Australian Government

Department of the Environment and Heritage

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

The Department is the Australian Government's lead agency for heritage and is responsible for implementing national policies, programmes and legislation to protect and conserve Australia's historic heritage places. The Department works in partnership with other Australian Government departments, state, territory and local governments, and communities.

The Department administers the *Environment Protection and Biodiversity Conservation Act 1999* (EPBC Act), which helps protect places included in the World Heritage List, the National Heritage List and the Commonwealth Heritage List. The Department also provides the secretariat for the Australian Heritage Council, which in addition to its role in national heritage protection also maintains the Register of the National Estate. As well, the Department administers the *Historic Shipwrecks Act 1976* and the *Protection of Movable Cultural Heritage Act 1986.* (For details of heritage lists see Appendix A.)

The Department implements Australian Government responsibilities under international heritage conventions, and these are summarised at Appendix B.

The Heritage Division of the Department is the key division for overseeing many of the Department's historic heritage responsibilities. (For information on the Heritage Division and other areas of the Department with responsibilites for historic heritage see Appendix C.)

The Department manages the Australian Government's grants programmes for heritage places and cooperates with state and territory governments in providing and managing Australian Government funds to protect and manage World Heritage properties. (For details of the Department's grants programmes see Appendix D.)

This submission focuses on the operation of the current system for heritage conservation. It addresses the central issues of the inquiry, namely:
- the rationale for government involvement (see section 2)
- the policy framework (see section 3)
- current pressures and emerging trends (see sections 4 and 5).

It also makes recommendations for future action (see section 6).

The Department intends making a second submission in October 2005. The second submission will cover in more detail market failures and other market characteristics that impede an optimal level of heritage protection. The second submission will draw upon research commissioned by the Heritage Chairs and Officials of Australia and New Zealand, which comprises the Chairs and senior officials of the Australian Government and State and Territory historic heritage agencies. This research will be an original non-market valuation study using discrete choice modelling to value the economic, social and environmental benefits associated with historic heritage conservation and management.

Key messages

- **Protecting Australia's historic heritage is important**. Australia's historic heritage helps define who we are. Our heritage buildings and places are part of our national identity, demonstrating our unique history and diversity of backgrounds and experiences. Once our historic heritage is destroyed, it cannot be replaced.

- There are often **economic and social arguments for some level of government intervention** to assist in protecting the values of historic heritage buildings and places. However heritage funding is finite and protection incurs opportunity costs and management costs. Methods for according priority are required.

- **Assessment and listing are the primary policy tools** which Australian governments use to identify and conserve historic heritage. This system prioritises the preservation of places according to their heritage significance in a world, national, state or local context and guides investment in heritage conservation. Typically the listing process takes into account not only heritage values, but also economic and social consequences of listing. Listing, of itself, does not determine who should pay for the upkeep of a historic heritage place or how market failure should be addressed, however listing does carry a public perception of responsibility and "ownership of future problems."

- The Australian Government has recently put in place a more effective **regulatory framework** to protect historic heritage places of world and national significance, and to ensure its own heritage buildings and places are protected. State, territory and local governments have separate regulatory frameworks to assess and conserve historic heritage.

- It could be argued that **increased cooperation between governments** would benefit public understanding, reduce duplication of effort and create a more positive climate for the conservation of historic heritage. It could conceivably:
  - reduce public confusion about the different heritage lists and the regulations associated with them by creating an online 'one-stop shop' database for all listed heritage places in Australia
  - improve consistency in assessment processes and conservation management plans so that minimal extra effort is required for owners in meeting the statutory heritage requirements for different levels of government
  - coordinate public engagement programmes nationally for greater impact so that the intangible social benefits of heritage places and their contribution to the Australian story are more widely felt and appreciated
  - promote heritage tourism more effectively nationwide and internationally to increase the economic benefits of conserving heritage places
  - disseminate more effectively in the local community ideas for the adaptive reuse of historic heritage places
  - make it easy to implement nationally a cooperative, cost effective, and consistent means of State of the Environment reporting on the condition of historic heritage places.

- It is important that the financial responsibilities of each jurisdiction are clearly identified and that there is no cost shifting between jurisdictions.

- This cooperation would form the basis of a national strategic framework for historic heritage places, best developed through the Environment Protection and Heritage Council, and would fulfill the intention of the Council of Australian Governments' (COAG) 1997 decision to develop a national strategy for cultural and natural heritage places.

Glossary

AIMA	Australian Institute of Maritime Archaeology
ANZECC	Australian and New Zealand Environment and Conservation Council
COAG	Council of Australian Governments
EPBC Act	*Environment Protection and Biodiversity Conservation Act 1999*
ICOMOS	International Council on Monuments and Sites
UNESCO	United Nations Educational, Scientific and Cultural Organization

1   What is historic heritage?

> **Protecting Australia's historic heritage is important. Australia's historic heritage helps define who we are.**

1.1 Defining historic heritage

The scope of this inquiry specifically excludes natural heritage, pre-contact Indigenous heritage and movable and intangible heritage. Therefore this submission relates only to 'historic heritage places' as defined in the inquiry's issues paper.

Australia's historic heritage has been shaped by the interaction of people and the environment. It comprises the sites, areas, land, landscapes, buildings or other places that link us to the past.

Our distinctive historic heritage is part of our identity, and reflects the diversity of our traditions and cultural experiences. It is an inheritance to be passed from one generation to the next. Each generation contributes another layer to the historic environment, and also makes decisions about what it wants to keep from the past, so that there is a constant reinterpretation of the historic environment and its meanings.

The Australian Government recognises the importance of historic heritage. Under the *Environment Protection and Biodiversity Conservation Act 1999* (EPBC Act) heritage value is defined as a place's natural and cultural environment that has aesthetic, historic, scientific or social significance, or other significance, for current and future generations of Australians.

Historic heritage places may be as diverse as Captain Cook's Landing Place at Kurnell Peninsula, the City of Adelaide Historic Layout and the Burke and Wills' Dig Tree, which are in the Register of the National Estate, and recognised as part of Australia's historic environment. Historic heritage places in the National Heritage List include the Port Arthur Historic Site in Tasmania and the Sydney Opera House.

Historic heritage places, once destroyed, cannot be replaced. Built replicas are not authentic heritage. Decisions about the relative importance of heritage places and the levels of protection which should be afforded them are made at the national, state/territory and local government level, and by private individuals and organisations that own or manage heritage places.

There are different ways of deciding which places are sufficiently important to be conserved, and in what ways and to what degree that should occur. The most common tool used by governments is the assessment by panels of experts against specified criteria and subsequent listing of places for inclusion in heritage registers protected by legislation. The compilation of a heritage list involves making informed judgements about which places are the most significant according to defined criteria and thresholds, and this informs decision-making about their protection and the provision of funding for their conservation and management. Appendix A outlines the criteria for listing under the four main heritage lists which come under Australian Government legislation: the World Heritage List, the National Heritage List, the Commonwealth Heritage List and the Register of the National Estate.

The Department regards listing as a first step in heritage protection. The Department argues the next step is to adequately support listing with incentives; enhanced and complementary national, state/territory and local research programmes; an accessible and linked web-based inventory of Australia's heritage sites; and effective public education programmes. This inquiry provides the opportunity to explore options of a suitable way forward for governments and the community, and to determine the most appropriate mechanisms to further protect historic heritage.

1.2   Measuring historic heritage

There is no single source of information on the number of historic heritage places in Australia as there has not been a comprehensive survey of Australia's historic heritage estate which, of course, is an evolving list. It is also difficult to determine the precise scale of the estate because of the different ways in which the jurisdictions have compiled their heritage registers. Each jurisdiction has its own assessment process, timelines, priorities and resourcing for historic heritage.

One can, however, gauge a sense of the scale of the estate from the various statutory lists[1]: the National Heritage List (10 historic heritage places); Commonwealth Heritage List (approximately 300 historic heritage places); Register of the National Estate (approximately 10 000 historic heritage places); state and territory lists (approximately 14 000 places); and local government lists (over 155 000 places)[2]. However, many of the places entered in the Register of the National Estate are also included in state, territory and local government lists. Similarly, there is some duplication between the state and local lists (see Appendix A).

Non-government organisations also compile heritage registers, for example the National Trusts and the Royal Australian Institute of Architects. At least some of these places will not have been included in statutory registers, and they could be said to form part of the historic heritage estate.

As well as duplication, there are gaps in heritage registers, as regional heritage studies or thematic/typological identification studies are not yet complete. For instance, a recent study of rural heritage in Queensland has noted that there is a lack of knowledge about the extent and significance of rural heritage places, and the National Trust's 2003 Endangered Places List includes 'Rural Homesteads' as a category of endangered places[3].

One of the challenges in identifying the size of the historic heritage estate is that the available lists are, of course, changing and evolving. At all levels of government, heritage registers are being expanded as legislation is amended, as thematic and regional studies are completed and, in some states/territories, as places in the Register of the National Estate are assessed for inclusion in state heritage registers and the community understanding of heritage values evolves. Conversely, places are also being lost owing to redevelopment, accident or neglect.

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[1] The Australian Heritage Places Inventory (www.heritage.gov.au/ahpi/index.html) contains summary information about places entered in national, state and territory heritage registers.
[2] The National Heritage List was recently established, and it is expected that the number of places entered in this list will increase, which is further discussed in section 3.3.
[3] Jane Lennon, 2003, *Rural Heritage Places Issues*: *discussion paper for the Queensland Heritage Council*, August 2003, p.2; 4.

2 What is the rationale for government involvement in historic heritage conservation and what principles should guide that involvement?

> **There are often economic and social arguments for some level of government intervention.**

The value of historic heritage is recognised by the Australian community and the public expects governments will ensure an appropriate level of historic heritage conservation for the benefit of this and future generations.

In addition, the goal of sustainable development, now clearly understood in regard to the management of natural heritage, is just as relevant in its application to historic heritage.

Historic heritage places form an important component of the nation's 'cultural capital', defined as the

> capital value that can be attributed to a building, a collection of buildings, a monument, or more generally a place, which is in addition to the value of the land as purely physical entities or structures, and which embodies the community's value of the asset in terms of its social, historical or cultural dimension.[4]

Interpreting heritage in this way means that it can be seen as a capital asset that yields a flow of economic, social and cultural services now and into the future. Accepting this interpretation allows for decisions relating to heritage conservation to be considered in an economic framework. The economic argument for the conservation of historic heritage places has been well articulated.[5]

2.1 Economic argument for conservation

This section provides a brief summary of the economic argument for historic heritage conservation. Essentially, the argument states that historic heritage should be conserved where the benefits arising from the conservation outweigh the costs (see Appendix F).

The benefits that arise from historic heritage can be considered in two broad groups:
- those derived from the use of the historic heritage places, referred to as **use values**
- those that accrue without direct use of the heritage place, referred to as **non-use values**.

The physical assets that embody historic heritage have a **use value,** as would other non-heritage physical assets, for example, a house whether historic or not will provide a number of use values such as shelter and amenity. The heritage aspects of the place may increase this use value as people derive additional benefits from owning, living or working in a heritage place. It is common for the historic heritage values of an asset to be complementary to the

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[4] David Throsby, 1997, 'Seven Questions in the Economics of Cultural Heritage', p.15.
[5] See for example, Hutter and Rizzo (1997); Schuster *et al.* (1997); Peacock (1998); Serageldin (1999); Contributions to Australian Heritage Commission (2000); Throsby (2001).

non-heritage use values of the asset, as maintaining the asset for these values allows for the conservation of the historic heritage values.

Some historic heritage use values will be reflected in market processes such as income or revenue gained from tourism activities or when reflected in the sale price of a house. Other benefits are less tangible, and are not likely to be reflected in market processes. For example, a key benefit of historic heritage is its capacity to reflect, articulate and define what we mean by cultural identity—the Sydney Opera House is a good example. While these benefits can be considered in an economic framework it is very difficult to quantify them—even when non-market evaluations of historic heritage are undertaken, there are some values that are difficult to express in terms of willingness-to-pay.

Through its contribution to cultural identity, historic heritage can be said to contribute to social capital[6]. The Productivity Commission has acknowledged the concept of social capital. Benefits of social capital to society include: reducing costs of day-to-day affairs and doing business; promoting cooperative behaviour; facilitating the spread of knowledge and innovation; and enhancements to personal well-being[7]. A lack of social capital can limit economic opportunities and cause markets to work inefficiently. The Productivity Commission paper identified access to historic sites as a means by which governments might pursue the promotion of social capital in the community.

Non-use values are unlikely to be reflected in market processes. These fall into three types:
− Existence value — where people gain benefit from simply knowing that heritage exists, whether or not they themselves might ever use it. For example, a person may never intend to visit Port Arthur Historic Site but recognizes the historical importance of the site and gains some benefit from knowing that it exists.
− Option value — where people gain benefit from retaining the option for themselves or others of visiting the historic heritage place at some time in the future. For example, a person may place a value on retaining the option of visiting the Old Parliament House at some time in the future.
− Bequest value — where people gain benefit from the chance to pass on heritage for the benefit of future generations. For example, historic homesteads may be valued because people want future generations to have the opportunity to understand the history of Australia's rural life.

Private individuals and firms will conserve historic heritage where they can capture the benefits from that conservation, that is, where they can capture some of the benefits through market process and/or where the individual gains some private utility from the conservation. Many historic heritage assets have use values other than those associated with the heritage aspects of the asset. Where these are complementary to the heritage values, it is possible that private individuals and firms will conserve historic heritage while acting to maintain these non-heritage use values of the asset.

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[6] The social capital of a society includes the institutions, the relationships, the attitudes and values that govern interaction among people and contribute to economic and social development … it is the glue that holds [institutions] together. It includes the shared values and rules for social conduct …and a common sense of 'civic' responsibility that makes society more than just a collection of individuals. (Productivity Commission 2003, *Social Capital: reviewing the concept and policy implications,* p.ix)

[7] Productivity Commission 2003 *Social Capital: reviewing the concept and policy implications*

There are significant benefits from historic heritage conservation that cannot be captured by private individuals and firms, particularly the more intangible use values and the non-use values, such as the contributions to cultural identity. As such, the private marginal costs and benefits will differ significantly from the social marginal costs and benefits.

Where this is the case the market is said to fail. Several causes of market failure have been identified in the historic heritage market, namely, incomplete and one-sided information, the existence of positive externalities and public good characteristics for some associated benefits (for examples see Appendix F). In the case of historic heritage it has been argued that the market failure is significant, as many benefits are not reflected in the market. However, given the difficulties in quantifying many benefits, it is also difficult to quantify the significance of the market failure.

Without collective action the market would provide a less than ideal level of historic heritage. Governments therefore act to correct this shortfall. Intervention can be justified where the benefits of the intervention outweigh the costs.

As explained previously, many costs and benefits associated with the conservation of historic heritage are not easily quantified. As such, governments have to make decisions without full information. However, there are several aspects of historic heritage that mean government intervention is more easily justified, namely:
- loss of historic heritage is irreversible
- the diffuse nature of benefits and the existence of intergenerational externalities means the impacts of decisions are significant
- there is a high probability decisions by private individuals will be contrary to the most efficient outcome when judged from society's point of view.

The Department considers that this economic framework is useful and should be used to inform future policy development for historic heritage conservation by all levels of government.

3 How does the policy framework for historic heritage conservation currently operate and what are its strengths and weaknesses?

> **Assessment and listing are the primary policy tools which Australian governments use to identify and conserve historic heritage.**

3.1 Background to government regulation

The first heritage lists were established by groups such as the National Trust. They originated as non-statutory registers of heritage places, and many of the National Trusts continue to maintain these registers. During the 1970s, there was considerable community pressure on governments to establish statutory heritage lists in response to a perceived need for greater protection of heritage places. The *Australian Heritage Commission Act 1975* provided for the establishment of one of the first statutory heritage lists in Australia, the Register of the National Estate. The register was compiled by the Australian Heritage Commission, and listed places were provided with limited protection, as the Australian Government was prohibited from taking any action which would adversely affect a listed place unless there were no feasible and prudent alternatives to the action. The states and territories also began to implement heritage legislation in the 1970s and 1980s.

At the present time, the three levels of government are all involved in the protection of historic heritage places. At the national level, the Australian Government protects the heritage values of places entered in the World Heritage List, the National Heritage List, the Commonwealth Heritage List, in cooperation with state and local governments, and compiles the Register of the National Estate. The states and territories have also established statutory heritage lists, and many local governments have compiled heritage lists or their equivalent. State and territory lists include places of state/territory significance, while local lists typically comprise a much larger number of places, most of which may only have significance to the local area.

The system of heritage protection in Australia shares responsibility between the different levels of government. For instance, a state may retain significant responsibilities (both statutory and financial) for World Heritage and National Heritage listed places where they are in state ownership. Therefore, there is usually considerable negotiation with a state government before a place is entered in the World Heritage List or the National Heritage List. A recent example of this is the inclusion of the Sydney Opera House in the National Heritage List, after agreement was reached with the NSW Government about the management implications of listing.

Case study: Royal Exhibition Building

The Royal Exhibition Building and Carlton Gardens is entered in the Register of the National Estate, the Victorian Heritage Register, the National Heritage List and the World Heritage List. It is an example of a historic place that has international, national and state heritage significance, and provides a case study of the different roles and responsibilities in historic heritage conservation and how the system operates in a practical sense.

The Royal Exhibition Building is included in the World Heritage List as a rare surviving manifestation of the international exhibition phenomenon of the late nineteenth and early twentieth centuries. It is the only historic heritage place in Australia to be included in the World Heritage List.
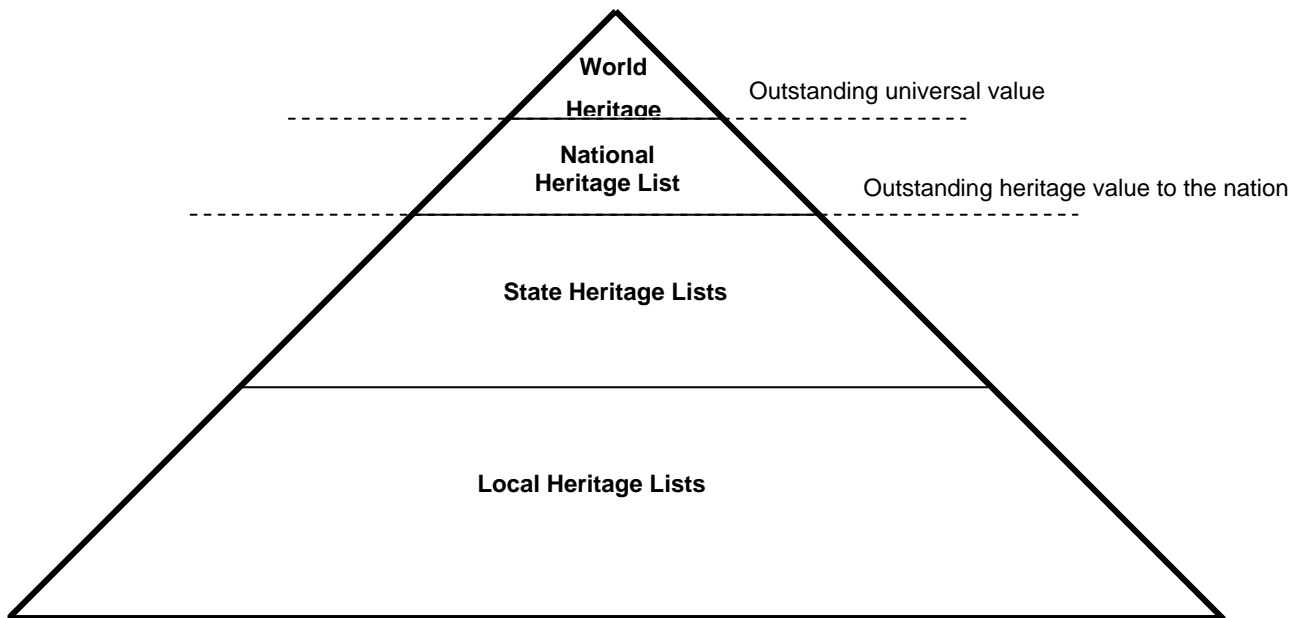
At the national level, the site is significant for a number of reasons, including as the venue for the first Australian Parliament in 1901, as a symbol of the country's pride in its technological and cultural achievements in the latter part of the nineteenth century and as a rare extant example of a nineteenth-century exhibition building.

At the state level, it is also significant as a demonstration of the wealth and confidence of the colony of Victoria in the late 1870s. It has social significance for its continuing participation in the lives of all Victorians, for instance as a former migrant reception centre and as the venue for several events during the 1956 Olympic Games. It also has significance as the largest design carried out by renowned Melbourne architects Reed and Barnes.

The Carlton Gardens are managed by the Melbourne City Council. The Royal Exhibition Building is managed by several different state government agencies, with Heritage Victoria exercising a controlling role over the site as a whole. The Royal Exhibition Building is protected under the *Heritage Act 1995* (Victoria) and no works can be undertaken unless a permit has been granted by the Executive Director, Heritage Victoria. There is additional protection for the Royal Exhibition Building's National Heritage values and World Heritage values under the EPBC Act, so that any action which is likely to have a significant impact on those values must be referred to the Australian Government Environment Minister for assessment and approval.

The City of Melbourne and the Victorian Government supported the site's inclusion in the National Heritage List and the World Heritage List. The Victorian Government is working cooperatively with the Australian Government to meet the requirements for the site's management for National Heritage and World Heritage purposes.

The diagram below illustrates the hierarchy of statutory heritage lists/registers according to levels of heritage significance (indicative scale only).

World Heritage — Outstanding universal value

National Heritage List — Outstanding heritage value to the nation

State Heritage Lists

Local Heritage Lists

Heritage List Hierarchy

The Commonwealth Heritage List is a tenure-based list, which comprises heritage places at all levels of significance that have been identified by the Minister for the Environment and Heritage as having Commonwealth Heritage values.

The Register of the National Estate comprises an evolving list of Australia's heritage places at all levels of significance, and is maintained by the Australian Heritage Council.

3.2 How do you decide what's worth keeping?

The purpose of conserving a historic heritage place is to retain its heritage values. Heritage places do not necessarily have to be entered in a statutory heritage list for their values to be retained for future generations. However, a place's heritage values are more likely to be conserved if those values are clearly identified and described on a list providing statutory protection. By understanding a place's significance, and the attributes that contribute to that significance, decisions about the place can be made that will ensure that it retains its heritage value. A decision to change the fabric of a historic heritage place may be acceptable if it does not affect the place's heritage values.

The statutory listing process typically involves an assessment of a place's heritage value by an expert group, such as an advisory body or council, with formal listing being undertaken by the government minister responsible for heritage matters. The minister is usually required

to take into account the assessment of heritage value, as well as non-heritage social and economic issues. This means that most statutory heritage registers have been compiled with a conscious evaluation of the relative benefits and costs of listing.

Typically, statutory heritage listing provides increased protection for a heritage place by requiring that any modifications to the place must be considered and approved through an impact assessment or development approval process. It does not mean that changes cannot occur to a listed place, and an assessment of the impact of the proposed changes usually focuses on whether the modifications will affect its heritage value. In addition, the approval process may include a mechanism for determining whether an adverse impact on heritage values can be approved on the grounds of social and economic reasons.

The hierarchy of heritage listing within Australia reflects the level of protection afforded to the place, the size of the audience for whom the benefits accrue and, often, the level of funding provided for the protection and promotion of the values of the place. For example, World Heritage properties are protected for the benefit of all the people of the world and National Heritage places for the benefit of all Australians. Places protected at the local heritage level will usually benefit a much smaller number of people, although the experience of the place may be more frequent and direct for those people.

Overall, the ubiquity of the listing process in almost all developed and most developing countries reflects its effectiveness in ranking places according to their heritage significance and the breadth of the community that values the place. Most listing processes, including those in Australia, require that economic and social issues be considered by the decision-maker before deciding to list the place.

An additional important feature of listing processes such as those employed for the World Heritage, National Heritage and Commonwealth Heritage Lists is that it is the heritage values of the place that are protected rather than the place itself. As a result, only uses of the place that adversely affect the values are constrained, rather than all non-heritage uses. This provides greater flexibility in the options for adaptive reuse of heritage places. For more information on the adaptive reuse of heritage places see the Department of the Environment and Heritage publication on adaptive reuse[8]

3.3 How efficient is the current legislative framework?

The Australian Government has recently put in place a more effective regulatory framework.

In 1997 COAG endorsed the Heads of Agreement on Commonwealth/State Roles and Responsibilities for the Environment. The Heads of Agreement provides a focus for the Australian Government on matters of national environmental significance, and guides the Department in the development of policies, programmes and legislation for historic heritage conservation.

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[8] Department of the Environment and Heritage (2004) *Adaptive reuse: preserving our past, building our future*, available at www.deh.gov.au/heritage/publications/adaptive/pubs/adaptive-reuse.pdf.

Background to the current heritage legislation

The Australian Government introduced a new heritage system in January 2004, focusing on places of national significance in accordance with the COAG agreement. The EPBC Act was amended to provide for the establishment of the National Heritage List and the Commonwealth Heritage List, and the protection of places on these lists to the full extent of the Australian Government's powers. Separate legislation established the Australian Heritage Council as an independent expert body to advise the Minister for the Environment and Heritage on the listing and protection of heritage places. The Register of the National Estate was also retained as an evolving record of Australia's heritage places.

The new system replaced an earlier one that was established under the *Australian Heritage Commission Act 1975* (AHC Act). The AHC Act was passed at a time when there was limited state or local government protection for heritage places. The Australian Heritage Commission compiled the Register of the National Estate, which included places of local, state and national significance. Since that time, all of the states and territories have implemented effective heritage protection legislation. This resulted in duplication between the Register of the National Estate and state and local heritage lists. The Australian Government has therefore clarified its role in heritage conservation with the new national heritage system so that it is no longer involved in matters that are more appropriately managed by state and local government.

The Department considers that the implementation of the new heritage system has been successful for a number of reasons.
- The duplication in heritage laws and processes between the Australian Government and the states, territories and local governments has been reduced.
- The new legislation provides increased protection for places of national significance.
- The Minister for the Environment and Heritage is responsible for entering places in the Commonwealth Heritage List or the National Heritage List, and also determines whether an action in relation to a heritage place needs to be approved, and whether or not to approve that action.
- These measures provide greater transparency in decision-making to the public, and improved accountability to the Parliament.

National Heritage List

The Minister for the Environment and Heritage can only include a place in the National Heritage List if satisfied that the place has National Heritage values when it is measured against the National Heritage criteria. It is the National Heritage values that are protected by the legislation. This provides greater certainty as to what actions need to be controlled, and focuses conservation efforts on the protection of the values. It also means that large sites such as cultural landscapes or significant urban areas can be listed for their National Heritage values, and still continue to evolve and develop while those values are protected.

Since the implementation of the new legislation in January 2004, 14 places have been entered in the National Heritage List, of which 10 have historic heritage significance. A further 11 places (including places of natural and Indigenous significance) have been rejected for entry in the National Heritage List, excluding emergency applications, which are discussed later. The list is still at an early stage of development.

With the development of the National Heritage List, the statutory processes provided for the assessment and consideration of public nominations have improved the clarity of decision-making. The new system has allowed the public to nominate places to the National Heritage List in the knowledge that the places would be assessed and considered for listing in a defined period of time. There have been 97 public nominations to the National Heritage List since the heritage amendments came into force on 1 January 2004.

Some of these are for places clearly below the threshold for National Heritage significance and reflect the nominator's unfamiliarity with the new heritage system. It is hoped this will be corrected as the National Heritage List grows and becomes populated with places that reflect the high threshold required for listing. As with the national heritage lists of other countries, such as the United States of America, Canada and the United Kingdom, the number of places that eventually will be on the National Heritage List will be a small percentage of Australia's overall historic heritage estate.

The United States of America, for example, has about 78,000 places on its National Register of Historic Places but fewer than 2,500 or 3 per cent of these are National Historic Landmarks, that is, the places that have a similar level of significance to those on Australia's National Heritage List.

Public nominations and the National Heritage List

There are challenges in using the public nominations process to build a comprehensive National Heritage List quickly and strategically. There is no predictability about the kinds of places that will be nominated at any given time. For instance, many places which one might expect to be included in the National Heritage List have not yet been nominated. Also, the public nomination process tends to result in places being nominated on an individual basis, rather than according to a theme or a type. This means that, unless a comparative context is already available, extensive research may be required to reach an informed decision on whether the place meets the National Heritage threshold compared with other potential contenders.

Given the expertise and other resources already invested by state and territory agencies in assessing the heritage significance of places within their jurisdictions, well argued nominations from state and territory governments would be a highly effective way of accelerating the growth of the National Heritage List and would be consistent with the spirit of the COAG decision that led to the creation of the National Heritage List.

Should suitable nominations fail to eventuate, the legislation allows for the initiation of assessments by the Minister or the Australian Heritage Council.

The Department has commissioned several studies of important historic themes that should provide a cost-effective means of establishing the comparative significance of places within their theme, for example, transport and communication. A similar approach is widely used overseas. Over time, such comparative analyses will provide a sound strategic basis for additions to the National Heritage List.

Emergency listings

Another feature of the first 18 months of the heritage amendments has been the large number of applications for emergency listing of places in the National Heritage List, where the applicant has been concerned that state and territory processes have failed to provide protection. There have been 31 emergency applications, of which 25 have been rejected for listing. Dealing with emergency applications, which require a decision by the Minister within 10 business days, is resource intensive. The current high rate of applications reflects a lack of satisfaction with, or perceived failures of, the outcomes of other statutory processes, many at the state and territory level. It is too early to tell whether the rate of emergency applications will decline as a wider understanding develops of the high level of significance required for National Heritage listing.

Commonwealth Heritage List

The new heritage system also provided for the establishment of a Commonwealth Heritage List, which includes historic, natural and Indigenous heritage places on Commonwealth lands and marine areas or areas outside Australia but owned or leased by the Australian Government, and identified by the Minister for the Environment and Heritage as having Commonwealth Heritage values.

There are currently around 300 historic heritage places entered in the Commonwealth Heritage List. Most of these initial listings were sourced from the Register of the National Estate. Places included in the Commonwealth Heritage List include defence sites, migration centres, customs houses, lighthouses, telegraph stations, and national institutions such as Parliament House and the High Court building in Canberra. A list of Australian Government agencies that control places on the Commonwealth Heritage List is at Appendix G.

Under the EPBC Act the responsibilities of the Australian Government agencies with places in the Commonwealth Heritage List are identified. These agencies must develop heritage strategies and inventories to assist in identifying potential heritage places under their ownership or control, and they must also make management plans for their Commonwealth Heritage listed places within the period of time stated in the agency's heritage strategy. This framework ensures that the Australian Government manages its heritage places to the best practice standards for heritage conservation.

3.4 Public engagement

An important aspect of the Australian Government's heritage programme is a focus on engagement with the public, through education, information, events and public/private partnerships. The Department of the Environment and Heritage works with the Australian Heritage Council on funding and research and making our heritage places as accessible as possible through innovative public awareness programmes, publications, web-based interactive programmes and other media.

In particular, the central focus of the Australian Government's Distinctively Australian programme is the fostering of discussion and celebrations about national identity. Nationally listed places and their associated significant stories are the centrepiece of a new Distinctively Australian Partnerships Initiative which will commence in August 2005. Each of the places

currently included in the National Heritage List has an important role in helping to tell wider national stories. As an example, the Castlemaine Diggings National Heritage Site in Victoria illustrates part of the wider story of Australia's gold era, whilst the Fremantle Prison in Western Australia illustrates the variety and far-flung reach of the convict system and its crucial roles in the economic development of a number of Australian colonies. Each nationally listed place is therefore important both of and beyond itself – an evocation or symbol of a national story that criss-crosses the country and is reflected in a myriad of state and local heritage places and understandings. All levels of government, and communities both large and small, will be encouraged to participate in the Distinctively Australian programme.

Partner organisations under this initiative will include documentary makers, the arts and entertainment sector, national travel and tourism operators, publishers and the media.

Raising community awareness of Australia's National Heritage is an important objective of the Australian Government, as it is seen as strengthening understanding of and commitment to shared values, within a country of great cultural diversity. This priority is soundly based on original research commissioned by the Department in 2003-04. The research findings indicated

> a multi-faceted understanding of Australian identity, constituted by both tangible and intangible elements that can be grouped into three key 'themes' or ideas: "*our values*", "*things that make Australia unique*" and places that "*we feel connected to.*"[9]

However, these were not fixed or stable concepts and there was a sense that

> Australian identity was in transition, in the process of being re-drawn or recreated from something "*old*" and familiar to something "*new*" which was for some "*stimulating*", for others, unsettling.[10]

Historic heritage places and their associated stories and meanings are therefore regarded as fundamental elements in an evolving Australian sense of self.

3.5 Funding

The Australian Government funds the protection and conservation of historic heritage through:
- funding to the Department of the Environment and Heritage for administering national heritage laws, including meeting international heritage obligations
- grants to communities and groups across Australia to support heritage conservation, and to support National Trust activities
- appropriations to Australian Government agencies which own or manage places on the Commonwealth Heritage List, to enable these agencies to undertake their management responsibilities of these places as defined in the EPBC Act
- foregone revenue as a result of tax and other concessions supporting philanthropic gifts to the National Trusts and community groups for the management of historic heritage places.

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[9] Colmar Brunton Social Research (2004)
[10] Colmar Brunton Social Research (2004)

Since 1997, when the Australian Government began to concentrate on historic heritage places of national significance, grant programmes have focused on places of national significance. A summary of these programmes, some of which have now lapsed, is at Appendix D.

Distinctively Australian

In 2003-04 the Australian Government provided funding to the Department of the Environment and Heritage and the Australian Heritage Council to implement the heritage amendments to the EPBC Act that came into force on 1 January 2004, under the banner of Distinctively Australian.This programme also provides support for the conservation and promotion of places included in the National Heritage List, and promotion of Australia's historic heritage. Funding for Distinctively Australian was a combination of the former Australian Heritage Commission expected revenue ($39.3 million over four years) and new funding ($13.3 million over four years) making a total of $52.6 million over four years.

National Heritage Investment Initiative

In the 2005-06 Budget the Australian Government announced that from 2005-06 to 2008-09 $10.5 million would be provided under a new National Heritage Investment Initiative for the restoration and conservation of Australia's important historic heritage places. Although the priority will be given to places on the National Heritage List, there will also be funding for other significant historic heritage places.

Commonwealth Heritage List funding

Through the Australian Government agencies that have places on the Commonwealth Heritage List, the Australian Government funds the heritage management of its own properties through each of the agencies' appropriations in their annual budgets. These appropriations cover the preparation of management plans and strategies, including community and other agency consultation, and ongoing management activities including works programmes and interpretation.

World Heritage List

The Australian Government and state and territory governments share funding responsibilities for the funding of Australia's World Heritage properties.[11] The Australian Government also encourages partnerships with industry and community for the management of World Heritage places. The community and technical committees that have been established for the management of World Heritage places provide an opportunity for community and specialist input into ongoing site management.

Prior to the inclusion of the Royal Exhibition Building and Carlton Gardens on the World Heritage List, the areas in Australia included on the World Heritage List were included for their natural and Indigenous values, so the funding provided was to protect these values rather than historic heritage values. Between 1996-97 and 2002-03 the Australian

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[11] The Royal Exhibition Building and Carlton Gardens is the only historic heritage place in Australia to be included in the World Heritage List. It was entered in the World Heritage List in 2004.

Government invested $87.5 million in state-managed World Heritage properties. The Australian Government investment has been in the areas of strategic management support, assessments and nominations and priority projects as well as the provision of baseline funding for the Wet Tropics of Queensland and Tasmanian Wilderness. This investment is restricted to activities and projects that reflect the national interest. The Australian Government does not fund activities or projects that form part of the normal state or territory management obligations for World Heritage places.

Sharing Australia's Stories

Sharing Australia's Stories is a $3 million, three-year grants programme (2004-05 to 2006-07) that gives all Australians the opportunity to show how their stories have contributed to the great events and themes that have shaped our nation. The first round of grants was announced in June 2005. The programme and its guidelines and eligibility criteria are being reviewed to ensure the programme continues to meet the Australian Government's national heritage priorities. Applications for funding under the second round will be invited later in 2005. Further information about the programme can be found at http://www.deh.gov.au/heritage/programs/index.html.

Grants in Aid to the National Trusts

The Australian Government also works collaboratively with National Trust organisations around Australia to support the largely volunteer workforce in the ongoing protection of the National Trusts' historic heritage. The Grants in Aid to the National Trusts programme allocates funds to the Australian Council of National Trusts and the state and territory National Trusts. The grants are to support activities that increase public awareness, understanding and appreciation of Australia's cultural heritage, and enhance and promote its conservation; and assist the trusts to advocate and work for the preservation and enhancement of the national estate.

Historic Shipwrecks Programme

There are more than 6500 wrecks in Australia's coastal waters, which are protected by the Australian Government's *Historic Shipwrecks Act 1976*. The Department of the Environment and Heritage administers this Act, and works in collaboration with state and territory agencies and the Australian Institute of Maritime Archaeology (AIMA) on investigation of shipwrecks and making existing information more accessible to the public through virtual tours, the internet, databases and the electronic media. The state and territory agencies and AIMA are provided with Australian Government funding for these activities through the Historic Shipwrecks Programme, which has annual funding of $391 000.

Grants to Voluntary Environment and Heritage Organisations (GVEHO)

The Australian Government's programme of Grants to Voluntary Environment and Heritage Organisations (GVEHO) provides administrative funds to help community-based, not-for-profit environmental and heritage organisations to value, conserve and protect Australia's natural environment and heritage for current and future generations.

Environment and heritage organisations meeting the eligibility requirements can apply for grants of up to $10 000 per year. In 2004-2005 historic heritage organizations could apply for grants which were consistent with the following GVEHO programme's heritage priorities:

    a. the identification of places of national or international significance;

    b. conservation of places of national significance including indigenous, maritime and underwater heritage;

    c. promotion of Australia's heritage including education, research and training; and

    d. protecting Australia's moveable heritage.

The guidelines for the programme for 2005-2006 and subsequent years are in preparation.

4 What are the current pressures on the conservation of historic heritage places?

There are a number of pressures on the conservation of historic heritage places in Australia. Many are outlined in the 2001 Australian State of the Environment Report.

4.1 Market failure

Pressures on the conservation of historic heritage arise due to the presence of market failure (see section 2). While the current system of government regulation, policy and funding goes some way to correcting these market failures, some pressures and challenges remain.

Lack of awareness of heritage values among private individuals and firms and their inability to capture many of the benefits associated with historic heritage can in some instances lead to the demolition or neglect of heritage values of places in private ownership. Changes in the private use values of historic heritage assets can lead to a change in the willingness to maintain the asset and associated heritage aspects. As the private individual is unable to capture many of the values associated with the heritage aspects of the asset, its conservation is threatened. For example, changes in technology and the development of new markets and products in the rural sector have led to some abandonment of rural structures with heritage significance. This is also the case where historic heritage assets become threatened by urban redevelopment.

The presence of market failures in the primary market for historic heritage has prevented the development of secondary markets in heritage advice, heritage trades and heritage training to some degree in Australia. Further, the small size of the market in Australia makes it difficult for certain heritage related services to be economically viable. As such, there is a lack of workers skilled in conservation techniques and a lack of appropriate training courses.

The presence of incomplete information in the historic heritage market remains a source of many pressures and challenges for historic heritage conservation. Incomplete information about the number, significance and condition of heritage sites remains. Further, there is a lack of agreement in the community about what constitutes historic heritage, making it difficult to identify sites of significance and to prioritise for conservation efforts. This is demonstrated by the variance between the national, state, and local heritage lists. Many people perceive heritage places as being characterised solely by their age, aesthetic qualities or usability and do not recognise other historic heritage values, particularly those that may be valued more by future generations than they are at present.

Incomplete information about the number, significance and condition of heritage sites also presents a key challenge for governments. Without good information on historic heritage sites and the values they provide to society, it is difficult for governments to devise the most suitable policies and programmes for prioritising heritage conservation.

Minimising the costs associated with the current system of government involvement in the conservation of historic heritage presents a key challenge to all levels of government. These costs mainly relate to the listing and statutory protection of heritage sites of significance. Particularly, a lack of clarity in the community about heritage listing and management processes leads to increased cost of compliance for the community. Further, there remains

some duplication of effort by governments in the identification and management of heritage, which also raises the costs of administering the current system.

4.2 Sustainable heritage

Sustainable heritage means that the nation's heritage is respected and appreciated by Australians and international visitors and that use of, and visits to, heritage places and objects contribute to the social and economic well-being of the nation without detriment to the heritage resources and its values.[12]

Pressures adversely affecting sustainable heritage arise primarily from market failure and are described above.

The Australian Government *2001 State of the Environment Report* discusses the issues in more detail. It is available at www.deh.gov.au/soe/2001/index.html.

The Department will provide a further submission relevant to the issue of market failure, cost sharing, and benefits and costs of conserving historic heritage places. However, two opportunities for improving the economic viability of historic heritage places are discussed below, that is, greater adaptive reuse of historic heritage buildings so that they can serve new, economically sound purposes (section 5.2) and enhanced heritage tourism (section 5.3).

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[12] 2001 SOE Report pp.4-5

5   What are the emerging trends in historic heritage conservation and, in light of these, how can the policy framework be improved?

5.1 Emerging trends

Trends in the conservation of historic heritage are constantly changing in response to technological, economic, demographic, environmental and social trends. With rising incomes, advances in knowledge and education, and shifts in social attitudes it can be expected there will be changes in the way the Australian community views historic heritage. It is likely that such changes will allow for new approaches to the conservation of historic heritage. For example, with demographic shifts to inner-city suburbs in Sydney and Melbourne in the last decade there has been a 'gentrification' of many historic heritage areas with much new private investment in the restoration and maintenance of heritage assets. Further, increased information, education and a desire to be connected to the past have led to the resurgence of public interest in historic events such as the ANZAC Day parades and associated memorials. Similarly, technological change and changes to economic circumstances in the rural sector have led to the abandonment of many historic buildings[13].

A fundamental question for the role of heritage in Australian society is its ability to portray the formative history of Australia that has shaped our national character, ideals and values. In countries such as the United States of America, which has had large-scale immigration from many countries and cultures since the nineteenth century, national heritage has been an important focus for national identity. It is not yet clear whether an increased focus on our national heritage will develop in Australia, following large-scale immigration since World War II.

5.2 Adaptive reuse

Adaptive reuse of buildings has a major role to play in the sustainable development of Australian communities. When adaptive reuse involves historic buildings, environmental benefits are more significant, as these buildings offer so much to the landscape, identity and amenity of the communities to which they belong.

The most successful built heritage adaptive reuse projects are those that best respect and retain the building's heritage significance and add a contemporary layer that provides value for the future. Sometimes, adaptive reuse is the only way that the building's fabric will be properly cared for, revealed or interpreted, while making better use of the building itself.

One of the main environmental benefits of reusing buildings is the retention of the original building's 'embodied energy'. This is the energy consumed by all the processes associated with the construction of a new building. By reusing buildings, this embodied energy is retained.

There are several financial savings and returns to be made from adaptive reuse of historic buildings. The reuse of heritage buildings in established areas can provide the community

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[13] Lennon, 2003, Rural Heritage.

with new housing and commercial property opportunities. Embodied energy savings from not demolishing a building will increase with the likely rise of energy costs in the future[14].

Case study: National Archives Building (East Block), Canberra

The National Archives Building, located in the Parliamentary Triangle, is listed in the Commonwealth Heritage List and the Register of the National Estate. The building, once known as Secretariat No. 1 and later as East Block, was designed by Commonwealth Architect John Smith Murdoch. It was constructed in 1927 as Canberra's first Government Office and General Post Office Building.

In 1998, East Block was sensitively refurbished to create a high profile, permanent headquarters for the National Archives of Australia. The refurbishment successfully represents the Australian Government's commitment to preservation of cultural heritage values and the principles of adaptive reuse. The architects, May Flannery Pty Ltd, returned the building largely to its 1927 configuration, handling such problems as disabled access with considerable ingenuity. Lights, fittings and detailing picked up Murdoch's geometric style, and polished timber floors and original timber columns were left exposed.

Technologically advanced equipment was installed at East Block to enable the monitoring and management of environmental conditions in archives buildings around Australia within precise tolerances, resulting in significant energy and cost savings. In 1999, the newly completed East Block refurbishment received the Excellence in Building Award from the Master Builders Association ACT, and the prestigious Rider Hunt Award, ACT.[15]

5.3   Heritage tourism

Historic heritage places are a fundamental part of Australia's tourism industry. The Rocks area in Sydney, Port Arthur Historic Site in Tasmania and the Old Melbourne Gaol are some examples of popular historic heritage tourist sites.

Heritage tourism provides opportunities for both domestic and overseas tourists to experience our distinctive historic heritage places and the rich stories associated with them. There is a range of other benefits. Heritage tourism can provide employment for the local community, and training opportunities. It can provide a community with the opportunity to protect, preserve, and share with others their familiar building and landscapes. It can give tourists an opportunity to further develop and understand the unique Australian identity through visiting such areas as the old mining town of Burra in South Australia or the area of Ned Kelly's last stand at Glenrowan in Victoria.

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[14] Department of the Environment and Heritage, 2004, *Adaptive Reuse: preserving our past, building our future*, Canberra
[15] DEH, 2004, Adaptive Reuse, p.14

The Australian Government in cooperation with the CRC for Sustainable Tourism has produced the publication *Successful tourism at heritage places* as a guide for those involved in the management of heritage tourism places. It covers issues such as

- recognising and looking after heritage places
- developing mutually beneficial partnerships with governments and local communities
- incorporating heritage issues in business planning
- marketing and promoting products responsibly
- providing high quality visitor experiences[16].

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[16] Australian Heritage Commission and CRC for Sustainable Tourism, 2001 *Successful Tourism at Heritage Places*, Canberra.

6. The way forward

Increased cooperation between governments would benefit public understanding, reduce duplication of effort and create a more positive climate for the conservation of historic heritage.

6.1 Background

A National Heritage Places Strategy covering both cultural and natural heritage places was recommended by COAG in the Heads of Agreement on Commonwealth/State Roles and Responsibilities (1997). It was agreed that the proposed strategy should set out the roles and responsibilities of the Australian Government and the states and territories in relation to heritage conservation, and identify criteria, standards and guidelines for the protection of heritage by each level of government. The strategy was also intended to provide for the establishment of a national heritage list and to maximise Australian Government compliance with state heritage and planning legislation.

Some elements have been implemented, in particular the National Heritage List, but there has been no agreement by the Australian Government and the states and territories on the overarching framework that was recommended by COAG.

The development and implementation of a national strategy, covering natural, historic and Indigenous heritage, across the three levels of government is still needed to improve certainty and efficiency in decision-making for the community when dealing with heritage places and to promote a cooperative approach between governments.

A first and critical step in the strategy would be the development of a national strategic framework for historic heritage places.

The Australian Government and the states and territories 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.

Accreditation agreements between the former Australian Heritage Commission and a number of the state heritage agencies resulted in state-assessed places being acknowledged in the Register of the National Estate without any further assessment of their values by the commission. The accreditation process involved determining that the state's assessment criteria and related processes were comparable to those used by the commission.

There is general agreement by the different levels of government on many issues. Australia also has in place the International Council on Monuments and Sites (ICOMOS) Charter for the Conservation of Places of Cultural Significance (the Burra Charter), which is the voluntary standard for historic heritage conservation.

The proposed strategic framework could be developed under the auspices of the Environment Protection and Heritage Council. The council has previously sought to develop an Integrated National Heritage Policy, covering natural, Indigenous and historic heritage (see Appendix E). A number of taskforces were established and reports were produced by three of these taskforces, including a report titled *Making heritage happen: incentives and policy tools for conserving our historic heritage*. This report surveyed the historic heritage incentives currently offered in Australia and internationally; compared them with incentives offered for nature conservation; examined their effectiveness or otherwise and considered potential reforms that could be considered to support Australia's historic heritage. A copy of this report is available from the council's secretariat who can be contacted at www.nepc.gov.au/ephc/index.html

However there are still a number of unresolved issues including standards for identification and assessment, the need for an enhanced shared database that is readily accessible across the community, and a more comprehensive intergovernmental agreement on future heritage management. The taskforces met some of the requirements for a national strategy, but have not provided the comprehensive framework that is needed.

6.2   Recommendations

Increased cooperation between governments would further benefit public understanding, reduce duplication of effort and create a more positive climate for the conservation of historic heritage. It would conceivably:

- help to reduce public confusion about the different heritage lists and the regulations associated with them by enhancing the existing online 'one-stop shop database' for all listed heritage places in Australia
- improve consistency in assessment processes and conservation management plans so that minimal extra effort is required for owners in meeting the statutory heritage requirements for different levels of government
- coordinate public engagement programmes nationally for greater impact so that the intangible social benefits of heritage places and their contribution to the Australian story are more widely felt and appreciated
- promote heritage tourism more effectively nationwide and internationally to increase the economic benefits of conserving heritage places
- disseminate more effectively in the local community ideas for the adaptive reuse of historic heritage places
- make it easy to implement nationally a cooperative, cost effective, and consistent means of State of the Environment reporting on the condition of historic heritage places.

It is important that the financial responsibilities of each jurisdiction are clearly identified and that there is no cost shifting between jurisdictions. This cooperation would form the basis of a **national strategic framework for historic heritage places**, best developed through the Environment Protection and Heritage Council, and would fulfill the intention of the Council of Australian Governments' (COAG) decision made in 1997.

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Australian Government heritage lists: scope of lists and criteria for listing

This appendix outlines the criteria for listing under the heritage lists maintained under Australian Government legislation.

World Heritage List

The Convention Concerning the Protection of the World Cultural and Natural Heritage (the World Heritage Convention) was adopted by the United Nations Educational, Scientific and Cultural Organization (UNESCO) General Conference at its 17th session in Paris on 16 November 1972. The convention came into force in 1975.

In August 1974 Australia became one of the first countries to ratify the convention. Australian now has 16 World Heritage sites.

World Heritage sites differ from National Heritage List sites in that World Heritage sites have been identified as having 'outstanding universal value'.

World Heritage List criteria

Sites selected for World Heritage listing are inscribed after carefully assessing whether they represent the world's best examples of cultural and natural heritage.

Detailed information about the World Heritage Convention and criteria for listing is at http://whc.unesco.org. Information about Australia's sites is at http://www.deh.gov.au/heritage/worldheritage/.

National Heritage List

The National Heritage List is Australia's list of places or groups of places with outstanding heritage value to the nation, comprising historic, natural, and Indigenous places or a combination of these. The list was established in 2004 following amendments to the EPBC Act. There are currently 14 places on the list.

A place can only be entered in the National Heritage List if it has one or more national heritage values. A place has a national heritage value only if it meets one of the national heritage criteria, which are prescribed in Regulations made under the EPBC Act. The Australian Heritage Council is responsible for assessing whether a place meets one or more of the National Heritage criteria.

The assessment process involves determining whether a place has heritage value according to the descriptive part of a criterion, for instance that the place is important in the course, or pattern, of Australia's natural or cultural history. It must then be ascertained whether the place meets a threshold of significance. To reach the threshold for the National Heritage List,

a place must have 'outstanding' heritage value. This means that it must be important to the nation.

It can only be determined that a place has 'outstanding' heritage value by comparing the place to other, similar types of places. This allows the Australian Heritage Council to determine if one place is 'more' or 'less' significant than other similar places, or if it is unique.

National Heritage List criteria

The National Heritage criteria for a place are any or all of the following:
(a) the place has outstanding heritage value to the nation because of the place's importance in the course, or pattern, of Australia's natural or cultural history;
(b) the place has outstanding heritage value to the nation because of the place's possession of uncommon, rare or endangered aspects of Australia's natural or cultural history;
(c) the place has outstanding heritage value to the nation because of the place's potential to yield information that will contribute to an understanding of Australia's natural or cultural history;
(d) the place has outstanding heritage value to the nation because of the place's importance in demonstrating the principal characteristics of:
> (i) a class of Australia's natural or cultural places; or
> (ii) a class of Australia's natural or cultural environments;
(e) the place has outstanding heritage value to the nation because of the place's importance in exhibiting particular aesthetic characteristics valued by a community or cultural group;
(f) the place has outstanding heritage value to the nation because of the place's importance in demonstrating a high degree of creative or technical achievement at a particular period;
(g) the place has outstanding heritage value to the nation because of the place's strong or special association with a particular community or cultural group for social, cultural or spiritual reasons;
(h) the place has outstanding heritage value to the nation because of the place's special association with the life or works of a person, or group of persons, of importance in Australia's natural or cultural history;
(i) the place has outstanding heritage value to the nation because of the place's importance as part of Indigenous tradition.
NOTE: The cultural aspect of a criterion means the Indigenous cultural aspect, the non-Indigenous cultural aspect, or both.

Commonwealth Heritage List

The Commonwealth Heritage List comprises natural, Indigenous and historic heritage places on Commonwealth lands and marine areas or areas outside Australia but owned or leased by the Australian Government, and identified by the Minister for the Environment and Heritage as having Commonwealth Heritage values.

The list was established in 2004 following amendments to the EPBC Act. There are currently over 300 places on the list. These include places connected to defence, communications, customs and other government activities that also reflect Australia's development as a nation.

Australian Government-owned places include telegraph stations, defence sites, migration centres, customs houses, lighthouses, national institutions such as parliament and High Court buildings, memorials, islands and marine areas.

The threshold for the Commonwealth Heritage List is lower than for the National Heritage List. A place must have 'significant' heritage value to be included in the Commonwealth Heritage List. The list may include places of national, state or local significance, not just national significance as with the National Heritage List.

Commonwealth Heritage List criteria

The Commonwealth Heritage criteria for a place are any or all of the following:

(a) the place has significant heritage value because of the place's importance in the course, or pattern, of Australia's natural or cultural history;
(b) the place has significant heritage value because of the place's possession of uncommon, rare or endangered aspects of Australia's natural or cultural history;
(c) the place has significant heritage value because of the place's potential to yield information that will contribute to an understanding of Australia's natural or cultural history;
(d) the place has significant heritage value because of the place's importance in demonstrating the principal characteristics of:
(i) a class of Australia's natural or cultural places; or
(ii) a class of Australia's natural or cultural environments;
(e) the place has significant heritage value because of the place's importance in exhibiting particular aesthetic characteristics valued by a community or cultural group;
(f) the place has significant heritage value because of the place's importance in demonstrating a high degree of creative or technical achievement at a particular period;
(g) the place has significant heritage value because of the place's strong or special association with a particular community or cultural group for social, cultural or spiritual reasons;
(h) the place has significant heritage value because of the place's special association with the life or works of a person, or group of persons, of importance in Australia's natural or cultural history;
(i) the place has significant heritage value because of the place's importance as part of Indigenous tradition.
NOTE: The cultural aspect of a criterion means the Indigenous cultural aspect, the non-Indigenous cultural aspect, or both.

Register of the National Estate

The Australian Heritage Commission compiled the register from 1976 to 2003. The Register of the National Estate may include places of national, state or local significance. The register database contains information on the 13 000 listed places.

Under the *Australian Heritage Council Act 2003*, the register continues as an evolving record of Australia's natural, historic and Indigenous heritage places that are worth keeping for the future. It provides a resource for important heritage identification and protection systems.

Register of the National Estate criteria

A place meets the registration criterion if the place has a significant heritage value because of one or more of the following:

(a) the place's importance in the course, or pattern, of Australia's natural or cultural history;
(b) the place's possession of uncommon, rare or endangered aspects of Australia's natural or cultural history;
(c) the place's potential to yield information that will contribute to an understanding of Australia's natural or cultural history;
(d) the place's importance in demonstrating the principal characteristics of:
(i) a class of Australia's natural or cultural places; or
(ii) a class of Australia's natural or cultural environments;
(e) the place's importance in exhibiting particular aesthetic characteristics valued by a community or cultural group;
(f) the place's importance in demonstrating a high degree of creative or technical achievement at a particular period;
(g) the place's strong or special association with a particular community or cultural group for social, cultural or spiritual reasons;
(h) the place's special association with the life or works of a person, or group of persons, of importance in Australia's natural or cultural history;
(i) the place's importance as part of Indigenous tradition.

Historic Shipwrecks Database

The Australian National Shipwreck Database is a joint project between the Australian Government, states and territories, and Australasian Institute for Maritime Archaeology.

The database includes 6,500 shipwrecks in Australian waters. Most historic shipwrecks and their associated relics are protected by Australian Government or state/territory legislation.

The data have been collected by each of the state historic shipwreck agencies and are subject to ongoing editing and refining as new information is obtained. More information on a particular shipwreck may be obtained by contacting the agency in the same state or territory where the shipwreck is located. Information on shipwrecks may also be obtained from the Australasian Institute for Maritime Archaeology.

The database is available at http://eied.deh.gov.au/nsd/public/welcome.cfm.

State and territory heritage registers

In 2001, the State of the Environment report listed 13 160 properties on state and territory heritage registers, as summarised below.

State/territory	Historic places listed in heritage registers as at 2000
ACT	47
NSW	1 254[A]
NT	98
Qld	1380
SA	2 145[B]
Tas	5 700
Vic	1 794
WA	742[C]
TOTAL	13 160

[A] The NSW State Heritage Register was created in April 1999, and is still under development. Approximately 20 000 places are identified in local government inventories, state heritage registers and government agency registers.
[B] 2047 places were also listed in local heritage lists, but the degree of duplication is not known.
[C] A further 15 600 places are identified in the Western Australian Heritage Council's Place Database, including Municipal Inventory listings.
Source: 2001 SOE Report

Australian Government responsibilities under international conventions

The Australian Government has ratified or accepted three international conventions that impact on historic heritage.

UNESCO Convention for the Protection of Cultural Property in the Event of Armed Conflict adopted at The Hague (Netherlands) (The Hague Convention)

The Convention for the Protection of Cultural Property in the Event of Armed Conflict was adopted at The Hague (Netherlands) in 1954 following the massive destruction of cultural heritage in World War II. It was the first international treaty to focus exclusively on the protection of cultural heritage in the event of armed conflict.

It covers immovables and movables, including monuments of architecture, art or history, archaeological sites, works of art, manuscripts, books and other objects of artistic, historical or archaeological interest, as well as scientific collections of all kinds regardless of their origin or ownership.

The states (that is, countries) which are party to the convention benefit from a network of more than 100 states that have undertaken to lessen the consequences of armed conflict for cultural heritage and to take preventive measures for such protection not only in time of hostility (when it is usually too late), but also in time of peace, by a variety of measures.

The convention was adopted together with a First Protocol in order to prevent the export of cultural property from occupied territory, requiring the return of such property to the territory of the State from which it was removed.

The Australian Government signed this convention in 1954, and ratified it in 1984. It has yet to sign the First Protocol, also open for signature in 1954, and the Second Protocol, which was developed in March 1999 in response to the worldwide conflicts of the 1980s.

Convention on the Means of Prohibiting and Preventing the Illicit Import, Export and Transfer of Cultural Property - 1970

To support the operation of The Hague Convention, in 1989 Australia accepted this convention on preventing the illicit trade of cultural property.

The tenets of these two international conventions are enshrined in the *Protection of Movable Cultural Heritage Act 1986.*

More information about these conventions can be found at http://portal.unesco.org/culture/en/ev.

UNESCO Convention Concerning the Protection of the World Cultural and Natural Heritage

In 1972 UNESCO adopted the Convention Concerning the Protection of the World Cultural and Natural Heritage, known as the World Heritage Convention. Through this convention UNESCO seeks to encourage the identification, protection and preservation of cultural and natural heritage around the world considered to be of outstanding value to humanity. It is now the most widely ratified international environmental convention.

Sites selected for World Heritage listing are inscribed after careful assessment of whether they represent the best example of cultural and natural heritage. World Heritage sites are places of outstanding significance that transcend national identities. Places as unique and diverse as the Royal Exhibition Building and Carlton Gardens in Melbourne, the wilds of East Africa's Serengeti, the Pyramids of Egypt, the Great Barrier Reef and the Baroque cathedrals of Latin America are included on the World Heritage List.

Australia ratified the World Heritage Convention in 1974. Australia has 16 World Heritage properties; collectively they present a diversity of places and values that combine the best of our natural and cultural heritage.

Australia is recognised internationally for its lead in promoting the work of the convention. Australia's World Heritage properties are protected under state legislation and also under the Australian Government's EPBC Act, recognised as world's best-practice for protecting World Heritage values.

More information about this convention can be found at http://whc.unesco.org/en/about/.

The Department of the Environment and Heritage and historic heritage

The Department of the Environment and Heritage is responsible for implementing national policies, programmes and legislation on historic heritage on behalf of the Australian Government. There are two key divisions (the Heritage Division and the Australian Antarctic Division) and two statutory authorities (the Director of National Parks and the Sydney Harbour Federation Trust) that have responsibilities for historic heritage within the Department.

Heritage Division

The Heritage Division is the lead division within the Department on historic heritage issues. The division administers the Australian Government's obligations under the World Heritage Convention. It also administers the *Historic Shipwrecks Act 1976*, the *Aboriginal and Torres Strait Islander Protection Act 1984*, the *Protection of Movable Cultural Heritage Act 1986*, and the heritage elements of the *Environment Protection and Biodiversity Conservation Act 1999.* The division also manages the Australian Government's grants programmes for heritage places and cooperates with state and territory governments in providing and managing Australian Government funds to protect and manage World Heritage properties.

Australian Antarctic Division

The Australian Antarctic Division leads Australia's Antarctic Programme. The historic heritage areas that come under the Australian Antarctic Division include the World Heritage Area of Macquarie Island, the National Heritage List Mawsons Hut sites in Commonwealth Bay and the Australian bases in Antarctica. The management of Antarctic cultural heritage provides us with the fabric and context in which to understand how people have survived and worked in Antarctica.

Parks Australia

The Director of National Parks is a corporation established under the EPBC Act with the function of managing Commonwealth reserves. The Director is assisted in performing this function by the staff of Parks Australia.
Currently, 21 Commonwealth reserves are declared under the EPBC Act, comprising:
- six Commonwealth national parks
- 13 Commonwealth marine protected areas
- two botanic gardens.

Three of the six commonwealth national parks are managed jointly with their Aboriginal traditional owners. They are Kakadu National Park and Uluru–Kata Tjuta National Park in the Northern Territory and Booderee National Park in the Jervis Bay Territory. The other three national parks protect unique island ecosystems within the Cocos (Keeling) Islands, Christmas Island and Norfolk Island.

Sydney Harbour Federation Trust

The *Sydney Harbour Federation Trust Act 2001* came into effect in March 2001. The Act establishes the Harbour Trust to conserve and preserve former Defence and other Commonwealth lands in the Sydney Harbour region for the benefit of present and future generations of Australians. These lands comprise:

- North Head Artillery School
- the former Defence lands at Georges Heights, Chowder Bay and Middle Head in Mosman
- Woolwich Dock and Parklands
- Cockatoo Island
- Snapper Island
- Macquarie Lightstation
- the former Marine Biological Station at Watsons Bay.

More information on the Department of the Environment and Heritage is available from the Department's web site at http://www.deh.gov.au.

Australian Government historic heritage grants programmes

The Australian Government through the Department of the Environment and Heritage supports the conservation, management and promotion of historic heritage across Australia through a number of grant programmes and other initiatives and through support for the National Trust's activities.

Commemoration of Historic Events and Famous Persons Grants-In-Aid Programme

The Commemoration of Historic Events and Famous Persons (CHEFP) programme commemorates people, events and places of national historical significance. It provides funds primarily to care for the graves of former Australian prime ministers and, where appropriate and necessary, for erecting suitable plaques. The scope of the programme has grown to include other kinds of commemorative monuments, exhibitions, surveys of historical sites and other projects, all of national significance. It is a modest programme with many projects receiving around $5000 each.

Conservation of Rural and Regional Historic Hotels programme.

The Department managed funding for projects to preserve and restore rural and regional hotels across Australia with significant historic features. During 2003-04, the last year of expenditure under the programme, $572 000 was provided to 46 licensed hotels of historic significance. A total of 148 hotels were supported over the life of this programme. As well as conserving heritage, these projects provided economic and social benefits to regional communities through direct employment and by increasing opportunities for community activities and tourism.

The Cultural Heritage Projects Programme

The Department administered the Cultural Heritage Projects Programme to support projects that encourage private owners and local and community groups to conserve places of cultural heritage significance and to identify Indigenous places for conservation planning and heritage listing. In 2003-04, the last round of the programme, the Minister approved, grant funding of $2.9 million for 72 individual projects. As at 30 June 2005, 35 projects from all rounds of the programme worth around $0.6m remained to be completed. A total of 226 projects have been funded under this programme.

A summary of Australian Government funding programmes from 2001 is in the table below.

Australian Government grant funding for heritage conservation 2001-02 to 2005-06

Programme	Funding 2001-02 ($)	Funding 2002-03 ($)	Funding 2003-04 ($)	Funding 2004-05 ($)	Funding 2005-06 ($)
Sharing Australia's Stories	0	0	0	1m	1m
Grants in Aid to the National Trust	0.8m	0.8m	0.8m	0.8m	0.8m
Federation Fund/St Pauls Cathedral	2.5m	0	0	0	0
Restoration of St George's Cathedral in Perth and St Paul's Cathedral	0	0	5.5m	0	0
Restoration of St Mary's Cathedral, Perth and the Church of St Mary Star of the Sea , Melbourne	0	0	0	0	5m
National Heritage Investment Initiative	0	0	0	0	2.2m
Historic Shipwrecks Programme	391k	391k	391k	391k	391k
Commemoration of Historic Events and Famous People	20k	20k	20k	20k	20k

k = thousand; m = million

Australian Government grant funding for heritage conservation 2001-02 to 2005-06 (lapsed programmes)

The Cultural Heritage Projects Programme was implemented in 1999-2000 as a three-year grants programme. The programme provided for $3.5m per year in grants. It was continued for a further year (2002-03) at the same level of funding ($3.5m) providing a total of $14m of grant funding over the four years of the programme.

The Rural and Regional Historic Hotels Programme was implemented in 2001-02 as a one-off multi year grants programme with an allocation of $5m.

Major Australian Government cultural heritage funding programmes 1996-2000					
Programme	Recipients (1996-2000) ($)				
	Private owner	Community/ NGO	Local government	State government agencies	Australian Government agencies
Centenary of Federation Fund[A]	nil	28.089m	9.111m	15m	46m
Cultural Heritage Projects Programme[B]	942k	1.680m	634k	260k	na
National Estate Grants Programme[C]	na	5.231m	1.641m	2.342m	55k
Tax Incentives for Heritage Conservation[D]	9.5m	na	na	na	na
Heritage Properties Restoration Programme[E]	na	na	na	7.1m	na
Grants in Aid to National Trust[F]	na	3.98m	na	na	na
Voluntary Cultural Heritage Organisations[F]	na	479k	na	na	na
Commemoration of Historic Events and Famous People	na	252k	15k	5k	8k
Total	$10.442m	$39.705m	$11.402m	$24.707m	$46.064m

k = thousand (amounts rounded to nearest thousand); m = million.
NGO = non-government organisation; na = not applicable.
A This programme was a one-off Budget commitment in 1998-99.
B This programme commenced operation in 1999-2000, replacing the National Estate Grants Programme.
C This programme funded only one-third historic projects.
D This programme ceased in 2000.
E This programme transferred from Department of Communications, Information Technology and the Arts, ceased in 1999-2000.
F The assistance provided under these two programmes was not directly for maintaining heritage values, but rather to support community-based not-for-profit organisations in their efforts to do this.
Source: 2001 SOE Report

State and territory heritage funding ($), 1995-2000[A]						
	1995-96	1996-97	1997-98	1998-99	1999-2000	**Total 1995-2000**
NSW Heritage Office						
Grants programme	2.2m	337k	1.710m	3.494m	3.544m	**11.285m**
Queensland EPA						
Heritage grants	220k	143k	180k	169k		**712k**
Community history grants	41k	26k	31k	30k		**128k**
Indigenous community grants		196k	231k	308k		**735k**
Heritage Trails[B]					110m	**110m**
SA Dept of Environment and Heritage						
State heritage fund	243k	365k	552k	497k	582k	**2.239m**
SA History Trust Museums Programme	100k	100k	100k	100k		**400k**
ACT Heritage						
Overall funding				983k	1.25m	**2.233m**
Grants					183k	**183k**
Parks Victoria						
Heritage conservation	97k	58k	133k	178k	94k	**560k**
Heritage labour and costs (est.)		3.4m	3.6m	3.7m	4m	**14.7m**
Heritage Victoria						
Assistance				384k		**384k**
Local govt heritage studies			200k	545k		**745k**
Local govt heritage advisors			177k	240k		**417k**
Heritage Council WA						
Conservation incentive		51k	105k			**156k**
Heritage grants			1m	950k	858k	**2.808m**
Cossack Fund			57k		94k	**151k**
Dalgety House			3k	10k	73k	**86k**
Totals	**2.9m**	**4.675m**	**8.079m**	**11.588m**	**120.678m**	**147.922m**

k = thousand (amounts rounded to nearest thousand); m = million
A Blanks indicate the absence of information, not the absence of funding.
B A $110 million programme, provided 50/50 by Australian Government and Queensland, commencing in 2000 for three years for 32 nominated projects. **Source:** 2001 SOE Report

Government and non-government heritage committees: roles and responsibilities

The three levels of government are all involved in the protection of historic heritage places, as are many non-government organisations. This appendix describes the membership base and work of the main government and non-government committees and other advisory bodies.

Heritage Chairs and Officials of Australia and New Zealand

The Heritage Chairs and Officials of Australia and New Zealand comprise the chair of each national, state and territory heritage council or advisory body, along with the manager/director of each associated government heritage agency. The group aims to ensure coordination and cooperation between state, territory and Australian Government heritage agencies with responsibilities for historic places covering policy, publicity and projects with a national focus.

The Heritage Chairs and Officials' projects have included numerous publications and research projects, a four-year National Heritage Coordination Strategic Plan, a programme for identifying and documenting federation heritage places, and the Australian Historic Themes Framework. The group assisted the development of the Australian Heritage Places Inventory, an online compilation of most state, territory and national heritage lists.

Environment Protection and Heritage Council

The Environment Protection and Heritage Council was formed following changes to natural resource and environment ministerial councils agreed by COAG in June 2001.

The council was created by amalgamating the National Environment Protection Council, the environment protection components of the Australian and New Zealand Environment and Conservation Council (ANZECC) and Heritage Ministers' Meetings. ANZECC's natural resource management components were transferred to the Natural Resource Management Ministerial Council.

In May 2002 the council agreed to develop an integrated national heritage policy covering natural, Indigenous and historic heritage. The council set up three taskforces to develop different components of the policy. Results to date are as follows:

- **Taskforce 1** developed the National Heritage Protocol. Although the protocol covers some of the issues outlined in the COAG agreement of 1997, there is a need for further discussion across all levels of government on implementing the protocol.

- The taskforce drafted a report on developing common approaches to data collection, storage and use. Agreement was never reached on a common database system that could be easily accessed by the general public. With ongoing technological changes it is timely that this issue be revisited.

- The taskforce held discussions with all jurisdictions on developing agreed performance measures. Jurisdictions were unable to reach agreement on these issues.

- **Taskforce 2** prepared an issues paper and a key opportunities paper that present a comprehensive national overview of sustainable heritage tourism issues and list some opportunities for action. The papers build on current initiatives and identify potential national actions that may assist regional communities and the Indigenous tourism industry. The papers were presented to council in 2004, and are to be made available on the Environment Protection and Heritage Council web site.

- **Taskforce 3** presented the Making Heritage Happen report to Council in May 2004.The taskforce identified heritage incentives and policy tools. It was envisaged that this report would be useful background for the Productivity Commission inquiry.

Non-government organisations

National Trust

There are approximately 60 000 financial members of the Trust nationwide, and many more active supporters of the Trust's work. Members enjoy free entry to Trust properties here and overseas, receive regular magazines and can participate in the full range of Trust activities. Many members contribute through Trust boards and committees, by volunteering at properties, and by supporting Trust campaigns.

Australia ICOMOS

Australia ICOMOS, formed in 1976, is a non-government professional organisation that promotes expertise in the conservation of cultural heritage. Australia ICOMOS has some 400 members including architects, engineers, town planners, archaeologists, geographers, historians, conservators, landscape architects and site managers.

Australia ICOMOS' mission is to lead cultural heritage conservation in Australia by raising standards, encouraging debate and generating innovative ideas.

Membership of ICOMOS is based on appropriate professional qualifications and experience. Members represent Australia ICOMOS on ICOMOS international scientific committees, as well as on expert committees and boards in Australia.

Australia ICOMOS is one of some 100 national ICOMOS committees worldwide. ICOMOS was formed in 1965, and has a responsibility to advise UNESCO in the assessment of sites proposed for the World Heritage List.

National Cultural Heritage Forum

The National Cultural Heritage Forum is the peak advisory body to the Minister for the Environment and Heritage and the Minister for the Arts on cultural heritage. The forum provides the ministers with direct access to government and non-government organisations most directly concerned with the understanding, conservation and management of Australia's cultural heritage places and collections.

Members are appointed by the Minister and include: Australia ICOMOS (Secretariat); Australian Council of National Trusts; Australian Local Government Association; Engineering Heritage Australia; Federation of Australian Historical Societies; Australian Academy of the Humanities; Heritage Chairs and Officials of Australia and New Zealand; Royal Australian Institute of Architects; Australasian Society for Historical Archaeology; Australian Institute for Maritime Archaeology; Property Council of Australia; Museums Australia; Australian Institute for the Conservation of Cultural Materials; Indigenous Cultures Programme; Australian Heritage Council; National Environment Consultative Forum; National Indigenous Cultural Heritage Officers Network.

Professional historic heritage organisations

The following table, taken from the 2001 State of the Environment report, shows membership of Australia's professional historic heritage organisations.

Membership of professional historic heritage organisations, 1999–2000	
Organisation	**Number of members**
AICCM[A]	486
Australia ICOMOS[B]	374
AusHeritage[C]	39
Professional Historians Association (NSW)[D]	59
Government employees[E]	73
[A] The Australian Institute for the Conservation of Cultural Material (AICCM) is the peak organisation for materials conservators nationally, but anyone can be a member. [B] Australia ICOMOS is the peak organisation for cultural heritage practitioners, especially in the historic heritage field. Membership requires professional qualifications or expertise in the heritage field. [C] AusHeritage is an organisation of professionals in the cultural heritage and museums management and materials conservation fields, promoting and networking Australians working internationally. [D] The Professional Historians Association (NSW) represents professional historians working in all fields, including heritage. [E] The number of government professional employees is difficult to estimate at any given time, due to definition problems (e.g. who is working in 'heritage'?), and ongoing turnover of staff. Some states have not provided information. **Source:** 2001 State of the Environment report	

An economic framework for historic heritage conservation

The conservation of historic heritage can be considered using an economic framework. This appendix outlines the basic economic argument, elaborating on the discussion in the main report. First, the benefits from and the beneficiaries of historic heritage are discussed. Then the concept of optimal provision is discussed, followed by a discussion on why private conservation is unlikely to provide the socially optimal amount of historic heritage and consequently why there is a role for governments.

Benefits of historic heritage

There is a range of benefits that arise from historic heritage. These can be considered in two broad groups, those benefits arising from the use of the historic heritage places referred to as use value, and those values that are not associated with the direct use of the heritage place referred to as non-use values.

The physical assets that embody historic heritage have a use value like any physical asset. The heritage aspects of the place may increase this use value as people derive additional benefit from living or working in a heritage place. Use values are all those values associated with the consumption of the heritage aspects of the site. Some of these use values will be reflected in market processes such as income or revenue gained from tourism or recreation activities associated with the heritage aspects of the site. Or perhaps a historic house is sold and its price in part reflects the value of the heritage aspects. Other use values are less tangible, such as the benefits to a person walking past, and are not likely to be reflected in market processes.

A key benefit of historic heritage is its capacity to reflect, articulate and define what we mean by cultural identity. In this sense, historic heritage can be considered as contributing to the cultural and social capital of Australia and the associated benefits. While these benefits can be considered in an economic framework it is very difficult to quantify them — even when non-market evaluations of historic heritage are undertaken, there are some values that are difficult to express in terms of willingness-to-pay.

Historic heritage places also provide benefits that are not associated with the direct consumption of the historical heritage aspects. These benefits are called non-use values and arise from three broad sources:
−   Existence value — where people gain benefit from simply knowing that heritage exists, whether or not they themselves might ever use it,
−   Option value — where people gain benefit from retaining the option for themselves or others of visiting the historic heritage place at some time in the future.
−   Bequest value — where people gain benefit from the chance to pass on heritage for the benefit of future generations.

The nature of historic heritage makes it difficult to define a common metric by which to compare different sources of historic heritage. In fact, for a significant number of historic heritage sites it is the uniqueness of the site that gives it its heritage value and once destroyed it cannot be replaced. In this sense historic heritage can be considered a non-renewable resource. Furthermore, the specific heritage value is often difficult to distinguish from other values associated with the place.

Who benefits?

Some of the benefits of historic heritage can be considered private goods, that is, those benefits captured by the owner of the historic heritage place. Other benefits of historic heritage will accrue to neighbours and visitors to the area and others to the community more generally. Therefore, benefits of heritage tend to be diffused throughout the community.

The extent of the benefits associated with a particular heritage site will depend on the significance of the asset in question. Some will be of local significance providing benefits to the local community while others will be of State and National significance providing benefits throughout the wider community.

Another important characteristic of historic heritage is that conservation today provides benefits to future generations, an important premise for historic heritage conservation.

Optimal conservation of historic heritage

The optimal conservation of historic heritage is not simply a matter of benefit. That the total benefits of historic heritage may be large is not argument enough for its conservation. It should be recognized that conservation of historic heritage comes at a cost and that it is the *net* benefit from conservation that is relevant to decision-making.

There are both direct costs and opportunity costs associated with heritage conservation that need to be considered when making decisions about the preservation of historic heritage.

Where a historic heritage site requires restoration to restore the heritage values or alteration for adaptive re-use to retain the heritage values of a site, this will come at a cost. If it is intended that a site retain its historic heritage value then it needs to be maintained to avoid deterioration over time. Maintenance will be an on going cost for the life of the historic heritage asset. It should be noted that the costs of heritage conservation only include the costs of maintaining or restoring the heritage aspects in particular over and above the costs associated with general maintenance. As discussed earlier though it is often difficult to distinguish the heritage values of a place from other associated values and so may be difficult to distinguish the direct costs associated with the heritage conservation from other property management costs.

When balancing costs and benefits of additional historic heritage conservation it is not only the direct costs of the conservation that should be considered but also the opportunity costs. A decision to conserve a historic heritage building for instance would forego the opportunity to use the site for other purposes.

The socially optimal level of historic heritage conservation is said to occur when the social marginal costs are equal to the social marginal benefits. Society would only move to increase conservation where the additional benefits from that conservation are greater than the additional costs associated with the conservation.

Private provision of historic heritage

Much of Australia's historic heritage stock is owned and conserved by private individuals and firms. It can be assumed that individuals will behave in a way that maximizes their wellbeing and that firms will act to maximize their profits. Holding this assumption as given, we can say that private individuals and firms will conserve historic heritage where they can capture the benefits from that conservation. For example, a private individual may conserve the historic heritage aspects of a site if there is associated income perhaps from charging the public for access to the site, or because the private individual gains some personal utility from conserving the historic heritage values of the site due to a preference to live in a historic heritage house.

Many historic heritage assets have use values other than those directly associated with the heritage aspects of the asset. Where these are complimentary to the heritage values, it is possible that private individuals and firms will conserve historic heritage while acting to maintain these non-heritage use values of the asset.

The capacity for the private sector to provide historic heritage conservation is likely to change with technological, economic, demographic, environmental and social trends. For example, with rising incomes, advances in knowledge and education and shifts in social attitudes it can be expected there will be changes in the way the Australian community views historic heritage. It is likely that such changes will allow for new approaches to the conservation of historic heritage.

In so far as new technologies lower the cost of conservation activities such as maintenance and restoration, they may allow for increased provision by the private sector. Further, the effective dissemination of information and education on historic heritage may also be improved with changes in technology. This in turn may shape societies' attitudes allowing for increased provision by private sector.

While the private sector can capture some of the benefits of historic heritage there are significant benefits of historic heritage that they cannot easily capture and as such the private marginal costs and benefits of heritage conservation will differ significantly from the social marginal costs and benefits.

Where the private marginal costs and benefits differ from the social marginal costs and benefits the market is said to fail. For example, a property owner may decide to demolish a heritage property to build a new property because the private benefits of demolishing the property outweigh the private opportunity cost of the heritage loss. However, where the social benefits of the heritage building are such that the socially optimum outcome is for the building not to be demolished the market has failed.

There are several sources of market failure in the historic heritage market namely, incomplete and asymmetric information, existence of public goods and positive externalities.

In order to achieve an efficient outcome markets rely on all parties having sufficient information to make decisions in their best interest. Where information is imperfect or when the transaction costs of obtaining additional information are prohibitive, it is unlikely an efficient outcome will be reached, often resulting in no transaction occurring at all.

There are incidences of imperfect and asymmetric information in the historic heritage market. Heritage is a difficult good to define and can also be difficult to identify. It is easy to imagine a case where a home owner owns a home with historic heritage value but does not know the significance of the home. Even in the event that the owner, or would be owner, has been told the home has heritage value it is difficult for them to validate the claim. Further, it is often difficult to assess the relative quality of the heritage aspects of different properties. When heritage goods are purchased they tend to be tied to large one-off or low frequency investments where the buyer cannot rely on previous experience to determine quality.

Externalities refer to situations where the actions of a person impact on the welfare of others and those impacts cannot be accounted for by means of a market transaction. Externalities can be both positive and negative. In the presence of positive externalities, the market will undersupply the good compared to the social optimum reflecting only the private benefits of the good. Externalities arise because of the inability for resolution between private stakeholders. This occurs where property rights are not clearly defined, the number of stakeholders is large or where transaction costs are high.

There are a number of benefits from heritage that cannot be captured by owners of heritage places. For example, benefits to owners of commercial properties in the area where commercial activity is enhanced due to the historic heritage place; benefits to owners of residential properties in the area perhaps through improved property prices or by enjoying the aesthetic aspects of the heritage place; benefits to visitors to the area perhaps from walking by; and benefits to the general public through the contribution to cultural identity or the knowledge the heritage place exists. Importantly, private owners of historic heritage today cannot capture the benefits of their actions for future generations.

Many of the externalities in the heritage market are diffuse, involving many stakeholders and high transaction costs. As a result, they are not resolved privately. Hence, without collective action heritage goods are likely to be underprovided.

Public goods can be considered a special type of externality. A public good is a good that is non-rival in consumption — meaning that the consumption of the good by one person does not limit consumption by another— and is non-excludable — meaning that people cannot be excluded from consuming the good or that the costs of doing so are large.

Public goods result in market failure because of the free-rider problem, where a consumer can enjoy a good that they have not contributed to. The market fails because the free-rider values the good but the private owner has no way of capturing this value and so will under supply the good compared to the social optimum.

Some aspects of heritage consumption are excludable and rival in nature, in which case the free-rider problem may be solved. For example, where access is required to consume heritage then consumers can be excluded by restricting access. In some instances the historic heritage place can be both excludable and non-excludable at the same time. For example, in the case of a privately owned historic home, restricted access reserves the heritage aspects of the interior to the occupier making them excludable, but at the same time the heritage aspects of the exterior are non-excludable. There will also be some occasions, where the consumption of a historic heritage place is rival, particularly when there are capacity constraints or a possibility for congestion.

There are however some non-use values of historic heritage that have public good characteristics. For example, existence value is both non-excludable and non-rival. In which case it is not possible to stop free-riders resulting in an outcome below that which is socially optimal.

The presence of market failure gives a prima face justification for collective action. Where information is incomplete or asymmetric an efficient outcome is unlikely to be met. Further, where public goods and positive externalities are present, without collective action heritage services will be underprovided.

A role for government

The mere fact that market failures are present in the historic heritage market is not justification enough for government intervention. Markets operate all the time in the presence of failures, buyers often have more information than sellers and most transactions have consequences for third parties, and yet governments do not intervene. This is because government intervention is without cost. Intervention to correct the shortfall in the provision of historic heritage can only be justified where the benefits of the intervention outweigh the costs.

Often costs and benefits of intervention are not easily quantified, particularly when benefits are intangible as is the case with many benefits of historic heritage. As such, governments have to make decisions without full information. However, there are several aspects of historic heritage that mean government intervention is more easily justified, namely: loss of historic heritage is irreversible; the diffuse nature of benefits and the existence of intergenerational externalities means the impacts of decisions are significant; and there is a high probability decisions by private individuals will not result in the socially efficient outcome.

Governments may also be justified to intervene where historic heritage is considered to be a merit good. Governments may decide that the benefits of historic heritage to society are high enough to warrant government provision of funding, even though individual preferences and demand for these goods do not appear to justify the support. In heritage there are some values to the community as a whole that are not easily recognised. For example, a key value of historic heritage is its contribution to the cultural identity of Australia as a nation which is difficult for individuals to identify or quantify. In such a case government may intervene in recognition of the value to society.

Finally, governments have a role in the conservation of historic heritage because there is a public expectation that, in recognition of the value of historic heritage, governments will act to ensure an appropriate level of historic heritage conservation for the benefit of this and future generations.

Australian Government agencies that own or control places entered in the Commonwealth Heritage List

Agency/Department
Department of Defence
Department of Transport & Regional Services
Sydney Harbour Federation Trust
Australian Maritime Services Authority
Australia Post
Department of Finance and Administration
National Capital Authority
Defence Housing Authority
Australian National University
CSIRO
Department of the Prime Minister & Cabinet
Office of the Governor-General
Great Barrier Reef Marine Park Authority
Australian Customs Service
Australian Antarctic Division
Department of Education, Science & Training
Parks Australia
Attorney-General's Department
The Treasury
Department of Veterans' Affairs
High Court of Australia
National Gallery of Australia
Australian Broadcasting Corporation
Department of Communications, Information Technology & the Arts
Department of Immigration, Multicultural & Indigenous Affairs
National Library of Australia
Bureau of Meteorology