



Australian Government

Department of the Environment and Heritage

Second submission to the Productivity Commission Inquiry into the Policy Framework and Incentives for the Conservation of Australia's Historic Built Heritage Places

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Introduction

The Australian Government Department of the Environment and Heritage welcomes the opportunity to make a second submission to the Productivity Commission Inquiry into the *Policy Framework and Incentives for the Conservation of Australia's Historic Built Heritage Places*.

The Department has argued in its first submission that there are sound economic and social reasons for some level of government intervention in historic heritage conservation. There is evidence of market failure in the “provision” of historic heritage, as public good benefits are not always reflected in the market values. As a result, the market, left to its own devices, is likely to provide a less than “ideal” level of historic heritage conservation. Acceptance of this view has led governments to intervene, chiefly through regulatory responses and, to a lesser extent, through various incentives measures.

The Department's previous submission to the Inquiry provided information on the current heritage system and included a proposal for increased cooperation by governments. This submission deals with the national context for government intervention in historic heritage conservation, and sets the agenda for a sustainable heritage system (see section 1). In particular, it provides more detail on the benefits of increased cooperation by Australian governments (see section 2).

Key Messages

- The Department considers that government intervention in historic heritage conservation should be guided by the concept of a **sustainable heritage system**. It is currently exploring ways in which the national heritage system could be more sustainable, including through increased cooperation with other levels of government and consultation with private and community groups.
- The Department has argued in its first submission that **increased cooperation between governments** will have a number of benefits including improved public understanding, reduced duplication of effort and a more positive climate for the conservation of historic heritage.
- This cooperation would form the basis of a **national strategic framework for historic heritage places**, best developed through the Environment Protection and Heritage Council. Such cooperation is likely to:
 - reduce uncertainty about the roles and responsibilities for each jurisdiction;
 - result in more streamlined development assessment systems through the sharing of new approaches and ideas;
 - increase public understanding about heritage lists through more explicit criteria and thresholds for listing;
 - promote increased opportunities for heritage places to be economically self-sustaining;
 - establish shared information and analytic needs, and improve the knowledge about priority areas for government assistance;
 - facilitate cooperative research, for example, into the benefits and costs of heritage conservation;
 - provide improved access to heritage information for place owners, investors and the wider community through a ‘one-stop shop’ heritage database for all heritage listed places in Australia; and
 - coordinate public engagement programmes nationally for greater impact, and to foster greater public understanding of Australia’s three-tier heritage system.
- The development and implementation of an agreed national strategic framework should be an effective means for all levels of government to provide **leadership** on heritage issues.

1. A sustainable heritage system

The Department considers that government intervention in historic heritage conservation should be guided by the concept of a sustainable heritage system. It has been argued in the previous submission that some level of government intervention to protect heritage is justified for economic and social reasons, but that the benefits of intervention must outweigh the costs. In support of this framework, the Department is exploring ways in which the national heritage system can operate on a more sustainable basis to make best use of the available resources and to achieve a socially optimal level of heritage conservation.

There are a number of ways in which a heritage system can achieve sustainability. It must be supported by an efficient and effective policy framework, and have in place processes to identify and protect those places that are significant, while excluding those places that are not (see section 1.1). A sustainable heritage system should also harness and further encourage private heritage conservation initiatives (see section 1.2).

1.1 Sustainability of the heritage system

A sustainable heritage system is one that recognises that the resources available to achieve heritage protection are finite, both in terms of government funding and private sector funds. The system aims to prioritise the conservation of significant heritage places, and does not attempt to achieve a greater level of conservation than it can support.

Statutory heritage listing is the primary policy tool for prioritising the conservation of places according to their heritage significance in a world, national, state or local context. The rigorous application of assessment criteria and thresholds to the listing process is necessary to ensure that heritage listing is a meaningful indicator of heritage value. In this context, it is important that the National Heritage List continues to be compiled as a select list of places of outstanding heritage value to the nation. At the same time, the wider heritage system could also benefit from more explicit thresholds for each heritage list (see section 2.2), which would increase public certainty with regard to heritage listing.

However, listing is often not sufficient to achieve heritage conservation. Funds and technical expertise are required for ongoing conservation management. To ensure that there is an overall positive outcome for the community, available government and private assistance, including direct funding and technical support, needs to be directed towards priority areas.

Thus, a sustainable heritage programme should have systems in place to facilitate priority setting. For this to occur, governments need information about the extent of market failures, analytic tools to assist with determining priorities for assistance, and evaluation tools to assess the effectiveness of assistance programmes. Furthermore, a sustainable heritage programme needs to harness and further encourage private sector and community initiatives that contribute to heritage conservation (see section 1.2).

The requirements for new approaches to data collection and analytic tools and support for private sector and community efforts is best addressed cooperatively by all levels of government, in consultation with the private and community sectors. This will ensure wider applicability and enhance the potential for efficient and effective heritage conservation.

A cooperative approach by governments is at the core of a sustainable heritage system. There will be reduced system costs through the sharing of information and resources, less duplication of effort,

and fewer gaps in heritage protection. A sustainable heritage system promotes complementary heritage programmes by each tier of government, and makes the best use of the range of constitutional and statutory powers (see section 2.1). A sustainable heritage system is valued by the community, and achieves a sense of legitimacy through the application of consistent and transparent processes. Importantly, the community accepts that the system has in place the best methods to identify those places that are worth keeping.

1.2 Sustainability of heritage places

A sustainable heritage system should also facilitate the conditions under which individual heritage places can become more economically self-sustaining over time. This approach aims to further encourage private sector investment in heritage conservation and makes best use of finite government and private funding while enhancing overall heritage conservation for the benefit of current and future generations. For instance, heritage programmes should focus on creating strong heritage ‘brands’, so that heritage listing adds to the market value of heritage places. It might also utilise resources to promote heritage tourism, industry partnerships, and other programmes that could result in heritage places being more economically self-sustaining.

The promotion of a strong heritage “brand” is a key means by which the Australian Government can assist National Heritage places to be self-sustaining. Heritage listing can confer status on a heritage place if the list is well-known, has some exclusivity, and listed places are seen to have special qualities. The benefit of a strong heritage brand is that heritage places may then gain economic returns from their heritage status, for instance through tourism or by attracting private sector partnerships. This effect has been documented with the World Heritage List. For instance, Professor Ralf Buckley’s 2002 report *Heritage Icon Value – Contribution of World Heritage Branding to Nature Tourism* has found that World Heritage listing seems to have a positive effect on measures of tourism expenditure, particularly by significantly increasing the proportion of international visitors.

The Australian Government’s *Distinctively Australian* programme supports the implementation of the national heritage legislation and demonstrates aspects of this approach to sustainable heritage. It aims to provide National Heritage places with one or more benefits as a result of listing, such as increased tourism or access to partnership programmes. In other instances, places will benefit from direct financial or technical assistance.

Additionally, the *Distinctively Australian* programme has public engagement as a key outcome. The National Heritage List will be promoted with the aim of creating a well-recognised heritage brand that may create economic value for listed places.

In particular, *Distinctively Australian* aims to:

- stimulate understanding of heritage through the identification of nationally significant places;
- protect places of national significance through a comprehensive set of policies, management programs and laws;
- integrate a range of heritage-related programmes across government and non-government agencies to foster the sense of Australian identity;
- manage Australia’s heritage places to encourage their sustainable use through comprehensive management arrangements and partnerships with all levels of government, industry and the community;
- boost domestic and international tourism through increasing public awareness;
- expand employment opportunities for communities and small businesses; and

- promote partnerships between heritage owners and communities to provide visitor infrastructure and services.

This approach recognises that government resources can be used in partnership with private resources and the community to achieve greater heritage conservation while maximising the economic benefits for heritage-listed places. These opportunities may exist at other levels of government and could be further explored by each jurisdiction through a cooperative national strategic framework.

2. A national strategic framework for historic heritage places

The Department considers that increased cooperation by the three levels of government will result in a more sustainable heritage system. The development and implementation of an agreed strategic framework by all levels of government should promote more efficiency and certainty for the community with regard to decisions about heritage places. Further clarification of roles and responsibilities by each level of government should also reduce duplication of effort and provide better outcomes for historic heritage conservation.

It is possible that this work could form a first step in the future development of a national heritage strategy that covers natural, historic and Indigenous heritage across the three levels of government. However, a first and critical step would be the development of a national strategic framework for historic heritage places.

The Australian, state and territory governments have been working cooperatively on historic heritage issues for some time, for instance at heritage council/agency level through the National Heritage Chairs and Officials, and at ministerial level through the Environment Protection and Heritage Council. To date, this cooperation has not been anchored in a mutually-agreed framework, although there have been ongoing efforts to achieve this objective.

It is evident from many of the submissions that have been made to this inquiry that the community is seeking leadership from government on heritage issues. The development and implementation of a mutually-agreed framework would provide a means by which governments could more effectively provide leadership. It should also address some of the concerns about the current heritage system, by streamlining processes and by promoting ongoing research into the benefits and costs of heritage conservation and efficient and effective use of government funds. It is important that the financial responsibilities of each jurisdiction are clearly identified and that there is no cost shifting between jurisdictions.

The Australian Government could convene the leadership group, support the development of a mutually-agreed framework, and assist with improvements to and research into key areas of the heritage system. The Department considers that the development and implementation of the framework could be done under the auspices of the Environment Protection and Heritage Council. The Department believes that such a framework would cover the following points:

2.1 Roles and responsibilities

The roles and responsibilities of each jurisdiction could be clarified under the proposed strategic framework. At present, there is continuing uncertainty about roles and responsibilities under the three-tier system, which can create inefficiencies through duplication of effort. It also results in public uncertainty about the operation of the heritage system.

There is a need to develop ways to cooperatively achieve the protection of heritage values. There are currently gaps in protection, including at the national level, which may be addressed by a cooperative approach. It is acknowledged that each level of government has a different heritage regime based on its constitutional powers, statutory provisions and policy framework. As such, a cooperative approach may result in new ways to achieve common goals with regard to heritage protection.

Cooperation could also result in a more streamlined approach to development assessment, and reduce any unnecessary burden that compliance may place on individuals, the private sector and

organisations. There are opportunities for improved systems to be developed as a result of joint research and better access to case studies and other examples.

2.2 Standards

In Australia, statutory heritage lists include the World Heritage List, the National Heritage List, the Commonwealth Heritage List, the Register of the National Estate, state, territory and local government heritage lists. At present there is public confusion about the meaning of these heritage lists, which creates uncertainty about the impact of listing and associated development controls.

There is scope to create a more consistent policy framework around the listing process, based on clarification by the three levels of government about the thresholds that apply to each list. In particular, heritage professionals and the community would benefit from more explicit thresholds, so that there is greater understanding of how they apply to each list. This may be facilitated by the development of professional and community manuals that explain the use of heritage criteria and thresholds, provides examples of their application, and contain supporting documentation such as comparative and thematic studies that help to establish the significance of places against the relevant threshold.

2.3 Heritage Economics

The importance of historic heritage conservation is widely recognised, and there are good arguments for some level of government intervention to assist in protecting the values of historic heritage places. However, heritage funding is finite, and governments must find better ways to protect those heritage places that are most valued by the community in the most efficient way for both governments and the private sector.

As previously argued in this submission, the cooperation of all governments and consultation with the private and community sectors are needed to develop a more sustainable heritage system, and to ensure that more heritage places are capable of being economically self-sustaining. There are many opportunities for governments to build a sustainable basis for heritage conservation, some of which are currently being investigated. They include:

- tourism;
- product (list) branding;
- adaptive reuse;
- private sector partnerships;
- philanthropy; and
- volunteerism.

The Department and the state heritage agencies have a longstanding interest in exploring the contribution of economics to historic heritage which has led to the publication of various reports as detailed in [Appendix A](#).

A taskforce established by the Environment Protection and Heritage Council has made significant progress on the development and implementation of a national strategy to promote sustainable heritage tourism. It has produced a report *Going Places: developing natural and cultural heritage tourism in Australia* and will continue to investigate opportunities and approaches to heritage tourism.

Another taskforce has produced a report *Making Heritage Happen – incentives and policy tools for conserving our historic heritage* that surveys the incentives that are currently offered for historic heritage in Australia and internationally; compares them with incentives offered for nature conservation; examines their effectiveness or otherwise and considers potential reforms that could be considered to support Australia’s historic heritage.

The Heritage Chairs and Officials group has commissioned two reports in relation to the economics of heritage conservation. The first identifies the market failures and other market characteristics that impede the provision of an optimal level of heritage protection, and identifies policy tools that will effectively address these failures and characteristics so as to capture economic, social and environmental benefits. The second report will incorporate a non-market valuation study of the economic, social and environmental benefits of historic heritage. The study will use discrete choice modelling to value a comprehensive range of beneficial attributes associated with heritage protection.

Finally, governments might also cooperatively investigate whether aspects of the current heritage system create perverse incentives for heritage conservation. It is also anticipated that this inquiry may be able to provide an insight into any aspects of the current policy framework that result in perverse incentives for historic heritage conservation.

2.4 Information, analytic needs and research programmes

All levels of government are engaged in the ongoing process of determining the optimal level of intervention and adjusting the policy mix to balance the costs and benefits of historic heritage conservation. However, this process is currently restricted by limited information, which makes it difficult to quantify the nature of the benefits and costs arising from historic heritage conservation.

In particular, there is limited availability of data and analytic tools to assist decision-makers to determine priorities for assistance, particularly when compared to those available for natural heritage. This hampers efforts to determine an appropriate level of government intervention, makes it hard to assess priorities, and difficult to establish a suitable mix of policy instruments.

National cooperation could help determine what data sets can assist to:

- aid decisions about priorities for funding;
- provide evidence about the benefits and costs of heritage conservation; and
- inform decisions about appropriate forms of intervention for each situation.

A national effort could compile comparable data across all jurisdictions, and develop analytic tools which include:

- a mechanism that would be available to inform priority setting for possible government assistance;
- databases that are coordinated between jurisdictions; and
- an evaluation tool for assessing the effectiveness of government assistance and the efficiency of heritage conservation policies.

These tools could be developed cooperatively and would then be available for governments to use where appropriate.

A cooperative approach could also support the development of a coordinated “one-stop” heritage database. This would reduce public confusion about the different heritage lists and provide improved access to heritage information for place owners, investors and the wider community. The

previous efforts to develop a one-stop database have been hampered by some jurisdictions being unable to provide the technical capacity for this to occur. It is anticipated that increased cooperative efforts may find a solution to this difficulty.

2.5 Public Engagement

A national strategic framework could promote a coordinated public engagement programme for greater impact so that the intangible benefits of heritage places and their contribution to the Australian story are more widely felt and appreciated. It could also foster greater public understanding of Australia's three-tier heritage system and reduce the confusion that currently exists about heritage lists. Importantly, it might also successfully promote activities that result in more economically sustainable heritage places and inform discussion about the benefits and costs of heritage conservation.

Conclusion

The development of an agreed national strategic framework for historic heritage places will assist governments to deal with the specific challenges that have been raised in this submission.

In particular, a cooperative approach may enable each jurisdiction to explore new approaches to heritage conservation, including the concept of a sustainable heritage system.

The Department considers that a national strategic framework would be best developed and implemented through the Environment Protection and Heritage Council.

References

Australian Heritage Commission (2000) *Protecting Local Heritage Places-a guide for communities*, Canberra.

Australian Heritage Commission, Dept of Industry, Science and Resources, and CRC for Sustainable Tourism (2001) *Successful Tourism at Heritage Places: a guide for tourism operators, heritage managers and communities*, Canberra.

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Cegielski, Michele et al. (2001) *The Economic Value of Tourism to Places of Cultural Heritage Significance: a case study of three towns with mining heritage* Australian Heritage Commission, University of Canberra, CRC for Sustainable Tourism.

Department of the Environment and Heritage (2004) *Adaptive Reuse – preserving our past, building our future*, Canberra.

Heritage Economics: Challenges for heritage conservation and sustainable development in the 21st Century, Conference Proceedings, 4 July 2000, Australian National University, Canberra.

National Incentives Taskforce for the Environment Protection and Biodiversity Council (2004) *Making Heritage Happen: incentives and policy tools for conserving our historic heritage*.

National Tourism and Heritage Taskforce for the Environment Protection and Biodiversity Council (2003) *Going Places: developing natural and cultural heritage tourism in Australia*.

Reports on the economics of heritage conservation

- **Heritage Economics Conference** – In July 2000 the Australian Heritage Commission held a Heritage Economics Conference – “*Heritage Economics – Challenges for heritage conservation and sustainable development in the 21st Century*”. The Conference Proceedings were edited and published by the Commission and can be accessed online (www.ahc.gov.au/publications/index.html). The conference helped to raise the profile of economics in the management of heritage and explored various issues of interest including an examination of the economic benefits of heritage restoration, the public benefits of heritage listing of commercial buildings and adaptive reuse in the wider policy context. An attempt was also made to set an agenda for heritage economics research.
- **Heritage Icon Value – Contribution of World Heritage Branding to Nature Tourism** – This research was funded in cooperation with the International Centre for Ecotourism Research. It found that World Heritage listing does seem to have a positive effect on measures of tourism expenditure, particularly by significantly increasing the proportion of international visitors.
- **Economic Value of Tourism to Places of Cultural Heritage Significance – A case study of three towns with mining heritage** – This research was funded in cooperation with the CRC for Sustainable Tourism. It found that visitors injected millions of dollars into the local economies of each of the towns studied.
- **Successful Tourism at Heritage Places – A guide for tourism operators, heritage managers and communities** – Intended to help facilitate the successful economic use of heritage places. This guide provides information to help people more clearly understand the issues involved and includes practical pointers for those aiming at successful and responsible tourism at heritage places
- **Adaptive Reuse – Preserving our past, building our future** -This document explores the environmental, social and economic benefits of adaptive reuse, lays out strategies to manage change and adaptation whilst maintaining heritage values and provides 12 case studies to illustrate these strategies.