

**To: Productivity Commission**

**Submission on Draft Report on the Conservation of  
Australia's Historic Heritage Places**

**From**

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1. The three tier framework for determining heritage values established under the 1997 COAG Agreement provided a starting point for a more rational approach to historic heritage conservation. In further recognising the principle of 'subsidiarity', and explicitly acknowledging that decisions on what historic heritage places to protect and conserve, incur costs as well as benefits, the Productivity Commission's (PC) Draft Report provides a firm foundation for developing a more objective and rational policy framework and incentive system for historic heritage conservation.
2. However, as the Draft Report acknowledges, at the State, Territory and local level there is a strong 'disconnect' between those who decide on what heritage assets should be protected by listing, and those who bear the cost of protecting these values when listed. This disconnect is exacerbated by the lack of 'statements of significance', particularly at the local level, and the fact that despite the considerable heterogeneity in their cultural value all properties tend to be treated the same once listed, at whatever level. The point is demonstrated by the treatment of two heritage buildings in Brisbane. Under former State legislation, when the Brisbane Port Office site was sold for re-development as a hotel (now the Stamford Plaza), the developer was allowed to extend the Port Office building in accordance with the original plans in order to make the building more functional for its intended new use. Under the legislation current when the Queensland Treasury building was converted into a casino, the heritage restrictions imposed were so constraining that the end result was the dullest casino in Australia<sup>1</sup>. Within two years, a \$16 million "ambience enhancement programme"<sup>2</sup> was required to boost the appeal of the casino. The point being that, if the Port Office had been redeveloped under the same legislation as the Treasury, the extension would in all probability not have been approved, and it would be a markedly less functional and therefore less profitable building.
3. The Commission's key recommendation (8.1) that, in future, privately owned historic heritage properties only be heritage listed after a negotiated conservation agreement has been entered into, while intrinsically sound, does raise questions. Take the case of, say two buildings (not necessarily in a zoned heritage area), both privately owned, much of whose historic heritage value

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<sup>1</sup> Oberhardt, M. (1995) In *Courier-Mail*, 14 September 1995 Brisbane

<sup>2</sup> Jupiters Limited (1997) Annual Report 1997. Broadbeach, Qld

lies in their juxtaposition and inter-relationship. The owner of one building is willing to enter into a negotiated conservation agreement and the owner of the other is not. What happens in such a case where the value of an individual building will be severely compromised if the heritage values of the adjoining building are not also conserved?

4. The Draft Report makes the observation that “it is also necessary for (governments) to ensure that individual government agencies with heritage places do not have incentives to neglect or unnecessarily dispose of their properties in order to avoid heritage conservation obligations and the related costs” (p.xxxvii). However, it makes no suggestions on how this is to be achieved. The problem is illustrated by the actions of South Bank Corporation (SBC), a Queensland government-owned corporation. In the face of vigorous public opposition, the Corporation proposes to demolish the last *in situ* buildings constructed for World Expo 88 on the South Bank Boardwalk, to make way for commercial development. In providing the last physical legacy of what, in the Australian context, is a one-in-a-hundred-year event, these buildings are of great social significance, not only to the residents of Brisbane but the million or more Expo visitors from interstate or overseas. The fate of these buildings is now dependent on the success of an application to have them entered on the Queensland Heritage Register. Should this application be unsuccessful, then, in the absence of ministerial intervention, South Bank Corporation will undoubtedly place its commercial priorities above its heritage conservation obligations to its shareholders - the tax-payers of Queensland - and these buildings will be lost. In a situation like this how does the Commission envisage that government agencies can be prevented from acting like a private owner by refusing to contemplate a negotiated conservation agreement?
5. The Draft Report notes the lack of reliable data on the sources, type and cost-effectiveness of expenditure on historic heritage conservation. It also explicitly acknowledges the nexus between the cost of historic heritage conservation and the benefits (a matter frequently overlooked by the extreme elements of the heritage conservation lobby). It also draws attention to the declining public sector budgets for historic heritage conservation, particularly the recent reduction in the amount of Australian Government funding to the State and local tiers of government. **The principal failing of the report, however, is its failure to identify potential sources of funds and mechanisms to apply funding to historic heritage conservation.**
6. Draft Recommendations 7.4 and 7.5, advocating a reporting system provide a starting point for addressing this matter. At least such systems will identify the nature and scale of heritage related costs associated with conservation and current sources and amounts of funding available. The balance of this submission will address these funding issues which, it is submitted, the Commission should investigate further in preparing its final report.

7. The findings of personal research on museums<sup>3</sup> reveal that many museums, which tends to be the end use of many historic heritage places, are operated as not-for-profit companies. However, even though these are tax-exempt companies, accounting standards require that depreciation be treated in the same way as normal commercial companies subject to company tax, where depreciation charges are a tax deduction. Most not-for-profit companies operating museums and similar heritage enterprises, such as the Australian Stockman's Hall of Fame (ASHOF), are able to recover their operating expenses from earned income and return an operating surplus. It is non-fund-using expenses, principally depreciation charges, that causes these entities to operate at a net loss. Historically, in the case of ASHOF, depreciation charges have been equal to about a quarter of total annual operating revenue, yet they provide no tax benefits since it is a non-profit company limited by guarantee. Depreciation is intended as a mechanism to enable a company to provide for the replacement an asset at the end of its useful life. Yet in the case of not-for-profit companies responsible for heritage assets the intention is not to replace the asset, but to conserve it. **It is therefore recommended that the Commission investigate alternative ways of treating depreciation charges in the context of not-for-profit companies concerned with the conservation and preservation of historic heritage assets.**
8. Avenues that might be considered include the depreciation of heritage assets, or assets associated with the conservation of heritage over an extended period of time in order to reduce annual depreciation charges. For example in 1997, following a structural and systems audit<sup>4</sup> of the Great Barrier Reef Aquarium (now Reef HQ) in Townsville, the lifespan of the building for depreciation purposes was extended from 25 to 50 year thus enabling annual depreciation charges to be halved, substantially reducing the annual net deficit. Another approach might be to provide recurring capital grants to such not-for-profit operations equal to their total depreciation charges, or an agreed percentage of same. The evidence suggests that, in helping to conserve heritage assets and sustaining jobs associated with their preservation and presentation such grants would be far more beneficial than occasional pork-barrelling capital works programs such as the Federation Fund, which attracted criticism from the Auditor-General<sup>5</sup> and the Regional Partnerships Programme, which is the subject of a current audit by the Australian National Audit Office. Such programs waste tax-payers funds on new capital works projects which, if they don't fail totally, like the Australian Wine Centre in Adelaide, end up competing with historic heritage assets for future funding to sustain their operations, which, research shows<sup>6</sup>, provide few, if any, tangible benefits.

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<sup>3</sup> Bramley, R. A. C. (2003). Why Government-Initiated and Funded Tourism Enterprises Fail (PhD dissertation). School of Tourism and Hospitality Management. Lismore. Southern Cross University.

<sup>4</sup> KPMG (1997). Attachment 1, In Independent Review of the Great Barrier Reef Marine Park Authority. Canberra. Ron Brown & Associates Pty Ltd.

<sup>5</sup> Auditor-General (2001). Administration of the Federation Fund Programme. Canberra. Australian National Audit Office.

<sup>6</sup> Bramley, R. A. C. (2003). Why Government-Initiated and Funded Tourism Enterprises Fail (PhD dissertation). School of Tourism and Hospitality Management. Lismore. Southern Cross University

9. Having canvassed some possible funding approaches the next question is where will the funds come from? As noted above there is a case for directing at least some of the funds that are spent on occasional special occasion funding programs into recurring capital grants for organisations or individuals responsible for maintaining historic heritage assets. Other possibilities are the application of taxes derived from gambling to historic heritage conservation. There is a precedent in Queensland, where the poker tax surcharge applied hotels whose poker tax revenues exceeds a specified threshold is used to fund the Major Sports Facilities Authority. Such funds could equally be applied to historic heritage conservation.
  
10. In the UK, where profits from the National Lottery are used to fund a variety of heritage projects, a precedent-setting bid is currently under consideration by the Big Lottery Fund, a new body to support large projects of national significance. In return for funds to repair Dunvegan Castle, in which he would continue to live, the chief of the McLeod Clan is offering to donate the castle and the Black Cuillin mountain range to a local management consortium that includes the local authority. In addition to repairing the castle, the funding bid is also seeking funds to rejuvenate tourism on the Isle of Skye by building a new visitor centre, developing the castle gardens, and providing provide ranger services and interpretation facilities in the mountains. Thus the bid is a vehicle for conserving and managing natural as well as cultural heritage resources. While not necessarily advocating that the Commonwealth government enter the lottery field (State governments already seem to be overly dependent on gambling as a source of taxes), the Big Lottery Fund provides a model for funding historic, (and natural) heritage programs of national significance. From the evidence of the Federation Fund<sup>7</sup> and the Regional Partnerships Programme, there is a need for much more rigorous pre-approval assessment criteria and post-implementation evaluations if such a fund is to realise its full potential. Not only have assessment criteria been shown to be loose and subject to political manipulation but post-implementation evaluation is largely non-existent due both to a lack of skills<sup>8</sup> and the failure to delegate this responsibility to a specific government department or agency. **It is therefore recommended that the Commission investigate from where recurring funds for historic heritage conservation could best be sourced, and the optimum program structure and agency at all tiers of government via which these funds could be distributed.**

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<sup>7</sup> Auditor-General (2001). Administration of the Federation Fund Programme. Canberra. Australian National Audit Office.

<sup>8</sup> Hogwood, B. W. and Gunn, L. A. (1984) *Policy Analysis for the Real World*. Oxford. Oxford University Press.

