the arguments put for an inner metropolitan council by the Melbourne City Council, and the lobbying and publicity undertaken by the Committee for Governmental Reform in Central Melbourne (CGRCM), which included the influential executive officer of the Melbourne City Chamber of Commerce (MCCC), who was supportive of an amalgamated inner city council (Sherry, 2009, p. 41). Port Melbourne and South Melbourne Councils lost their case in the Supreme Court against the Minister for Local Government, challenging excisions under the *City of Melbourne Act 1993* on constitutional grounds as the usurpation of democratic rights.¹²⁹ Without constitutional remedy, political opposition to the process of restructure of local government and of the Melbourne City Council effectively collapsed.

In essence, the Melbourne City Council, fellow inner city councils (including their regional association) and the Municipal Association of Victoria were unprepared and ill-equipped to challenge the Coalition government in a timely, strategic and united manner in the twelve months before unannounced but rumoured dismissals and restructure began.¹³⁰ Inner city councils had been destabilised and exhausted by major

¹²⁹ Three judges held that the Act, on all grounds cited, 'was not beyond the legislative power of the Parliament' (*City of South Melbourne v Hallam* [1995] 1 VR 247, 1995).

¹³⁰ The Municipal Association of Victoria organised a process for self-managed change by the twenty-one inner city councils and thirteen adjacent councils soon after their referral in late 1993 to the Local Government Board, as reported by Port Phillip Council Mayor, Rev Tim Costello, in *The Age*, January 21, 1994, p 13. The Inner Metropolitan Regional Association of Councils belatedly sought funding to develop 'transitional arrangements' for

internal (and state level) reorganisation in the previous decade, not least the Melbourne City Council. Senior officers also feared for their jobs following amalgamation, with senior positions declared vacant.

Indeed, Leonie Burke, chair of the Local Government Board, claimed in September, 1994, that ‘local government’ had ‘used their skills and knowledge of the areas as a tool for the Board. They've been fantastic. We would not have achieved what we have without bringing local government on side’ (Wilde, 2000, p. 13). This statewide restructure, though separate from that of the Melbourne City Council, nevertheless provided a climate which militated against dissent and enabled radical restructure. In Flyvbjerg’s terms, power defined rationality. Just as it co-opted much of the union movement, so the Kennett government co-opted much of the municipal leadership, elected and employed. The political attributes borne of historic institutional fragmentation and competition rendered the Melbourne City Council defenceless in economic and political adversity against the imposition of a CBD council, first officially espoused in 1854.¹³¹

Limited media scrutiny

The third significant political attribute found to have enabled the transformation of the City Council in the 1990s, was the constraint on media scrutiny. This was inherent in the exceptionally high concentration of media ownership in Australia, Fairfax Holdings and News Ltd accounting for ninety per cent of newspaper circulation.¹³² It was intensified, however, in ways peculiar to a tumultuous period of corporate takeovers and to the relationships between the Kennett government and the media – television, radio and press. With the removal of local government, in the absence of council advocacy on institutional and related land-use planning changes, the political role of the media, chiefly press and radio, was decisive in shaping public opinion.

the inner urban region, stressing the political, economic, urban planning and management links between ‘the surrounding hinterland’ and the disproportionately small CBD by international standards (Inner Metropolitan Regional Association Inc, 1994, p. 16).

¹³¹ The Municipal Institutions Act of 1854 empowered the Council to undertake secession but not annexation

¹³² The Australian Collaboration (2013) cites Australia’s international ranking of twenty-sixth in terms of freedom of the media, including diversity of ownership.

The role of the premier and relations with media

Premier Kennett was the masterly spokesman and marketer for the Coalition government. He cultivated particular outlets, notably talkback radio and the mass circulation *Herald Sun* tabloid owned by News Corporation. He also refused to deal with particular journalists, savaging *The Age* and the ABC from his first post-election media conference (Stewart, 2006). The premier's availability and media presence enabled his market discourse to dominate. This was vital to the implementation of the government's radical institutional change in the central city, especially as it impacted on the highly contested development of the casino, the centrepiece of Agenda 21. While *Herald Sun* editorials were highly supportive of the Kennett reforms, *The Age*, initially unconcerned and indeed supportive of the sacking of the Melbourne City Council, gradually assumed a critical, investigative orientation towards privatised development and accusations of corrupt dealings over tenders. The authoritarian, populist leadership of a premier adept and well-connected with the media, together with its concentration of ownership, constituted a combination of political attributes highly conducive to the capital city reform.

A journal article on the eve of the Kennett government's surprise defeat in October 1999, provides evidence of the capture of the media by the premier, an enforcer in Chomsky and Herman's terms, in 'manufacturing consent' (Chomsky & Herman, 2002). Having announced a snap election, taking advantage of legislation passed in 1995 to enable a minimum twenty four day campaign, he arranged that polling day coincide with the football semi-finals. A sign of hubris as well as disregard for democratic participation, Kennett announced that no debates would be held between the major parties and publicly forbade Liberal Party candidates and parliamentarians from speaking to the media. The authors of the article, avowed critics, observe that the 'once long list of anti-Kennett intellectuals and social commentators has shrunk dramatically' (Mitchell & Tenenbaum, 1999). More telling politically than the premier's conduct,

they argued, was the ‘rapturous media promotion’ accorded him at the media conference he called to announce the 1999 election.¹³³

Lack of media support for or within the Council

The crucial connection between the removal of the elected City Council and the removal from scrutiny of privatised mega development was not generally made in the media, given minimal academic or journalistic expertise or advocacy to that effect. The Melbourne City Council was perceived as dispensable, if not obstructive, by the media other than the free, inner city, community-based *Melbourne Times* (editor of *The Age* 1993); the latter maintained scrutiny of planning issues and strong advocacy of return of a democratic Melbourne City Council, as well as representing a lively public letters forum.

Bruce Guthrie, the editor of *The Age* 1995-7 (and of *The Sunday Age*, 1992-5) observed in interview that the City Council’s standing and credibility had ‘been whittled away ... to the point of irrelevance’ since the 1970s, when prominent businessmen were councillors and council affairs were reported in detail by the metropolitan press and ‘taken seriously’ (Guthrie, 2009, p. 15). Significantly, until the abolition of the Queens Honours by a Federal Labor government in 1972, a knighthood was expected by those who had served two years as Lord Mayor, a major inducement to businessmen to stand for Council (McKernan, 1999, p. 88). Guthrie’s insights into the perceived marginalisation of the City Council since that era, leading up to the 1990s, are telling in terms of media clout:

The City Council hasn’t really done a very good job of being a strong advocate for why we need a strong council, it’s been allowed to happen. And I think it’s been assisted by the fact that the media in that period, during that crucial

¹³³ They quote Peter Ellingsen, in *The Age* (under new editorial direction, supportive of government) on September 11, 1999, reporting: ‘It is a sight to behold – Kennett in command – instructing, amusing and sometimes intimidating a room full of reporters ... the Premier is a formidable figure’ ... Front-page colour photos in the national dailies and TV-news featured the Premier, smiling, confident, with the unanimous verdict that this was a one-horse race. Only one headline - ‘Boofhead to Icon’ - hinted at a time in the not-too-distant past when Kennett’s standing did not appear so unassailable (Mitchell & Tenenbaum, 1999).

period, has been very, very close to government – very close to government, and so at the time when the city council didn't seem to be very good at building relationships with media ... its opponents were very good at it (Guthrie, 2009, p. 16).

According to former Lord Mayor Huggard, professional media support within the Council before 1992 was minimal. This allowed the erosion of the Council's credibility and dismissal of its well-researched case for an enlarged municipality prior to its sacking, other than by limited academic, union, urban planning and activist inner city networks.

Business mobilised against media critique

As Guthrie further explained, the government's 'lack of process ... a recurring theme', especially over the casino and Docklands, and the ineffective (indeed 'quietly supportive') Labor Opposition, 'suddenly left *The Age* really as the opposition' (2009, p. 6). His interview details the process whereby pressure grew from business circles, including the premier and close friends and colleagues such as the immediate past federal president of the Liberal Party, John Elliott and its federal treasurer, casino developer, Ron Walker; the latter, according to Guthrie, was an 'an unseen presence' at *The Age* well before his first bid for ownership of Fairfax Ltd in the early 1990s (Guthrie, 2009, p. 5; Kitney & Chessell, 2011). In the context of recession, the company was in receivership and its embattled Sydney board reportedly mystified and diverted by the uproar in Melbourne's business community over the investigative reporting of Kennett government decision-making in *The Age*.¹³⁴ Guthrie's eventual removal by the board (through removal of the position of editor-in-chief) in late 1997 was reported by media magnate Harold Mitchell (2009). Guthrie described it as:

deft ... they appointed a new managing director and they also made him editor in chief. So in a sense I had to resign, because it was the final marriage of what in newspaper terms is called the Church and State. But in a paper like *The Age*, there's always been this division between content and commerce ... That one appointment ... threw away more than a hundred years of *Age* tradition (Guthrie, 2009, p. 5).

There was thus a combination of enthusiastic News Ltd support, the cowed and co-opted remaining Melbourne press and radio, and high profile denigration by the premier

¹³⁴ Guthrie recounted in interview the question posed at a meeting of the prestigious Melbourne Club by would-be Prime Minister and colleague of the premier, John Elliott: 'When are you going to resign?' (Guthrie, 2009).

of both the ABC and *The Age*. It is therefore significant that the premier's press secretary from 1992–4, (later shareholder activist and Walkley Award winning-journalist), Stephen Mayne, provides evidence of Victorian media intimidation. He also documents numerous alleged breaches of the law and due process, including parliamentary protocol, in a detailed 'treatise', *The Mayne Report* (Mayne, 2009).¹³⁵

Clearly, the concentration of media ownership in a turbulent corporate climate enabled the Kennett 'Media Machine' (in Mayne's terms) to minimise and punish disclosure and dissent and to ensure that his own, his supporters' and his government's political interests prevailed. Such *de facto* media censorship, self-censorship and bias was embedded in a broader culture which enabled governmental attacks on the independence of Westminster mechanisms of accountability, such as the Auditor-General and the Director of Public Prosecutions, and abolition of the Victorian Law Reform Commission (Costar & Economou, 1999).

The fragile and partisan nature of the media, an assumed bastion of democratic culture, in the face of an interventionist neo-conservative government, must be placed in the context of the democratic culture of and constraints on citizens in enabling the transformation of capital city governance.

Limited civil response

A fourth and fundamental political enabler of the City Council's transformation was limited civil awareness and resistance. Thatcher's hallmark TINA principle – 'there is no alternative' – was in force by 1992, so dire was the perceived economic situation, commonly attributed to the Labor government. Hence there was public acceptance and

¹³⁵ The matters range widely from major conflicts of interest, including pecuniary interest, and potential corruption by the premier and prominent business colleagues, including the developers and regulatory authorities associated with the casino; in the absence of defamation charges, he claims no reason to resile from its contents. He notes that NSW media were not similarly cowed by Kennett, evident in their following up on the September 22, 1997 ABC 'Four Corners' television expose, 'Kennett's Culture' (Neighbour, 1997). Nor did they remain silent when then NSW premier Carr attempted retrospectively to increase parliamentary superannuation, as did their Melbourne equivalents, enabling premier Kennett to secure that benefit (Mayne, 2009).

resignation, initially, as to the ‘shock doctrine’ of market solutions. Architecture professor and planning activist, Miles Lewis, described ‘the general public’ as wanting ‘a strong government after the Labor debacle under Cain, and they cared little for abstract concepts of freedom or justice’ (1999, p. 186).

Given the absence of elected councillors and municipal advocacy, the demoralisation and ambivalence of both the Labor Party and of the union movement and constraints on the media, critics from the Left, such as Mitchell and Tenenbaum, concluded (wrongly, as it proved in the 1999 election a week later) that ‘the growing hostility to Kennett’s policies has been unable to find any political direction. All the traditional avenues for articulating social dissent have been completely blocked’ (1999). Academics, like professional planning bodies, generally kept a low profile given the political climate and job market. Architectural and planning consultants in the Docklands and casino developments were bound by confidentiality contracts (Dovey, 2005). When Lewis was sued for defamation by the casino developer, Hudson Conway Ltd., The University of Melbourne, as his employer, failed to support him in litigation, evidence of the political climate inimical to dissent (Miles Lewis, 2001). Citizens were thrown back on their own resources, ill-informed and disorientated by the unprecedented scale and speed of unexpected change.

Most interviewees in the study, notably proponents of City Council reform, indicated that they observed no significant public opposition to the reform of local government nor, specifically, that of Melbourne City Council, other than, in the words of the unnamed departmental head, from ‘vested interests ... CEOs and councillors’ (Department Secretary, 2010, p. 12). The Minister for Local Government was of the view that ‘it was massive change and it rattled a whole heap of chains – we removed some soapboxes and so that was traumatic for those involved’ (Hallam, 2010, p. 1). One senior journalist interviewed recalled the absence of public protest regarding Melbourne City Council or wider municipal reform as evidence that it was an ‘argument at the margin’ (Munro, 2009, p. 13). However Hallam, on the front-line of municipal restructure described it as ‘tough going’ (2010, p. 25). Significantly Hull, as a leader in the property sector lobby, interpreted the public perception differently, as

‘that Kennett was railroading the thing for political reasons, and he had his cronies in there to do what he wanted’(2010, p. 51).

Democratic civic ethos

There was thus agreement between diverse interviewees in the case study as to the insubstantial (or impotent) opposition to the loss of elected capital city government, (or grounds for opposition), other than by seven communitarian interviewees.¹³⁶ The question of civic culture as a political enabler of de-democratisation arises: *prima facie*, a strong democratic ethos might be expected to prevent the removal of the Victorian constitutional right to local government, in the absence of alleged incompetence or corruption, and of the principle of no taxation without representation.

Evidence of the strength of civic ethos is ambiguous and inherently elusive. Former Labor premier, John Cain, identified popular seduction by ‘bread and circuses’, such as the Grand Prix, as a factor defusing potential opposition. He also linked the mass media to ‘the cult of celebrity’, explaining ‘why tabloid radio and why tabloid newspapers ... are all so successful ... it’s the lowest common denominator. They sell 610,000 or 580,000 Melbourne *Suns* daily’ (Cain, 2010, p. 20). That shallow democratic engagement by the electorate at large enabled the removal of elected councils was explained by former Liberal Minister for Local Government, Alan Hunt, as inevitable:

I think it took everybody by surprise. The average citizen wouldn’t have known much about it, and was faced with a *fait accompli*. And I suppose they neither knew nor understood the full effects of it, so there wasn’t all that much objection at the time. Local councillors overwhelmingly opposed the changes, but that’s understandable (2009, p. 16).

Visiting English journalist, Michael Davie (editor of *The Age* 1979–81) posed the fundamental question to the premier in an interview conducted midway through his term: ‘Why were people so docile about the suspension of local democracy?’ Kennett’s response conveyed his rejection of the very concept of local democracy or of grounds for dissent. Yet, significant in terms of democratic ethos, he acknowledged its strong community roots:

¹³⁶ Leigh Hubbard, Trevor Huggard, Colin Long, Jean McCaughey, John McInerney, Brian Parkinson and Ian Wight: see Appendix 1: Interviewees.

Suspension of local democracy – is that what you said? Hogwash! Local government is a function of state governments. From time to time it has to be reviewed. We've had 210 councils established over a hundred years ago; we can reduce those to 78 councils and reduce costs. The return to elected councils starts in March this year. It's not a bad idea to rattle the tree every now and again, but my gosh it's a strong old tree (Davie, 1995).

Indeed, despite the disabling political attributes outlined above, notably the loss of elected councils, there is evidence of significant effort in resisting wholesale public sector change. For Melbourne traditionally represented the strongest capital city in Australia in the community sector, including charitable institutions and national headquarters for union and non-government bodies. In the dual conflict over property development and heritage protection between citizens and non-government bodies (e.g. the National Trust) with developers, City Council and state governments from the 1960s, considerably more built heritage was retained in central Melbourne than in Sydney. This was arguably attributable to the better informed and organised citizenry noted by Freestone, the roots of which were evident a century earlier when town planning flourished in 'Melbourne's fertile social reform culture' (2009, p. 101).

Other factors underpinned the high degree of citizen involvement in local government by Australian standards by 1992, especially in inner Melbourne's Labor councils. The humanisation and feminisation of property-focused councils was enabled by employment of predominantly female social science graduates, responsive to a federal Labor government's urban programs from 1972–5 (Crow, 1980; Ellison, 2000, p. 8; Wills & Fratta, 1985). Such an expanded municipal role was championed by politically influential organisations such as the Victorian Council of Social Service (VCOSS), and the Melbourne Institute of Applied Economic and Social Research (IAESR), both led for a time by the eminent professor of economics, Ronald Henderson.¹³⁷ By 1992, the community-based democratic movement from the 1960s in the municipality of Melbourne had achieved major political outcomes, above all, in achieving democratic electoral arrangements for a decade. It had thereby exerted some political leverage on

¹³⁷ In response to the Victorian Government's Human Services Programs Review (1984) a survey by the Municipal Association of Victoria of 210 Victorian Councils indicated ninety-seven per cent support for acceptance of the role of co-ordinated provision of human services, if block funding replaced specific purpose funding.

land-use planning, at the nub of the historic dual intergovernmental and citizen/developer conflict.

Organised community response to governmental change

Despite daunting constraints on information, critique and institutional support, organised civil response quickly emerged in the 1990s. In the City of Melbourne campaigns developed to oppose specific developments – chiefly the commercialisation of permanently reserved parkland, including facilities for the 2006 Commonwealth Games bid, and for a new state museum. Even on return of the elected City Council in 1996, the explicit threat by the premier and the minister for local government and planning of further dismissal, undermined Councillor representation on these issues. The ease with which the government imposed its will is reflected in the failure of such campaigns in the City of Melbourne.¹³⁸ In each case, the politically complex and costly organisational task of comprehending the proposals, enlisting public and media engagement, voluntarily managing, litigating and funding a campaign (each insignificant in the wider public sector context), constrained effective resistance. It was a constraint rarely acknowledged.

Such sustained but peaceful campaigns were subject to police surveillance, access to records of which was denied on grounds of its exemption from the *Freedom of Information Act 1982* and, retrospectively, the *Terrorism (Community Protection) (Amendment) Act 2006*, deterring public involvement.¹³⁹ Symptomatic of the unequal constitutional struggle between voluntary community groups and the state government was a pre-emptive and retrospective amendment to the *Crown Lands Reserves Act 1978*. It was guillotined through the parliament on the eve of a legal challenge at the Victorian Civil and Administrative Tribunal (VCAT) to the construction of a stadium permitted in permanently reserved parkland, permitted by an elected but subservient City Council in contravention of the Act (Munro, 1998).

¹³⁸ All infrastructure proposed by the government in Melbourne City Council's public parkland went ahead: Carlton Gardens, Princes Park and Royal Park – privatised in the last two.

¹³⁹ Angela Munro v Victoria Police – FOI/Privacy Division, VCAT, September 16, 2010.

Guthrie observed the ‘splintered’ and hence ineffective public opposition to governance and planning changes (2009, p. 16). Then chairman of the Melbourne City Chamber of Commerce also recalled that ‘there was no organised body’ (Sherry, 2009, p. 32). Yet in the case of protests over alienation of public parkland, (the major campaign issue) a mass ‘Hands Off Our Parks’ rally of 3000 people from eighty-eight campaigns statewide was held in Melbourne’s Carlton Gardens on February 27, 1997. Such community-based collaboration, assisted by national and state peak non-government environment bodies, reflected and generated resistance to undemocratic governance. Overall, the campaign against the Formula 1 Grand Prix, in Albert Park, was a monument to the invincibility of the Kennett government. Four kilometres from the Melbourne Town Hall and marginally outside the municipal boundary, Albert Park was the focus of the most professional, high profile and sustained public campaign in the state, regularly mustering tens of thousands at protest rallies, with nil effect: the Freedom of Information Act was overridden, commercial-in-confidence provisions protected contractual arrangements, and numerous environmental and planning laws were suspended under the *Australian Grand Prix Act 1994*.

The powers of the Grand Prix Corporation were indicative and extraordinary, heavy penalties to protestors applied and, above all, the jurisdiction of the Supreme Court was removed from the Constitution (s 50) to prevent any challenges to the Grand Prix Act. Hence the strong but ineffective public objection:

not only by groups opposed to holding the Grand Prix in Albert Park but also from the Law Institute of Victoria, the governing body of solicitors, the Bar Council, the governing body of barristers, the Council for Civil Liberties and the Opposition. The objections focused on a number of extraordinary provisions which remove the Grand Prix from all the usual checks and balances which ordinarily protect the public by ensuring that no single arm of government is inordinately powerful or unaccountable (Save Albert Park, 1995–2009).

In this way, the enormity and futility of mounting a public challenge constrained public protest, facilitating comprehensive public sector change. Indicative of the challenge is that community campaigns were predominantly led by individuals and groups of considerable education and relevant professional and /or activist experience. By

contrast, significant public support for the Grand Prix itself was from a blue-collar constituency targeted by Kennett and formerly assumed to be Labor Party supporters. While most of the public campaigns were primarily defensive, seeking to ‘save’ parkland and other public assets, others were strategic, such as the People’s Committee for Melbourne (a jibe at the powerful Committee for Melbourne). Here a small group of academics and local government and planning activists were ‘seeking to focus ... attention on the principles of planning and democratic governance’ in the new context of privatised development, chiefly the Docklands (Long, 2009b, p. 37).

In a climate of secrecy, the People’s Committee sought to become informed, make submissions, run public seminars and publicise denial of citizen accountability in a master planning vacuum, whose predicted negative outcomes in fact materialised (Annear, 2012; Dovey, 2005; Johanson, 2012; Sharam, 1991). The Committee for Governmental Reform in Central Melbourne (CGRCM) also represented evidence of such civic democratic culture, being established to examine alternative arrangements for city government and ultimately advocating (like the City Council and IMRA) an enlarged Melbourne City Council (Committee for Governmental Reform in Central Melbourne, 1993).¹⁴⁰

Despite the common perception by the interviewees of lack of organised resistance, diverse, extensive and often sophisticated effort at local and state levels was invested in establishing democratic substitutes for institutions removed. University faculties and particular academics played a key if low profile role in research and public seminars (Dovey, 2005; Ernst et al. 1997; Lewis, 2001). The records of campaigns and research are fragmented and often ephemeral, reflecting the dispersal of effort between organisations and geographic and subject areas; a detailed analysis of such protest in the Kennett era remains to be undertaken. While not targeted specifically at restoration of the councils themselves, local campaigns and citizen associations, (including three

¹⁴⁰ At a forum on November 27, 1992, the following personnel presented and discussed future options: Melbourne University, RMIT and Canberra University professors in planning and/or government; the chairman, Planning Committee, BOMA; the president, RAPI; the deputy director, NIEIR; the executive director, Melbourne City Chamber of Commerce; several private planning consultants; and local councillors/past mayors and resident group representatives. An agreed option of an amalgamated inner city council was published and promoted in March 1993, as ‘The Future of Melbourne’.

parkland campaigns and areas excised from Melbourne City Council), became ‘councils in exile’, as one activist put it. They focused on commissioner decision-making, particular portfolios or projects in which councils had hitherto direct or advocacy roles.

People Together, *The Purple Sage Project*, *Public First*, *Save Our Suburbs* and a non-statutory Victorian Local Governance Association (in place of the MAV and open to community membership) were five statewide projects to enable community discussion and collective, strategic critique (Hill, 2003).¹⁴¹ *The Purple Sage* project, overseen by a collaborative of five non-government bodies, was described in *The Age*, in November 1999, as having ‘tapped into the inchoate unease that Victorians were experiencing about the Kennett revolution’ (Victorian Women's Trust, 1999).¹⁴²

Although, unlike the parks and urban planning campaigns, they were not focused on the municipality of Melbourne, both *Purple Sage* and *People Together* were based there and sought, in part, to fill the democratic vacuum created by the removal of local government. Dr Jean McCaughey and Ben Bodna, (both honoured in the field of social research and administration in Victoria), agreed to jointly chair the latter project following a community summit: ‘*Shaping Victoria's Future*’¹⁴³. Indicative of the perceived crisis, it was the first such summit in Victoria in that it was jointly organised by the Victorian Council of Social Service (VCOSS) and the faith organisations – Christian, Jewish and Muslim. The meeting was ‘packed to the roof’, according to McCaughey and, through VCOSS, community service organisations provided ‘some of their best people to be on the executive’ of *People Together* (2009, p. 1). Both chairpersons were retired and thus immune to reprisals from the premier since, in McCaughey’s words, ‘everybody was scared to oppose him, because he could be so

¹⁴¹ The first two operated only during the term of the Coalition government, the others remain in operation, in 2014.

¹⁴² *People Together* sought to provide an organisational base from which to enlist and resource local communities to undertake and publish the results of investigation of the effects of government cost-cutting and loss of services, in the absence of local councils as advocates. Dozens of their reports were published between 1995 and 2000, ranging from local studies, such as the Moe Community Audit, to investigations of particular fields such as disability, to public hearings calling expert witnesses on major issues of current policy reform, including the privatisation of the electricity industry and the effect of competitive tendering in human services (People Together Project, 1995–2000).

¹⁴³ It was held in a church hall on November 17, 1993

personally vindictive' (2009, p.24). She conveyed the pervasive sense of vulnerability, including amongst public sector and non-government employees and institutions:

People that didn't go along with him, if it was in his power, they lost their job. Or bodies that didn't go along with him, they lost their funding ... I think the Kennett government were happy to take us on. They didn't really feel very threatened by us to begin with. They thought they could soon flatten us (*J. McCaughey, 2009, pp. 18,24*)¹⁴⁴.

Despite being in her seventies, McCaughey 'couldn't turn it down' and, with philanthropic funding on condition that it 'not be political', the project proceeded for six years (2009, p. 2).

The Churches as guardians of democratic ethos

Given the perceived lack of organised dissent by most interviewees, McCaughey alone of the interviewees referred to the importance of the 'faith organisations' in defending the public interest. *The Age* archive, however, provides immediate and mounting evidence of their prominent role through the seven-year term of the Kennett government. These were chiefly Anglican, Roman Catholic, Uniting Church, Baptist and Presbyterian churches, with Jewish support, both individually and collectively through the Council of Churches, in challenging Kennett government policies on ethical, social justice and democratic grounds.¹⁴⁵

Criticism focused on specific changes, such as withdrawal of industrial rights, including the right to strike, reduced funding of schools and hospitals and the ideology, process and legitimacy of the government in so doing. Melbourne's Catholic and Anglican Archbishops spoke out strongly a month after the 1992 election: the former, Sir Frank Little, quoted the papal encyclical of Pope John Paul II as to the prior rights of labour over capital in the workplace and Dr Keith Rayner lamented the lack of 'adequate

¹⁴⁴ Dr Jean McCaughey was a social researcher with the Melbourne Institute of Applied Economic and Social Research, author and wife of Rev Dr Davis McCaughey, Master of Ormond College and Deputy Chancellor of the University of Melbourne, and Governor of Victoria, 1986–92; Ben Bodna had a notable career in public administration, probation and social welfare, being Secretary of the Victorian Department of Community Services and the first Victorian Public Advocate as well as being involved in numerous NGOs, including as President of UNICEF Australia.

¹⁴⁵ The Salvation Army tended to have a more harmonious relationship with government; it was reflected in a significant donation, as premier, 'to provide assistance to those with less' and the grant of a school building and site, freeing up the Gill Memorial Hostel for homeless men in the CBD for a private, up market apartment development (Dunlevy, 1993).

consultation’, warning of the danger of the government’s abusing its parliamentary majority (Mayne, 2009). According to an article in *The Age* at that time, the premier accused the Anglican Church of supporting the previous Labor government, after an unusually forthright article in its national, weekly newspaper, *Church Scene* (Robyn Dixon, 1992). It called on the State Liberal Party to replace:

the extraordinary Mr Kennett (yet again!) ... [since the leadership had]... run away with the application of a more extreme, more ideological economic rationalist policy which it did not explain at all fully to the electorate which put it in power only two months ago (Dixon, 1992).

The denial of citizen rights and due process regarding the Formula 1 Grand Prix and the Crown Casino were also forcefully condemned by the churches and a public referendum called for. Given the huge scale of the casino (over several city blocks), the secrecy in which its development was shrouded and the predicted (later demonstrable) impact on low income families, the expansion of gaming and poker machines and of the casino itself, became a sustained focus of church concern in the City of Melbourne (Zwartz, 2006).

The Moderator of the Uniting Church accused the government of ‘making an idol of privatisation’, his letter coinciding with the launch of Public First, a community campaign to ensure safe, secure and affordable essential services (Painter, 1995). Of great concern to the churches, too, was the evident contempt for dissent, exemplified by the premier, and the retribution meted out to dissenters. This included loss of funding by welfare agencies and, in one case (shortly before the Coalition lost government in 1999), alleged branch-stacking to thwart the pre-selection of a Liberal minister, David Perrin, who had been critical of government policy (McKay, 1999). Further to this allegation, the former President of the Legislative Council, Alan Hunt, explained in interview that his own pre-selection was similarly discontinued after thirty years, hence his retirement the day before the election, on October 2, 1992 (Hunt, 2010).¹⁴⁶ He linked this to having moved a no confidence motion against the then Leader of the Opposition, after he had unilaterally over-ruled a shadow cabinet decision. The motion was defeated by the Leader’s vote, after which Hunt resigned as Liberal Leader in the

¹⁴⁶ Hunt linked this to having moved a no-confidence motion against the then Leader of the Opposition, who had unilaterally over-ruled a party position. The motion was defeated by the Leader’s vote, after which Hunt resigned as Liberal leader in the Legislative Council and from shadow cabinet (Hunt, 2009).

Legislative Council and from shadow cabinet (Hunt, 2010). He also offered evidence of Kennett's use of statutory appointments for non-party political purposes – that is, to reflect and bolster his own power.¹⁴⁷

In the lead up to the 1996 election, the combined churches issued an unprecedented statement 'urging voters to think carefully about party policies in terms of social equity ... Churches were concerned at the power of the modern government, this Government in particular. This Government needs reminding of the checks and balances essential for good government' (Cusworth, 1996). Kennett's response to such 'harpers and carpers' was to denigrate church leaders as 'yesterday's people' and to accuse them of 'using the pulpit for political purposes ... a failure of their primary purpose' (Cusworth, 1996; Oldfield, 1995). Rev Brian Howe, then federal Labor Deputy Prime Minister (1991–5), sought to clarify the legitimacy of the church contribution: 'Ethics is different from policy, which is different from politics. Churches operate at an ethical level and occasionally venture into policy' (Zwartz, 2006).

In a similar vein, a senior journalist explained the conflict between church and state, the premier in particular: 'It is precisely his inability to see the social and moral consequences of his actions that has brought him ... like Baroness Thatcher, into public dispute with church leaders ... What the Premier is engaged in is wholesale economic restructuring' (Flanagan, 1996). The premier's 'confrontational style' was regretted; but a deeper 'matter of concern to all Victorians', it was suggested in a letter from Melbourne Church leaders, was the degeneration of important public debate on privatisation into 'personal attack on ... community leaders under privilege of Parliament' (1995).

As to the impact of the churches' advocacy, political scientist, Dennis Woodward, concluded that it was 'not much', although 'they have some authority and it looks very

¹⁴⁷ Hunt explained that Minister Hallam was 'bawled out' by Kennett in Cabinet for having engaged him on a municipal consultancy and instructed there be no further consultancies for 'Hunty'. Despite Hunt's qualification as former Leader of LC and desire to be appointed Victorian Agent General in London, Kennett appointed a member of the Melbourne City Chamber of Commerce and also denied him membership of the Docklands Authority Board for which he was singularly qualified (Hunt, 2010).

bad for a premier to be at loggerheads with church leaders' (Cusworth, 1996). The weakness in the premier's claim to effect a 'common-sense revolution' emerges most clearly in his public exchanges with the church leaders who challenged an extreme neoliberal view of economics 'as a scientific discipline that has no responsibility toward equity or justice' (Cusworth, 1996). They arguably also provided the single most influential strategic base for ambitious civil society initiatives, such as *People Together*. The churches' prominent media profile, according to former mayor, Rev Tim Costello ('anti everything' according to Kennett) was that, 'There's been no local government for the past three years, community groups who have spoken out have lost their funding and the Opposition has been discredited – the media had to look further' (Cusworth, 1996; Oldfield, 1995).

The lack of an organised community response to the Kennett 'revolution', as recalled almost twenty years later by most of those interviewed thus requires qualification. Deprived of the constitutional, media and assumed conventional protections, the community mobilised in diverse ways in which the churches (as well as academic and non-government networks) offered support for a democratic ethos. While there was little specific focus on local government changes, particularly those in the Melbourne City Council (relative to major portfolios), campaign organisations in the municipality (relating to Crown Casino, the Docklands, the Melbourne Museum and commercialisation of parkland) functioned as surrogates for the Council.¹⁴⁸ Miles Lewis records the groundswell of opposition to deregulated land-use planning, expressed through the metropolitan *Save Our Suburbs*, the quality of whose written policies he contrasts with the 'instinctive' and 'ineluctable' laissez-faire policies which both government and Opposition 'held close to their chest' (Lewis, 1999). Melbourne then being a safe Labor seat, state and federal, Lewis observes the response of the premier on the eve of the 1999 election, in belatedly marginalising the Minister for Planning, Robert Maclellan, as protest over deregulated planning spread to Liberal Party electorates (Miles Lewis, 1999).

¹⁴⁸ The activity of the community at a local level, as two hundred councils were reduced to seventy-eight from 1992–9 is yet to be researched. The chair of the Local Government Board of Review claimed in interview to have received 56,000 submissions (not independently corroborated) (Burke, 2010, p. 24).

As to the historic lack of popular engagement in recurrent constitutional crises in Victoria, historian John Hirst quotes former prime minister, Alfred Deakin, suggesting 'it was the peacefulness of Australian society that allowed politicians with impunity to carry matters to the brink' (Davison, Hirst, & Macintyre, 1999, p. 150). Though it was an unacknowledged constitutional crisis in the 1990s, public equanimity had its limits. Citizens mobilised in 1995 for a rate strike when the premier casually proposed at a business meeting, that Melbourne City commissioners be retained permanently. In interview, Minister Hallam described the press as 'going berserk', and insisted that all councils be restored as he had promised. The notion was then discarded by the premier as a 'dead cat' although, according to Hallam, there was plenty of support for the proposal in Cabinet and, according to Sherry in business (Hallam, 2010, p. 21; Sherry 2010, p. 5).

Conclusion

Four sets of internal political attributes have been identified as disabling civil response to the shock placement of the Melbourne City Council under state government administration in October 1993 pending restructure. Unlike the unruly protest chiefly induced by the conservative Goulburn Group of councils in subverting deliberative restructure in 1985/6, and championed by Jeff Kennett as Leader of the Opposition, the one-time protestors were silent a decade later, likely shell-shocked. Akin to a planned ambush, in the words of the local government minister, as to the City Council, 'It was actually well planned in advance and we hit the ground running' (Hallam, 2010, p.1). The incoming Coalition government's control of both houses of parliament and the unity of its business constituency, obviated the need for response to the case of the City Council and others for amalgamation of inner Melbourne councils, unlike councils statewide; there was no evidence-based, published evaluation of institutional alternatives. Similarly, the need to respond to citizen calls for referenda and the opportunity to meet with the premier or minister was ignored. With its dismissal, the Council was eliminated as a party to the historic dual conflict, as were its citizens. Central city business and government elites were free to devise an institutional arrangement to their mutual advantage.

It is clear that the external context was conducive to the immediate disempowerment of the Melbourne City Council and its radical transformation in the 1990s. Global technological and economic shocks, with an unprecedented property crisis in the late 1980s, coincided with the ascendancy of neoclassical economics in the Anglophone countries. However it is internal political attributes factors which are found to have delivered the extreme institutional outcome peculiar to central Melbourne. Privatism had characterised Melbourne's development from the nineteenth century and an exceptionally strong adherence to small government was evident in the post-industrial era, from the 1970s. This ideological trait predisposed Melbourne's capital city government to the market-led institutional changes of the 1990s.

On the basis of historical institutional analysis and interviews with protagonists, the distinctive impact on the Melbourne City Council of these common megatrends is explained in terms of five mutually reinforcing political attributes. They were, first, a disabled Labor Opposition and union movement; second, a disabled municipal opposition; third, constraints on media scrutiny; and fourth, constraints on civil response. Evidence for the fifth political attribute emerged in interviews, namely the shallow democratic ethos of business and government elites. This attribute is the subject of the following chapter.

It is clear that demoralisation (and blame by the Kennett government) of both parliamentary and union wings of the labour movement, limited their capacity to challenge or obstruct reforms to the City Council and to the municipal system statewide. The collapse of entrepreneurial government ventures, (notably Tricontinental, the merchant banking arm of the State Bank), exceptional unemployment levels and the landmark loss of Victoria's AAA credit rating deprived the former Labor government of credibility or a critical mass of members of parliament. More significant, both Labor and the state's union movement (after initial mass protest) were ambivalent and over-whelmed by strategic de-unionisation, rather than focused on urban governance. Huggard summed up the situation plainly: In the 'cataclysmic' circumstances of the collapse of building societies and the State Bank, the Labor Party was 'devastated ... all those ministers ran for cover and were seen as damaged goods

... Kennett was successful because he was unopposed and no one would question what he was doing' (2009a, p. 38).

There is compelling evidence to support the view that the Opposition, including former premier John Cain, supported the marginalisation of the City Council, though critical of the authoritarian and arbitrary tactics adopted. Indeed, under Labor, the historic dual conflict had already morphed into a triangular contest: the politically active citizens of the City Council largely aligned politically against state governments of both persuasions, and the development industry. Unlike the 1980s, the Coalition's control of both houses of parliament was decisive. Again, unlike the 1980s, the Labor Party had abandoned the prospect of councils' voluntary reform, as indeed the 1979 report of the Victorian Local Government Board of Review had advised. The Melbourne City Council was scarcely visible in the 1990s maelstrom of comprehensive, simultaneous and rapid public sector reform, a political attribute conducive to its unchallenged transformation and to which affected citizens were spectators.

Councils having been sacked statewide, the Municipal Association of Victoria (a powerful advocate for the City Council when it was dismissed in 1981 and again highly critical before its own removal in 1993), was stripped of political legitimacy and municipal opposition thereby disabled. Longstanding metropolitan fragmentation rendered councils readily divided and conquered, the Melbourne City Council always having been politically isolated, in a no-man's land between state and local government. Though it had prepared rigorous Green and White Papers in 1991, advocating inner city amalgamation, it failed to gain timely support from fellow councils. Belated response individually and collectively to imminent dismissal and the passivity of the Lord Mayor and Melbourne City Council particularly, facilitated its disempowerment as a democratic entity. Municipal leaders, former councillors and senior officers, were co-opted into managing the statewide process of disempowerment. As at the state government level, there was a lack of municipal advocacy to mobilise political protest by concerned citizens.

In addition to state level and municipal constraints on civil protest, a third defining political attribute was the combined effect of the concentration of media ownership in Australia and the operation of Premier Kennett's 'media machine' as his former media adviser described it (Mayne, 2008, p.365). The premier was vocal and adept in use of the media, and political and financial pressure was brought to bear in silencing and punishing dissent, the editor-in-chief of *The Age* losing his job. The media were vulnerable during recession, Fairfax Ltd being in receivership. The City Council had negligible media resources and was unequal to the hostile campaign of government, property-related business lobbies and the Murdoch media in particular prior to its removal (Guthrie, 2009, pp.8,9). According to Huggard, there was no Councillor secretarial support (2009a, p.8).

Civic response to disenfranchisement was thus negated by all three political attributes which enabled the smooth process of the City Council's transformation. Citizens were rendered defenceless by the passivity of the elected Melbourne City Council and its subsequent removal, together with deunionisation, unions having been crucial allies in past community campaigns to conserve natural and built heritage. Recognised for their effective involvement in urban planning (relative to interstate) Melbourne residents nevertheless developed numerous campaigns linked chiefly to alienation of public parkland, and to public exclusion from the controversial mega developments of the Crown Casino and Docklands. Shocked, uncomprehending and deprived of customary checks and balances, citizens of Melbourne (and beyond) gradually made connections with union, academic and non-government organisations. In the absence of statutory bodies, the churches (relatively immune to political abuse) played a crucial role in media protest against antidemocratic institutional change and in fostering participatory, consultative and research-based community projects statewide.

The fifth and perhaps most significant political attribute found to have enabled the institutional delegitimisation of the Melbourne City Council was that of the shallow democratic ethos of government and business elites. Qualitative evidence for this is largely drawn from interviews with twenty-three protagonists, from diverse organizational and ideological perspectives and all privy to or expert witnesses of the

transformation of the Melbourne City Council. Thus the extent to which this was peculiar to Melbourne is not determined. The threads of which this significant attribute was composed are examined in the following chapter.

CHAPTER 9: INTERPRETING POLITICAL ATTRIBUTES OF THE ELITES

Introduction

Consistent with Mahoney and Thelen's theoretical framework, in a global property collapse and related landslide Coalition victory in October 1992, distinctive political attributes are found to have enabled the temporary removal, short of abolition, of the Melbourne City Council. These traits facilitated its redesign in diminished form, with a view to minimising citizen influence on urban planning and expenditure, and to re-establishing the Council as an administrative contract manager and source of supplementary state revenue, rather than a potentially adversarial political entity. Five such attributes are found to have enabled the radical institutional transformation of the Melbourne City Council in the period 1992–9 and, likewise, to have constrained political resistance. The first four were examined in the previous chapter: a disabled Labor Opposition, union movement and municipal opposition, with limited media scrutiny in turn limiting citizen awareness and capacity to mobilise against the shock removal of civil rights.

A fifth and surprising attribute, perhaps the defining political attribute enabling the institutional disempowerment of Council and citizenry, was found to be that of the shallow democratic culture of the elites, both business and government. Given its importance and that the evidence for its influence is substantially based on protagonists' interviews, interpretation of this attribute in the resolution of the historic conflict between property interests and citizens is the focus of this chapter. This analysis of rationality and power draws on both Flyvbjerg (1998c) and Bachrach and Baratz (1962) and their 'two faces of power' in both enabling and thwarting decision-making.

Political culture of the Melbourne elites

The common claim by proponents of the reform to the apolitical nature of the disempowerment of the Melbourne City Council and citizenry between 1992 and 1999 is striking. It assists in interpreting the democratic ethos which enabled the active participation of business in this dual power shift. The claim was consistent with Premier Kennett's 'common-sense revolution', a political slogan applied to the full public sector reform, and borrowed from Mike Harris, fellow neoliberal premier of Ontario, Canada in 1994 (Giorno, 2007; Kennett, 1995). It suggests that the governmental status quo is obsolete, proposed modernisation is irresistible and opposition is invalid. An oxymoron, it rationalises the exclusion of democratic participation in the government of central Melbourne through the City Council. The latter being represented as the source of political conflict with both property sector and state government, the conflict could be resolved by effectively removing parties to the conflict, namely citizens and Council.

The rationality of Melbourne elites as expression of power

The lack of guardianship of democratic principles, indeed acceptance of their suspension as necessary and common-sense in the 1990s by the party political, property-related business and senior public service elites were evident in proponents' interviews. This was decisive in permitting radical reform to the Melbourne City Council. At the same time, Melbourne's academic elite were largely silent, perhaps self-censoring.¹⁴⁹ Hence there was a singular edition of sixteen municipal 'insider and observer accounts of the sweeping changes' in local government, from which citizen organisations were omitted (Galligan, 1998; Hill, 2003, p. 4). In his introduction, the editor observes that: 'Massive re-engineering was only possible with strong and astute political leadership' of a process that was 'top-down and primarily driven by efficiency considerations'. He likened the partnership between the secretary to the Office of Local Government, Yehudi Blacher, and the Minister for Planning, Roger Hallam, to that of 'fox and lion' in foiling opposition (Galligan, 1998, p. xvii). Despite this and his

¹⁴⁹ University of Melbourne Professor of Architecture, Miles Lewis, was not supported by the university or *The Age* when sued by developer of the casino, Lloyd Williams, after referring to him as a 'cowboy', in 1997, an example of so-called SLAPP litigation: Strategic Lawsuit Against Public Participation. The litigation lapsed.

observation that chief executive officers were now to be ‘quasi-independent of council control’, he concludes that the success of the reforms ‘will ultimately be judged by their effectiveness in enhancing democracy’ (Galligan, 1998, p. xviii).¹⁵⁰ Fellow University of Melbourne professor, Mark Considine, offers the careful observation that ‘the community did not necessarily share the economic rationalist views of the political elite’ (Costa & Taylor, 1998).

Thus the ease with which democratic city government in Melbourne was suspended and redefined in the 1990s requires examination of the political values of the city’s elites. Given the accepted importance in a liberal, parliamentary democracy of such basic principles as one person, one vote, one value; no taxation without representation; the separation of powers – legislative, executive and judicial; freedom of the press; freedom of speech; and the centrality of public argument in policy-making, how did the elites justify the breach of these principles in the reform process? Given, too, the Victorian constitutional provision for an elected level of local government, what overriding values and arguments justified its removal and replacement, of the Melbourne City Council in particular, in undemocratic form and without detailed justification or forewarning?

While there was unanimity amongst interviewees as to the dysfunctional arrangements between Melbourne City Council and state government, views on the causes and hence solutions were conflicting. It would be a distortion of complex responses to classify the twenty-three interviewees as ‘for or against’ the City Council reforms. However, it is apparent that the eight key government and business protagonists interviewed were overwhelmingly supportive, while eight, drawn from varied backgrounds including union and community sector, were overwhelmingly opposed to the reforms and to the way they were implemented. This appears to reflect an ideologically left and right wing political divide, if not a party political divide. Of the remaining seven, response to the reforms was ambiguous or neutral. Former Labor Premier, John Cain, for example, was very critical of the means of reform but supportive of the objective of

¹⁵⁰ Galligan, B. (1998) *Local Government Reform in Victoria*. Melbourne: State Library of Victoria. This publication was initiated and funded by the Victorian Department of Infrastructure.

marginalising the City Council. Bruce Guthrie, as editor of *The Age* newspaper, acknowledged being supportive at the outset, but he too became highly critical of the process rather than the objective. Allan Watson, as the dismissed Lord Mayor, was critical of the reforms and their implementation but fatalistic in his response – in neither one camp nor the other. Alan Hunt, former Liberal Minister for Local Government and Planning, was circumspect, acknowledging the need to balance business and citizen electoral representation, but highly critical of the simplistic reliance on Compulsory Competitive Tendering and autocratic implementation (Hunt, 2009, p.12).

The interviews are thus a rich source from which to glean the arguments and political beliefs that actuated reformers and critics alike. They were designed to probe the means by which proponents handled the cognitive dissonance between ostensible commitment to a democratic society and support for the imposition of undemocratic capital city governance. It is in grappling with this conundrum that evidence emerges as to the real reasons and rationalisations in the political and institutional resolution of the two sets of conflict at the centre of the study – that between City Council and state government and between citizenry and business/property. Those with counter arguments contribute to the clarification of the validity or otherwise of those reasons, and of the rationality of winners and losers in an undeclared political and intergovernmental contest.

What is apparent is an illuminating, if confused, discourse on the nature of politics, employing shifting and often pejorative meanings of the term. This is consistent with common usage in the media as in ‘politics too often trumps principle’ or ‘this issue should be above politics’. It is as though politics, including party political contest, were inherently suspect rather than at the heart of a vital democratic system. Paradoxically, such claims could be used to justify politicisation itself – the concentration of power with particular interests in achieving notional consensus.

Claim to apolitical reform

Seven strands in the discourse of proponents underpin their claim to Melbourne City Council’s reform being apolitical. That claim is found to be an illusion. It disguised a

disregard for democratic principles and was central to the concept of ‘common-sense revolution’. The strands of evidence for that finding are as follows:

- denial of personal political affiliation or intent and related denial of the exercise of power;
- denial of the political nature of the state government reform of the City Council;
- denial of the existence or legitimacy of politics in the City Council and a perception of dissent as illegitimate;
- commercial perception of the central city and of those entitled to govern it;
- pragmatic rather than principled approach to capital city governance;
- flaws in the case for de-democratisation and disempowerment of the City Council;
- ahistorical rationales.

Denial of personal political affiliation and of exercise of power

The first strand in the discourse of depoliticisation was in the frequent denial of political affiliation by proponents interviewed. Such a claim to political independence, a variant of common-sense, has been well documented historically in Victoria. The historical institutional analysis (Chapters 5–7) reveals that dominant conservative interests at state and local government levels, chiefly property-related, characteristically asserted such neutrality (Bowman, 1978). The founding president of the MAV declared in 1879 that the peak municipal body ‘must be entirely non-political or else a death-blow would be dealt to it at birth’ (Municipal Association of Victoria, 2004, p. 2). Similarly, the powerful and unrepresentative Victorian Legislative Council claimed to be a non-political house of review (Strangio, 2004). As for the City Council itself, business councillors who formed the dominant Civic Group in the 1960s and 1970s had to ‘give an understanding that they were not “paid up” members of the Labor Party’ according to Leo Curtis, Lord Mayor in 1963–5 (Rusden, 1993, p. 46). Having indicated his membership, he explained: ‘I’m not a political person ... I’m not extreme in my leanings either way’ (1993, p. 47).

Such denial of conservative political affiliation, conscious or otherwise, was apparent amongst proponents of the Council's 1990s reform. In interview, they commonly equated the word *politics* with *party politics* and in denying party political affiliation, denied political affiliation and political contest. There were naive, even delusory instances of this, for example when Leonie Burke, chairman of the Local Government Board, rejected her Liberal Party affiliation:

I was not even a member of the party at this stage (1993, when she successfully applied for the chairmanship) if I remember correctly. I resigned when I went on to Council. And it wasn't a political thing at all for me, Council, it was very independent (2010, p. 1).

However, she was elected to the Victorian Parliament as a Liberal MLA when the restructure was complete and later appointed a federal Liberal Ministerial adviser. Her party political affiliation and values were thus clear.

Likewise, the MCC Commissioner interviewed 'felt comfortable with the terms of reference ... what the state had in mind', and claimed that all four commissioners were 'absolutely apolitical' and doing a job 'in the interest of the community' (Commissioner, 2010a, pp. 1,12,18). It 'was a civic responsibility' (Commissioner, 2010a, p. 2). That Chief Commissioner Kevan Gosper joined the board of Crown Casino Ltd. immediately on retiring in 1996, tends to weaken the claim to an apolitical stance by the Commission. Former Labor premier, John Cain, dismissed the claim to political independence as:

a piece of illusory, almost deceitful politics on the part of the Liberal Party. I mean, all the local councils out my way were always closet Liberals ... That's what politics is about, it's a contest, and Liberals were clearly identifiable (2010, p. 14).

Likewise the Committee for Melbourne, a major corporate infrastructure lobby, instrumental in the adoption of the London Docklands model of privatised development in Melbourne, claimed to be 'not-for-profit and non-partisan' (Dovey, 2005; The Committee for Melbourne, 2011).

The Commissioner and the chairman of the review went further, in denying the exercise of power in de-democratisation and disempowerment of the City Council. The

Commissioner explained: 'I didn't ever feel I was a powerful individual within the politic of Victoria or the city ... I felt that I had a big responsibility ... and we didn't really ever find ourselves in confrontation. We were able to quietly work our way through it' (Commissioner, 2010b, p. 4). To the chairman of the review 'It wasn't a power thing. It was very much about the future and how it would work. It's funny I never saw power, because you didn't have power unless the community agreed' (Burke, 2010, p. 26).

Denial of the political nature of the reform of the City Council

A second strand in the rationalisation by political elites which facilitated disempowerment of the Melbourne City Council was the common denial by proponents that it was politically driven. Hence, in announcing the appointment of the Council's commissioners the premier advised the Legislative Assembly on November 18, 1993 that:

It is obvious that the government was not constrained by their political backgrounds ... four extremely talented and dedicated people ... will do a good job with Elizabeth Proust and her team to take Melbourne into the 21st century as a gateway to the fine state of Victoria (Kennett, 1993a, p. 1918).

Minister Hallam also cited the appointment of former Labor members of parliament and councillors to municipal commissions as proof of an apolitical reform. Graham Sherry, then Chairman of the influential Melbourne City Chamber of Commerce, observed that 'politically it was smart', by implication non-party political and broadly supported (2009, p. 34).

The four Melbourne City Council Commissioners, however, were prominent business people and, as one expressed it in interview: 'We were conservative yes ... Kennett wasn't going to put a rabble-rousing non-conservative in charge, I guess' (Commissioner, 2010a, p. 13). This interviewee further argued that the Melbourne City Commission did not constitute 'a political entity even though we were appointed by a political party in power'; the fact that commissioners were not themselves elected, by implication disqualified them from political agency or allegiance. Further, the reasons for the reform seemed 'pretty good to me ... I didn't see any political overtones in it ...

[although] ... there was a stronger reaction from the Labor constituency' (Commissioner, 2010a, p. 18). The economic case for reform, a shared belief in small government and that the private sector could better deliver Council services was not judged political: 'We're here to do a job, but we believe it's in the interest of the community' (Commissioner, 2010a, p. 18). Couched in managerial and neoliberal terms, the reforms were thus represented as rational and self-evidently desirable – common-sense rather than politically inspired.

Kennett was dismissive and, at times threatened the few individuals and institutions, notably faith organisations, secure enough or obliged to offer criticism of government policy on ethical grounds. This even included public criticism on November 20, 1997, of Sir William Deane, the Governor-General whom Kennett advised 'should, like all predecessors before him, be careful to make sure that he doesn't become party-aligned, which I suspect he is in the sense that his views are all of one side' (Das1997). This criticism, especially because of Deane's defence of the clergy, was a measure of his confident disregard for opposing values and interests and hence for political opponents. According to Guthrie who, in losing his position as *The Age* editor, paid a high price for the premier's intolerance of dissent:

He just wasn't in the business of pluralist society ... I don't think he even understood what it was about. I think he basically wanted to remove all dissent, and if Melbourne City Council was going to get in the way of his vision for Melbourne, then they had to be got rid of (2009, p. 2).

Leading proponents, such as Graham Sherry, (MCCC), conceded the government's party political motivation for the changes made to the Council, explaining 'It was very heavily orientated to the left in those days' (2009, p. 2). He went on, 'I think Kennett viewed the council as a sort of Labor puppet' (2009, p. 38). Indeed, the residential areas excised in the creation of a new municipal boundary, were at the heart of traditionally Labor held federal and state seats of Melbourne. The prime importance attached to the definition of the capital city council boundary as a business district is stressed by Sherry (2009, p. 4). As to party political and electoral considerations in that respect, he volunteered that East Melbourne (an upper income, Liberal voting locality adjacent to

Parliament House) ‘was never going to be excised from the city (2009, p. 27).¹⁵¹ On the question of party political affiliation of City Councillors he concurred that the former Civic Group within the Council ‘was essentially a *de facto* Liberal Party’ and that Kennett’s attitude was, perhaps, ‘that party politics is bad if it’s Labor, but it’s OK if it’s Liberal’ (Sherry, 2009, p. 39).

Nevertheless, evidence of the apolitical nature of the reforms was commonly cited as the government’s constitutional right and electoral mandate, despite the lack of pre-election commitment. Kennett’s public dismissal of the concept of local democracy as ‘hogwash’ (Davie, 1995), was echoed in milder terms in interviews by Leonie Burke and like-minded proponents, chiefly Hallam, Hull, Kirk, Moore and Sherry in that, if constitutionally valid, the transformation of capital city government was, by definition, democratic (Wilde, 2000, p. 11). That the Victorian constitution and its amenability to change was an imperfect vehicle for democratic governance was rarely raised. Hunt expressed the view that there be consideration ‘of some need for constitutional safeguards’, observing ‘I don’t suppose that anybody ever for one moment dreamed there’d be a wholesale sacking and restructuring, and no one felt any need to provide against it’ (Hunt, 2009, p. 17). He also referred to his record of support for Commonwealth constitutional recognition, impeded by party politics. Long, as a prominent critic of the City Council’s disempowerment, claimed that the Victorian constitution ‘has always been flawed because it can be changed by the Parliament quite simply. No one has to go back to the people’; unlike the Commonwealth constitution (2010, p. 2).

Denial of the existence or legitimacy of politics in the City Council

A third strand in the claimed apolitical reform was denial of the existence or legitimacy of politics in the Melbourne City Council. Those interviewees most critical of the reforms, notably Hubbard, Huggard, Long, McCaughey, McInerney and Parkinson

¹⁵¹ Despite this deemed party political affinity, Sherry reported that the Chamber of Commerce experienced conflict in negotiating with East Melbourne, presumably through the East Melbourne Residents Association: ‘We tried to get them onside in this process, and they were not that interested because they saw us as the sort of business lobby, and they saw themselves as the residential lobby (2009, p. 27).

disputed this claim to local government's apolitical status – a claim inviting disempowerment of both the City Council and its electorate. Burke, professed champion of local government, made the case for an apolitical council as it was and/or should be: 'very independent ... It's about the best services and the best you can do for your little community ... not a political argument. I don't want party politics in it' (Burke, 2010, p. 9). Despite this, she linked the very lack of an Opposition in the parliamentary tradition to lack of transparency and accountability in councils:

They need a bit of a tidy up every now and again. Because you tend to have, because of the size of them, the same group of people generally on them ... Whereas when you're in the Parliament ... there's always someone questioning things (2010, p. 6).

Thus, paradoxically, to Burke the ideal of party political independence and individual councillor accountability justified ill-defined state government intervention. Under this 'apolitical' model, a council's local accountability, security of tenure and hence legitimacy were inherently vulnerable.

There was no lack of opposition within Melbourne City Council in the sole decade of a democratic franchise from 1982–92, indeed rather too much and disorderly according to elites in government, business and the press. Factionalism was thus a common charge by proponents, though the meaning of the term and the matters in dispute were not forthcoming in interview. Hull (former BOMA Chairman), conceded it was 'an inevitable fact of local government' (2010, pp. 34,42). He went on to identify 'transport issues, traffic issues' as the main source of contention between business and Council, and with resident constituents, adding that 'A car free centre to Melbourne would be death to the commercial sector' (Hull, 2010, pp. 39,40), capturing a fundamental political conflict between traditional car reliance and public transport development, for which the City Council was the foremost governmental advocate in the 1980s.¹⁵²

Whether the 'factionalism' label was used because councillors could not be classified by party affiliation is not clear, despite factionalism also characterising federal and state

¹⁵² Increased residential density and related reliance on public transport was central to the 1974/1985 Melbourne Strategy Plans, facilitation of public transport strongly opposed by CBD business lobbies. Huggard described the 'biggest and toughest battle we had', with the Royal Automobile Club of Victoria (RACV) as 'terrible, terrible lobbyists' against the tram 'fairway' system, oddly along with public transport unionists (Huggard, 2009b, p. 13).

party politics. What is clear is that ‘politics’ was generally used as a pejorative term. Even Alan Hunt, former Liberal Local Government Minister and champion of local democracy, spoke of taking the factional contest for Lord Mayor ‘out of the realm of the politics of the council’ through popular election (2009, p. 10).¹⁵³ Certainly, Council’s conflicts were played out in the public realm, rather than in corporate and party back-rooms or in state Cabinet. Such transparency and vulnerability was identified by Flyvbjerg in his case study of the subversion over ten years by the chamber of commerce and local press of a town plan developed by the City of Aalborg, Denmark (Flyvbjerg, 1998c).

Insofar as accusations of infighting and factionalism implied petty antagonism or unacceptable conduct on the City Council pre-1992, it was conceded by interviewees that state and federal parliaments were no standard bearers. Australian social researcher, Hugh McKay, has described the nation’s parliamentary behaviour as ‘appalling by world standards’ including an unwillingness ‘to behave courteously towards those of different persuasions’ (2011). As to the parliamentary conduct of the Kennett government, then Labor MHR for Melbourne and former City Councillor, Neil Cole, expressed the view that, ‘they were complete and utter thugs’, Kennett in particular, and their behaviour ‘worse, much worse’ than on Council’ (2010, pp. 13,23). Indeed, the Victorian Hansard bears out Cole’s description of the premier’s animus directed at the Labor Opposition.¹⁵⁴

While the illegitimacy of party politics on the Melbourne City Council was argued by some proponents, to Cain by contrast, the lack of formal party politics (apart from the minority of endorsed Labor councillors) made the Council suspect as a democratic entity. He seemed unable to conceive of a path to political efficacy as a councillor through activism rather than through his own experience of party involvement. This was despite acknowledging that state Labor was ‘dogged’ by several notorious Labor

¹⁵³ Alan Hunt was commissioned with Joan Kirner and Tim Costello by the incoming Labor Government to facilitate conflict resolution within the City Council in 2003, recommending direct election of the Lord Mayor (Costello et al. 2000).

¹⁵⁴ For example: ‘You are a crim ... I called him an arsehole and I withdraw it’, in a debate on the City of Melbourne reforms, accompanied by the ineffectual threats and expostulations of the Speaker (Kennett, 1994, p. 2185).

councils that tended ‘to contain all the worst features of politics, party politics, and doing deals’, reflecting poorly on Labor’s reputation.¹⁵⁵ However, he believed unaffiliated councillors were unduly dependent on staff, neither informed nor bound by party platform and discipline (2010, pp. 22,24).

As to political conflict manifest in institutional conflict between City Council and state government, and poorly tolerated by state governments from the 1970s, former Lord Mayor Huggard explained:

I didn’t see it as conflict but I saw it as being a highly desirable situation of questioning of issues and also that you’re answering to a different electorate and different need ... and that was healthy between Council and state government (Huggard, 2009b, p. 5).

Huggard’s view is consistent with Flyvbjerg’s classical concept of *antagonisme* as contested argument, essential to the practice of democracy (Flyvbjerg, 2009). In the 1980s, when citizens achieved the first and only democratic Melbourne City Council franchise, dissent with government, CBD businesses and within the Council became a measure of dysfunction and of ‘bringing the Council into disrepute’. Blame was ascribed to the disproportionate influence of ‘residents’ and ‘residential councillors’ and, in intergovernmental terms, to the elected Council – a culture war in effect (Flyvbjerg, 2009). The Kennett government response in 1993 was to seek to purge capital city government and planning of dissent and dissenters.¹⁵⁶ In short, the politically inspired, pejorative representation by government and business elites of conflict within and between the elected City Council and state government permitted, invited and legitimised the de-democratisation and disempowerment of the Melbourne City Council.

A corporate perception of the central city and its governance

¹⁵⁵ An important case in point was the decision by three members of Melbourne Voters Action to stand as Independents against unknown Labor Party candidates, on the return of a democratic City Council in 1983.

¹⁵⁶ The MCC Chief Executive’s substitution of a corporate logo for the 150 year-old City Coat of Arms, for letterhead and for historic, enamelled street signs captured the sense of cultural cleansing and of a new era.

A fourth strand in proponents' denial of the political motivation for the Council's reform was in the accepted *raison d'être* of the city centre as a centre of business, and the requirement for reform to represent those legitimate interests. Interviews with former MCCC, BOMA and IPA officials and past submissions by such lobbies on City Council reform made that longstanding view clear. It followed that the qualification for councillors was as business people in order to administer the Council as a business and in the interests of business ratepayers who were, accordingly, entitled to dominate the electoral roll. That is, a return to the politically contested business dominance of the Council pre-1983 was sought, and was rationalised as apolitical.

Interviewees, both proponents and critics, identified a managerialist and corporatist blue-print for city government justifying removal of dissent. Former Labor premier, John Cain, referred to his removal by the Kennett government from the prestigious boards of the National Tennis Centre Trust (which his government had established) and the Melbourne Cricket Ground in the central city. However, his analysis was not simply of the substitution of politically kindred spirits:

I think Kennett was saying more than that ... I think Jeff had a great desire to have as few people as possible to control and direct ... so there were fewer people you had to go and twist their arms and push them around. That was the overriding philosophy of that government, I think – centralised control and direction (2010, p. 14).

The Melbourne City Commissioner confirmed Cain's interpretation of this link between claimed depoliticisation and centralised management (including positive public relations) in the political act of replacing elected councillors with government appointees on contract:

What you required ... was that people would settle for the final decision. Now, it was much easier to do that with a smaller number of people ... That's easier to do without somebody saying, 'I represent the Labor constituency, I represent the Liberals or I'm a National Party person'. And in the absence of that, we travelled very well. We got pretty good press. The press didn't always agree with us. We had a good press person, but suddenly the press weren't seeing sparks flying and egos rushing about (2010a, p. 19).

The Department Secretary interviewed made explicit that the municipal reform was addressed from 'an administration point of view not necessarily from a view about local

government as being the voice of democratic representative government ... so there was some collateral damage' (2010, p. 11). The damage was undefined but clearly political in the sense of disempowerment. Hull, president of BOMA in the 1990s, took that democratic trade-off further, conveying a neoliberal conception of city governance as corporate governance and observing that public objection to the City Council's reform was:

largely ignored ... it's the only way you can run anything. The managing director of a business has got to make his own judgements and fall on his sword or succeed ... I can't see much of a difference between that and the way that you'd run a business (2010, pp. 55,56).

Within that corporate framework Sherry agreed with Hull, as leading lobbyists, that the chief source of Council's funding, namely property rates, was the basis for the definition of legitimate 'stakeholder' representation on the Council. It was therefore imperative that the commercial nucleus of the city be managed separately from surrounding neighbourhoods 3-5 kilometres distant from the Melbourne Town Hall. To Hull, 'The biggest problem I've always had with the Council and the government is that the AMP, who own billions [worth] of properties in Melbourne, have the same voting power as someone who owns a bedsitter, because you only get one vote as a ratepayer' (2010, p. 9) and went on:

The Council receives the revenue from the city's owners, and indirectly from the city's occupants. The state government takes revenue from the dirt, only the dirt that people put their money into. So in my view, the logical chain of responsibility is when you take the money, you provide a service (2010, p. 36).

Sherry too stressed the inequity of revenue raising and distribution prior to 1993, explaining the business sector's 'groundswell of support for the reform' of the City Council, chiefly to 'retract the boundary' to the CBD: It was so expensive to do business in the city in those days ... we're talking about rates continuously rising, because business was subsidising other areas of the municipality which didn't have the same financial clout (2009, pp. 14,15). The historically circumscribed municipal boundary of Melbourne before 1993 privileged non-commercial ratepayers (relative to predominantly residential municipalities) through subsidised rates and services, other than during cyclical property collapses when the reverse occurred (Elsom, 1992, p. 8). To Sherry, 'The hard-nosed businessmen weren't interested in childcare centres and libraries', although with the residential development of the docklands he saw that

attitude change (2009, p. 26). Property rates were seen as a determinant and measure of legitimate power.

With thirty years in the property industry and an unusual level of involvement on industry, government and City Council committees, Hull allowed no scope for citizen rights or democratic values to influence CBD governance and planning. Melbourne City Council should be an administrative rather than democratic institution:

Melbourne is a retail shopping centre with offices as well. The City Council is the managing agent for this vast complex. It's responsible for the care, maintenance, marketing and its overall success ... The sporting complexes, the parks, the gardens – that's all part of the entertainment ... the CBD at that time [pre 1993] was not well represented by the ward councillors, who were more interested in local issues ... micro issues ... It's not a residential council. It needs to look at how the traffic in there is managed. It needs to look at how the planning policies are managed. And Melbourne's flipped its planning policies so many times (2010, pp. 10,11).¹⁵⁷

Stakeholder entitlement and business expertise were thus seen by leaders of the two main, predominantly property-related lobbies to justify the exclusion of citizens from CBD planning and governance. It followed that the legitimate policy criteria to be applied in the municipality were those of facilitation of commercial operation 'to make the city a better place', as those interests determined (Hull, 2010, p. 41).

Associated with the commercial definition of the 'city' and 'city governance' by business proponents of the reform, was a dominant value attached to 'professional management' rather than democratic and, by implication, part-time, amateur representatives. Hence, from 1996, the City council's role was consistent with 'the boardroom model ... where the councillors don't have anything to do with the day-to-day running of the council' (Wight, 2010, p. 26). This entailed a shift in responsibility from elected councillors to senior management, especially the CEO, and in his/her accountability from Council to the state government. Janine Kirk, then Chief Executive of The Committee for Melbourne, clearly conveyed in interview that corporate and managerialist philosophy, justifying and enabling loss of citizen representation,

¹⁵⁷ Reference by Hull to the changeability of planning requirements was frequent and without a context of state and City Council responsibility for such changes. Blame was readily applied to the City Council, whose planning powers had been extremely limited since 1981.

councillor influence and Council autonomy. Her assessment of the term of Council's administration by commissioners from 1993 to 1996 was that:

They were very good commissioners. They had a very good CEO in Elizabeth Proust, and I think that they managed the organisation very well. They were professional managers. They weren't beholden to any political faction. They were there to manage it as an organisation should be managed, where you clearly establish a vision, a mission, you look at outputs. So it was managed in a business way, but also I think at the time they understood the importance of being connected obviously into your community. So I think that for the period of time that it was run by commissioners, it clearly demonstrated there was another way (Kirk, 2010, pp. 5,6).

'Another way' implies a de-democratised and disempowered rather than depoliticised City Council, since the commissioners were under contract to the Liberal state government and were themselves ideologically aligned. Kirk expanded on the benefit of allegedly apolitical (as in unelected) management of the Council for intergovernmental collaboration. It ensured, in marketing terms, that the city's 'branding' was maintained and enhanced, and the Council engaged in a unified (by implication centralist) intergovernmental approach:

When we do well is when every bit of the leadership chain works well together, so federal government has the right policy settings, state government has the right policy settings, and capital city has the right policy settings ... when you get alignment of all the stars around an agreed approach, then it's very powerful ... but if you had a rogue council who decided they didn't think that that was important, it would have a major effect on the city (2010, p. 13).

The case for the resolution of the intergovernmental conflict by removal of a potentially dissenting, 'rogue' City Council is clear, while the conflict endemic in federal-state relations is overlooked. Kirk conveyed a corporate and hierarchical view of government as line-management. Hers was a concept tacitly justifying direct state government control over Council policy and resources, at odds with local democratic accountability.¹⁵⁸ She is at one with fellow proponents in her commercial perception of the central city and those entitled to govern it.

¹⁵⁸ To illustrate her case, Kirk cited a substantial and controversial City Council (more accurately Lord Mayoral) financial contribution to the development of a Convention Centre (a decade later) under duress from the State Government and the Committee for Melbourne itself (Millar, 2004).

A pragmatic rather than principled approach to city governance

A fifth strand in the discourse asserting the apolitical nature of the City Council's reform was an implicit disregard for it as a democratic institution, conducive to its delegitimisation. A pragmatic approach, capitalising on the favourable economic and political moment for long sought changes, was shared by proponents interviewed. This reinforced the subordination of civic to commercial considerations despite several proponents, notably Burke, Hallam and the City Council Commissioner framing their role as one of civic responsibility rather than political intervention. Sherry observed that there were two camps, the 'democrats and the pragmatists', the latter preferring permanent state government administration of the Council. However, there were shades of opinion including that of the Melbourne City Chamber of Commerce which he led, favouring an elected Council based on a business-weighted franchise, because 'we didn't want to be beholden to one government entity' (2009, p. 15).

The case for periodic suspension of an elected City Council (rather than as a once-off 'revolution' in 1993) was well accepted. Hull observed:

You won't get elected by saying that we need to amalgamate ... the root weakness of the democratic system is that people have a vote. [There is] a very good argument for having commissioners rather than elected people to ... cut through the fog. I don't think it's good long term, but every now and then you need to refocus and say, 'What are we here for? Why are we dying? Why are we not competing favourably? ... If you can refocus voluntarily, yes, but sometimes you need to be refocused (2010, pp. 43, 63).

Although for different reasons, this was consistent with Burke's justification for state government to periodically 'tidy up' a council, in the absence of alleged misconduct, the precondition implied by local government legislation (Ellison, 2000). Sherry, too, was at ease with the prospect of ongoing state modification of the City Council's electoral arrangements on behalf of the business sector. The exclusion of residential neighbourhoods and hence the influence of the citizenry had not gone far enough in his view: 'the model was good at that time [as designed by the commissioners], and it needed to be tweaked, and has since been tweaked, and I think it needs constant tweaking to make sure it works well' (Sherry, 2009, p. 5).

All interviewees regarded Elizabeth Proust, the City Council's Chief Executive from 1990-5, as playing the leading management role in the Council's reform. Proponents praised her competence and dominance (Commissioner, 2010a; Kirk, 2010, pp. 5,6; Kennett, 1993, p.1425). In Hull's words, she 'did a brilliant job ... appointing good professional people ... She's focused, and she takes no prisoners ... [on one occasion before the dismissal] overriding the [Lord] Mayor publicly. That's the sort of gutsy woman she was' (2010, pp. 21,48,49). The reported incident reflects a lack of respect for democratic accountability by Hull and in Proust's reported conduct. That attribute was also conveyed by the Lord Mayor who learnt of his dismissal in 1996 from his chauffeur, rather than the CEO or the premier (Watson, 2009, p. 1).

The apparent lack of consideration by proponents for the ethics of the reform process and their pragmatic acceptance of *realpolitik*, were shared by Stuart Morris, QC. As a former Labor shire president, chairman of the failed attempt at municipal restructure in 1985/6, he was privately supportive of the amalgamation of six inner city councils (Morris, 2014). Of premier Kennett's transformation from ardent opponent (and spoiler) in the 1980s to champion in the 1990s, Morris observed:

I've got no doubt that when he was championing the different point of view he wasn't championing it because he believed in it, because people don't normally change their mind by 180 degrees. And also because Oppositions often oppose things in order to put pressure on the government at the time, not because they think that the government is doing the wrong thing but they want to build up pressure ... I don't have any real problem with that. I think there's a lot of hypocrisy in politics and I don't think Jeff Kennett's the only one (Stuart Morris, 2009, pp. 23, 24).

Such sanguine acceptance of a breach of public trust is symptomatic of a shallow belief in democracy, state and local. Not only is the City Council tacitly discounted, but the right to involvement of its citizenry similarly discounted. This despite the 56,000 'fabulous' submissions regarding council restructure, claimed by the Local Government Board's chairman in interview, other than in Melbourne where such opportunity was denied (Burke, 2010, p. 24). Indeed, the (unnamed) senior public servant argued that public commitment to local democracy other than by a 'noisy' minority was slight: 'the great world out there is not in that space ... the democratic aspect of local government is not deep' (Department Secretary, 2010, p. 12).

Further, he argued, ‘dramatic internationalisation’ required that the city be ‘branded’ by the state government; a ‘franchise which gave some significant weighting to those interests – although there could be an argument about that in terms of representative democracy – it certainly reaped very significant benefits for the state’ (Department Secretary, 2010, p. 7). That potential argument was not allowed to occur. By implication, the interests of the state could best be determined by resolving the historic dual conflict in favour of the state government and business, chiefly the property industry. That is, there was deemed to be overriding economic benefit to Victoria from a business-weighted franchise and a disempowered capital city council. The requirements of the market outweighed those of democracy and the question of a dual power struggle, the ‘real rationality’ in Flyvbjerg’s terms, unacknowledged.

Other evidence of a pragmatic disregard for democratic process was provided by Hull and Sherry in the equanimity with which they accepted avoidance of due process by the government in the casino’s privatised construction without a planning permit. In Hull’s view: ‘The retail works well ... I don’t think that [lack of permit] makes a lot of difference. I mean, it’s there, isn’t it? What are you going to do about it?’ (2010, p. 60). The value of property development also trumped democratic principles to Sherry:

I think in those days, given the scale of that development and the importance it had to the state economically, it was quite reasonable for the government to do what it did ... I know all the business groups were heavily in favour of the development of a) a casino, because we saw that as an economic generator, and b) because of where it was going to be, on the Southbank, which was going to cause a whole new development of that area of the city ... But the casino’s always been a law unto itself in a sense, it’s had its own governing legislation ... The ongoing problem is that as an established business, it’s still treated differently to any other business in a similar field – for instance, the gaming venues (2009, pp. 11,12).

The pragmatic acceptance by proponents of de-democratisation and disempowerment of the City Council in the resolution of the dual conflict, political and intergovernmental, was thus informed by a number of politically inspired rationalisations. These included that state government appointees should periodically replace councillors to ‘refocus’ city government; lack of integrity and transparency is not uncommon but not a matter for concern; claimed economic benefit justifies

avoidance of due process; the public is not deeply engaged in local democracy and to the extent that it is engaged, the state government is justified in assuming control in order to 'brand' the city in a context of 'internationalisation' of the economy.

Flaws in the case for apolitical de-democratisation of the City Council

Inherently political changes to the City Council are reflected in evident rancour and in common fallacies on which the reform case relied. First, prominent critics were regularly accused by the premier of 'politicising' the process, of risking alignment with the Labor Party – ranging from journalists of *The Age* and ABC in particular, Church leaders and, on one occasion, the Governor-General, Sir William Deane, by definition apolitical but defending the right of the churches to criticise government policy (Das, 1997). According to McCaughey, so great was the public fear of reprisal that the conditions of philanthropic funding were that '*People Together*' was not to be 'a Get Jeff Kennett movement ... we're not having any party politics in this' (2009, p. 2). The political (and hence ideological) divide over public sector reform, including that of the City Council is clear, however reluctant both left and right were to admit it, for different reasons.

In Long's words, such reforms, notably that of the City Council, were 'the apotheosis of ... the state as development facilitator' (2009a, p. 23). The Council's reform process was wholly political and party-political in the eyes of critics. It was evident in the power shift engineered by suspension of the elected council while its boundary, electoral arrangements, industrial arrangements and role in urban planning were designed to disempower both residents and Council, as proposed by business lobbies for over a decade (Elsun, 1992; Melbourne City Chamber of Commerce, 1992). On the front line, Allan Watson, prominent Melbourne restaurateur with past Labor affiliation and the outgoing Lord Mayor in 1993, described the premier as having 'a fetish with the Labor Party' (2009, p. 12). Watson saw the excision of the Princes Hill neighbourhood adjacent to the Carlton Football Club, as due to its residents being 'virtually Labor and they were very vocal ... He (Kennett) got rid of the vocal ones' who had campaigned against the expansion of the private stadium in public parkland

(2009, p. 12).¹⁵⁹ Former Lord Mayor, Trevor Huggard, ascribed the key role in that excision to John Elliott, then president of the Club, national president of the Liberal Party 1987–90, friend of the premier and prominent businessman: He was ‘pivotal, absolutely pivotal – he gloated about it’ (2009a, p. 11).

The claim to apolitical intent is belied by repeated evidence in interviews of extreme animosity towards and stereotyping of left-leaning citizens and their representatives. Huggard (a resident and businessman as a consulting engineer) spoke of traditional business councillors tending to regard the inner city and professional ‘resident’ councillors of the 1970s and 1980s as ‘hippies’ and ‘pinkos’. Unlike the former Civic Group, the new cohort of Labor and independent councillors from the late 1970s, were predominantly young, tertiary educated and living in the gentrifying, so-called ‘slums’ north of the Yarra River. Sherry spoke of ‘academic-type people around Carlton’, suggestive of a ‘town and gown’ divide. Oddly, he also described the small business shopkeepers and restaurateurs of the Carlton Traders Association as ‘sort of leftish, academically ... focused’ (2009, p. 28).

It was a short step, in a climate of contested demolition and redevelopment in the property boom of the 1980s, from otherness to enmity, and to the illegitimacy of civil involvement. John McInerney, as former City Council director of planning, spoke of the antagonism between the Labor government and Council over major developments in the 1980s, heightened under certain, more authoritarian ministers for planning, Labor and Liberal (2009, p. 2). The result of the Victorian election in 1992 gave ill-feeling on the part of the property sector free play, permitting a radical approach to reforms long sought. Residents were substantially removed from the electoral roll and authority removed from the Council. For the antipathy expressed by business and state government (Labor and Liberal) was directed at activist citizens, City councillors and unions, although the BLF had already been deregistered at the instigation of the Cain Labor government.¹⁶⁰ Campaigning citizens were subject to disparaging labels:

¹⁵⁹ One of the major community campaigns in the municipality before the 1993 election was in opposition to the impact and planned expansion of the stadium in Princes Park, home of the Carlton Football Club.

¹⁶⁰ In 1984 Premier John Cain won a watershed victory over the Builders Labourers Federation (which had activist community support) enabling the installation of light towers at the Melbourne Cricket Ground; in 1990 he and his

‘trouble-makers’, ‘the usual suspects’ and NIMBYs (not in my backyard) by ministers and the media. To Ron Walker, the most prominent and controversial developer and friend of premier Kennett, opponents of the Formula I Grand Prix in public parkland were ‘people who had done nothing with their lives’ (Davie, 1995). Kennett frequently used the term ‘unVictorian’, assuming a moral high ground but echoing (presumably unwittingly) the infamous House UnAmerican Activities Committee, established before World War II. While he claimed his government’s changes were revolutionary, he also implied that they were based on shared community values and hence apolitical – a marketing feat.

Minister Hallam described the depth of bipartisan ill-feeling towards the City Council (chiefly over planning) with candour, he himself as a former shire councillor, being committed to local government. As a National Party minister, he was able to thwart Kennett’s extremism when the premier suggested, with business support, that the City Commission be permanent (Hallam, 2010, pp. 2,3; Hunt, 2009, p. 3). As to bitter enmity, most telling was the account by the municipal union secretary, Brian Parkinson, of securing staff conditions by pre-emptive contracts with councils before their dismissal. This forced a meeting with the Minister for Local Government, Roger Hallam, and the head of the Office of Local Government, Yehudi Blacher: ‘They didn’t even want to talk to us. They wouldn’t meet with us ... that whole ideology of unions by the government ... I’m sure ... they’d go and have a shower and cleanse themselves after they met me’ (Parkinson, 2009, p. 8). The departmental head interviewed expressed disgust over this union coup depriving the government of planned savings (Department Secretary, 2010, p. 14).¹⁶¹

Indicative of the political nature of the reform, it was the elected councillors, not the quality of service, which were problematic to critics of Council, including Cain. Burke, like Wight, praised the urban design department of Council in particular: ‘it was

Minister for Transport, Jim Kennan, refused to meet with the Tramways Union over workforce rationalisation and debt reduction, the central city being blockaded by trams for thirty-three days – a Pyrrhic victory pre 1990s privatisation.

¹⁶¹ ‘Forever to their shame – and it was sort of an unholy coalition between the CEOs and the unions – was to put in place the most generous departure arrangements, which significantly increased the cost’ of the transformation (Department Secretary, 2010, p. 24).

fabulous – they'd done marvellous work' (2010, p. 15); the unnamed Commissioner also praised the bureaucracy and, in particular, the management of parks and gardens, as did Sherry (Sherry, 2009, p. 31). None apparently credited such quality to the councillors, nor saw that quality as inconsistent with the case for outsourcing. Indeed, in the Commissioner's words, the strategy was:

to contract out as much business as you could from the ownership of the city, the bureaucratic structure, as long as it was cost effective and had the potential for increasing revenue, and possibly improve the performance ... it was hard to believe that a public entity ... would do a better job than something that had been contracted out (Commissioner, 2010b, p. 7).

It is clear, though unstated, that elected representatives were an obstacle to the state government's program of privatisation and high level of contracting out City Council services.¹⁶² Breaking that oppositional electoral accountability locally was thus a precondition to market-based reform. While some of both major party affiliations, such as Cain and Sherry, were dismissive of councillor calibre, others spoke highly of the 1980s Council. Significantly, then state Labor member for Melbourne, Neil Cole, acknowledged that his parliamentary leaders 'thought the Council was pretty pathetic' (Cole, 2010, p. 11). Despite being critical of the three Independent councillors, he observed that: 'all the evidence would suggest to me, as much as I had problems ... they had very good ideas, we were all at one' (2010, p. 5). John McInerney, former Director of Planning, described the 1980s councillors in similar terms as:

proactive and full of good ideas ... we had Trevor Huggard [Independent], Lecki Ord [Labor], Winsome McCaughey [Independent] et cetera, so it was a very 'out there' council ... And I think in many ways it contrasted a bit with the Cain government, which was trying to feel its way and not too sure about the direction forward (McInerney, 2009, p. 2).

Burke distinguished the City Council from other councils: 'Melbourne's very different. They always had top quality staff' (Burke, 2010, p. 10). Huggard spoke of the regard of the planning profession for the Melbourne City Council as a prestigious place of employment, relative to the politicised urban planning of the state public service, a regard for which the councillors (and the institution of the City Council) could be credited.

¹⁶² Hon Tom Uren, former Deputy Leader of the ALP and federal minister for local government in 1972–5 and 1984–7 maintained, in interview with the author, that local government, being 'closest to the people', resisted the 'market approaches dominant' at central government (Uren, 2012).

Ian Wight, then conservation manager with the Victorian National Trust, praised the quality of heritage planning and advocacy:

Melbourne City Council was always more professionalised; so that the various departmental managers would have been carrying out functions with quite high budgets, and therefore a lot of professional staff (Wight, 2010, p. 29) ... in terms of getting the heritage studies done, getting the overlays in place, and getting management prescriptions in for the buildings ... in the '80s and '90s, I think they really have done a quite outstanding job ... when these conservation measures were at risk, it was usually because the state government was encouraging development that was not in accordance with this (2010, p. 27).

As he further argued, historically it had been the citizens of Melbourne who had lobbied for conservation and heritage through non-government organisations such as the National Trust (Wight, 2010, p. 24). Linking the efficacy of Council in this regard to the importance of citizen representation, he argued that residents of the municipality represented a 'surrogate' for the wider community 'because it's the voters at large that it matters to, not [the people] who live there' (Wight, 2010, pp. 24,25).

Ahistorical rationales for the disempowerment of the City Council¹⁶³

What emerges from analysis of the case study interviews is that, in Cain's words, the claimed political neutrality of the City Council reform was either 'deceitful or illusory' and with deep roots in conservative politics in Victoria, local and state. The case mounted by proponents rested on some common inaccuracies and contradictions which reinforced a neoliberal critique, justifying the disempowerment of citizenry and City Council. If, as argued above, a significant political enabler was widespread public ignorance, especially regarding the Melbourne City Council, this ignorance was surprisingly true of senior proponents and observers.

The first of such plausible errors used to justify suspending and reconstituting elected local government (with which Melbourne City Council was inaccurately conflated), was that boundaries were a legacy of 'horse and buggy' days and councils had been resistant to reform, despite innumerable official inquiries. Hence, it was argued, an

¹⁶³ Appendix 4 represents extracts of the most comprehensive of the cases made by proponent interviewees, namely that by the unnamed Department Secretary, offering a political rationale and rationalisation for the radical changes made to the Melbourne City Council and the way in which they were imposed.

authoritarian approach was unavoidable, especially in view of Labor's aborted restructure in 1985–6, a failure, it was apparently forgotten, for which then Opposition leader, Jeff Kennett, rightly claimed much credit. In fact, metropolitan and rural councils were historically exceptionally fragmented at the behest of local and rural property interests. They were represented by the antidemocratic and anti-metropolitan Legislative Council, by which the Melbourne City Council was consistently curtailed. Metropolitan governance itself was repeatedly staved off (by one vote of the Legislative Council in 1951) by those conservative, anti-democratic and anti-metropolitan interests.

As important as the power of propertied interests in perpetuating fragmentation was the related power of the state government over metropolitan councils, especially the Melbourne City Council. In the words of the City Council's director of planning until 1991:

the state government has not assisted what should have been some logical amalgamations of councils. They've kept those councils poor ... And so you had these dinky little councils ... 10,000 people in them, no money, all fighting each other (McInerney, 2009, p. 13).¹⁶⁴

The fragmentation of councils was thus an historical institutional resolution of the political conflict between citizens and property interests, and of the integrally related intergovernmental conflict between City Council and state government.

This political and institutional history was apparently unknown to or ignored by those whose rationale for anti-democratic reform relied on a narrative of parochial obstruction. That in 1993 the Melbourne City Council alone, of 210 councils, was restructured as a central business council, despite the case for amalgamation adopted elsewhere, was indicative of more being at stake than 'horse and buggy' boundaries. Further, no evidence was found of the premier or relevant ministers seeking to refute the case for amalgamation of six to twelve inner city councils. These supposed 'vested interests' themselves supported an enlarged capital city council (City of Melbourne,

¹⁶⁴ John McInerney, employed by Melbourne City Council for ten years as director of planning before engagement in that role by Sydney City Council in 1991.

1992b; Committee for Governmental Reform in Central Melbourne, 1993; Inner Metropolitan Regional Association Inc, 1994).

A second error commonly cited to justify the City Council's dismissal and redefinition as a CBD council was that it had a history of being sacked, evidence of poor performance. With few exceptions knowledge of this crucial institutional history by proponent interviewees ranged from vague to non-existent, admitted by two key proponents (Department Secretary, 2010, p. 7).¹⁶⁵ In fact, the sacking of the City Council epitomised the attempted resolution of the historic dual conflict, political and intergovernmental, the decision gaining traction in 1993 as in 1981 during a property crash (Dunstan & Young, 2005, p. 6; Ellison, 2000, p. 10; Halligan & Paris, 1984; Harkness, 2011, p. 10; Power, 2009, p. 4). As to the dismissal in 1993, the local government minister explicitly excluded failure of the elected Council as grounds for suspension in his announcement to the Legislative Council on September 29, 1993, relating to the *City of Melbourne Act 1993* (Hallam, 1993). Rather, it was represented as a precondition to fulfilment of a 'new vision' of the capital city, in which Melbourne regained its former economic dominance in Australia, loss of which was naively but conveniently attributed to the Melbourne City Council (Atkinson, 1993, p. 511). Planning Minister, Rob Maclellan, put the government's case succinctly, without reference to benefits for the citizens or democracy:

The proposal has been developed from first principles to reflect what should be the prime focus of municipal government of our capital city council – that is, the administration and development of the city's major assets in conjunction with the State government and the private sector (City of Melbourne Bill 1993, p.1249).

A third fallacious but powerful argument commonly justifying abolition of the City Council as a democratic entity was that of Council's level of debt, of its 'outspending the revenue flow' and needing 'to get back in the black', in the words of the unnamed Commissioner (Burke, 2010, p. 14; Commissioner, 2010a, p. 12; Melbourne City Chamber of Commerce, 1992; M. Moore, 1993). In fact, the Council's financial

¹⁶⁵ Trevor Huggard was a community activist in the municipality of Melbourne from the early 1960s, the foundation president of the Carlton Association in 1969, a city councillor from 1982–92 and Lord Mayor from 1986–7, as well as conducting a structural engineering and planning practice in Melbourne. His evident knowledge, in interview, of the history of City Council planning and governance was both rare and encyclopaedic. That of former minister, Alan Hunt, and former director of MCC Planning, John McInerney, were also extensive.

management was commended by Local Government Minister Hallam and by Shadow Minister, Janet Wilson, who tabled a detailed record of the Council finances in the Assembly debate on November 10, following the second reading of the City of Melbourne Bill (City of Melbourne Bill, 1993; Hallam, 1993). An independent review of Council's financial strategy available before the 1992 Victorian election confirms that position. It indicates that while 'the Council was spending beyond its means', it was in part a feature of the property boom and that 'two years ago this was addressed and action taken including restructure and retrenchments' (Elsun, 1992, p. 24). Despite the consultant's stated commitment to privatisation of assets and substantial outsourcing, the author rejects the Melbourne City Chamber of Commerce case for the Council's dismissal to enable reform, observing that:

Achievements over the past two years seem to be overlooked ... commissioners ... are unlikely to take actions substantially different from those already underway ... suspension of a democratically elected council may make management somewhat easier in the immediate term but not better in the longer term (Elsun, 1992, p. 27).¹⁶⁶

Other inaccuracies were cited to represent undemocratic process as being common-sense and with public support. The City Commissioner, for example, referred to Victoria as 'a state which is more inclined to Labor government than the conservative side', implying a remedial correction by the Coalition government. In fact, as the historical analysis bears out, this was the antithesis of the record until 1982 (Commissioner, 2010b, p. 14).¹⁶⁷

Conclusion

Analysis of the interviews with protagonists in the transformation of the Melbourne City Council provides evidence of the shallow democratic ethos of Melbourne's business (chiefly property-related) and government elites. It suggests the means by which proponents of the de-democratisation and disempowerment of the City Council

¹⁶⁶ The review also indicated that the key assertion of the inequity between CBD and other ratepayers Melbourne City Chamber of Commerce was inflated by use of data from the 1980's property boom (Elsun, 1992, p. 27)

¹⁶⁷ Since inception of Responsible Government in Victoria in 1856, Labor governments held power, pre 1992 election, for nineteen of 136 years, over half being from 1982–1992; at a state level, the Labor Party was least successful in Victoria in the early decades and the dominance of the Victorian Liberal (Bolte) government 1955-72 and the Liberal federal (Menzies) governments, 1939–41, 1949–66 contributed to Victoria's title as the 'jewel in the Liberal crown'. Atypically, the decade pre Kennett was a Labor decade.

managed the cognitive dissonance of supporting democratic government in theory while advocating its delegitimisation in practice. Further, it offers evidence from interviews that the changes sought were not, as predominantly claimed by proponents, apolitical or common-sense. Rather, arguments supporting this outcome embody Flyvbjerg's proposition of the direct relationship between power and rationality in shaping city government and urban planning.

This shallow democratic ethos is found to be decisive in enabling the market-led reform of the City Council in the 1990s. It was the more influential by virtue of the more readily demonstrable attributes examined in the previous chapter, notably a disabled Labor movement and limited media scrutiny. It is also found to have deep historical roots in the privatism of urban development, in rationalising the public interest in the concentration of power with propertied interests and central government and, in so doing, claiming an apolitical stance. Dunstan and Young observe that analysis of the Melbourne City Council's historical electoral arrangements 'offers the scope for insight into the forces at work and the interplay of *realpolitik* behind the supposedly apolitical veneer' (2011, p. 1). Analysis of the arguments of business and government elites which rationalised and facilitated the reforms, adds first-hand evidence of political attributes which enabled institutional changes consistent with nineteenth century, property-related rationales.

Seven threads are commonly found to be woven within the narrative of representatives of business and government elites, by which they claimed that the changes made to the City Council were apolitical and irrefutable. Hence there was a denial by proponents of personal political affiliation or agency and denial of the political nature of the reforms. Reinforcing this was the denial of the legitimacy of political conflict – a measure of dysfunction in the City Council, and a commercial perception of the central city and of those entitled to govern it. A pragmatic rather than principled, democratic approach reflected the application of the alternative principles of a market economy and a corporate model of government, implying a centralist line of command.

However, the shift in power from City Council to state government and from citizenry to the property sector was clearly both political and party political, and the claim to the contrary represented, in Cain's words, 'illusory, almost deceitful politics on the part of the Liberal Party' (2010, p. 14). The intimidation of critics chiefly by the premier and accusations of their 'politicising' debate, examined above, supports such an interpretation. Indeed, the case made for delegitimisation of the City Council is often found to rely on flawed argument and errors of fact. Of the former, the common allocation of blame to the City Council, given its previous dismissal in 1981, took no account of the political nature of that dismissal. Of the latter, a number of 'inconvenient truths' were set aside, notably: that the City Council's finances, far from justifying dismissal, were judged to be sound, including by the local government minister; that conservative, rural property interests in the Legislative Council were primarily responsible historically for promoting municipal fragmentation and, it followed, for the failure of successive attempted reforms. Ideological certainty and ignorance of political and institutional history, rather than deceit, played a significant part in sustaining the fiction of a necessary and apolitical reform of the City Council.

Unlike leaders of the property lobbies, leaders in the City Council's reform process failed to perceive or admit to their exercise of power, or to the ethics of the disempowerment of the citizenry. The following chapter examines the institutional attributes of the Melbourne City Council and their interaction with political attributes, examined above, whereby gradual evolutionary change enabled sudden transformation.

CHAPTER 10: INTERPRETING INSTITUTIONAL ATTRIBUTES

Introduction

The influence of political attributes in enabling the institutional transformation of the Melbourne City Council from 1992–9 was examined in the two previous chapters. In a climate of economic and political crisis producing an electoral landslide, the major political enablers identified were the constraints on civil response as well as the shallow democratic ethos and ‘rationalities’ of government and business elites. A disabled Labor opposition, union movement and municipal opposition, together with extreme limits on media scrutiny and dissent severely limited the capacity for civil response to the disempowerment and de-democratisation of the Council. This situation was in stark contrast to the sustained disruption from elements of far right rural councils and inner city blue-collar workers (Cain, 210, p. 2). Championed by then Opposition Leader Jeff Kennett, these unlikely allies caused the abandonment of the consultative, research-based municipal reform. As premier a decade later, Kennett again played a decisive leadership role, not in promoting his promised referenda, but in unilaterally imposing far more radical municipal changes with negligible sustained response, least of all from his former supporters.

The present chapter examines the distinctive combination of institutional attributes and their interaction with the identified political attributes in enabling the Council’s transformation. In practice, the connections between the two sets of attributes are so dense as not to be readily separated: how can the political constraints on citizens be separated from the shock, post-election sacking of the City Council? For analytical purposes, however, the distinction between the two sets of attributes is useful in interpreting the trajectory of the historic dual conflict shaping the City Council – chiefly between property interests and citizenry and between the state government and City Council.

The tracking of this dual conflict from 1842 by means of historical institutional analysis has enabled findings not available had the study been confined, as originally intended, to the Kennett term, 1992–9. For historic institutional traits are found to have gradually enabled the ultimate disempowerment of the City Council and its citizens in the central city and, by default, all citizens. This interpretation is presented in three sections, linking the pre-history of 1842–1992 to the institutional changes made from 1992–9. It thus examines, first, the significance of the attributes of the ‘Victorian paradigm’ which emerged by 1901; second, the changes made during the unprecedented Labor decade of government, 1982–92; and third, the institutional attributes evident as enablers of the disempowerment of the Melbourne City Council from 1992–9, in its genealogical context.

Two distinctive and related institutional attributes of capital city government in the Kennett era in enabling that disempowerment are identified and examined in greater depth. One is the evolution of a coalition between the property sector and the state government in redefining the governance of a minimalist City Council, as an administrative agency managed by councillors representing business interests. The other is the failure to frame institutional responses to the fundamental and intractable ‘metropolitan problem’. This exemplifies the symbiosis of political and institutional attributes in a tacit avoidance, in Barach’s terms, of the establishment of the most pressing urban institution required as an expression of power. It is this ‘absence’ which represents a highly significant institutional attribute, itself enabling undivided attention to the entrenchment of a CBD-based City Council.

The Victorian paradigm, 1842–82

A combination of distinctive and historic institutional attributes captured in the term ‘Victorian paradigm’ was fundamental to the transformation of the Melbourne City Council from 1992–9. It was an extreme variant of an Australian paradigm of city government characterised, from colonial times, by a fragmented system of local government with limited powers and functions and, constitutionally, the agent of the state government. As McNerney observed, Australian local government was ‘a

reluctant creation ... never wholeheartedly embraced' by state governments (2009, p. 4). His words are reminiscent of Phillip Toyne's representation of Australia as a 'reluctant nation', the states jealously guarding 'states' rights' from incursions from above and below (1994). As emerged from institutional analysis of the City Council in the colonial period from 1842 to 1901, five particular attributes of the Australian paradigm of government took extreme form in the evolution of the Melbourne City Council.¹⁶⁸ This institutional variant, or Victorian paradigm, was reinforced by the state's exceptionalism in other respects (Strangio, 2004). The influence of this constellation of institutional attributes is found to be fundamental in enabling the distinctive culmination of the disempowerment of the Melbourne City Council from 1992 to 1999.

First, as a post-industrial settlement concentrated on its port, Greater Melbourne was a primate city – the colonial capital and seat of government. It was thus disproportionately the most populous city in the second smallest Australian state, and in fact representing the bulk of the state's population. The comparative centralisation of Victorian administration, relevant to the transformation of the 1990s, has been attributed to this highly urbanised pattern of settlement (Hay et al. 1985, p. ix). Institutional conflict between the Town, later City Council, and colonial government (NSW and later Victoria) characterised Melbourne from inception. Successive land and gold rushes within two decades generated an extraordinary pace and scale of growth in global terms, compounding dysfunctional conflict. This attribute persisted into the 1990s, inviting the City Council's reform.

Second, also from its inception in 1901, the Commonwealth Government had no direct constitutional role in local government, despite several failed referenda initiated by Labor governments to amend the constitution, as recently as 1983. The governance of the Melbourne City Council was thus wholly subject to the state government in 1993 and legislation amenable to change by a vote of the parliament of which the Coalition had control.

¹⁶⁸ Refer to Chapter 5

Third, the Victorian constitution of 1851 entrenched exceptional powers in the Legislative Council whose malapportionment also reinforced a rural, property-based franchise more extreme than the other states. Further, unlike the Commonwealth constitution, its Victorian counterpart was an act of parliament subject to amendment by a government with a majority in both houses. This institutional attribute was fundamental to the ease with which the City Council was dissolved and restructured between 1992 and 1999 and checks on executive power, such as appeal to the Supreme Court, repeatedly removed in specific legislation in that era.

Fourth, municipal fragmentation took extreme form in Victoria, including the micro scale of the Melbourne City Council in an expanding metropolis. It was documented (and ignored, yet again) late in the term of the Hamer Liberal government, part of the chronic problem of metropolitan Melbourne's patchwork governance (Board of Review into the Role Structure and Administration of Local Government in Victoria, 1979). Melbourne City Council bore the brunt of systematic geo-political and institutional curtailment at the behest of colonial and later state governments, and especially of rural property in the Legislative Council from the mid nineteenth century. Even so, Melbourne City Council's franchise, historically and uniquely within Victoria, ensured the dominance of propertied interests, other than the Labor interlude from 1982 to 1992. For similar reasons but on a larger scale, a Greater Melbourne Council which was assumed to be inevitable by 1901 was repeatedly blocked by the Legislative Council, by one vote on the last occasion in 1951 (Dunstan, 1984). This combination of political and institutional attributes captures the nature of the dual conflict shaping the City Council and its denouement in the 1990s.

A fifth institutional attribute of the Victorian paradigm facilitated the transformation of the City Council in the 1990s. It was the state's exceptional reliance on powerful statutory authorities at arm's length from ministerial and budgetary control, weakening the Westminster system of accountability. Developed to overcome municipal fragmentation and exceptional parliamentary instability and speculation, they were superimposed on municipal fragmentation. Their statutory charter of economic development, publicly underwritten, supported a pattern of urban development led by

the private sector rather than by metropolitan plans – a close public/private partnership presaging the institutional changes of the 1990s (McLoughlin & Huxley, 1986; Parkin, 1982). Their centrality, resources, scale and independence from ministerial control made their privatisation in the 1990s a priority to centralising, cost-cutting neoliberal government. This was less achievable interstate where government departments predominated in utility portfolios.

A sixth distinctive element in the inherited institutional framework, of which the Melbourne City Council was part, was a propensity for ideological and organisational splintering, conducive to the adversarial and pre-emptive solution imposed in the 1990s. It typified politics and political parties of the left and right in Victoria, an example of the symbiotic relationship between institutional and political attributes. The presence of extreme ideological fragmentation had major institutional and political consequences, notably in thwarting the achievement of a Greater Melbourne Council (Dunstan, 2008). Above all, the Victorian Labor Party, lagging behind other states electorally, was ‘notoriously fractious’, also a disabling institutional attribute of the union movement on which it depended (Hayward, 2000; Strangio & Costar, 2006, p. 27). That the party committed to a democratically elected Greater Melbourne Council from 1907 forfeited office for a generation following the Democratic Labor Party breakaway in 1955, effectively deprived Melbourne of metropolitan governance. This institutional splintering permitted the isolation and disempowerment of the Melbourne City Council in the 1990s and the ready dominance of the state government.

As to institutional extremism, just as Labor’s Socialist Left faction was strongest in Victoria, so extreme right wing lobbies such as the League of Rights were based in and attracted a larger membership in Victoria. A historically combative institutional culture appears to have been conducive to the nature and process of the institutional transformation of the City Council in the 1990s.¹⁶⁹ The Coalition strategy was akin to a military ambush in which allies were assembled and the ‘unVictorian’ enemy

¹⁶⁹ Tom Uren, in his autobiography (Uren, 1994, pp. 173,431) observed of Labor parliamentarians: ‘the sad thing about some of the Irish Catholics ... was the hate that consumed them’, including leaders such as Arthur Calwell and Eddie Ward.

forestalled. Despite the shock of rapid and unforeseen change, the attributes characterising the Victorian paradigm, evident in the nineteenth century, collectively invited and permitted the transformation of the Melbourne City Council between 1992 and 1999.

State centralisation with City Council democratisation, 1982–92

It was during the unprecedented decade of a Victorian Labor government, from 1982–1992, that this institutional paradigm and trajectory was changed in significant and insufficiently acknowledged ways, paving the way for the Kennett era. Changes impacting on the City Council as a democratic institution were made at a state, metropolitan and City Council scale. First, centralisation of power with the executive was enabled through establishment of mega departments, notably those of Premier and Cabinet and Management and Budget. Appointments to senior positions were commonly from outside the public service and on contract, a Senior Executive Service being established and politicisation being a belatedly acknowledged consequence (Harkness, 2011). Media communication was centrally controlled and ministerial advisers appointed to oversee bureaucratic policy consistency with Labor policy, all of which presaged the Kennett era.

Changes to enable closer regulation and access to dividends from statutory corporations were a major departure by the Labor government from the Victorian paradigm. Such microeconomic reform (in advance of other state and Commonwealth Governments) facilitated the privatisation later effected by the Kennett government. A further major departure was the centralisation within the state government of the planning function hitherto exercised by the MMBW, metropolitan bulwark for almost a century. The failed attempt by the Cain government to restructure local government statewide, in 1985–6, based on the 1979 local government review, had repercussions in facilitating the institutional change to local government and to the City Council itself from 1992 (Board of Review into the Role Structure and Administration of Local Government in Victoria, 1979). Opposing such ‘forced amalgamations’ as Opposition leader in the

1980s, Kennett was well placed as premier to pre-empt resistance, the case for restructure being irrefutable and its erstwhile adversary now its advocate (Galligan, 1998, p. 31).

In governance so with urban planning, the Cain government's concept of the singular role of the Melbourne City Council (in keeping with tradition) differed from its empowerment of councils statewide, as reflected in the *Local Government Act 1989* (Galligan, 1998, p. 54). Property development and 'cranes on the skyline' in the central city were a post-industrial priority for which a minimal role was envisaged for the City Council. Having honoured the commitment to restore the elected City Council on a democratic franchise, the state government unexpectedly retained its planning powers – urban planning being central to the dual conflict at the centre of this thesis. Furthermore, once in power, the first Victorian Labor government with the chance of implementing a longstanding policy to establish a Greater Melbourne Council quietly abandoned that position.

The concentration of state government power over planning in the CBD between 1982 and 1992 increased with the establishment of a Major Projects Unit accountable to the Minister for Planning. Its function was to fast-track development, circumventing citizens' statutory third party rights and City Council involvement in matters of 'regional and state significance', ill-defined. The transformational and daunting planning and design for mega development of obsolete industrial land on Southbank and of former docklands was undertaken. Harbinger of the Kennett government's property-based *Agenda 21*, the iconic Melbourne Tennis Centre was constructed in public parkland, despite strong public and City Council protest.¹⁷⁰ Deregistration of the BLF, instigated by the Cain government, was a further major institutional change enabling and presaging the industrial relations reforms of the Kennett regime.

In essence, the Melbourne City Council and its constituents were successively sidelined by a social democratic, interventionist state Labor government, at odds with the federal

¹⁷⁰ A promised land swap in recompense for the loss of parkland never eventuated (Wight, 2010, p.31).

Labor government's commitment to marketism and government withdrawal (Harkness, 2011, p. 2). At the same time, ambiguous and unintended effects of the democratisation of the Council in 1983 contributed to the institutional destabilisation and animosity which ultimately fuelled its disempowerment. For the City Council, in the 1980s, was the democratic culmination of a twenty-year campaign, derailed by its arbitrary dismissal in 1981, chiefly at the behest of the property sector, major donors to the Liberal Party which was facing electoral defeat.

The first Labor Lord Mayors were elected during this decade, including one of the first two women elected to that office (before or since), and the first woman appointed as chief executive by the Council. All were evidence of the traditional nexus between power and property being broken by the institution of a democratic franchise. Revolutionary too, in the break from a property-weighted franchise and related laissez-faire property development, was the appointment of highly skilled urban planning and design staff relative to earlier engineering dominated incumbents and to the politicised state public service counterparts.¹⁷¹ Thus, despite loss of planning powers, the Council was able to influence planning outcomes in the CBD through a dominant vision, relevant expertise amongst councillors and officers, legal challenge and direct and creative negotiation with developers and state government.

Above all, the preparation of the 1985 Melbourne Strategy Plan enabled a strategic focus by councillors and staff on updating and implementing the award-winning 1974 strategy plan. Characteristically, the latter's fate had been sealed by irreconcilable conflict with and within the property sector, paralysing both government and then City Council.¹⁷² A tangible outcome of the 1985 Plan was the Council's drafting 400 legislative amendments to enable commercial and residential revitalisation of the CBD, all but one of which was enacted by the state parliament. This little known legislative reform handed the means for CBD revitalisation, (including hitherto illegal residency), to the Kennett government 'as a gift', according to Huggard (2010, p.35). Cain

¹⁷¹ Adams, 2005; Burke, 2010; Gallagher, 2012; Huggard, 2009b; McInerney, 2009; Wight, 2010.

¹⁷² The Plan was endorsed by then premier, Rupert Hamer, but not given legislative force, merely the negotiable protection of an Interim Development Order.

similarly credited his planning minister, Evan Walker, with the ‘monumental’ consolidation of Crown land leasehold titles on Southbank and docklands, which ‘redefined the city’ (2010, p.12).¹⁷³ These reforms enabled the commercial and residential revitalisation that ensued in the 1990s and with which the Kennett government was credited.

Another institutional attribute which invited the de-democratisation and disempowerment of the Council in the 1990s was its assertiveness in the 1980s. Citizens’ views had gained statutory force, exacerbating and legitimising conflict between the Council and a state government which shared the property lobbies’ resentment, despite the state’s predominant planning powers. Whereas, under Premier Cain, CBD property development was a major economic strategy for employment generation, under his successor in 1991, Joan Kirner, a close working relationship with the property sector was forged. In that year (facing electoral annihilation after economic collapse) her government passed unprecedented planning legislation with Opposition support. It provided a template for the Kennett government’s delegitimisation of the City of Melbourne as a democratic institution.¹⁷⁴ It also provided for the development of a casino (with Opposition support), and of the docklands, by specific authorities quarantined from both City Council and third party rights, as recommended by the infrastructure lobby, the Committee for Melbourne. Ron Walker, Melbourne’s foremost property developer and federal treasurer of the Liberal Party, was appointed chairman of a new Melbourne Events Company and charged with securing relocation of the Formula 1 Grand Prix from Adelaide. These institutional developments pioneered changes later identified with and extended by the Kennett government.

The Kennett era changes, 1992–9: a common-sense revolution?

It is evident that the historic attributes of the Victorian paradigm of government and the 1980s Labor government’s institutional reforms which changed that paradigm, left an

¹⁷³ The City Council’s efforts, litigation and otherwise, to conserve five historic CBD theatres, then under state government demolition orders, enabled the theatre tourism which the Kennett government promoted

¹⁷⁴ *Casino Control Act 1991; Docklands Act 1991.*

ambiguous legacy by 1992. In the previous decade centralisation, politicisation and de-democratisation of central city planning combined, incongruously, with an unprecedented, democratically elected City Council, becoming a major irritant to state government and property sector alike. These institutional changes in the 1980s were under the political radar by the 1990s however. For the combination of an unprecedented global property collapse and calamitous economic mismanagement (symbolised by the humiliating sale of the State Bank of Victoria) resulted in the state's singular loss of its AAA rating and the highest unemployment rate in Australia (Ball, 1994).¹⁷⁵ Economic crisis and public panic delivered an unprecedented electoral victory to the Liberal Party in 1992. The combined circumstances lent themselves to the thorough-going application of changes long sought by the property sector and Liberal Party, reinforced by adherence to free market principles: in Long's terms, 'the apotheosis of the state as development facilitator' (2009a, p. 23).

Kennett's claim to have wrought a revolution and to its apolitical intent is not borne out by evidence from this study. Rather, in 1982, in a 'city-state' historically resistant to reform, the political pressure (driven by a property collapse in the late 1970s) enabled two related institutional aberrations in Victoria: a state Labor government and a democratic City Council. This was a crucial institutional legacy and platform, notably the increased centralisation of government, including urban planning in central Melbourne with the restoration and democratisation of the City Council, albeit without its former planning powers. The dramatic transformation of the Melbourne City Council from 1992–9, from a historical perspective, was in part counter-revolutionary, replacing the short-lived democratic franchise of the 1980s with one designed to restore the traditional dominance of business among voters and councillors by 1996.

In that sense, the Kennett government's institutional changes reverted to the twin trajectory of central government and property-based control. In other respects, major

¹⁷⁵ The Final Report in 1992 of A Royal Commission into The Tricontinental Group of Companies found "that there was no failure on the part of either minister or of the department or its officers to conduct appropriate administration, supervision or monitoring of SBV or Tricontinental ...(and) that Government policy had not caused or contributed to any of the losses incurred by Tricontinental" (K. Davidson, 1992).

but largely unacknowledged urban institutional reforms under a social democratic government in the 1980s were applied to neoliberal ends by its Coalition successors. Urban institutional innovation was chiefly effected during the Labor decade and, as late as 1991, by revolutionary legislation quarantining City Council and citizenry from planning in the CBD. The trajectory of the Kennett government may thus be seen to be evolutionary and the 1980s, insofar as there was a democratic City Council, the abolition of the metropolitan planning authority and assertion of control over statutory authorities, a deviation historically.

By 1999 the Melbourne City Council had been stripped of authority and responsibility, notably in planning. Forced sale of assets, corporatisation and outsourcing of services under the commissioners further diminished the role of councillors vis-à-vis the chief executive officer and state government; the Council was reinstated as an administrative rather than democratic institution. In terms of winners and losers, the historic dual conflict between City Council and state government and between property-based business and citizenry had ostensibly been resolved in favour of business and government, reinforced by the central business district boundary and property-weighted franchise. That the property lobby's 'slick campaign' with high profile candidates in 1996 failed to deliver the expected dominance from a property-weighted franchise, in part reflected, Sherry argued, that the boundary compromise had allowed undue residential representation (2009, p.5). It is therefore ironic, as Dunstan and Young note, that much prosperity in the 1990s derived from conversion of surplus commercial buildings to apartments, enabling the future growth of the residential constituency in the claimed business 'heartland' (2006, p. 54) .

The operation of a coalition between the state government and property sector

In interpreting evidence from historical analysis and protagonist interviews as to how the City Council was transformed, it is clear that an alliance had formed between state government and central city business lobbies and neoliberal think-tanks. This emerged in nascent form under the Labor premier Joan Kirner in 1991–2. A post-industrial focus on property development from the mid-1970s fostered such common cause, mounting political and economic crisis driving the unprecedented institutional arrangements sought by ‘place entrepreneurs’ from 1980.¹⁷⁶ During the Kennett era, the institutional attributes of this alliance conform closely to those identified as a growth machine in the United States in the 1980s (Logan & Molotch, 2007). Such an urban coalition is seen to ensure government decisions on matters, such as population growth, infrastructure provision, zoning and regulation, deliver increased property ‘exchange value’ rather than being conducive to ‘use value’ or liveability. Further, rather than the stereotypical conflict of ‘business’ versus ‘residents’, the authors argue that a specific sub-set of business, namely ‘place entrepreneurs’, form this coalition with government – the city as growth machine.¹⁷⁷ To ‘place entrepreneurs’, unlike business in general, the city *is* their business.

Evidence for the operation of such a coalition is to be seen in the electoral, structural and industrial changes made to the Melbourne City Council by the Kennett government.¹⁷⁸ They were those sought by business interests in 1980 and, losing that opportunity, secured in 1993. The transformation complied with the written proposals of the main property lobbies, notably in the City’s boundary and property-weighted franchise. To John Hull, former president of the Building Owners and Managers Association (BOMA), the removal of an elected City Council to enable its reform was ‘monstrously successful’ and to Graeme Sherry, former president of the Melbourne

¹⁷⁶ The Casino and Docklands legislation in 1991 epitomise the institutional precedent applied by the Kennett government.

¹⁷⁷ Refer to Logan and Molotch (2007) in Chapter 2, Literature Review.

¹⁷⁸ Refer to Chapter 4, Changes to the Melbourne City Council, 1992–9.

City Chamber of Commerce (MCCC), it was ‘overnight success’ (2010, p.43; 2009, p.15).

No government position paper justified a CBD-based business Council. Nor did the government seek to refute the argument for an enlarged Melbourne City Council, consistent with statewide amalgamations effected, and as advocated by the City Council in its pre-election White Paper.¹⁷⁹ Before the 1992 election then shadow planning minister, Mark Birrell, spoke at a BOMA meeting of ‘the City Council structure not working’, promising ‘significant reforms’ to deliver ‘a pro-growth strategy’(Birrell, 1991). Logical argument was not required since the case for reform was self-evident (common-sense) to both parties to the alliance, government and business. Hull captured the essence of the institutional rationale, explaining that: ‘Kennett was focused on the CBD first and the needs of the residents second, and if you’ve got a healthy CBD, then you’ve got happy residents’ (2010, p. 42). Hunt also regarded that as Kennett’s rationale and ideology, with a partly ‘misplaced belief’ that compulsory competitive tendering and privatisation were a ‘cure-all [and] the closeness of local government to its citizens was something that didn’t seem to register in his mind’ (2009, p.3).

The premier himself spoke frequently along lines consistent with such a partnership with business. Mid-term, he likened himself to the CEO of Victoria’s largest corporation and, in a speech to Liberal Party supporters, declared ‘centralist big government ... unable to deliver the best result’ (1995, pp. 5,6). His aim was therefore to ‘work closely together as a pro-business government, and work face to face with business to identify ways to help us beat our competitors in the market’. Naming this his ‘common-sense revolution’ he criticised ‘governments that do not govern and leaders who are influenced more by consensus than leadership ... Negative influences

¹⁷⁹ The MCC White Paper stated that the Melbourne City Council did not believe, ‘in its current form, that it can adequately fulfil the role of local government for Central Melbourne. Perhaps even more importantly, it is clear that the current fragmentation of local government jurisdictions, when combined with the multiplicity of State Government functional agencies at work in the inner urban area, is not in the best interests of the City and broader community. Reform at one or other or both levels is justified (City of Melbourne, 1992a). Many of the problems are well known; indeed they have been discussed to the point at which analysis has led to seeming paralysis’ (City of Melbourne, 1992b, p. 3).

(are) all too common and pervasive in our society. They come from people who trade in misery' (1995, pp.7,8). Common-sense was thus represented as the preserve of the new coalition of government and business and it followed that dissent, however 'common', was illegitimate.

Kennett's leadership style was well suited to secure the transformation of the City Council in this turbulent period, and in the guise of a crisis, despite the longstanding agenda. Unlike his vulnerability as leader of the Opposition, as premier, he was unchallenged as leader, given severe implications, such as loss of pre-selection. This quality of leadership, together with his business networks, including commercial media, was essential to the successful execution of radical reform. In this he was strongly supported by more intellectually able ministers, notably the treasurer, Alan Stockdale and planning minister Rob Maclellan (Hunt, 2009, p. 3).

As the primary agent of change he practised what he preached; his pro-growth, pro-business ethos was reflected in an authoritarian yet 'larrikin', populist style of leadership, with confident and strategic disregard for democratic conventions and institutions (Economou, 2006; Hunt, 2009, 2010; Davie, 1995). Hence, contrary to Westminster principles of accountability, he met regularly with heads of departments in the absence of their ministers. Similarly, before the 1999 election, he publicly instructed ministers not to speak to the media (Mitchell & Tenenbaum, 1999). Nor was Cabinet dissent tolerated, as Hunt made clear in interview, while Hull, closely involved in the changes made to the Melbourne City Council, observed that Cabinet's role was inconsequential (2010, p. 56; Hunt, 2009,2010).¹⁸⁰ The Council's changes were thus enabled by the lengths to which the premier was willing and able to circumvent democratic conventions and institutions, including ministerial accountability, in the cause of a free market and, paradoxically, centralist control.

¹⁸⁰ Alan Hunt resigned from the shadow cabinet when Kennett publicly contradicted Party policy. Faced with a vote of no-confidence moved by Hunt, he cast his own vote in the Party room to break the tied result. Hunt then lost pre-selection when central Liberal Party representation on the panel was increased, and Cabinet was instructed not to issue him with consultancies after the Coalition won the 1992 election, Hunt retiring the previous day. He also observed, in interview, that Minister Hallam had serious disagreement with the premier (Hunt, 2009, p. 16).

The so-called Rumour Tank, made up of businessmen, was Kennett's regular sounding board – a business cabinet in effect.¹⁸¹ Prominent businessmen were also appointed to boards such as of the Docklands Authority, and to policy reviews. Les Perrott, for example, a leading developer, architect and advocate of deregulation, was appointed to chair a review of building and planning (Buxton et al. 2003). Senior public servants, Elizabeth Proust, City Council CEO, and Yehudi Blacher, Head of the Office of Local Government, were credited by most senior proponents interviewed as being largely responsible for implementing the institutional changes impacting on the City Council (Burke, 2010; Hallam, 2010; Commissioner, 2010a). The municipal union secretary also described Blacher as 'the architect' of the industrial relations changes (Parkinson, 2009). The partisan enlistment of the senior City Council and state government bureaucrats respectively, made them essential cogs in the inner Melbourne growth machine.

According to Sherry, the typically fragmented central business lobbies were exceptionally well co-ordinated as to required Council reform, advantageous to them and to the Minister for Local Government at this crucial time (2009, p. 41). He named the membership of the joint committee formed under the auspice of the MCCC, acknowledging its predominantly property-related composition, consistent with Logan and Molotch's identification of the dominant property sub-set of CBD business in the growth machine (Sherry, 2009, pp. 6,25).¹⁸² Both Hull and Sherry, then leading the two main lobbies, (BOMA and MCCC respectively), stressed the influence wielded by the lobbies (2010; 2009, p. 34). Indeed, the principal lobbies' publications at the time boasted of 'special ministerial meetings' and success in reforming the governance of the City Council as well as in the government's adoption of their proposed planning

¹⁸¹ According to Dave Holmes, Green Left, September 28, 1994, members included: Andrew Peacock (former federal Leader of the Liberal Party), Ron Walker (federal Treasurer of Liberal Party), David Jones (Tattersalls), Hugh Morgan, (Western Mining), Laurie Kerr (International Public Relations and founder of Rumour Tank), Ranald McDonald (former Chairman, Fairfax), Sir James Gobbo (former Supreme Court Judge and Victorian Governor) and John Winneke, QC.

¹⁸² Its membership included the Victorian divisions of the Australian Retail Traders' Association, the Property Council, the Real Estate Institute, the Tourism Council of Australia, the Housing Industry Association, the Master Builders Association, the Victorian Automobile Chamber of Commerce and the Royal Automobile Club of Victoria (Sherry, 2009, pp. 6,25).

policy.¹⁸³ Importantly, Sherry explained that countervailing lobbying in favour of an inner regional City Council led to unfortunate compromise, in his view, in that some residential areas were retained, threatening the commercial focus of the new council and perpetuating the old conflicts (2009, pp. 40,41).

The hallmarks are clear of a coalition between property-related CBD business and the state government, together redefining city governance with a view to deregulated planning and maximum property exchange values.¹⁸⁴ As Huggard, Long, McInerney and others argued, the primary purpose of the redesign of the Melbourne City Council was the ‘protection of the development process’, at the heart of the dual conflict – in McInerney’s words, ‘the right to give approvals in the city’ (Long, 2009b, p. 14; McInerney, p. 5). While there was a stated commitment by government to being ‘pro-growth’ (as though its predecessor were not), the corollary of loss of civil rights was unstated and the prospect of such loss dismissed as Labor scaremongering on the eve of the 1992 election.

Sherry provided valuable insight into the operation of the business/government coalition when MCCC sub-committee members were organising to retain the benefit of City Council changes favouring business, on the return of an elected Council in 1996. Then Minister for Planning and Local Government, Rob Maclellan, reportedly shared their concern. As Sherry paraphrased him, he agreed to return planning powers to the City Council if the MCCC campaign could deliver the ‘right people’ as candidates: ‘you tell me who they are, because we’re not going to relinquish those powers back to a group of unknowns’ (2009, p. 7). Their shared commitment to business control and to City Council and citizen disempowerment was clear.

¹⁸³ BOMA’s 1993 Annual Report listed among its ‘key achievements’ the ‘imminent reform of Melbourne City Council’ involving ‘special Ministerial meetings to consider options for action’. Again, its ‘planning policy (was) generally endorsed by the Minister for Planning’ (BOMA (Victoria), 1993). Likewise the MCCC, in its strategy document, *Visions for Melbourne*, welcomed ‘the resounding support for the casino on Southbank ... construction of the Western Bypass ... Domain Tunnel ... and City Square Regent solution’ (Melbourne City Chamber of Commerce, 1993).

¹⁸⁴ Sherry (2009) made it clear that despite efforts to enlist ‘big business’, such companies were largely removed from city government issues and had the resources and clout to approach state ministers directly.

Equally revealing of the working of the 'growth machine' was Sherry's explanation of his dual role in relation to the Council's institutional changes. First, as chairman of the MCCC he was in close liaison over the City Council in a commercial capacity. Second, 'in my professional capacity as a managing partner of Baker & McKenzie, we had a lawyer on secondment to Roger Hallam's department when he was going through the local government reform machinations, so we were quite actively involved in that process' (Sherry, 2009, p. 1). Government and property-related lobbies worked as one in devising and implementing the delegitimisation of the Melbourne City Council.

Another dimension of the close collaboration was conveyed by Des Moore, former deputy-secretary of the Commonwealth Treasury and leading analyst with the Institute of Public Affairs (IPA). He described the key role the neoliberal think-tank played, working with Michael Porter, director of Monash University's Centre for Policy Studies and of the Tasman Institute, with which Treasurer Stockdale was associated. Focused on municipal and industrial relations efficiencies and debt reduction in order to address Victoria's 'disastrous situation', they enlisted 'seven or eight' peak Melbourne business lobbies in *Project Victoria*, together funding the project. This initiative commenced towards the end of the Labor term and was a precedent, Moore believed, for such co-operation between lobbies (Moore, 2010, p.3).

Significantly, in terms of lobbying influence and networks, Moore referred to his frequent liaison with Moody's rating agency, 'educating' them as to the level of government debt prior to the 'historic' loss of Victoria's AAA rating (Moore, 2010, p. 20). Indicative of the IPA's corporate, media and political clout, Rupert Murdoch was a member of the IPA board from 1988–2001 and a generous donor, as he had been to the election campaigns of the pioneering neoliberal governments of Prime Minister Thatcher in Britain and President Reagan in USA (McKnight, 2012). News Ltd media were highly supportive of the Kennett reforms, central to the powerful coalition of business and government which facilitated the institutional transformation of the public sector, of which the City Council was of prime interest.

Further evidence of the close collaboration over city governance, between government and business, amongst lobbies and with neoliberal think-tanks, was in frequent allegations of the conflict of interest of protagonists – Jeff Kennett, Elizabeth Proust, Ron Walker and others. Much of it related to the administration of tenders and the development process for Crown Casino and Docklands, conflicts catalogued in the Mayne Report and unchallenged at law (Mayne, 2009, 2011). So visible was the influence of a coterie of businessmen that the *Herald Sun*, generally supportive of the Coalition government, published a series of articles on ‘Victoria Ltd’ in April, 1994, examining ‘the key links between Government, private business, the bureaucracy and beyond’ (Holmes, 1994).

Specifically, *The Sunday Age* editorialised in February 1995, reflecting widespread concern as to the propriety of Proust’s appointment by Kennett to chair the Metropolitan Hospitals Planning Board, while being City Council CEO and an appointee to the board of Mayne Nickless Ltd, a potential beneficiary of health planning decisions, including privatisation (“Ms Proust and the Public Interest,” 1995).¹⁸⁵ The editorial went on to observe that the Kennett government had been ‘dogged by conflict of interest controversies ... not so long ago it would have been unthinkable for a career public servant to hold commercial directorships. Kennett and Proust were described, respectively, as ‘unrepentant’ and ‘defiant’, the outcry ending when Proust was appointed secretary to the Department of the Premier and Cabinet in April, 1995. *Business Review Weekly* later described her as having ‘a fearsome reputation as the archetypal head-cutter’ (“The Firing Squad,” 1998). Such evidence undermines the claim to ‘common-sense’ rather than the pursuit of free-market, ideologically-based change to Melbourne City Council governance.

Another aspect of the enabling, symbiotic, institutional relationship between property-related business and government lay in the disempowerment of future City councillors, constituents and staff through ‘enterprising’ Council services. One well-connected

¹⁸⁵ High profile criticism of these examples of conflict of interest were expressed by the federal Labor Minister for Health, Carmen Lawrence, the Australian Medical Association, Australian Nursing Federation, academic and corporate lawyers and ethicists.

company, Spotless Ltd, successfully tendered for virtually all outdoor services (Sherry, 2009, p. 31).¹⁸⁶ While the tender process was subject to commercial-in-confidence, Parkinson, as union negotiator, detailed a case of post hoc variation of terms which benefitted a major business, and against which there was no right of appeal.¹⁸⁷ Other interviewees were unwilling to provide specific details of irregularities, or deleted them from their transcripts, one reporting that the CEO of a bank had been approached for a Liberal Party donation on the basis of consideration as privatisation proceeded. A senior Liberal Party politician and early supporter of Kennett, required anonymity in expressing the view to the author on January 24, 2010, that ‘he is absolutely without scruple when it comes to furthering his views or interests’.

Although Kennett claimed frequently to ‘ensure probity was of the highest order’, the media critique by award winning journalists, documentation of breaches in government tenders and his forced closure of his advertising company over alleged pecuniary benefit casts doubt on that (“The Growing Stink of Vic Inc,” 1994; Mayne, 2009; Skelton, 1994a). Indeed, there was a double standard in his application of Section 55 of the Victorian constitution as leader of the Opposition and as premier, a decade later, namely the requirement to resign from the parliament if found to have received pecuniary benefit (“The Growing Stink of Vic Inc,” 1994; Skelton, 1994b). It is as though Kennett’s ideological crusade obscured his judgement of probity where the boundaries between business and government were necessarily blurred.

The removal of the right of appeal to the Supreme Court by repeated amendment to the Victorian constitution and, by 1997, the attempt to contract out the function of the independent Auditor-General, reflected the extent to which the premier sought to circumvent institutional pillars of Westminster democracy, including the separation of

¹⁸⁶ Peter McMullin, son of the founder of Spotless Ltd, became Labor Deputy Lord Mayor in 1996-9 and Deputy President/ of VECCI from 2003–2010. Elizabeth Proust later became a member of Spotless Board.

¹⁸⁷ Parkinson detailed the breach of the CCT tendering code, regulations and contract specification whereby, following the tender for street cleaning of the whole City (Melbourne City employees making an internal bid), the job was split post hoc, with Berkeley Challenge, a subsidiary of P&O contracting to clean half the city, for ‘benchmarking purposes’. In a climate of mass employee exodus through privatisation he attributed the decision to: ‘Kennett’s view of the world that contractors had a place in the sun in local government ... We had a four week strike because our members were so peeved ... But, who was going to challenge it? ... Collusion and corruption in the commercial world is rife. It’s illegal to collude, we know that, but ‘It’s only a rort if you’re not in it’ (Parkinson, 2009, p. 28).

judiciary and legislature. Ironically, as Sherry observed, the disempowerment of the City Council and the business-weighted franchise undermined what little general (rather than property-related) business interest remained in it. The resulting ‘lethargy about what the Council’s all about’ had further diminished business inclination to nominate, enrol or vote (Sherry, 2009, p. 7).

In short, the attributes of the Victorian paradigm of government provided an institutional framework disposed to the delegitimisation of the City Council in the 1990s in the interests of the state government and property sector. That evolutionary trajectory was interrupted in the previous Labor term however, institutional changes made in the name of social democracy and fast-tracked property development being readily applied by the Coalition to neoliberal ends. The Labor legacy in the central city was thus ambiguous in its series of major, centralising institutional reforms at state, metropolitan and City Council levels, excluding City Council and citizens. Statutory bodies, a distinctive feature of the paradigm, were reduced in power and, in the case of metropolitan planning, abolished. An unintended effect of the Labor era was the political, chiefly planning impact of the first and only democratically elected Melbourne City Council, despite substantial retention by the state government of its former planning powers. At the same time, Labor’s unprecedented legislation for the casino and docklands development excluded the City Council, the citizenry and the media, an institutional blueprint applied by the Coalition.

The metropolitan problem: dealing with the imbroglio

The coalition between predominantly property-related lobbies and state government was the hybrid institutional vehicle through which the Melbourne City Council and citizenry were delegitimised in city government by 1999. The shared, single-minded focus on a diminished CBD-based Council ensured that the underlying institutional problem of metropolitan governance, of which the historic dual conflict was a symptom, was avoided. This was not by oversight nor by convincing argument, but by virtue of the parliamentary opportunity lost in 1982 and regained in 1992. It is a fine example of the exercise of power in the official exclusion of institutional possibilities

and of shifts in power (Bachrach & Baratz, 1962). Despite the unprecedented sacking of all councils and related opportunity to determine optimal arrangements, metropolitan governance was excluded from the government's agenda. Further, given the electoral landslide in 1992, the City Council as a democratic entity could be abolished in all but name, its planning powers 'wrenched' from it when it refused to 'fall on its sword' (Sherry, 2009, p. 12).

John Halligan, uniquely involved for thirty years in Australian city government as a political scientist observed, after the Coalition's election in 1992 and before the Melbourne City Council's dismissal:

This appears to be a critical turning point in Melbourne City's history ... The state government intends to resolve the Melbourne City Council imbroglio and there is need for a bold response. This current era provides fresh opportunities for an imaginative solution. To falter is to perpetuate Melbourne's problems. To fail to acknowledge the need for legitimacy is to seek short-term advantage over longer term viability (1992, p. 12).

Short-term, partisan advantage triumphed a year later. To central city property interests and the state government, boldness and legitimacy translated into further centralisation of power with the state government, and with business and growth the legitimate focus of Council. As Hull observed, 'The average Joe has no understanding of the importance of the city' (2010, p. 38).

While there was consensus as to the 'imbroglio' based on interviewees and contemporary media coverage, there was wide divergence as to its causes and solutions and in according blame (Davidson, 1992; *The Age* editor, 1993). The alternative framing of the problem of dysfunctional city government holds a key to determining the nexus between political and institutional attributes in enabling the transformation of the City Council. For to the proponents of a disempowered, CBD Council, the problem lay in a Council inappropriately representing other than commercial interests, diverting rate revenue from legitimate purposes, increasing the costs of doing business and thwarting state government authority in enabling property development without hindrance from Council and citizenry. It is clear that much of the Cabinet, including the premier, and many prominent business associates favoured permanent replacement of an elected City

Council, an option the premier ‘canvassed at a business meeting of 300’, before telephoning minister Hallam, in expectation of media reaction (Hallam, 2010, p.22; Sherry, 2009, p. 15). It is also clear from interviews and from the former Labor government’s institutional changes, that sidelining the City Council from planning was a bipartisan goal, although the ‘bull-dozing’ method of the Kennett government was not (Cain, 2010, p. 3; Department Secretary, 2010, p. 13; Hallam, 2010; McInerney, 2009).

The government’s unstated choice from 1992 was to remove or reform the Melbourne City Council, the reform options including, in theory, a metropolitan council. In practice, irrespective of potential benefits to urban governance, the obvious threat to the state government precluded its consideration. This was consistent with the reasons for the historic failure of the Greater Melbourne movement. By contrast, several significant organisations, with which inner Melbourne councils were involved, advocated amalgamation of six to ten inner city councils, to establish a more effective and legitimate Melbourne City Council.¹⁸⁸ Like the 1979 local government review, the Melbourne City Council’s 1992 White Paper (including a draft amendment to the 1989 Local Government Act) made a case for broader institutional and geo-political analysis of the cause of the failure of central Melbourne’s governance: the inadequacy of the Melbourne City Council in its fragmented municipal context and of a ‘multiplicity of State Government agencies’ such that ‘reform at one or other or both levels is justified’ (City of Melbourne, 1992b, p. 3). Despite a strong case, the City Council lacked the elected leadership to take it to its constituents and the media, while the Chief Executive was silenced during her shift to state accountability in 1993 (Watson, 2009).

Writing in *The Age* in July 1994, ousted inner city mayor, the Reverend Tim Costello, was not so constrained and the link between ideological perspective and institutional strategy is clear: ‘This is a dramatic and unprecedented shift in the balance of power relationship between the people and their government’ (Costello, 1994b). Challenging

¹⁸⁸ The 1979 Local Government Board of Review recommended a Melbourne metropolitan body be reviewed separately (Board of Review into the Role Structure and Administration of Local Government in Victoria, 1979). Several organisations recommended amalgamation of inner city councils Committee for Governmental Reform in Central Melbourne, 1993, and (Inner Metropolitan Regional Association Inc, 1994). Although the 1985/6 Local Government Commission’s task was discontinued and no recommendation formulated, the Chief Commissioner, Stuart Morris, favoured an amalgamation of six councils (Stuart Morris, 2014).

the government on its ostensible rationale of economic efficiency, (rather than marginalisation in urban planning), he questioned why ‘the big reforms are not on the agenda’. Predicting ‘screams of violation’ if the federal government treated the state similarly, he posed the constitutional question:

Why are state rights inviolable but local government rights dispensable? ... Surely if the Kennett Government were serious about reform it would have the courage to deal with the real issue: the wasteful overlapping of responsibility between the three tiers of government ... I believe a real reform agenda would also face the community's perception of being over-governed. Then a move to much larger councils might be justified by a corresponding diminution of state expenditure through shifting some state responsibilities ... to regional councils (Costello, 1994a).

It is precisely this argument that recurred in case study interviews, including the three main representatives of business. The City commissioner indicated that experience had provided a new appreciation of the importance of a democratic Melbourne City Council, especially to small business. He/she also stated that the effect of advocacy to the premier of an amalgamated inner city council had no effect, but was like pouring ‘a hot kettle of water into cottonwool’ (Commissioner, 2009b, p. 11). Hallam, as minister for local government, also referred to having ‘lost the battle ... a golden opportunity’ for linking municipal, water management and land-use reform by defining catchment-based boundaries for new regional councils, bitterly opposed not only by the premier but within Cabinet (Hallam, 2010, pp. 12,13). Such strategic institutional reform was accomplished in New Zealand a decade earlier, through rare collaboration between a neoliberal government and environmental lobbies. Ironically, a proposal for catchment-based grouping of councils (including the inner city) was enthusiastically received by councils at the 1993 General Assembly of the MAV, shortly before they were dismissed.¹⁸⁹ In the absence of a forum for evaluating governance options these institutional initiatives were in ignorance of each other and the opportunity for intergovernmental and long-term reform of city government lost.

Implicit in Costello’s article is the crucial importance of the constitutional absence of the Commonwealth Government from city government and the concentration of power with the state government. Further, that Victorian constitutional amendment could be

¹⁸⁹ The author presented a paper on regional associations of councils to the 1993 General Assembly of the MAV, at which councils volunteered to take part in a pilot voluntary implementation of catchment-based regional groupings.

achieved by the vote of both houses of parliament, rendered citizens' constitutional guarantees unenforceable. These two complementary constitutional attributes, dating from 1901, were fundamental in enabling the transformation of the Melbourne City Council. To Hunt, one of Victoria's most respected local government and planning ministers, such wholesale restructure had never been anticipated or guarded against (2009, p. 17).

Given the opportunity for sustained discussion in interview, it was clear that although Hull and Sherry had facilitated the City Council and citizens' disempowerment, both readily acknowledged over-government and that if one level should be removed, it was the state government (Hull, 2010, p.32; Sherry, 2009, p.36). To all interviewees, it was explicitly the *realpolitik* of state government constitutional power that the states could not be abolished or develop an institutional threat: 'and that's why the state government here would never embrace the concept of a larger Melbourne Council because it would be so powerful economically as to rival the state government itself' (Sherry, 2009, p.36). The current parliamentary dominance, assumed 'mandate' and the premier's singular control of cabinet and of reform of the City Council, further enabled the institutional course taken. It was a clear example of power defining rationality and of 'might as right' (Flyvbjerg, 1998c). Both Hull and Sherry favoured access to comparative analysis of urban institutional arrangements internationally.

Despite the lack of national constitutional recognition in Australia, both the historical institutional analysis and certain interviews indicate the important indirect role of the Commonwealth in the evolution of the City Council. Since unilaterally assuming income taxation powers in 1942 Commonwealth Governments, Labor in particular, exerted influence relevant to urban governance. A notable example was in requiring an ill-disposed Victorian Country Party government to institute town plans as a condition of receipt of housing funds, in 1944. Again, the interlude of a Commonwealth Labor government in 1972–5 witnessed an unprecedented, arguably revolutionary focus on cities, partnering with local government and overcoming Liberal state governments' High Court challenge.

Indicative of potential for a greater Commonwealth role in city government, two Labor initiated referenda in 1974 and 1988 sought constitutional amendment to enable recognition of local government, successfully opposed by the conservative parties, federal and state. The conservative case nationally recalls that of rural property, characteristic of the Victorian Legislative Council, fearful of the potentially socialist aggregation of a Greater Melbourne Council. Hence, before the third referendum in 1988, then federal Leader of the Opposition, John Howard, conjured the spectre of federal Labor's 'real agenda' to circumvent the states: 'The Australian government could close down all local councils in the metropolitan area and assume sole control for local planning laws and development', he warned (Reith, 1988, p. 12). Ironically, this scenario came to pass in Victoria under a Coalition government five years later, in the absence of national or state constitutional protection. Like Logan and Molotch, Steytler, in reviewing local government in twelve federal systems, concludes that constitutional recognition of local government nationally acts as 'some brake on state power' (2007, p. 410).

John McInerney made the point that, historically, 'state governments have ... seen local government as a nuisance, and in some ways the federal government has been a better friend' (2009, p. 4). The historical institutional analysis (Chapters 5–7) has enabled the complexity of these layers of intergovernmental relationships affecting the Melbourne City Council to be identified. Though the dual conflict culminating in the sidelining of the City Council and the citizenry from 1992–9 was ostensibly between the Council and successive colonial/state governments, institutionally it was of broader origin. It was the senior Victorian public servant (unnamed) who best conveyed the cumulative influence of strained federal/state institutional relations in inviting the Council's climactic transformation during 1992–9. Acknowledging the inevitability of 'tensions in terms of jurisdictions and responsibilities' he stressed the origin of a 'national government created by states ceding power. Our states are very powerful constitutionally' (Department Secretary, 2010, p. 10). He interpreted a cumulative encroachment by the Commonwealth, a sense of 'losing out ... 100 years down the track':

We're talking about contemporary interpretations of constitutions ... for a whole range of reasons we've had fundamental changes to the balance of

responsibilities ... There's a role for the national government. What we've also seen though from the 80s into the 90s ... is the Commonwealth not only trying to clarify national and state responsibilities in an appropriate way, but also going past the states directly into local government, and past even local government to civic institutions ... So all that creates a very fluid, ill-defined and in some ways ... very unproductive federation at the moment ... So where does local government fit into all this? Well, quite uneasily. And the capital city is another complication, in part because we've also got the national government taking an interest (Department Secretary, 2010, p. 10).

John McInerney was more practical in his analysis of rationality and power. He referred to competition for kudos and opportunity for patronage by state governments resentful of capital city councils, explaining a federal/state dynamic with implications for capital city government:

As the federal government takes powers off the states, the only way in which state governments can retain something is to take it off the local councils. It's a game, you know, and it's all about power and money. Well, it's all about money, because power is money and influence (2009, p. 11).

Thus a pincer movement can be detected, whereby an expansionist Commonwealth Government and an ascendant City Council in the 1980s threatened the Victorian Government territory and *raison d'être*. The interaction of federal, state and City Council is evident in the dysfunction of Melbourne's capital city government. While the Commonwealth encroachment on the Victorian Government could not easily be resisted, by virtue of the fiscal imbalance, by 1993 the City Council had effectively been eliminated from the dual conflict. According to the unnamed senior public servant, the City Council was, by its very nature, incapable of 'branding' the capital city internationally as required in a post-industrial era. Further, he argued, there was confusion 'from the outside' as to the respective roles of the Lord Mayor and Premier and of the Melbourne City Council and state government, especially as the state government was located in the same, primate city. Just as he deemed the citizenry properly concerned with suburban matters rather than participating in capital city government, so the prospect of a metropolitan scale, 'bureaucratic fiefdom' threatened the concept of 'representative democracy', as in the state government (Department Secretary, 2010, p. 19).

In terms of intergovernmental conflict, a paradox emerges in the historical institutional analysis from 1842–1992: despite its limited authority and scale the Melbourne City Council appears chiefly responsible for the three most significant metropolitan institutional achievements. That is, as an agent of the colonial, later state government, it responded strategically and collaboratively to the urban institutional imbroglio in all three eras before its disempowerment. In the colonial era, in 1891 it was the establishment and chairmanship (for fourteen years) of the Melbourne and Metropolitan Board of Works (MMBW), inspired by its London equivalent. Initiating a series of municipal conferences, the Council, led by the Town Clerk, Edmund Fitzgibbon, negotiated with fellow councils and the state government that a metropolitan statutory board representing all councils be established. It had responsibility initially for water and sewerage (then the foremost urban challenge) and was accountable to the parliament. In the second era, it was the establishment of the Melbourne Town Planning Commission chaired by town planning pioneer and alderman (former Lord Mayor), Frank Stapley, in 1922. Again the Council enlisted metropolitan councils and state agencies in addressing the major urban challenge, namely leap-frog speculative development and lack of transport co-ordination. Australia's first and much lauded town plan was produced in 1929 (Freestone, 2010; Wright, 2001). This metropolitan institutional reform was made possible by grudging legislative provision for a fixed term and without funding (Kemsley, 1981). Not implemented on its completion, its contribution was nevertheless acknowledged in the first MMBW Plan in 1954.

In the third era, the institutional achievement was in two parts. At the instigation of the Royal Australian Institute of Architects, with the support of Liberal premier, Rupert Hamer, the Melbourne City Council was required to commission a plan, submitted in 1974 as the Melbourne Strategy Plan. Like the 1929 Plan it was widely praised. Led by prominent Melbourne architect, Peter McIntyre, and well-funded, the process was highly innovative in its multidisciplinary expertise, extensive public consultation and strategic location of the central city within the metropolis. Like the 1929 Plan it was not immediately implemented. It was the democratic City Council, from 1983–1992, which retrieved and updated the plan as the 1985 Melbourne Strategy Plan Review. Under the leadership of engineer, town planner and Lord Mayor, Trevor Huggard, the strategies were distilled by a Strategy Plan Task Force into action plans from which 400 draft

legislative amendments were submitted and (bar one) passed by the state parliament. It was this institutional research, with broad-based political and intergovernmental engagement, which enabled the revitalisation of the inner city evident in the 1990s and attributed to the Kennett government, including converting a commercial office glut to profitable residential use.

In the absence of state government leadership and a lamentable record of non-implementation in urban planning, all three institutional reforms reflect the influence of visionary, skilled and experienced City Council leadership on three vital occasions. They may also reflect the greater potential for enlisting area-based, co-operative response to metropolitan issues from the ground up. Significantly, all three suggest that the reluctance of colonial/state governments to tackle metropolitan institutional reform is intimately bound up with the dual threat posed by a metropolitan entity: on the one hand, to the power of property and on the other, to the power of the state government.

Conclusion

By 1992, the historical institutional analysis shows a gradual process of delegitimisation of the Melbourne City Council from 1851, with the establishment of a Victorian Parliament. Five institutional attributes of a distinctive Victorian paradigm of government, in place by 1901, are seen to have facilitated the changes made to the Council from 1992–9. The attributes of the Commonwealth and state government constitutions, were of fundamental importance. For the Commonwealth constitution of 1901 maintained the states' exclusive authority over local government while the Victorian constitution, as an act of parliament from 1851, enabled amendment by a government with control of both houses as with the Kennett government. The Victorian constitutional guarantee of an elected City Council, in the absence of proven malpractice, was thus unenforceable and civil rights tacitly traded off in the name of the market, empowering the property sector and the state government.

This gradual historic process of delegitimisation to 1992 was ambiguously broken during the unprecedented decade of a Victorian Labor government and a democratically

elected City Council. The ambiguity lay in such democratisation having unintended but significant Council and citizen impact in urban planning, at odds with the government's major centralising institutional reforms at state, metropolitan and City Council levels, including retention of its former planning powers. Together the institutional changes marginalised and, to a large extent, eliminated City Council and citizen involvement in urban planning. Revolutionary changes made in the name of social democracy in the 1980s were readily applied, after 1992, in the name of the market. It can be seen that the Kennett government was counter-revolutionary in dismantling the democratisation of its predecessors. In general, however, it can be seen to have been evolutionary in resuming the institutional trajectory of a CBD City Council dominated by property and by central government, the two inter-linked.

The analysis of the interviews of protagonists throws light on the institutional means by which the central city property lobbies worked with the state government to redefine the City Council from 1992. It can be seen that that collaboration resembled a growth machine, as theorised by Logan and Molotch (2007). The City Council outcomes achieved were those advocated by the chief property lobbies which, accordingly, claimed credit for them. The networks between 'think-tanks' such as the IPA (whose Board included Rupert Murdoch), the media and central city business were close. Whereas premier Kennett demonstrated repeated disregard for democratic institutions and conventions impeding his reforms, he valued the advice of property interests which were well coordinated and essentially of one view. He described the 'pro-business' regime he implemented as a common-sense revolution (Kennett, 1995). With hindsight, it was neither common-sense nor revolutionary, the historic support of privatisation by Victorian Governments being reinvigorated by the transcendence of neoliberalism and the British and North American experience a decade earlier.

In identifying the evolutionary trajectory of the Melbourne City Council, the question arises of its inevitability – that its historic institutional and political attributes ensured the outcome in the 1990s. Mahoney and Thelen argue that such institutional 'lock-in' is rare. Flyvbjerg similarly argues that institutional arrangements constructed by human effort can be modified by further effort and, further, that democratic constitutions

(without political organisation) are no guarantee of democratic practice. In fact, the historical institutional analysis reveals many points at which institutional outcomes could have been quite different for the Melbourne City Council. As Dunstan suggests, it may have developed greater authority and democratic representation, akin to British provincial city councils, had the colony's separation followed rather than coincided with the gold rushes. A more democratic Legislative Council may also have resulted from such a time frame.

Clearly there were pivotal points at which the historic Greater Melbourne movement foundered and the future form of the Melbourne City Council determined. These included the loss of an enabling Bill by one vote in the Legislative Council in 1950, Dunstan arguing that a Greater Melbourne Council may well have materialised then had Labor been prepared to compromise by allowing a federal system of metropolitan councils rather than unification (1998, p. 26). In 1954 Labor Premier John Cain (senior) committed to the introduction of the GMC in the expectation of gaining control of both houses within two years, an expectation forfeit for a generation with the split in the Labor Party. In 1982, the next Labor government, led by John Cain (junior), jettisoned its historic policy which, given metropolitan expansion, threatened its newly gained power and indeed the conservative Legislative Council. It also disposed of the powerful, council-based, metropolitan planning authority, the MMBW, in which the Melbourne City Council was disproportionately influential by virtue of its rate base. That recurrent institutional choice of Melbourne City Council as a CBD Council or as a version of a Greater Melbourne Council remained in 1992. With all councils suspended and boundaries to be redrawn the achievement of that amalgamation was readily achievable and indeed advocated by the eight inner Melbourne councils.

In an economic, political and ideological climate conducive to market-led transformation of the Melbourne City Council, it is clear that distinctive political and institutional attributes combined to enable its radical reinvention from 1992–9. Gradual institutional change over 150 years culminated in a transformation borne of a historic dual conflict. Gradually, partly through links with institutions such as churches, universities and peak non-government organisations, community-based institutional

vehicles were developed through which to exert political power, contributing to the Kennett government's demise in 1999. The City Council had avoided abolition but undergone radical reform, such that the winners and losers, in Flyvbjerg's terms, were plain to see.

CHAPTER 11: CONCLUSION – RATIONALITY AND POWER

Background

The case of the transformation of democratic city governance in Melbourne has been examined through the prism of radical changes made to or affecting, the Melbourne City Council, between 1992 and 1999. Aberrant in international terms, a small CBD-based capital city council was at the centre of a sprawling metropolis of fifty three councils and over three million people in 1992.¹⁹⁰ As the seat of colonial, state and, for a generation from 1901, of Commonwealth government, the CBD was also the symbolic, commercial and cultural centre of the state of Victoria. Inherent tension between local and central government was thus concentrated in the tiny core of a primate metropolis which represented seventy-one percent of the Victorian population.¹⁹¹ Increasingly, from the 1950s, the Melbourne City Council became the epicentre of conflict over property development and planning, and hence over democratic representation, in one of the world's most intact Victorian cities.

In an unprecedented global recession from the late 1980s there was a critical juncture in Victorian institutional history in the 1990s. External megatrends, including globalisation of capital and the 'revolution' of neo-classical economics (Schneider, 2009), were conducive to the institutional transformation of the Melbourne City Council. Hence, a decade after its dismissal in December 1980 by a Liberal government facing imminent defeat, the Melbourne City Council, (the oldest elected body in Victoria), was again summarily dismissed, in October 1993. The second dismissal was also by a Liberal state government, in coalition with the National Party. By contrast, it followed a resounding electoral victory in October 1992, delivering the government unchallenged control of both houses of parliament. The dismissals bookended an

¹⁹⁰ Australian Bureau of Statistics (2008) Australian Historical Population Historical Statistics. Catalogue Number 3105.0.65.0012008. Canberra: Viewed May 14, 2014.
<http://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/3105.0.65.0012008?OpenDocument>

¹⁹¹ Op. Cit.

unprecedented decade of Labor government from 1982–92. Both Council dismissals coincided with property collapse and a scandal-wracked incumbent government, the first followed by a Liberal defeat and the second a Labor defeat. Both involved the appointment of a commission charged with overseeing the reconstitution of the Melbourne City Council to better represent and serve central business interests, and as an administrative agency rather than a local democratic institution.

The dismissal in 1993 was rapidly followed by long-sought institutional changes, overseen by a commission of four business appointees. The City Council's boundary and electoral arrangements were redesigned to reflect a business-focused council, with excision of residential areas and absorption of major facilities and sites from adjacent municipalities, notably obsolete docklands. On the elected Council's reinstatement in 1996, the central city development was solely the prerogative of state government. Under the commission, from 1993–96, planning powers were assumed by the state government and the Council's executive and financial autonomy reduced. In the name of efficiencies and debt reduction in a perceived economic crisis, services and historic assets (including electricity generation and supply) were privatised, corporatized and contracted out under a rigorous, rapidly staged and broadly defined compulsory competitive tendering regime.

The City Council's restructure was managed separately from the rest of Victoria where long overdue municipal amalgamation occurred. The Council's reform was more radical in important respects than occurred inter-state or than followed the abolition of the Greater London Council, in 1985. Yet, unlike Britain, there was little opposition, the councillors providing no challenge and the dismissal being scarcely visible within the simultaneous, statewide public sector transformation. Melbourne City Council was then disempowered and delegitimised and citizens disenfranchised for three years. On the return of the Council in 1996, the representation of the residential areas not excised was counterbalanced by a two-tier system, whereby five councillors represented the District, or municipality, and four represented local wards. Despite the new external boundary and electoral restructure including the property-weighted franchise, the high

profile candidates and well-funded campaign of the business team, *Melbourne First*, failed to win the majority of seats.

The object of this study was therefore two-fold. First, it was to discover how this radical transformation of the Melbourne City Council was enabled, especially in view of historic resistance to restructure, as recently as 1985/6. Second, it was to determine whether the transformation was revolutionary and, if so, part of a ‘common-sense revolution’, as the premier described the public sector reforms.¹⁹²

As examined in the thesis, the global recession took an exceptional toll in Victoria relative to interstate, including regulatory failure leading to the loss of the historic State Bank of Victoria. In particular a discredited and diminished Labor Opposition – represented as the ‘Guilty Party’ – permitted government tactics which help to explain the ease with which the City Council and the citizens were disempowered. Akin to a corporate raid in its lack of forewarning, rapidity and comprehensiveness, its leadership by the premier, Jeff Kennett, as proselytiser and enforcer, was crucial to the City Council’s metamorphosis. The question remained, however, of what political and institutional genealogy permitted an exceptional process and institutional outcome. The research was therefore recast to enable analysis of the process of change in the case study period in terms of the previous one hundred and fifty years, from the establishment of the Melbourne Town Council in 1842.

Method

The case study is designed to focus on a dual conflict whose resolution reshaped the City Council as an institution in the 1990s. That transformation is examined in terms of the pattern of persistent institutional and political traits over the preceding 150 years. The conflict between the City Council and central government, chiefly the Victorian colonial/state government, and between the citizenry and central business, chiefly property interests, is traced throughout the history of the Melbourne City Council.

¹⁹² Kennett, Jeffrey (1995) *Victoria’s Commonsense Revolution*. Melbourne: Alfred Deakin Lecture Trust.

As a case study of institutional change, it is also a study of the distribution of power in Melbourne's governance, from 1992–9, specifically the Melbourne City Council. Several theorists are relied on in this examination, including Bachrach & Baratz, Flyvbjerg and Logan & Molotch (1962; 1998c; 2007). However it is the historical institutionalist framework of Mahoney and Thelen that has been adopted for the analysis of gradual institutional change from 1842. It was apt in its identification of political and institutional attributes in ultimately permitting and inviting distinctive and transformational institutional change in the long term, as in the Melbourne City Council, under the common pressure of external forces (Mahoney & Thelen, 2009).

The institutional analysis is undertaken in the case study period and in three preceding periods – 1842–1901; 1901–1982; and 1982–1992. Recurrent patterns of conflict and institutional resolution (or lack thereof) are traced. They include ambiguities, unintended consequences as well as leadership styles of those defending and challenging the status quo, fuelling shifts in the distribution of power and related institutional change. The historical operation and interaction of distinctive political and institutional attributes of the Melbourne City Council and its context are thus examined in detail, culminating in its denouement in the 1990s.

This historical institutional analysis is supplemented, for the case study period, by the oral historical interpretations of these institutional changes in the 1990s by contemporary leaders and expert witnesses, twenty years after the events. The twenty-three interviewees include senior elected, appointed and employed representatives of the Victorian Government, former councillors and senior officers of the City Council, (drawn from both major parties), as well as prominent representatives of business, union, media and community sector.¹⁹³ The significance of the evidence gained lies not in the numerical incidence of particular views but in the clarification of contested arguments, ultimately successful and unsuccessful. Despite evident sensitivities and self-censorship, this archive illuminates the fundamental relationship theorised by

¹⁹³ Refer Appendix 1, Interviewees and Appendix 2, Questionnaire. Two interviewees failed to authenticate their transcripts and their identity is therefore not revealed other than in functional terms.

Flyvbjerg, between rationality and power in the practice of democracy, in disabling the City Council (Flyvbjerg, 1998c). It also provides a grounded, empirical dimension to abstract analysis in assessing the validity of the concept of a revolution, ‘common-sense’ or otherwise, as applied to the Melbourne City Council between 1992–9.

The application of Mahoney and Thelen’s framework provides an opportunity to contribute an individual case to the study of comparative urban institutional responses to the megatrend of globalisation, by which cities may be located in the context of shifts since the 1980s.

Conclusions

The historical analysis confirms Mahoney and Thelen’s theory of gradual institutional change permitting and inviting transformational change. The reconstitution of the City Council, in emasculated form, follows an institutional trajectory of geo-political containment by central government from its colonial conception. With a longitudinal perspective, changes interpreted by observers of different political persuasions in the 1990s to be revolutionary, are argued in this thesis to be evolutionary and, in fundamental respects, counter-revolutionary. Rather than being part of a ‘Kennett revolution’ prosecuted over seven years, the delegitimisation of the City Council is interpreted as the outcome of distinctive political and institutional attributes. Their persistence enabled the reinvention of the Council in 1993 in its nineteenth century image – in its reason for being, its constrained area, its property-weighted franchise and central government control.

The evolutionary change to the Council in the 1990s is seen to have been enabled by a cluster of attributes identifiable as a Victorian paradigm. Victoria and hence Melbourne shared certain attributes of an Australian paradigm of government – notably non-recognition of local government in the Commonwealth Constitution and the constitutional power over local government and land-use with the states. Certain attributes, however, were peculiar to Victoria – or in more extreme form – a paradigm which had emerged by 1901. Notable was the extreme municipal fragmentation on

which was superimposed the Victorian institutional device of the statutory authority, relied on to a far greater extent than interstate. This proliferation of statutory bodies compounded jurisdictional fragmentation and weakened ministerial accountability. Both attributes rationalised and facilitated cost-cutting and debt-reduction in the 1990s, through enforced municipal amalgamation and the privatisation of the major utilities. It was a restructure conducive to and disguising the primary motives of small government and deregulated land-use planning.

Above all, from colonial separation in 1851, the Victorian Legislative Council was more powerful than interstate counterparts, without provision for resolving deadlock with the Legislative Assembly and elected on the basis of extreme malapportionment favouring rural property. It was the embodiment of conservative, anti-metropolitan and anti-democratic sentiment, such that it consistently opposed the expansion of the Melbourne City Council as Melbourne expanded. Further, it thwarted the passage of successive bills to enable metropolitan governance, a solution to urban dysfunction which was assumed to be inevitable by the early twentieth century. Other aspects of Melbourne's exceptionalism, with implications for the gradual evolution of the Melbourne City Council, included the belated achievement of Victorian parliamentary representation by the Labor Party. The Party's split in 1954 then denied it government for a generation. Adversarial and exceptionally schismatic tendencies were part of the Victorian paradigm and an institutional and political legacy in 1992.

Allied to, and indeed inseparable from central government's systematic curtailment of the Melbourne City Council from the mid-nineteenth century, was the entrenched culture of the political entitlement of property. This was reflected in the Legislative Council and the City Council franchise and electoral divisions, and in the fragmented municipal system which was sought and permitted. The entrenched power of rural property, as of urban property in the Melbourne City Council, is essential to the paradigm inherited in 1992. The political and entwined institutional attributes of the Victorian paradigm were thus longstanding enablers of a gradual evolution of the City Council. A history of privatism in development from inception, the later governmental

antipathy to urban planning and the dominance of state government, were attributes receptive to the market-led, corporatist reforms imposed in the Kennett era.

A major conclusion based on historical institutional analysis was of the contradictory reformist role of the preceding Labor government – centralising at the state level and democratising at the City Council level. The managerialist reforms of a social democratic government were readily applied to corporatist ends by its neoliberal successor, enabling the disempowerment of the City Council and citizenry. On the other hand, the first and only democratically elected City Council (from 1983 to 1992) equipped the institution professionally, again for the first time, to undertake strategic planning and urban design. It then energetically challenged and negotiated with developers and state government alike. The historic nexus between property and power had been briefly broken, generating the counter-revolutionary de-democratisation of the City Council under the Kennett government.

Indicative of Labor's revolutionary reform, and pivotal in enabling centralist control, was the abolition of the historic MMBW as a planning authority. Other statutory authorities, pillars of the Victorian paradigm, were drawn within central control, a precondition to the Kennett era privatisation. The historic Labor commitment to a Greater Melbourne Council quietly lapsed and while the City Council was restored as promised, it was with limited planning power. Establishment of a Major Projects Unit also excluded the City Council and citizens from CBD planning, increasingly involving 'matters of regional and state significance', undefined by legislation. For, like its successor, the Cain Labor government was 'pro-growth', and property development was facilitated as a high priority to which the City Council and a consultative planning process were an impediment.

The 'monumental achievement', as Cain put it, of the consolidation of Crown land titles for the development of Southbank, and likewise the planning preparation of the docklands, enabled the development undertaken by the Kennett government (2010, p.12). A blue-print for major sports and recreation infrastructure in public parkland was

also laid down. Indeed, a revolutionary precedent was set in the dying days of the Kirner Labor government by enacting legislation for the development of both a casino and the docklands, disallowing third party rights. These developments, like the Melbourne Major Events Company, were the initiatives of Labor ordinarily credited to (or blamed on) the following Coalition government. A growth machine alliance between state government and property interests, notably those of Ron Walker, was already in place under Kirner and was fundamental to the later redesign of the governance of the City Council from 1993–6.

An unprecedented attempt to restructure local government was undertaken in 1985/6. It was abandoned in the face of high profile protest from certain rural and inner city Labor councils. The protest was championed by then Opposition leader, Jeff Kennett, who committed to voluntary restructure if elected. His *volte face* on coming to power blindsided his erstwhile predominantly rural followers, while the momentum generated for restructure was harnessed in far more radical, enforced restructure. The foiled reform process under Labor thus indirectly enabled its later, apparently revolutionary, achievement.

Rather than the Coalition overseeing a revolution, it is argued that it was the institutional changes under Labor that were revolutionary in key respects, and the Coalition largely the unacknowledged beneficiary. The claim to ‘common-sense’ reform is also disputed. On the contrary, the changes made to the City Council under the direct supervision of the premier were quintessentially shaped by neoliberal values. The rationale was that ‘big government’ had proven unfit: the operation of the Council as a business enterprise, with a board of directors rather than representatives, would provide optimal customer service. The removal of councillor and hence public involvement in planning was unstated though a prerequisite to enabling *Agenda 21*, the CBD’s privatised property development projects, to proceed unhampered.

The premier represented himself as akin to the CEO of Victoria and likewise regarded accountability as akin to line-management: to dissent was illegitimate and

‘UnVictorian’. Dissenters (chiefly church leaders), were accused of ‘being political’, code for aligned with the Labor Party. Businessman and outgoing Lord Mayor in 1993, Allan Watson, described Kennett as having a ‘fetish’ with the Labor Party (Watson, 2010. P. 15). The penalties for criticism of Kennett and of the government’s policy (notably regarding probity in the Crown Casino development), were severe. The editor-in-chief of *The Age* lost his job and the most senior and longstanding Liberal member of parliament lost pre-selection. The method and outcome of the institutional transformation of the Council, and hence of the dual conflict, speak for themselves: in Flyvbjerg’s terms the state government and property-based business were the winners and the City Council and citizenry were the losers. The rationale was that citizens had no legitimate stake in the governance of the central business district. On the contrary, their services were a cost-burden, a diversion from the core functions of the state’s capital city council and an impediment to development.

The claim to a Victorian ‘common-sense revolution’ by Jeff Kennet originated with a program of the same name and philosophy in Ontario, Canada in 1995 (Giorno, 2007). It is reminiscent of British Prime Minister Thatcher’s TINA principle: there is no alternative. In terms of evolutionary change it is noteworthy that conservative, property-related interests in Victoria historically described themselves as ‘non-political’— in the Legislative Council, in the City Council’s Civic Group in the 1960s and in local government at large. This self-perception was evident in interviews with the reform’s proponents of the 1990s changes. Former premier John Cain described the phenomenon as: ‘always a piece of illusory, almost deceitful politics on the part of the Liberal Party’ (2010, p. 14). The City Council’s institutional reforms were common-sense to those of neoliberal political values although the state government antipathy to the City Council was bipartisan in the 1980s and 1990s.

A crucial conclusion that emerged from the historical institutional analysis which would have been unavailable to a study of 1992–9 alone was that of the fundamental importance and avoidance of a metropolitan solution to the ‘metropolitan problem’.¹⁹⁴

¹⁹⁴ Dunstan, D. (2008). The Greater Melbourne Movement. The Encyclopedia of Melbourne Online. Melbourne: Melbourne City Council.

It is clear, from the case study interviews and otherwise, that extreme fragmentation was used to justify the radical municipal restructure in the 1990s, though Melbourne City Council itself was constrained to an expanded CBD. With a long-term view, it is apparent that both the fragmentation and the repeated failure of bills to form metropolitan government were chiefly the result of the combined interests of the state government and property interests, amply represented in the upper house. The threat of a competing, taxing and elected authority representing two thirds of the state electorate was untenable to both interests.

It was evident from interviews that key business lobbyists – much as fragmentation concerned them – accepted the *realpolitik* that regional city government was unattainable. The disempowerment of the Melbourne City Council was achievable but Greater Melbourne was not. Indeed as the City commissioner made clear, Premier Kennett would not allow consideration of an amalgamation of inner city Councils. A well-argued case was made for such a regional council by the Melbourne City Council in Green and White Papers in 1992, supported by the Inner Metropolitan Regional Association of Councils. It was a case of the ‘two faces of power’: the decision of the government both to disempower the City Council and to disallow consideration of an inner city amalgamation.¹⁹⁵

It seems counter-intuitive to conclude that the strategically constrained Melbourne City Council can be found, through historical institutional analysis, to have been responsible for the three major metropolitan reforms of the eras studied prior to 1992. These were the establishment and chairmanship of the MMBW, from 1891; the establishment and chairmanship of the Melbourne Town Planning Commission and preparation of Australia’s first town plan, from 1922 to 1929; and the 1985 review of the shelved, yet award-winning 1974 Melbourne Strategy Plan. This review enabled its updating and translation into 399 draft legislative amendments enacted by the parliament, primarily removing anachronistic controls preventing residential uses in the CBD. They were a ‘gift’ to the Coalition, according to former Lord Mayor, Trevor Huggard, in enabling

¹⁹⁵ Bachrach, P. and Baratz, M (1962) The Two Faces of Power. *The American Political Science Review*. V.56.4.p.947–952.

the central city renaissance in the 1990s, including swift conversion of the glut of office buildings to residential use (2010, p.35). All three metropolitan institutional reforms were a tribute to the quality of leadership in and by the Council (at crucial times) and to the enlistment of fellow councils and state bodies. They reflect on the historic failure at a state government level in this fundamental area of state responsibility.

Implications

The clear implication of the disempowerment of the Melbourne City Council was the loss of an urban institution uniquely fitted both to enlist other agencies in area-based institutional reform and to enable implementation. Further, its dismissal in 1993 rendered citizens impotent in responding to the full range of changes imposed on the Council and in other portfolios – leaderless and without resources, expertise or an advocate in dealing with the state government. The frequent amendment to the *Victorian Constitution Act 1978*, between 1992 and 1999, as with the *City of Melbourne Act 1993*, removed a constitutional right to seek judicial review by the Supreme Court of government decisions. As an act of parliament, the Victorian constitution, unlike the Commonwealth Constitution, rendered citizens vulnerable to loss of assumed rights by a government with control of both houses.

The documented significance of the role of national governments in federal systems as a brake on state/provincial exercise of power is also borne out in this case study as in others (Steytler 2007). Recognition of local government in the Commonwealth Constitution is an issue requiring engagement of the community rather than being fought out at a remove, government to government and party to party.

The delegitimisation of the City Council appears, with hindsight, to have been inexorable. There are many instances evident in the historical analysis, however, of the possibility of other outcomes. They include the timing of Victoria's separation in 1851, such that the City Council had barely a decade to consolidate before the parliament was established; the timing of the gold rush immigrants in the same year, too late to fully democratise the constitutional task already in hand; the loss by one vote in the upper

house of the Greater Melbourne bill in 1951; and the split in the Labor Party in 1954. In Flyvbjerg's words: 'the contingent character of institutions and practices [creates] the possibility of changing them. No historical situation can be explained as having emerged out of total necessity' (1998c, p. 8).

Future research

The lack of public familiarity with capital city governance and, as several interviewees acknowledged, their own knowledge of the history of Melbourne City Council governance and options for reform, constrain lasting reform: the City Council was dismissed again, after 1999, and twice reviewed on grounds of dysfunction by 2002. Three main areas emerge as requiring further research. All three are related, as follows: methods of securing democratic rights in capital city government; methods of securing improved capital city governance between all three levels of government; and examination of the relationship between urban planning arrangements and capital city governance.

Comparative analysis between Australian capital city systems of governance and in other countries, especially in federal systems is needed. Based on interviews, it would be welcomed. It is clear that if councils, especially capital city councils are sidelined as in Melbourne, then in the words of Alan Davies: the 'cardinal democratic ideal of personal participation in the work of government', is breached (1951 p.11). It is sobering to note that Davies' analysis sixty years ago is as relevant today. Indeed he himself made the point that the case had already been made for metropolitan government but, (for reasons addressed in this thesis), it had not materialised. A national, comparative approach to focused research on the practice of democratic capital city government could provide the visibility and urgency it has lacked. It may well enable the means for the productive engagement of national government in city government.

Incoming Labor premier in 1999, Steve Bracks, described the Kennett government as pitting itself against '100 years of democratic tradition in Victoria' (Gordon, 2012).

Based on this study, that is clearly a misrepresentation as it applies to Melbourne City Council and, more widely, to metropolitan Melbourne. A democratic Melbourne City Council with commensurate urban planning powers has never existed, nor a metropolitan government with the scale and legitimacy to undertake strategic planning and co-ordination. A productive area of research could be to examine the relationship between urban planning and urban governance. The two fields of scholarship are artificially segregated, yet in practice it appears that intergovernmental and political conflict over land-use has largely shaped institutional arrangements in central Melbourne.

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APPENDIX 1: INTERVIEW QUESTIONS REGARDING REFORM OF THE MELBOURNE CITY COUNCIL, 1992-9

1. What position/s did you hold in the research period and when?
2. What reforms were undertaken in relation to the City of Melbourne in the research period?
3. What influence did you/your organisation have on the reform agenda/process?
4. What were the most important reforms in your view?
5. What were the reasons for those reforms according to the state government?
6. What were the main reasons in your view?
7. What were the intended effects?
8. Did the reforms have the intended effect?
 - a. If yes, what evidence can you give?
 - b. If no, what evidence can you give?
9. Did the reforms have unintended effects?
10. How do you explain such success and/or failure in specific reforms?
11. Who were the key stakeholders in the reform?
12. Were conflicting views and interests in the reform process evident? If so, what were they?
13. How was conflict addressed?
14. What strategies legislative and otherwise were significant in delivering reform?
15. How would you define the exercise of power, formal and informal, in the reform process?
16. What were the impacts of the reforms undertaken and of the manner in which they were undertaken?

APPENDIX 2: INTERVIEWEES

Including positions held during or relevant to reform of Melbourne City Council, 1992–9.

Leonie Burke, Mayor, Prahran Council and Metropolitan Vice President, Municipal Association of Victoria, 1989–93; Chairman, Victorian Local Government Board of Review, 1994–99; MLA (Prahran) 1996–2002.

Hon John Cain, MLA, (Bundoora), 1976–92; ALP Leader of Opposition 1981–2; Premier 1982–90, retired from Parliament 1992.

Hon Neil Cole, ALP MLA (Melbourne) 1988–99 and Melbourne City Councillor, 1985–8.

Commissioner, Melbourne City Council, 1993–6 (Unnamed in the absence of written authentication of interview).

Department Secretary, Victorian Government, 1992–9 (Unnamed in the absence of written authentication of interview).

Bruce Guthrie, Editor, *The Age* (1995–7), *Sunday Age* and Editor in Chief, *Herald Sun* 2007–8.

Hon Roger Hallam, National Party MLC (Western Province) 1985–2002; Minister for Regional Development 1992–5; Minister for Local Government and Minister for WorkCare 1992–96; Minister for Finance 1995–99; Minister for Gaming 1996–9; Deputy Leader of NP in the LC 1988–92, 1996–9.

Leigh Hubbard, Solicitor and industrial officer; Secretary, Victorian Trades Hall, 1995–2005; Senior Industrial Officer, Australian Nursing Federation, 2005ff.

Trevor Huggard, Consulting Engineer; Foundation President of the Carlton Association, 1969 ff; Melbourne City Councillor 1983–92; Lord Mayor 1986–7.

John Hull, Property Manager, former director of Knight Frank (Melbourne), real estate and property services; Chairman, Committee for Business Defence (in opposition to

CBD pedestrianisation), late 1980s–90s; board member and President, BOMA (Vic), 1990s.

Hon Alan Hunt, AM, Solicitor; Liberal MLC (South Eastern Province) 1961–92; Minister for Local Government 1971–79; Minister for Planning 1973–76, 1978–79; Opposition Leader in Legislative Council 1982–86; and President, Legislative Council 1988–92.

Dr Janine Kirk, AO, CEO, Committee for Melbourne, 1995–2007; Partner, Government and Public Sector, Ernst and Young, 2007–13.

Dr Colin Long, Member of the People’s Committee for Melbourne, 1993–9; PhD (1999): Global restructuring and local urban development: Melbourne 1970–1998; Lecturer, Cultural Heritage Centre for Asia and the Pacific, Deakin University, 2000–9; Secretary, Victorian Division, National Tertiary Education Union 2009 ff; President, Victorian Trades Hall Council, 2013ff.

Dr Jean McCaughey, AO, Research Assistant and Research Fellow of the Institute for Applied Economic and Social Research, The University of Melbourne (1967–77); Wife of Rev Dr Davis McCaughey, Governor of Victoria, 1986–92; Co-Convenor, People Together (1995–9).

John McInerney, Manager, City Development and Planning, Melbourne City Council 1984–1991; Director, City Planning, Sydney City Council 1991–6; National President of the Planning Institute of Australia (PIA) 2002–3 and winner of the PIA’s Sidney Luker medal, 2007; Sydney City Councillor, 2004–12.

Des Moore, Deputy Secretary, Commonwealth Treasury, Canberra (1982–87) and Senior Fellow of the Economic Policy Unit, Institute of Public Affairs, IPA, (1987–1996), 1996 ff Director of the Institute for Private Enterprise, Melbourne.

Stuart Morris, QC, specialist in planning law, 1976 ff; ALP Sherbrooke Shire Councillor; 1975–9 and Shire President, 1978–9; Chairman, Victorian Local Government Commission, 1985–6; Justice of the Victorian Supreme Court 2003–7; President, Victorian Civil and Administrative Commission (VCAT) 2003–7.

Ian Munro, Urban Affairs and Investigative Reporter, The Age, 1996 ff.

Brian Parkinson, Organiser, Municipal Employees Union (MEU), 1986; Assistant Secretary 1995 (MEU); Secretary, Australian Services Union (Vic), 2007ff.

John Power, Professor, Member, Victorian Board of Review of The Role and Structure of Local Government, 1979; Professor, Political Science 1977–93 and, from 1993, Emeritus Professor of Social and Political Sciences, The University of Melbourne.

Graeme Sherry, Victorian Employers Chamber of Commerce and Industry (VECCI) Council 1994ff and chairman 1999–2001; 1990s ff Partner, Baker and McKenzie, Solicitors; Melbourne City Chamber of Commerce and Industry (MCCC) Board member 1991–2001 and chairman 1994–2001.

Allan Watson, OAM, Restaurateur; Melbourne City Councillor, 1973–81 and 1983–93, and Lord Mayor, Melbourne City Council 1993 (for 3 months before Council sacked).

Ian Wight, Conservation Manager, National Trust of Australia (Vic) 1990–97, Heritage Co-ordinator, Heritage Victoria, Department of Planning and Community Development, 1997ff;

Unrecorded supplementary interviews

Rob Brookes, CEO, Victorian Local Authorities Superannuation Board (now Vision Super).

Bronwyn Halfpenny, MLA, Thomastown, 2010 ff, daughter of John Halfpenny, Secretary of Victorian Trades Hall Council, 1987–95.

Peter McIntyre, AO, Director, InterPlan Pty Ltd, 1971–75, Peter McIntyre Partnerships Pty. Ltd, Emeritus Professor of Architecture, The University of Melbourne, 1994 ff.

John Noonan, Manager, City Development and Planning, Melbourne City Council, 1991–2007.

Hon Peter Reith, MHR 1982–3, 1984–2001 Deputy Leader of the federal Liberal Party 1990–3; Shadow Attorney-General in 1988 and responsible for the No case in the referendum on recognition of local government in the constitution;

Hon Tom Uren, AO, Minister for Urban and Regional Development, 1972–5, Deputy Leader of the Federal Labor Party 1976–7;

John Young, Town Clerk, Melbourne City Council, 1990–4;

Selection process

Several prominent individuals were unable or unwilling to be interviewed, notably Hon Jeff Kennett, Liberal Premier, 1992–9 and Hon John Brumby, Leader of the Opposition, 1993–99. Several other ministers and shadow-ministers were ill or otherwise unavailable. Given the elapsed time and turnover in office bearers in business lobbies, each of the three organisations proposed an interviewee informed on the changes made.

APPENDIX 3: A CASE FOR THE DE- DEMOCRATISATION OF THE MELBOURNE CITY COUNCIL, 1992-9

The interpretation which provided the most developed justification of the radical changes to the City Council was that of the secretary of a Victorian Government department interviewed. Since he failed to authenticate his transcript of interview he is not identified by name in Appendix 2, but as Department Secretary.

The importance of his case and his representation of the government's case lies in his seniority and in being privy to negotiations with the Minister for Local Government, the Local Government Board of Review and the unions in particular. The quality of his elaborate discourse provides evidence of the duality of the citizen/business conflict and that of City Council and state government and the rationalisations by which democratic principles were set aside in resolving the conflicts.

In terms of the political aspect of that dual conflict, he justified the excision of what he called 'the hinterland' (one to two kilometres from the Town Hall) on the basis that the interests of those living there were different from those living and doing business in the central city and, by implication, not legitimately part of its constituency. This was despite the inclusion from inception of these neighbourhoods encircling the CBD, that many ratepayers and especially former councillors were both residents and businesspeople, and that a Post Code 3000 campaign was underway by 1991 to increase residency in the CBD.

He further maintained that the Council changes and the non-consultative manner of their introduction did not constitute democratic infringement or disempowerment, arguing: 'we're not strong at all' in terms of participatory democracy in Australia, rather:

We are strong on representative government ... people accept the notion that there are others who represent them, and that they get on with their lives. They do have an interest in their local communities, but not necessarily through local government – often through community organisations ... the great world out there is not in that space. They're about getting services. You know, the issue about the democratic aspect of local government is not deep (Department Secretary, 2010, p. 12).

He acknowledged that 'some of inner Melbourne was where there's what you might call sort of genuine community organisations, to the extent that they were representative'. However he disputed their legitimacy, notably 'the North Carlton mob. The most vociferous, active ... articulate' who did not, in his view, represent the wider community (Department Secretary, 2010, p. 17). Conceding that the reforms, notably residential excision, may have appeared to be designed to remove politically active citizens critical of urban development policy (as Hull, from a property industry perspective and community critics saw it), he disputed that interpretation in somewhat tortuous managerial terms:

It may have looked like that from the outside. I think certainly the intent more broadly, without reflecting the interests of any particular group, was to say that in terms of the shaping of the city going forward, that it was quite appropriate to have regard to those business interests, however defined ... there were clearly business interests ... that expressed a view, but the actual conceptual framework ... was done essentially bureaucratically (Department Secretary, 2010, p. 17).

In short, the rationalisations enabling democratic principles to be dispensed with were that the citizenry had no real interest in local democracy, the City Council or the reforms. Insofar as they did, it was an illegitimate interest and not representative of the wider community. Further, the form of democratic government in Australia was representative rather than participatory, there being little engagement in local government. Finally, local government 'should be dealing with local issues' and the state government with 'the big, strategic planning and delivery systems' and with 'branding' the city internationally (Department Secretary, 2010, p. 19).

He argued that the Commonwealth Government had gradually encroached on the autonomy of the states as laid out under the constitution, dating from the war-time

emergency assumption of all income tax powers in 1942 and consequent vertical fiscal imbalance. To the extent that the Commonwealth had also increasingly sought to deal directly with local government and the non-government sector, he saw the authority of the state government over capital city government as an area to be reclaimed, at least from an ascendant Melbourne City Council pre-1992 if not from the Commonwealth.

APPENDIX 4: A CASE FOR LOCAL GOVERNMENT AND CIVIC RIGHTS VERSUS STATES' RIGHTS

An extract from an article in *The Age*, (Opinion-Analysis) January 20, 1994 by Reverend Tim Costello, outgoing mayor of the then recently abolished St Kilda City Council (Costello, 1994a).

'Why should a minority shareholder, namely the State Government, which contributes only about 10 per cent of local councils' budgets, over-ride the wishes of a majority shareholder? ... The Government does have an overall responsibility to ensure that local government is efficient. But it does not have a right to ignore the democratic preferences of citizens who are shaping their own policies and funding their own services through their own rate dollars.

Ironically, the State Government is dependent upon the Commonwealth for 46 per cent of its income while local government depends upon state and Commonwealth funding for only 20 per cent. Yet one can imagine the screams of violation from Spring Street if the Commonwealth sought to impose the type of changes on the State Government that the state is imposing on local government. Why are state rights inviolable but local government rights dispensable? Local government accounts for only four per cent of total government expenditure, the state 16 per cent and the Commonwealth 80 per cent.

Surely if the Kennett Government were serious about reform it would have the courage to deal with the real issue: the wasteful overlapping of responsibility between the three tiers of government ... I believe a real reform agenda would also face the community's perception of being over-governed. Then a move to much larger councils might be justified by a corresponding diminution of state expenditure through shifting some state responsibilities ... to regional councils'.

APPENDIX 5: MAPS OF PROPOSED CHANGES TO MELBOURNE CITY COUNCIL, 1993

Suggested boundaries for a central business district council, 1992

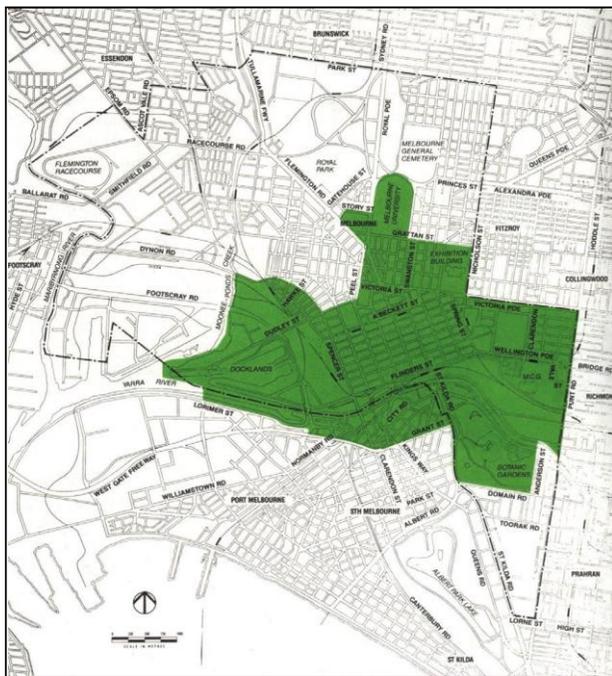


Figure 4. Building Owners and Managers Association Proposal.
Source: The Future of Central Melbourne, Committee for Governmental Reform in Central Melbourne, March 1993 (University of Melbourne).

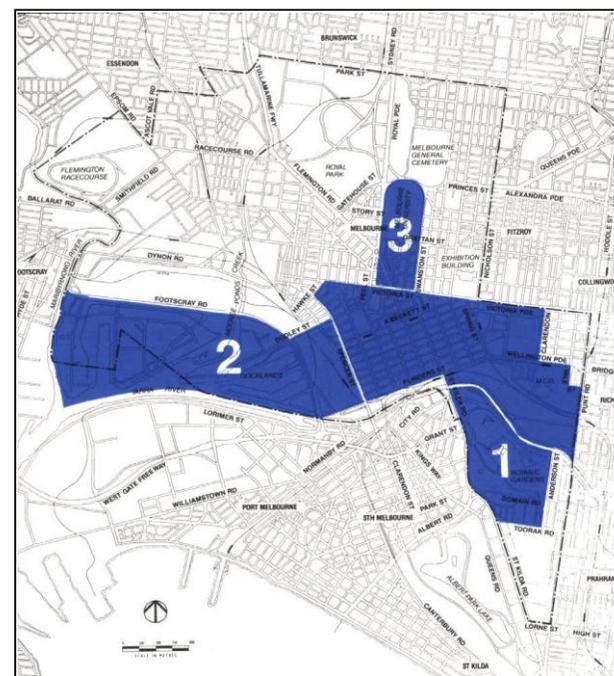


Figure 5. Melbourn City Chamber of Commerce Proposal
1. Kings Domain Option 2. Docklands option 3. Knowledge Precinct
Source: The Future of Central Melbourne, Committee for Governmental Reform in Central Melbourne, March 1993 (University of Melbourne).

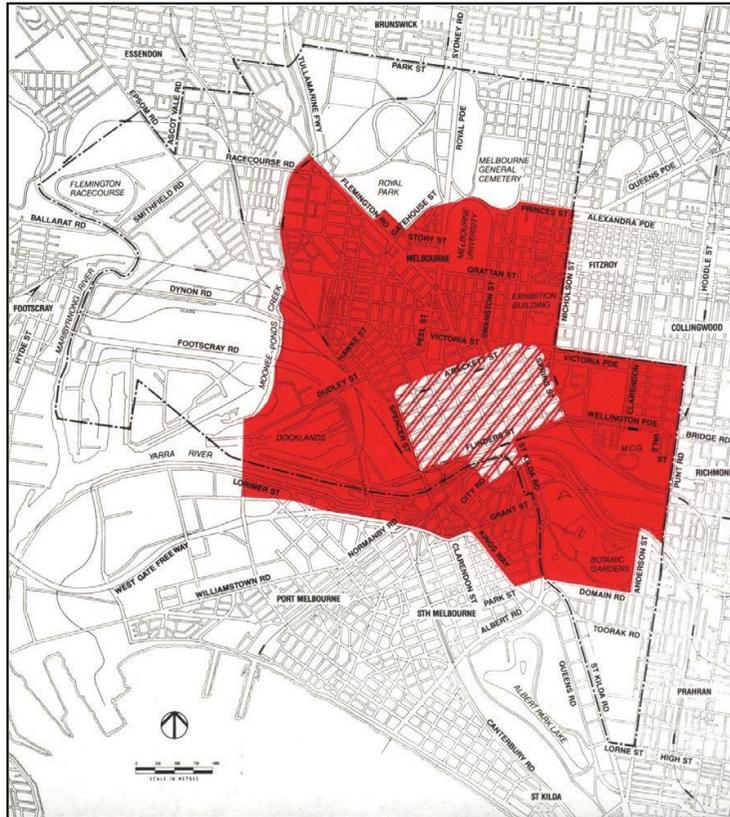
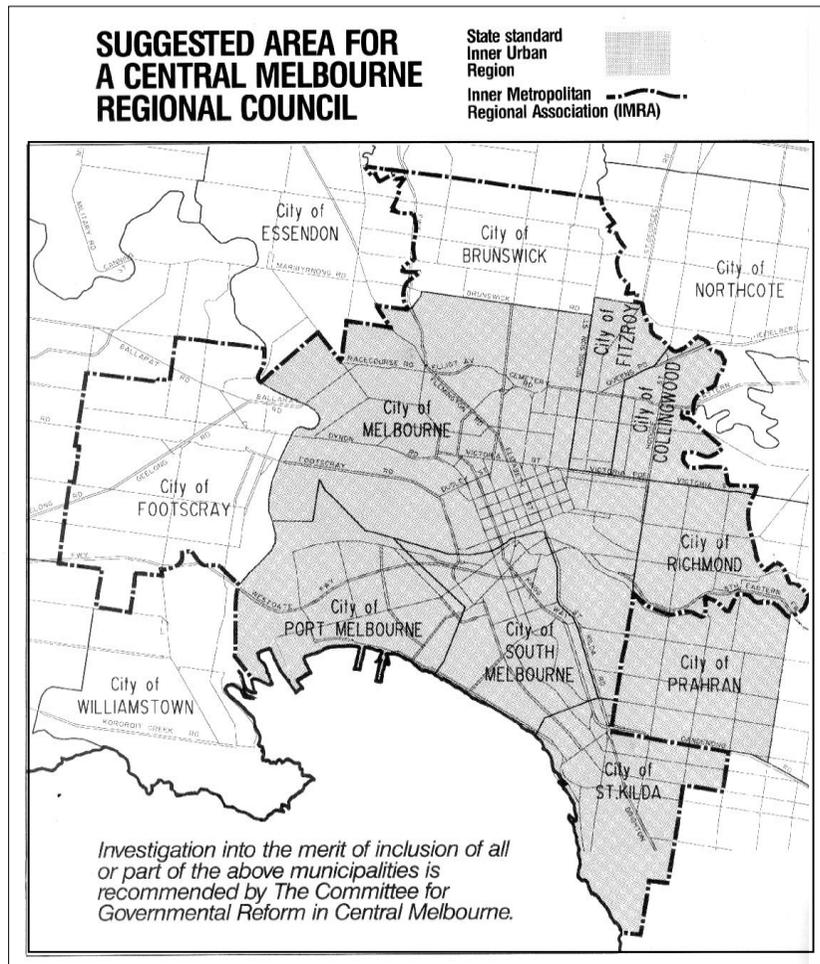


Figure 6. John Hull's Proposal for CBD plus CAD - The Politics of Land Use, August 1992.
 Source: The Future of Central Melbourne, Committee for Governmental Reform in Central Melbourne, March 1993 (University of Melbourne).



Figure 7. Suggested areas to be transferred from City of South Melbourne to City of Melbourne, by resolution of Melbourne City Council, December 1992. The Committee for Governmental Reform in Central Melbourne.
 Source: The Future of Central Melbourne, Committee for Governmental Reform in Central Melbourne, March 1993 (University of Melbourne).



*Figure 8. Suggested area for a Central Melbourne Regional Council.
Source: The Future of Central Melbourne, Committee for Governmental Reform
in Central Melbourne, March 1993 (University of Melbourne).*

APPENDIX 6: MAJOR LEGISLATION AFFECTING ELECTORAL REPRESENTATION ON THE MELBOURNE TOWN/CITY COUNCIL 1842-2001

An Act to incorporate the Inhabitants of the Town of Melbourne (1842), Act 6 Victoria, No. 7.

An Act to amend an Act passed in the sixth year of the reign of Her present majesty, entitled “An Act to incorporate the Inhabitants of the Town of Melbourne” (1844), Act 8 Victoria, No. 12.

An Act to explain and amend the Acts relating to the Corporation of the Town of Melbourne (1847), Act 11 Victoria, No. 16.

An Act to amend “The Melbourne Corporation Act” in the matter of Citizenship (1852), Act 16 Victoria, No. 18.

Municipal Institutions Act 1854, (Vic).

Municipal Institutions Amendment Act 1863 (Vic).

Melbourne and Geelong Corporations Acts Amendment Act 1863 (Vic) No. 178.

Melbourne City Elections Act 1896 (Vic) No. 1452.

Melbourne and Geelong Corporations Act 1938 (Vic) No. 4574.

Local Government Act 1969 (Vic) No. 7835.

Hamer Liberal Government, 1972–1981

City of Melbourne (Re-Subdivision) Act 1979 (Vic), No. 9274.

Local Government (City of Melbourne) Act 1981(Vic), No. 9525.

A Melbourne City Commission held office from April 1981–April 1982.

Cain Labor Government, 1982–1990 and Kirner Labor Government, 1990–1992

Melbourne Corporation (Election of Council) Act 1982 (Vic).

Kennett Liberal/National Party Coalition Government, 1992–1999

City of Melbourne Act 1993.

A Melbourne City Commission held office from November 1993–March 1996).

Local Government (Further Amendment) Act 1995 (Vic) Part 3.

Bracks Labor Government, 1999–2007

City of Melbourne Act 2001 (Vic), No. 5.