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## **ARTICLES**

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# RESTRUCTURING OR DEREGULATION? AN ANALYSIS OF TOURIST SECTOR REAL ESTATE RESTRUCTURING PLANS IN PLAYA DE PALMA (MALLORCA)<sup>1</sup>

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## 1. INTRODUCTION

This article analyses a particular case of urban tourism geography, that of Playa de Palma in Majorca, employing the critical conceptual framework with respect to neoliberal capitalism (Castree, 2008b). The first section introduces some basic concepts needed to analyse the production of urban space in pursuit of greater social justice, in the context of a globalisation that erodes the power of the State and its regulatory legitimacy. The second section deals with the post-Fordist adaptation of the Balearic Islands with a view to territorial «flexibilisation» (Jessop, 1992: 55) to boost competitiveness, particularly as evidenced in the attempts at territorial restructuring in the Fordist tourist spot of Playa de Palma.

## 2. URBAN SPACE, GLOBALISATION AND STATE POWER

Throughout the decade of the 1980s, critical urban geography developed a framework to explain the structure and dynamic of cities as a reflection of the capitalist mode of production. One of the issues it aimed to explain was the role of various **social agents** in the production of urban space and, among other factors, the plural function of the State. From the beginning of the 1990s, urban analysis in the context of globalisation has mainly concerned itself with the economic aspects of globalisation. **Globalisation**, however, represents a decisive shift in the circumstances of our lives (Giddens, 2000), and thus many of the basic functions of collective existence have begun to be decided through institutions coordinated on a global level in real time.

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<sup>1</sup> The research presented in this article is carried out within the Project called «*La Geoeconomía y la Geopolítica turística. Análisis de la glocalización turística balear; implicaciones socioambientales*» (CSO2009-08400) which is financed by the National Plan de R+D+i of the Spanish Ministry of Science and Innovation.

Castells (2005) have considered that this growing distance is at the origin of four crucial aspects which affect the power of the nation-state in terms of its relationship with its citizens: 1) an efficiency crisis, as problems that cannot be resolved exclusively in the domestic sphere continue to grow (e.g. the regulation of financial markets, international terrorism and global warming); 2) an inequality crisis, involving imbalances in income as well as opportunity on a domestic as well as international level; 3) an identity crisis, insofar as citizens perceive a disconnect between themselves and global decision-making centres and mechanisms, and consequently seek to assert their «local specificity»; and finally, 4) a legitimacy crisis, as the democracy of the nation-state model integrated into global networks may drive citizens to hold periodic votes of confidence for representatives that are increasingly far-removed from those they represent.

Furthermore, the process of globalisation is that of the **market economy-society**, one of the essential requirements of which is constant **growth impulse** (Molotch, 1976), which **requires to become spatially definite** in such a way that each area is properly integrated into the functioning of the entire system as a «growth machine». One of the greatest expressions of success in terms of the need for growth has been and is currently visible in urban dimension (growth of size, density and diversity). In economic globalisation, territories and cities are pushed into a continuous process of intra- and inter-territorial competition in order to, as far as is possible, share in the benefits and escape the damages of «liquid capitalism» (Bauman, 2003). This territorial and urban competitiveness leads to a greater **spatial flexibility**, to areas that lend themselves to overlapping, diverse uses and meanings (Mayhew, 2009), in order to, in each particular case, better adapt to global capital circuits.

Since the systemic crisis hit in 2008, significant capital flows have once again been seeking areas in which and with which to earn speculative profits (attacks on sovereign wealth funds, for example) and, although the collapse of the financial / real estate bubble represents a fundamental component of the crisis (López and Rodríguez, 2010), capital continues to resist shying away from new property development. This has had and continues to have repercussions for tourism development and spatial planning (Rullán, 2008). **Urbanisation**, in the shape of urban expansion or the **restructuring** of existing urban areas in a pattern of ‘creative destruction’, remains a spatial fix with which capitalism attempts to overcome **cyclical crises of accumulation** (Harvey, 2008).

Similarly, asset price Keynesianism (Brenner, 2009: 88) promotes the ‘spatial fix of urbanisation’ through competitiveness-oriented territorial governance that inevitably subjugates collective interests to entrepreneurial interests and in which outlay from the public budget systematically promote private interests, reviving the process of capital accumulation through reconfiguration of the urban process (Harvey, 2008:37-38).

The increase in the relational distance between the clusters/spaces in which the frameworks and conditions of social production and reproduction are decided and the spaces/nodes in which a concrete collective and individual existence is present has resulted in the erosion of the centrality of the State as a reference point for citizenship within its borders and in its relations with other States (Archibugi, 2002: 27).

Accordingly, **deregulation** involves the regulatory reduction of duties and responsibilities of all types – labour, tax, environmental, etc. – in favour of free enterprise, on the

grounds of the presumed need to create a ‘milieu’ that will foster investment, competition, innovation and growth. This deregulation (*roll back*), a tool of neoliberal capitalism, is compatible with re-regulation (Castree, 2008a: 142) or with new forms of regulation («*roll forward*») that foster capital accumulation (Brenner and Theodore, 2002: 369).

### 3. NEOLIBERAL POST-CRISIS PRESCRIPTIONS: DEREGULATION OR RESTRUCTURING OF PLAYA DE PALMA TOURISM / PROPERTY DEVELOPMENT?

Inter-territorial competition drives the productive restructuring of established or ‘mature’ tourist destinations, and can lead to what some researchers call a ‘**post-tourism**’ phase, resulting in functionality changes and an increase in property demand, foreign residents, labour flows of both a temporary and permanent nature and short stays for recreational purposes, facilitated by a greater accessibility by air (Vera and Baños, 2010: 333-334).

In the present context, the continuity of the «growth machine» (Molotch, 1976) requires abandoning the old Fordist «zoning» of clearly delimited spaces in accordance with their productive function for tourism purposes. In its place, various alternatives are pursued in order to **flexibilise the space**, yielding a diversity in which the constant is the commodification of that space, as property development spreads into the tourism sector (e.g. ‘quality tourism’ such as golf course facilities with adjacent residential homes) as well as into the entire territory (second homes, a supply of unregulated tourist accommodation, etc.). This spatial flexibilisation will eventually spread to ‘mature’ tourist enclaves in the form of comprehensive restructuring, when Post-Fordist «flight forward» practices (all-inclusive, competitiveness based exclusively on price) prove to be insufficient.

In our case study – Majorca, a semi-peripheral European centre of recreational tourism (Artigues, 2006) and, within Majorca, the mature tourist spot of Playa de Palma – the government’s solution to the economic crisis has taken the form of deregulation on two fronts: on one front, deregulation of tourism, and on the other, inseparably linked to the former, urban deregulation.

Tourism deregulation has been formalised through new legislation<sup>2</sup> designed to «recover» tourist rooms, subsidising their modernisation by way of **exemption from certain urban and tourism requirements** that were previously in force. Urban deregulation in the Balearic Islands preceded the deregulation of tourism. In 1999, Balearic territorial planning law<sup>3</sup> created the Territorial Restructuring Areas (**ARTs**) which, through «direct application», would absorb municipal urban functions as regards the classification of urban land and developable land in 14 areas. The notion of rehabilitation underpinning the legislation mainly entailed **transferring potential development** from obsolete buildings or unsuccessful developments to new areas of development that would be more attractive

2 Decree-Law 1/2009 of 30<sup>th</sup> January: emergency measures to drive investment in the Balearic Islands (BOIB, number 17 ext., 2/2/2009); and Law 4/2010 of 16<sup>th</sup> June: emergency measures to drive investment in the Balearic Islands (BOIB, number 94, 22/06/2010)

3 Law 6/1999 of 3<sup>rd</sup> April: Regional Planning Guidelines for the Balearic Islands and Taxation Measures (BOIB, number 48, 17/4/1999)

to investment. This regulatory manifestation of the desire for ‘spatial flexibilisation’ affected a total of nearly 161 hectares, and was condemned by the Anti-Corruption department of the Prosecutor’s Office in the Balearic Islands in December 2007 for its «illegality, arbitrariness and benefit to individual parties while offering hardly any public or social utility» (Manresa, 2008).

Nevertheless, in November 2010 shortly before the provisional dismissal – due to a lack of conclusive evidence against the defendants – of the lawsuit filed by the Anti-Corruption Office opposing the approval of the Majorca Territorial Plan (PTM), the plenary session of the Consell de Mallorca (Majorca Council), then ruled by a social-democratic coalition, agreed to approve an amendment to the PTM that would eliminate the ARTs described above<sup>4</sup>.

The restructuring of the Fordist tourist spot of Playa de Palma – 9.5 km of shoreline less than 9 km from the centre of the island’s capital – began when the area was selected as an ART under the PTM, as well as a pilot zone for the *2020 Spanish Tourism Horizon Plan*<sup>5</sup>. The central focus of this strategic plan was the rehabilitation of mature destinations, with the triple objective of achieving a «Spanish tourism system» at once competitive, sustainable and a source of greater prosperity.

**Balearic Regional Law 8/2010**<sup>6</sup> granted full authority to the Consortium of Playa de Palma in all aspects relating to territorial, tourism and urban planning over a total of 991.62 hectares, and exempted the future plan from the requirement to comply with certain limits imposed by the regulatory framework for tourism and for territorial and urban planning. The main product of the law, the **Comprehensive Rehabilitation Plan (PRI)** was initially approved in July 2010 by the Consortium of Playa de Palma<sup>7</sup>, by virtue of the special powers conferred on it. The proposal entails the redefinition of new areas for potential urban development of the enclave. The PRI has not displaced the **initiative to continue to feed the «urban growth machine»**. The new growth of urban space proposed under the PRI amounted to 105.9 hectares of developable land (of which 27.6 would become urban land) (Blázquez, 2010).

Nevertheless, on 15<sup>th</sup> November 2010 the Governing Board of the Consortium of Playa de Palma announced that it had revoked its initial approval of the Comprehensive Plan for the Rehabilitation of Playa de Palma<sup>8</sup>. This revocation was partly due to backlash from various members of the public, led by residents and shopkeepers in the area of Can Pastilla, and partly due to complaints from the business sector over the cancellation of two-year licenses that made it impossible to gain access to the subsidies and the legalisa-

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4 Agreement of the Plenary Session of the Council of the Island of Majorca, entailing the definitive approval of «Amendment Number 2 to the Majorca Island Territorial Plan» (BOIB number 18 ext., 4/2/2011)

5 <http://www.turismo2020.es/> [January 2011].

6 Law 8/2010 of 27<sup>th</sup> June: measures for the comprehensive rehabilitation of Playa de Palma (BOIB, number 112, 29/7/2010)

7 (BOIB number 115, 5/8/2010)

8 Agreement by the Governing Board of the Urban Consortium for the improvement and beautification of the Playa de Palma, cancelling the agreements reached by the Governing Body of the Urban Consortium of the Playa de Palma in its sessions of 30<sup>th</sup> July and 17<sup>th</sup> September in 2010 (BOIB number 171, 25/11/2010)

tion of tourism establishments enshrined in Law 4/2010. Complaints were also voiced over the limits imposed by the PRI on shifting away from a tourism use to a residential use<sup>9</sup>.

#### 4. CONCLUSIONS

The rehabilitation of ‘mature’ urban tourism spaces affected by multiple and severe problems of economic, social and urban degradation, such as those analysed above (Majorca and, more specifically, Playa de Palma), represent a clear example of the importance of **‘deregulatory/re-regulatory’ practices by public authorities**. When policy is channelled solely down the route of the «growth machine», it ends up generating (or taking on) deregulatory reform in pursuit of greater flexibility (ARTs, specifically designed legalisation of tourist rooms, comprehensive plans to increase urban land), which **places business and private recreation interests** above the addressing of collective needs.

Instruments as powerful as the Consortium of Playa de Palma and the PRI are too important to be left solely in the hands of politicians, technical consultants and experts. The production and rehabilitation of space should be tackled through genuine mechanisms enabling **citizen participation**, mechanisms which must be open, without exception, to all economic and social stakeholders, particularly residents. This citizen participation should not be restricted to the existence of a body that is more or less advisory. Going one step further, periodic evaluation of territorial acts should be facilitated. Similarly, rehabilitation should not be limited to the sectoral economic sphere, but should also include ‘social rehabilitation’. Neither should rehabilitation be limited to ‘special interventions’, rather it should be integrated into urban planning on a human and civic scale.

The arm-wrestling match between tourism and real estate capital which, in the aim of constantly increasing profits, forces a regulatory framework with constant and continuous roll-backs of territorial, urban and tourism planning policy should be subject to **democratic control** by citizens, unless of course the goal is to continue to pursue a lack of sustainability and to perpetuate inequality.

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<sup>9</sup> Arguments made by the Playa de Palma Hotel Association (21/10/2010) during the period of public exhibition of the PRI supported the unfettered conversion of establishments used for tourism accommodation.

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