



## THE VALUE OF HERITAGE: SUMMARY REPORT

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# EXECUTIVE SUMMARY

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## Key messages

- Victorians place a high value on Victoria's heritage stock.
- The value of Victoria's heritage stock was estimated at \$1.1 billion.
- For all heritage places, the better the condition the more people valued them. This speaks to the case for the protection *and* enhancement of these assets.
- Victorians overwhelmingly agree that the government should ensure the protection of Victoria's heritage places and objects.
- Victorians support stricter regulations, higher penalties and better enforcement of heritage regulations.
- People see development controls as an important policy tool for heritage protection and believe properties should be able to be modified to retain the utility of the asset.
- Almost half of Victorians believe that government funding should be available for heritage assets of both state and local significance.
- There is a general lack of understanding about how the heritage protection system currently works. This represents an opportunity to increase the profile of heritage protection activities undertaken by Heritage Victoria and the Heritage Council.
- There is a strong case for further investment in heritage identification and protection.

## Introduction

Victoria's heritage is rich and diverse. There are currently over 2,300 heritage places and objects which are included in the Victorian Heritage Register (VHR) on the basis of their state significance and over 170,000 places identified as having local level significance which are included in the Heritage Overlays of local council planning schemes. This combined stock of heritage assets includes buildings, monuments, objects, gardens, cemeteries, landscapes, shipwrecks and archaeological sites.

This heritage is treasured by Victorians and provides a range of economic, social and environmental benefits to the State.

This report documents a study directed at understanding the scale and nature of the value that Victorians place on post-contact heritage. Its purpose was to support better decision making and resource allocation when governments consider regulatory or investment initiatives designed to advance heritage conservation and interpretation.

## Background

In 2005, the Allen Consulting Group (ACG) completed the report *'Valuing the priceless: the value of historic heritage in Australia'*. This study was an important milestone in heritage valuation literature as it proved the efficacy of a particular market research technique - choice modelling - as a means of eliciting the community's willingness to pay (WTP) for heritage outcomes. WTP reflects what the respondent or citizen is willing to forego in terms of alternative consumption opportunities for their limited budget, in order to gain the particular benefit on offer. An accurate measure of WTP therefore provides a vital insight to the economic value of any cultural, environmental or social benefit which is not routinely priced in market transactions.

The current study replicates and builds the ACG choice modelling methodology. In an important extension of the 2005 work, this report applies choice modelling to the economic

valuation of individual heritage assets as well as to valuation of a broad portfolio of assets containing thousands of items.

Heritage Victoria (a branch within the Department of Environment, Land, Water and Planning (DELWP)) commissioned SGS and SurveyEngine to update the ACG research to ensure assumptions and data remain relevant, and to develop a tool that would allow for practical valuation of specific heritage assets. The Heritage Council supported this work.

Specifically, the objectives of the study were to:

- understand how Victorians view and value historic cultural heritage
- inform consideration of existing and future protection and conservation measures
- underpin decisions about investment in heritage, and
- provide baseline data for future surveys of community heritage values and studies that measure the benefits of heritage conservation.

## What value do people place on heritage?

### Monetised Value

Using the asset specific WTP tool developed as part of this study, the capitalised value of the heritage services generated by the assets on the VHR is estimated to be in excess of **\$1.1 billion**. This translates to roughly \$0.45 million per asset on average, though it should be noted that there is a broad spectrum of valuations per item reflecting parameters of asset type, land use, condition and access.

There was some variation in WTP across the three studies - the 2005 ACG report, the 2017 replication of the ACG study undertaken by SurveyEngine and the asset specific choice modelling carried out by SurveyEngine. It appears that WTP is heavily influenced by the type of heritage asset in question (discussed below). Willingness to pay for the protection of 1,000 buildings – the default ‘package’ of heritage assets used in the two surveys conducted according to the ACG method – appears to have declined between 2005 and 2017 when adjusted for inflation. This difference may be a result of other economic and social issues becoming more pressing. For example, between 2005 and 2017 the Global Financial Crisis significantly impacted the economy and house prices have risen rapidly, particularly when compared to income. Over this time, concerns regarding stagnant income, job security, global political stability and climate change have also intensified. It may be that valuing heritage has become a lower priority in the face of these exogenous pressures. Nevertheless, people still value heritage and are willing to pay, that is, forego other opportunities, for its protection.

The combined three studies provide conclusive evidence that Victorians place significant value on the protection of heritage.

### Non Monetised Value

In 2005, over 90 percent of people thought that ‘It is important to protect heritage places even though I may never visit them’; that ‘Heritage is a part of Australia’s identity’; and that ‘It is important to educate children about heritage’. In 2017, over 80 percent of people also thought these same values were important.

## What aspects of heritage are most important to people?

The SurveyEngine asset specific choice modelling study revealed significant and specific preferences for particular types of heritage. These are described below.

### Type of heritage asset

In the survey, respondents tended to value civic or public buildings such as hotels, train stations and courthouses substantially more than ‘private domain’ assets such as residential

or commercial buildings. Places of worship and industrial buildings were also relatively weakly valued.

Respondents were less willing to pay for the protection of residential, industrial/mining or agricultural landscapes. Lighthouses were particularly highly valued, perhaps as a result of their visual significance in otherwise largely natural landscapes.

Military sites and Anzac memorabilia returned high WTP findings. The military site valuation is consistent with Victoria's growing engagement with Anzac Day, as well as the ongoing construction of Australian identity associated with Anzac Day and other historic military engagements.

Gold Rush sites and the Eureka Flag (which is intrinsically connected with the Gold Rush) were also highly valued. This may be directly linked to people's understanding of the essential role the Gold Rush had in the rapid and prosperous growth of Melbourne and other key regional towns such as Ballarat and Bendigo.

### **Age**

Respondents tended to value older heritage assets more than more recent ones. Nineteenth century buildings were consistently highly valued, while heritage assets from post 1971 were not. A potential cause of this is that people may only understand 'heritage' in the context of something associated with a time before they were alive. In time, it is possible that greater value is placed on 20<sup>th</sup> century historic assets as they become part of a more distant past.

It is also likely that the character of older heritage assets is valued, for example the opulent and architecturally extravagant buildings developed during the Gold Rush.

### **Condition**

A linear and positive relationship was found between asset condition and WTP, except in the case of heritage objects. For all heritage places, the better the condition the more people valued it. This speaks to the case for the protection *and* enhancement of these assets.

### **Do people understand the heritage system, and do they believe the heritage system is working well?**

The SurveyEngine asset specific choice modelling study provides substantial evidence that Victorians only have a weak appreciation of how the heritage system operates. The study showed that there was poor recognition of the VHR and heritage bodies. The distinction between local heritage protection (through Planning Scheme Overlays) and State level protection was also poorly understood.

In the 2005 ACG study, over 60 percent of respondents thought not enough was being done to protect heritage. In the 2017 replication study, this had dropped to 40 percent. This may suggest that the general population in Victoria is largely satisfied with protection of heritage assets that has occurred during this time. However, given the difference between the sample populations (Australia versus Victoria) it is also possible that residents in other jurisdictions were more concerned that not enough was being done to protect heritage in 2005.

While people may not have a good understanding of the governance of heritage protection in Victoria, there may be a general acceptance that the system is working well. When asked about the strengths and weaknesses of the current heritage system, the 2017 asset specific choice modelling survey found that relatively few respondents had a view but those that did felt the system works well.

Reflecting on these findings, there is an opportunity to improve communication around the roles of Heritage Victoria, the Heritage Council of Victoria and local government councils in protecting heritage. There is significant scope to increase public awareness of the VHR,

particularly since people are most likely to use the internet to find out about heritage. This could be supported through television and media as well as print public awareness campaigns. According to the 2017 SurveyEngine extension study, these were also popular ways of finding out about heritage.

### How do people think the heritage system can be improved?

All three studies demonstrate that people are interested in seeing heritage protected. It is also clear that there is a community appetite for more and better information about heritage and the heritage conservation system.

One of the questions in the SurveyEngine asset specific choice modelling study asked how government could operate differently to protect heritage. The second most frequent response (after '*I don't know*') was that management needed to change and the authorities responsible for heritage protection needed to be reorganised. There were a number of responses that described inefficiency of governance, ineffective enforcement and excessive complexity.

There appears to be a desire in the community to see stricter regulations, higher penalties and better enforcement of heritage controls. Between 65 and 80 percent of people wanted to see higher penalties for unlawful construction works, and there was strong support for court orders and fines to coerce landowners to remediate properties that had been deliberately neglected. This is also reflected in people's perceptions of threats or risks to heritage – more than 46 percent of people felt that over development was a threat/risk, followed by poor management and enforcement.

These results indicate that there is strong support amongst Victorians for heritage protection, and there is significant scope for improving community engagement with this field of public policy through better promotion and education.

### What is the benefit of the Victorian government investing in heritage?

At an estimated value of \$1.1 billion, Victoria's heritage stock generates an annual flow of more than \$40 million in benefits for the community (calculated at a yield of 4%). This flow relates only to WTP for cultural, educational and other purely heritage services. It does not include collateral benefits, for example, support for tourism exports or underwriting the wider cultural 'brand' of Melbourne.

The State Government provides ongoing direct support for heritage bodies. In 2017 this included \$4.2million for Heritage Victoria's operating budget (including staff costs), and a contribution of \$500,000 to the Heritage Council's operating budget. There is a strong case for further investment in heritage identification and protection, on cost benefit grounds.

# 1. INTRODUCTION

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Victoria's heritage is rich and diverse. There are currently over 2,300 heritage places and objects which are considered to have state significance and over 170,000 places identified as having local level significance. This includes buildings, monuments, objects, gardens, cemeteries, landscapes, shipwrecks and archaeological sites.

This heritage provides a range of economic, social and environmental benefits to Victorians. Understanding the value of heritage places and objects to Victorians is essential when seeking to promote the value of conserving and interpreting heritage to governments, business and community. It also provides an important platform for the development of future business cases that seek investment in Victoria's cultural heritage places and objects.

In 2005, the Allen Consulting Group (ACG) released the report '*Valuing the priceless: the value of historic heritage in Australia*'. This study was an important milestone in the heritage valuation literature as it proved the efficacy of using choice modelling as a means of eliciting the community's willingness to pay (WTP) for heritage outcomes.

However, with the benefit of hindsight it is now clear that the ACG survey method needs to be further developed. A key issue with the 2005 work is that it does not provide the means for the practical valuation of heritage outcomes in the context of specific planning or investment situations.

Considering these methodological issues, and that the study was completed more than ten years ago, the Department of Environment, Land, Water and Planning (DELWP) and the Heritage Council of Victoria (Heritage Council) commissioned SGS and SurveyEngine GmbH (SurveyEngine) to update this research to ensure assumptions and data remain relevant, and to develop a tool that would allow for practical valuation of specific heritage assets. This was to ensure continued credibility when demonstrating why Victoria's heritage is important to the economic growth of Victoria, the social capital of communities and the State's environmental sustainability objectives.

Specifically, the objectives of this project were to:

- understand how Victorians view and value historic cultural heritage
- inform consideration of existing and future protection and conservation measures
- underpin decisions about investment in heritage, and
- provide baseline data for future surveys of community heritage values and studies that measure the benefits of heritage conservation.

## 1.1 This report

A number of outputs have been produced during the course of this study. These reports are included in the appendix and are listed below:

- The Value of Heritage: Literature Review
- Valuing Victoria's Heritage: Annotated Bibliography
- Valuing Victoria's Heritage: Methodology
- Victorian Heritage Valuations 2017
- ACG Heritage Valuation Replication Results

This report synthesises the key elements and results of these background reports. The remainder of this report is structured as follows:

- **Chapter 2** provides an overview of the overall project methodology
- **Chapter 3** summarises the literature on heritage values and the current protection mechanisms in Australia and Victoria
- **Chapter 4** summarises the key findings from the new choice modelling survey showing updated willingness to pay and community values in Victoria for heritage objects and places,
- **Chapter 5** presents the findings from the replication study which reproduced the ACG methodology including analysis of similarities and differences between the two studies, and
- **Chapter 6** presents concluding remarks and policy implications.

# 2. METHOD

This chapter provides an overview of the methodology used for the Valuing Victoria’s Heritage study including the replication of a 2005 study and the development and implementation of a new choice modelling survey.

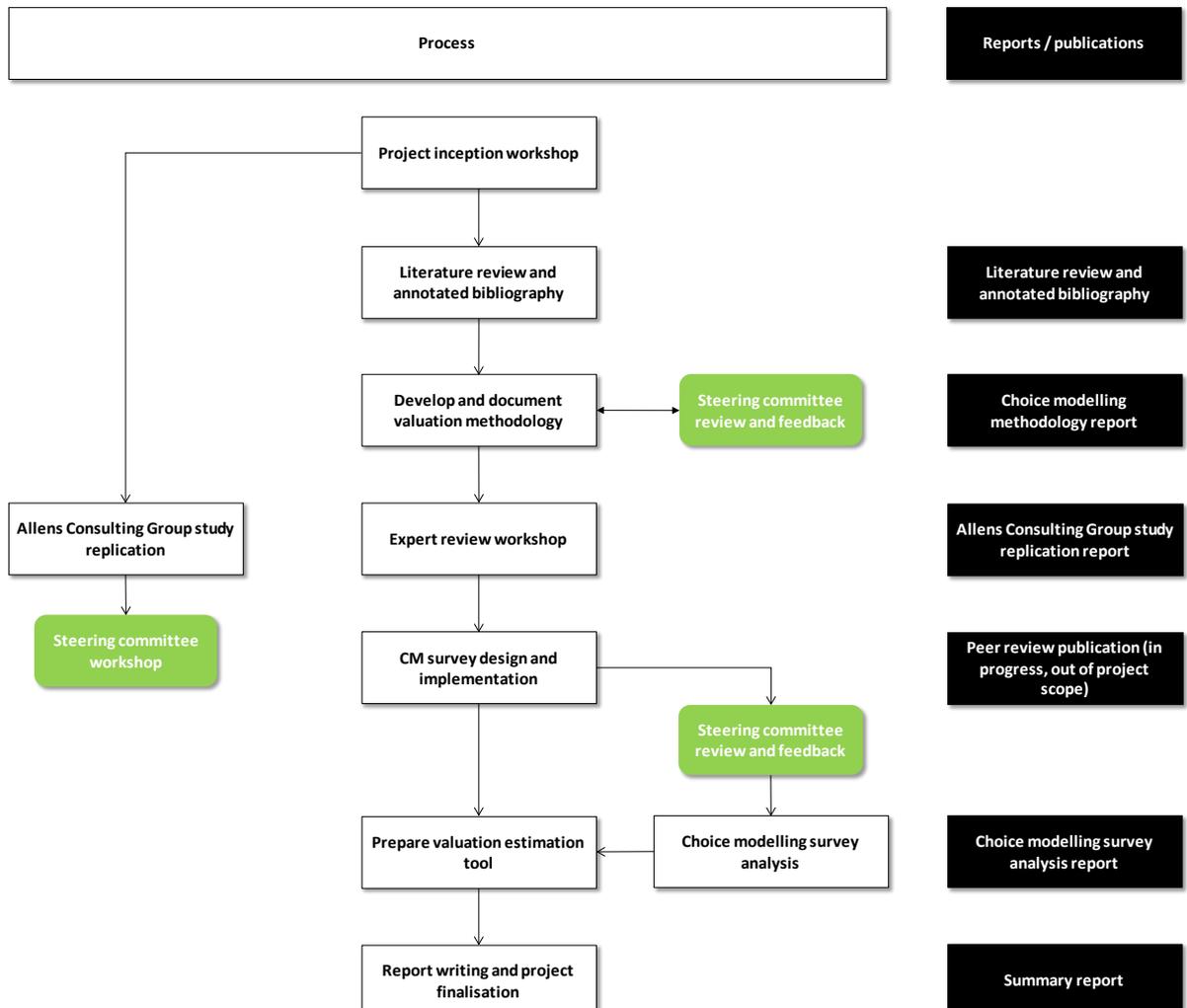
## 2.1 Overview

The methodology for the project was designed to produce both an estimate of the value of Victoria’s heritage and a set of default numbers that can be readily applied in business cases and regulatory initiatives designed to preserve or promote heritage benefits. This includes use in Planning Panels and VCAT submissions, as well Regulatory Impact Statements (RIS) and funding proposals considered through the State Government’s budget process.

The approach involved not only developing a new study to satisfy the project requirements, but also replicating the 2005 ACG study. The replication study was to investigate the extent of the change in estimates of community valuation of heritage that could have taken place in the last decade as a result of changes in public preferences and affluence, achievements of past conservation policies, and the availability of substitutes.

Figure 1 shows the steps undertaken for the study with a description of each step following.

FIGURE 1: PROJECT METHODOLOGY



## 2.2 Steps

### Project inception workshop

The project inception workshop enabled a full briefing on the policy background to the study and confirmed the project's objectives and requirements.

The workshop was an opportunity for DELWP and the Heritage Council to share key internal research it held.

### Literature review and annotated bibliography

The consultant team undertook a literature review to update the findings in the ACG report. This task was desk top based, but included feedback from key academics in Australasia and elsewhere, as well as from acknowledged experts or leaders within heritage peak bodies and interest groups.

To provide best possible guidance in method design, the scope of the literature search was broadened to measure a range of cultural and social values, as opposed to being strictly confined to heritage assets.

#### Output

An overview of the literature review and annotated bibliography are included in Chapter 3 of this Summary Report. The full reports: 'The Value of Heritage: Literature Review' and 'Valuing Victoria's Heritage: Annotated Bibliography' are located in Appendix B and Appendix C.

### Develop and document valuation methodology

Based on the literature review, our critique of previous valuation methodologies and the application of first principles utility theory, the consultant team then documented the proposed research methodology to be applied in the current project.

The methodology report:

- Recaps on the definition of 'heritage value'
- Summarises methodological issues as revealed via the literature search, the interviews and the consultant team's internal discussions
- Establishes the purpose and objectives of the proposed research method, and
- Describes the research method in some detail, including the sampling strategy and approach to Choice Modelling (CM).

#### Output

A brief overview of the methodology is described in Chapter 3. A detailed choice modelling methodology report: 'Valuing Victoria's Heritage: Methodology' is located in Appendix D.

### Steering committee review and feedback

An iterative process of steering committee review and refinement was undertaken to finalise the study methodology, particularly for the survey design.

### Expert review workshop

The choice modelling methodology was also critiqued and further developed through a workshop of selected academics and economists with expertise in cost benefit analysis and statistically robust consumer research and other technical stake holders as agreed at the project inception meeting. The results of this workshop are reported in the Choice Modelling Analysis report prepared by SurveyEngine.

This was designed to rigorously test the robustness of the planned research method.

### Choice modelling survey design and implementation

Based on the agreed method, an operational plan for the choice modelling survey was developed including:

- A finalised sampling strategy
- Identification of specific heritage assets to be used in the choice modelling questions, and
- Resolution of the wording of the choice modelling questions.

The survey instruments were pilot tested for intelligibility and user friendliness, through circulation to internally identified respondents.

Following resolution of issues, the survey was put into the field and the resultant data stored into a multi-use format.

#### Output

The refinements to the choice modelling methodology is described in the report detailing the full results and analysis: 'Victorian Heritage Valuations 2017', located in Appendix E.

A practical valuation guide is located in Appendix F.

### Steering committee review and feedback

Once the choice modelling survey was completed, a workshop was held with the steering committee and representatives from Department of Environment, Land, Water and Planning, The Heritage Council of Victoria, The Department of Premier and Cabinet and the City of Melbourne. Given the breadth of data collected, the workshop was to identify the key priorities for reporting and analysis by those who would be most likely to use the tool. This provided a framework for analysing the survey results.

### Choice modelling survey analysis

With the data collected, extensive analysis was undertaken by SurveyEngine to identify specific willingness to pay for a series of attributes, and to observe trends in attitudinal questions. This was converted into a stand alone tool which can be used to estimate the willingness to pay for individual buildings based on their specific attributes. Analysis also looked at how results varied across demographics.

#### Output

A summary of the findings of the choice modelling survey are presented in Chapter 4. A report detailing the full results and analysis: 'Victorian Heritage Valuations 2017' is located in Appendix E.

### Prepare valuation estimation tool

A key focus of the analysis of the survey results was the development of a practical tool for the valuation of heritage assets in the context of business cases, planning initiatives and regulatory impact statements.

The tool enables various characteristics of a heritage building to be selected, along with its current and proposed protection level. The tool can then be used to calculate the willingness of the Victorian community to pay for the change in protection.

### Allen Consulting Group (ACG) study replication

The 2005 Allen Consulting Group study 'Valuing the priceless: the value of historic heritage in Australia' was replicated. The principal difference in the replication is that only Victorian

residents were used rather than drawing participants from across Australia, as occurred for the ACG study.

#### **Output**

An overview of the findings from the replication study are included in Chapter 5 of this Summary Report. The full replication study: 'ACG Heritage Valuation Replication Results', is located in Appendix A.

#### **Steering committee workshop**

Once the replication study data was collected and analysed a workshop was held with the steering committee to present some of the key findings and identify the implications.

#### **Report writing and project finalisation**

The final stage of the project was to summarise the study stages and findings in this report. The report brings together:

- The overall project methodology
- Background material on the theory of heritage valuation and existing national, state and local heritage protection mechanisms from the literature review
- The key results of the replication study and how they differ from the 2005 ACG study
- Documentation of the key findings from the updated survey, and
- A concluding section on key implications.

# 3. VALUING HERITAGE: CONTEXT

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This chapter includes an overview of policies relevant to the protection of post contact heritage and a concise review of current literature relating to the cultural and economic value of historic heritage.

## 3.1 Context

In recent decades, the urban and socio-political fabric of our societies has been shaped by a range of inexorable global forces. Climate change, urbanisation and population growth, mass migration, the restructuring of the global economy and the advent of the smart city have all had significant repercussions for the way communities and governments approach the built environment.<sup>1</sup>

Cities are increasingly viewed as living, dynamic and complex systems comprising rich layers of history and collective memory. Embedded in cities as an intricate fabric, woven from threads of the past and present, are not only our histories, but our plans, projections and desires for the future.

UNESCO views cities as the ‘most powerful engines of human development’ and highlights the hope placed in urban areas to determine mankind’s future.<sup>2</sup> In this context, culture is a ‘powerful strategic asset’ capable of creating cities and urban futures that are more ‘inclusive, creative and sustainable’.<sup>3</sup>

Culture, which encompasses cultural heritage, is increasingly viewed as integral to sustainable development and, as argued by Hawkes, is the ‘fourth pillar’ of sustainability.<sup>4</sup>

### What is historic heritage?

*Heritage is all the things that make up Australia’s identity—our spirit and ingenuity, our historic buildings, and our unique, living landscapes. Our heritage is a legacy from our past, a living, integral part of life today, and the stories and places we pass on to future generations*<sup>5</sup>.

Definitions of heritage can be nuanced. However, heritage is generally understood to mean ‘what we inherit, and what society retains of this inheritance’.<sup>6</sup> For UNESCO, built heritage is treated as a ‘productive asset’ transmitting knowledge from one generation to the next. DELWP and the Heritage Council define historic heritage as contact and post-contact places and objects that can include buildings, monuments, gardens, landscapes, archaeological sites and many other types of assets which embody aesthetic, archaeological, architectural, historic, scientific or social values.

A popular understanding of historic heritage is as an endowment from one generation to the next. While this understanding has been critiqued by some academic authors as ‘patriarchal and socially constructed’, it is generally accepted.<sup>7</sup>

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<sup>1</sup> Christopher Tilley, ‘Introduction: Identity, place, landscape and heritage.’ *Journal of Material Culture*, 11, No. 1-2 (2006): 7-32.

<sup>2</sup> I Bokova, Forward to *Global Report on Culture for Sustainable Development*’ United Nations Educational, Scientific and Cultural Organisation (UNESCO), (2015). ONLINE SOURCE

<sup>3</sup> Ibid (2015):5

<sup>4</sup> Jon Hawkes, 2001. The fourth pillar of sustainability: culture’s essential role in public planning. Common Ground.

<sup>5</sup> Australian Government Department of the Environment. ‘*Plan for a Cleaner environment*’, (DoE, Canberra, 2016)

<sup>6</sup> The Allen Consulting Group, *Valuing the Priceless: The Value of Historic Heritage in Australia* (2005): p.1

<sup>7</sup> Laurent Dalmas, Vincent Geronimi, Jean-Francois Noël, and Jessy Tsang King Sang. "Economic evaluation of urban heritage: An inclusive approach under a sustainability perspective." *Journal of Cultural Heritage*, 16, no. 5 (2015): 681-687.

For Harvey, society's approach to heritage has been an evolutionary process, shaped by society's experience of time and space and 'societal changes associated with the colonial and post-colonial experience'.<sup>8</sup>

Since the 1990s, the concept of historic heritage has shifted towards a more holistic understanding of historic heritage as part of a 'cultural ecosystem'.<sup>9</sup> The field of cultural economics has explored the concept of 'cultural capital', drawing parallels between cultural and natural capital.<sup>10</sup> In this way, cultural economics has drawn on environmental and ecological discourses to consider new ways of measuring intrinsic value and factoring in intergenerational equity.<sup>11</sup>

Aligning historic heritage with sustainability discourse has resulted in a greater emphasis and awareness in recent years on sustainable urban development, corporate ethics and social responsibility.<sup>12</sup> This is reflected in the 'landscape based approach to architectural heritage management' employed and promoted by the United Nations and European Union.<sup>13</sup>

A key issue in defining heritage is defining what counts as heritage. Academics have tended to emphasise the negotiated nature of what counts as heritage, and are critical of how defining heritage assets is 'bound up with elite power, specifically the power of experts'<sup>14</sup> referred to by Laura Jane Smith<sup>15</sup> as the 'authorised heritage discourse'.

### Historic preservation and sustainable development

A new development in the valuation of heritage has been an increased awareness of the role of historic heritage in sustainable development.

Armitage et al. argue that while Australia has a well-developed system of heritage management it has been 'slow to adapt to its responsibilities under international treaties in the area of sustainable practices in the property field'.<sup>16</sup>

Bandarin et al.<sup>17</sup> probing the relevance of cultural heritage for contemporary society in a postmodern context suggest it is intrinsically tied to visions for a sustainable future and adaptive reuse. Radoine<sup>18</sup> supports the emergence of a vision for sustainable development which 'combines heritage, contemporary design and environmental awareness'. In this vein, the practice of urban conservation of historic heritage in itself can offer the following benefits:<sup>19</sup>

- New approaches and instruments to achieve urban and environmental sustainability
- Unlock local knowledge, creativity and wellbeing (support the knowledge economy), and
- Bring together a range of public and private stakeholders.

The environmental benefits of adaptive reuse featured prominently across the most recent literature on cultural built heritage. A number of academics have made compelling arguments for the adaptive reuse of heritage from a sustainability viewpoint and outlined the following benefits:

- Extending the lifecycle of buildings as opposed to demolition and new construction

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<sup>8</sup> David Harvey, 'Heritage pasts and heritage presents: temporality, meaning and the scope of heritage studies.' *International Journal of Heritage Studies*, 7(4), (2010): 319-338.

<sup>9</sup> Xavier Greffe, 'Is heritage an asset or a liability?' *Journal of Cultural Heritage*, 5, no. 3 (2004): 301-309.

<sup>10</sup> Throsby, D., Why should economists be interested in cultural policy? *Economic Record*, 88(s1), (2012): 107

<sup>11</sup> Ibid

<sup>12</sup> UNESCO (2015):40

<sup>13</sup> Loes Veldpaus, Ana R. Pereira Roders, and Bernard JF Colenbrander, 'Urban heritage: putting the past into the future.' *The Historic Environment: Policy & Practice*, 4, no. 1 (2013): 3-18.

<sup>14</sup> H. Graham, R. Mason, A. and Newman, *Literature Review: Historic Environment, Sense of Place and Social Capital*, Commissioned for English Heritage. (2009)

<sup>15</sup> Laura Jane Smith, *The Uses of Heritage*, (London 2006)

<sup>16</sup> Lynne Armitage and Janine Irons, "The values of built heritage." *Property Management*, 31, no. 3 (2013): 246.

<sup>17</sup> Francesco Bandarin, and Ron van Oers, 'The Historic Urban Landscape: Preserving Heritage in an Urban Century.' *The Historic Urban Landscape: Managing Heritage in an Urban Century* (2012): 175-193.

<sup>18</sup> Hassan Radoine, 'Planning and Shaping the Urban Form through a Cultural Approach' *Global Report for Sustainable Urban Development* (UNESCO 2015) 5: 169

<sup>19</sup> Global Report on Culture for Sustainable Development. (United Nations Educational, Scientific and Cultural Organisation (UNESCO), 2015). ONLINE SOURCE

- Efficient use of resources (reduced carbon)<sup>20</sup>, and
- Reuse of a historic building is more sustainable than LEED certified<sup>21</sup> new construction.<sup>22</sup>

Armitage et al. argue that as yet, there is poor recognition of the tools to measure the value of a heritage asset's social and cultural contribution to sustainability.<sup>23</sup>

Donovan Rypkema is a world leading expert on the economic benefits of heritage preservation. He has also described how historic preservation is fundamental to sustainable development. Some of the key reasons identified by Rypkema include<sup>24</sup>:

- Repairing and rebuilding historic features in buildings such as windows means that money is spent locally rather than at an out of state or international manufacturing plant (environmental sustainability)
- Retention of the original built form fabric helps maintain the character of a historic neighbourhood (cultural sustainability)
- Due to their relative affordability, historic buildings are often used as incubators for small businesses allowing these enterprises to make a sizeable contribution to the local economy (economic sustainability)
- Using US examples, new construction generates fewer jobs than the same level of expenditure on rehabilitation of historic buildings (economic benefit), and
- Properties located in local historic districts appreciate at a greater rate than properties in the same local market that are not in historic districts. Historic districts also tend to be less susceptible to changes in the real estate market (economic benefit).

## 3.2 Historic Heritage Protection

### Federal Government Historic Heritage Protection

The Environment Protection and Biodiversity Conservation Act of 1999 (EPBC) provides for the listing of natural, historic or indigenous places that are of outstanding national heritage value to Australia. Historic heritage that is of international significance is included in the world heritage list and are declared world heritage properties. The National Heritage List includes natural, historic and Indigenous places of outstanding heritage value, while the Commonwealth Heritage List comprises natural, Indigenous and historic heritage places on Commonwealth lands and waters or under Australian Government control. Once a heritage place is listed, a number of conditions are applied that ensure that the values of the place are protected and conserved for future generations.

The EPBC Act also provides for the preparation of management plans which establish the significant heritage values of a place, and, how the values will be managed. The Australian Government provides funding for a range of activities to protect Australia's heritage. This includes competitive funding programs such as the Community Heritage and Icons Grant and the Protection of National Historic Sites Program as well as discretionary/ad hoc/non-competitive grants such as the Historic Shipwrecks Program and the National Trusts Partnership Program.

### Victorian Government Historic Heritage Protection

Post contact heritage places and objects of state significant are protected through inclusion in the Victorian Heritage Register (the Register). Places or objects listed in the Register cannot

<sup>20</sup> Esther HK Yung, and Edwin HW Chan, 'Implementation challenges to the adaptive reuse of heritage buildings: Towards the goals of sustainable, low carbon cities.' *Habitat International*, 36, no. 3 (2012): 352-361.

<sup>21</sup> LEED (Leadership in Energy and Environmental Design) is an internationally recognized green building certification system, providing third-party verification that a building or community was designed and built using strategies aimed at improving performance across all the metrics that matter most: energy savings, water efficiency, CO2 emissions reduction, improved indoor environmental quality, and stewardship of resources and sensitivity to their impacts

<sup>22</sup> Sarah Laskow, 'Why historic buildings are greener than LEED certified new ones, *The Daily Grind*' (2012). Available online: <https://www.good.is/articles/why-historic-buildings-are-greener-than-new-leed-certified-ones>

<sup>23</sup> Armitage et al.,(2013): 255

<sup>24</sup> Donovan Rypkema, 'Sustainability, Smart Growth and Historic Preservation', presentation given at the Historic Districts Council Annual Conference in New York City, on March 10, 2007

be altered in any way without a permit or permit exemption to ensure they survive for future generations to appreciate.

The *Heritage Act 2017* establishes the Register as well as the Heritage Council of Victoria (Heritage Council). The Heritage Council is an independent statutory authority that lists places and objects of state-wide cultural heritage significance in the Victorian Heritage Register and hears appeals on registration matters and permits issued. For the Heritage Council to include a place or object in the Register at least one of the following criteria must be met:

- a) Importance to the course, or pattern, of Victoria's cultural history
- b) Possession of uncommon, rare or endangered aspects of Victoria's cultural history
- c) Potential to yield information that will contribute to an understanding of Victoria's cultural history
- d) Importance in demonstrating the principal characteristics of a class of cultural places and objects
- e) Importance in exhibiting particular aesthetic characteristics
- f) Importance in demonstrating a high degree of creative or technical achievement at a particular period
- g) Strong or special association with a particular community or cultural group for social, cultural or spiritual reasons
- h) Special association with the life or works of a person, or group of persons, of importance in Victoria's history.

The work of the Heritage Council is supported by Heritage Victoria, the Victorian State Government's principal cultural (post contact) heritage agency. Heritage Victoria is part of the Department of Environment, Land, Water and Planning (DELWP). It identifies, protects and interprets Victoria's most significant cultural heritage resources and gives advice on heritage matters to private owners, local and State government, industry and the community. Its primary functions are to:

- Administer the *Heritage Act 2017*
- Maintain the Victorian Heritage Register
- Recommend places and objects for inclusion in the Victorian Heritage Register as part of the assessment and registration processes
- Issue permits to alter or make other changes to heritage places and objects
- Manage historic shipwrecks and artefacts
- Protect Victoria's archaeological heritage, and
- Help conserve significant objects and collections.

### Local Historic Heritage Protection

Post contact heritage places with significance to a local area are protected by local councils via listing on a schedule to the Heritage Overlay in the Council's planning scheme. The purpose of the Heritage Overlay is:

- To conserve and enhance heritage places of natural or cultural significance
- To conserve and enhance those elements which contribute to the significance of heritage places
- To ensure that development does not adversely affect the significance of heritage places, and
- To conserve specified heritage places by allowing a use that would otherwise be prohibited if this will demonstrably assist with the conservation of the significance of the heritage place.

The Heritage Overlay could apply to individual buildings or to an area. A heritage place listed in the schedule to the Overlay could include a site, area, building, group of buildings,

structure, archaeological site, tree, garden, geological formation, fossil site, habitat or other place of natural or cultural significance and its associated land.<sup>25</sup>

The protection afforded by the Overlay varies in each instance but, at a minimum, requires a permit for any works.

The local Council is responsible for identifying and including places on the schedule to the Heritage Overlay. They are also responsible for issuing planning permits for the use and development of local heritage places under the *Planning and Environment Act 1987*.

### 3.3 Cultural value and significance of historic heritage

History and heritage are essential elements of all cultures, as reflected in the ideas, materials and habits passed through time. In this way, cultural values are ‘a part of the very notion of heritage’ and pertain to the shared meanings associated with historic heritage.<sup>26</sup>

The value of a heritage place, site, landscape or object is commonly referred to as its cultural significance.<sup>27</sup> Cultural value/significance is a broad term which encompasses the aesthetic, historic, scientific, symbolic and social or spiritual value of cultural heritage for past, present and future generations.<sup>28</sup>

The socio-cultural values embodied by the term ‘cultural significance’ have a range of associated benefits that are often intangible and not necessarily quantifiable. There have been a number of approaches taken to categorising sociocultural values over time. Current trends observed in the literature tend to agree on the typology of sociocultural values outlined in Table 1.

TABLE 1: SOCIOCULTURAL VALUES

VALUE	DEFINITION
<b>Historic</b>	The building or site provides a connectedness with the past and reveals the origins of the present
<b>Aesthetic</b>	The building or site possess and displays beauty. This may include the relationship of the site to the landscape in which it is situated and environmental qualities relevant to the site and surrounds.
<b>Scientific</b>	The building or area is important as a source or object for scholarly study
<b>Spiritual</b>	The building or site contributes to the sense of identity, awe, delight, wonderment, religious recognition or connection with the infinite
<b>Symbolic</b>	The building or site conveys meaning and information that helps the community to assert its cultural individuality
<b>Social</b>	The building or site contributes to social sustainability and cohesion in the community, helping to identify the group values that make the community a desirable place in which to live and work.

Source: Throsby David “Heritage Economics: A Conceptual Framework” Urban Development Series, The World Bank (2012).

### 3.4 Economic value of heritage

Mason observes that ‘economic valuing is one of the most powerful ways through which society identifies, assesses and decides on the relative value of things’.<sup>29</sup> There are a number of well-established economic values with regards to historic heritage which are described in Table 2.

<sup>25</sup> Heritage Council and Heritage Victoria, “The Heritage Overlay: Guidelines – Introduction”p5.

[https://www.heritage.vic.gov.au/\\_\\_data/assets/pdf\\_file/0022/55543/Introduction.pdf](https://www.heritage.vic.gov.au/__data/assets/pdf_file/0022/55543/Introduction.pdf)

<sup>26</sup> Randall Mason, ‘Assessing values in conservation planning: methodological issues and choices.’ *Assessing the Values of Cultural Heritage*, Ed. Marta de la Torre, (The Getty Conservation Institute, Los Angeles, 2002): 5-30.

<sup>27</sup> The Allen Consulting Group, (2005): p1

<sup>28</sup> Ibid;

<sup>29</sup> Mason, (2002): 12

It is suggested that each of the use and non-use benefits identified are capable of ‘increasing welfare’ and ought to be considered in any analysis of cultural value.<sup>30</sup>

Serageldin argues that there is a spectrum of decreasing tangibility’ of value to individuals, with direct use having the highest tangibility and bequest value having the lowest tangibility.<sup>31</sup>

TABLE 2: ECONOMIC VALUES

VALUE		DEFINITION
USE	Direct	Direct worth of buildings as a private good. This embodies their potential to accommodate residential, commercial, services or other uses with demand in the property markets and for which consumers will be willing to pay a premium rent due to the heritage value of the asset.
	Indirect	Value accruing to others (passive use)
NON-USE	Existence	Communities value the existence of the heritage, even though they may not directly consume its services, and are willing to invest resources for its safeguarding
	Option	Communities wish to ensure that their members or others will have access to the heritage in future, and are prepared to commit resources for its safeguarding
	Bequest	Communities wish to bestow the heritage for future generations, so devote resources to its conservation

Source: Eduardo Rojas “Governance in Historic City Core Regeneration Projects” Urban Development Series. The World Bank (2012).

The following section defines and discusses uses and non-use economic values in greater detail.

## Use Value

### Direct user value

Direct use values are also defined as market values, and can typically be assigned a price. For heritage assets, the use values ‘refer to the goods and services that flow from it that are tradable and priceable in existing markets’.<sup>32</sup>

Historic heritage has direct use value as a physical asset capable of accommodating and earning revenue from a range of residential, commercial and other uses.

The heritage element of physical assets and objects often adds value to the primary use as people may ‘derive additional value from viewing, visiting and/or living and working in a heritage place.’<sup>33</sup>

The direct use value of heritage assets (places and objects) has a number of quantifiable direct benefits including the stimulation of economic activity and increased labour force productivity, increased tourism and opportunities for recreation, leisure and entertainment.<sup>34</sup>

The argument that heritage assets can extract premium rents for residential and commercial uses should be tempered with an understanding of the capital expenditure and ongoing operational costs associated with maintaining the asset. Whether a heritage listing elevates property values or ‘creates a negative impact’ by restricting property rights is contested across the literature.<sup>35</sup>

<sup>30</sup> The Allen Consulting Group,(2005):p5

<sup>31</sup> Ismail Serageldin, ‘Cultural heritage as public good.’ *Global Public Goods*(1999): 240.

<sup>32</sup> Mason, (2002)

<sup>33</sup> Serageldin,(1999): 4

<sup>34</sup> The Allen Consulting Group (2005)

<sup>35</sup> Armitage et al., (2013): 252

In some development contexts, heritage is viewed a liability by public and private property owners.<sup>36</sup> In recent years, UNESCO has endeavoured to promote urban heritage's contribution to sustainable development and shift perceptions to a view of historic heritage as a development asset for the city.<sup>37</sup>

However, as suggested by the Allen Consulting Group (ACG)<sup>38</sup>, there are sometimes trade-offs to be made between the degree of place conservation and the intensity of use proposed for an asset.

### Indirect user value

The indirect use value of historic heritage is best defined as external or 'passive use' or the value accruing to others.<sup>39</sup> A non-use value can occur 'without any direct consumption' whereby 'individuals can derive benefit from a heritage place despite never physically entering or viewing the place but from mere reflection or association'.<sup>40</sup>

Indirect value relates to the more subtle and less quantifiable values that are relevant to the users who do not specifically live or work in the heritage structure but for whom the property forms a familiar and defining element of the community and is associated with regular community life. The property may define the community image that is projected to visitors and, in turn, may increase the overall appeal of the community. The presence of an appealing heritage building can increase the visual amenity of a street and/or the wider neighbourhood. Indirect benefits of a heritage site can include the social benefits derived from having a recognisable and iconic local building that can act as a landmark and meeting place that encourages social interaction.

Throsby suggests the most promising approaches to measuring cultural value is to break the category down into components 'for which measurement scales might be devised'<sup>41</sup>. These are:

- Aesthetic value
- Spiritual value
- Social value
- Historic value
- Symbolic value, and
- Authenticity value.

More specific indirect benefits accruing from indirect user value may include:<sup>42</sup>

- Community image
- Environmental quality
- Aesthetic quality
- Increase in the capital value of existing (non heritage) assets
- Social interaction
- Educational benefits
- Impact of heritage designation on property values, and
- Spill-over benefits from tourism.<sup>43</sup>

### Non-Use Value

Non-use values are also referred to as non-market values. As with indirect user value, they are not traded in markets and are not readily assigned a price. Many of the sociocultural values

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<sup>36</sup> Eduardo Rojas "Governance in Historic City Core Regeneration Projects" Urban Development Series. The World Bank (2012): 199.

<sup>37</sup> Global Report on Culture for Sustainable Development. (United Nations Educational, Scientific and Cultural Organisation (UNESCO), 2015).

<sup>38</sup> The Allen Consulting Group (2005)

<sup>39</sup> Rojas, (2012):199

<sup>40</sup> Armitage et al., (2013): 249

<sup>41</sup> David Throsby, 'Heritage Economics: A Conceptual Framework' *Urban Development Series*, The World Bank (2012).

<sup>42</sup> Serageldin, (1999): 48

<sup>43</sup> Armitage et al., (2013)

discussed above can be categorised as non-use values. These values can be expressed as economic values due to individual's willingness to pay to acquire them and/or protect them.

### **Option value**

The option value of heritage can be defined as 'someone's wish to preserve the possibility (the option) that he or she might consume the heritage services at some future time'.<sup>44</sup>

### **Bequest value**

The bequest value refers to the historic legacy of historic heritage and is encapsulated by the resources communities are prepared to allocate to its ongoing preservation. It stems from the desire to bequeath a heritage asset to future generations. This cultural and historical legacy stems from the feeling of obligation and responsibility shared by individuals in communities that it is right to protect and pass down our historical places for those that have not had the chance to experience them.

### **Existence/intrinsic value**

'Intrinsic value' is a much less tangible value of heritage. It typically involves the perceptions of individuals as to how a heritage property contributes to the basic and essential elements of a local community. The presence of these intrinsic values can help form the identity of an area and the identity of people who live within it.

Serageldin argues that the 'estimation of existence values is not a senseless academic exercise' and without due rigour can lead to the significant understating of the value of heritage.<sup>45</sup>

It is proposed that cultural historic heritage requires a similar approach to that taken in environmental economics to estimate the existence value of biodiversity.<sup>46</sup>

### **Methods for assessing the value of historic heritage**

There are a number of methods that can be applied to assess the value of heritage. These include hedonic pricing methods, travel cost methods, maintenance cost methods and contingent valuation.

Contingent valuation primarily involves surveying people with regards to their willingness to pay for received benefits from cultural heritage or alternately, willingness to accept compensation for their loss.

Choice modelling is a type of contingent valuation, and has been described as having a 'powerful and detailed capacity of evaluation' for cultural assets.<sup>47</sup>

An evaluation of the different methods available for assessing the value of cultural heritage are included in the literature review report.

Choice modelling was identified as the most appropriate method for eliciting people's willingness to pay for cultural historic heritage assets and is detailed further on the following page.

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<sup>44</sup> Mason, (2002)

<sup>45</sup>Serageldin (1999): 47

<sup>46</sup> Ibid: 48

<sup>47</sup> Susana Mourato and Massimiliano Mazzanti "Economic Valuation of Cultural Heritage: Evidence and Prospects" (2002):

64

### Choice modelling

Qualitative research is often required to gauge the existence value of an historic heritage asset by assessing the willingness of members of a community to pay (WTP). Already widely applied in environmental economics, the use of choice modelling in the evaluation of cultural heritage assets is still relatively new.

Choice modelling uses a number of survey based methodologies for the measurement of preferences for non-market goods. Respondents to surveys are typically asked to do one of the following:

- Rank the various alternatives in order of preference
- Rate each alternative according to a preference scale, and
- Choose their most preferred alternative out of a set.

A price is attached to one of the attributes of a good and therefore willingness to pay can be deduced from respondents' ranks, ratings and choices. In this way, choice modelling allows for 'multidimensional changes' and overcomes the limitations traditionally associated with contingent valuation.

### Limitations of choice modelling

According to Susana Mourato and Massimiliano Mazzanti<sup>48</sup> choice modelling is also prone to the difficulties associated with survey techniques encountered by contingent modelling. In addition, respondents may experience 'cognitive difficulty' with making 'complex choices between bundles with many attributes and levels'.

Other issues can include:

- Respondent fatigue/ overburdening respondents with information, and
- Choosing options with reference to one attribute only (ignoring others).

### Related Reports

The full reports: 'The Value of Heritage: Literature Review' and 'Valuing Victoria's Heritage: Annotated Bibliography' are located in Appendix B and Appendix C.

A detailed choice modelling methodology report: 'Valuing Victoria's Heritage: Methodology' is located in Appendix D.

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<sup>48</sup> Mourato et al., (2002)

# 4. CHOICE MODELLING FINDINGS

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This chapter presents the results of the new choice modelling survey which elicited willingness to pay for individual heritage assets. The variations between different types of heritage assets are described, as are how the results varied for different segments of the population.

## 4.1 The survey

The survey was conducted over a three week period in October 2017. Out of a total sample of 3,397 responses, 1,611 surveys were completed, an effective response rate of 47 percent (see Table 3). Age and gender were actively managed to ensure the final sample was close to the 2016 Victorian census figures. This is a robust, statistically significant sample.

TABLE 3: SURVEY SAMPLE STATISTICS

Completion statistics	Number
Incomplete	1,231
Screened out	216
Over quota	145
Quality screenouts	194
Useable completes	1,611
Total	3,397

Source: SurveyEngine, 2017

Key to the approach taken in this choice modelling survey is the acknowledgement that different types of heritage assets have different properties, threats, protection types and development options. Separating the heritage assets by type allows departure from the 'one size fits all' problems with the ACG (2005) study results, particularly when comparing heritage objects to heritage buildings and sites.

Separating the heritage assets by types means only relevant attributes need be tested. This means that there are less constraints on the attributes selection as they do not need to be generally applicable to every type of heritage asset. Furthermore, the choice tasks are more meaningful and credible for respondents and the results more useful for users of the final results.

Another key change with respect to the ACG (2005) study was valuing protection of individual heritage assets, rather than evaluating policies that simultaneously target thousands of them. Incremental valuation, for example reflecting the particular protection of an additional heritage asset, of a given type and set of characteristics, is more aligned to supporting most policy decisions (e.g. extending protection to an additional asset, or allowing for a specific development of a building that could have some cultural heritage value). This bottom-up approach is more appropriate than the top-down approach, in which conservation as a whole is being valued and used to infer values resulting from marginal changes across the portfolio of assets.

## 4.2 Willingness to pay

The results of the choice modelling are expressed as a willingness to pay for a range of attributes. Attributes include the type of place, site or object; age; condition; significance; and level of public access. However, willingness to pay for individual attributes cannot be applied individually. Accurate estimates of willingness to pay can only be calculated from the total willingness to pay for a particular site – the aggregate of one attribute from each category. i.e. the type of site + the type of landscape + the type of historic heritage + age + condition + significance + protection + distance + controls + access + places = the willingness to pay for sites. The following tables illustrate the spectrum of willingness to pay across a series of hypothetical examples.

### Heritage valuation simulator

The heritage valuation simulator is an online/Excel based tool which enables the attributes of the place, site, landscape or object to be selected and the resulting willingness to pay displayed.

#### Application

Assume that Heritage Victoria wishes to assess the heritage value of a given building for the community residing within a particular municipality.

The building has the following characteristics.

- A residential building
- 19<sup>th</sup> Century
- Excellent condition
- Locally significant
- There are no visitation, noise or traffic controls applied
- Access is private only
- No permit is required to interior alterations.

Based on the heritage valuation simulator, the monetary value for this would be \$68.05 per person. The online/Excel simulator tool associated with this report allows for easy computation of willingness to pay for any heritage asset based on these attributes.

#### Convention for Use

In order to generate a conservative and more realistic assessment of the value of heritage assets, appropriate population catchments must be applied. For valuing an individual asset, the appropriate catchment is the area in which there are no other substitutable/similar heritage assets. For heritage assets in the state register, either municipal population catchments, or 3km population catchments are the most appropriate catchment to use for generating a valuation. For locally significant heritage assets, a smaller catchment is required. Appendix F provides detailed guidance on determining appropriate population catchments.

### Willingness to pay for heritage buildings and places

The following tables show the application of the heritage valuation simulator to a range of places, sites and landscapes. The relevant attributes are identified and the resulting willingness to pay displayed. All examples are hypothetical and are presented here as a way of demonstrating how the tool works.

TABLE 4: RESIDENTIAL PLACES

	Example 1	Example 2	Example 3	Example 4
<b>Type</b>	Residential building	Residential building	Residential building	Residential building
<b>Age</b>	19 <sup>th</sup> century (1803-1900)	1971 to present	19 <sup>th</sup> century (1803-1900)	Interwar period (1919-45)
<b>Condition</b>	Excellent condition	Excellent condition	Poor condition	Good condition
<b>Significance</b>	State significance	State significance	State significance	National significance
<b>Protection</b>	No further development permitted	No further development permitted	No further development permitted	Sympathetic alternations subject to approval
<b>Distance</b>	3 km	3 km	3 km	20km
<b>Controls</b>	Control of visitation	Control of visitation	Control of visitation	Control of visitation; Control of traffic
<b>Access</b>	Public access – with entry fee	Public access – with entry fee	Private access only	Public access free
<b>Total willingness to pay</b>	\$77.60	\$31.74	\$11.36	\$23.63

Source: SurveyEngine, 2017; SGS Economics and Planning, 2017

TABLE 5: COMMERCIAL/RETAIL PLACES

	Example 1	Example 2	Example 3	Example 4
<b>Type</b>	Commercial/retail building	Commercial/retail building	Industrial building	Industrial building
<b>Age</b>	Early 20 <sup>th</sup> century (1901-18)	Post war (1946-70)	19 <sup>th</sup> century (1803-1900)	Interwar period (1919-45)
<b>Condition</b>	Good condition	Poor condition	Excellent condition	Very poor condition
<b>Significance</b>	Local significance	State significance	State significance	National significance
<b>Protection</b>	No permit required for interior alterations	Sympathetic alternations subject to approval	No permit required for interior alterations	No permit required for interior alterations
<b>Distance</b>	10 km	2 km	2 km	1 km
<b>Controls</b>	No controls	Control of noise	Control of traffic; Control of noise	Control of visitation
<b>Access</b>	Private access only	Public access – with entry fee	Public access free	Private access only
<b>Total willingness to pay</b>	\$18.53	\$20.01	\$173.90	\$0.07

Source: SurveyEngine, 2017; SGS Economics and Planning, 2017

TABLE 6: OTHER SITES

	Example 1	Example 2	Example 3	Example 4
<b>Type</b>	Garden	Theatre	Sports centre	Hotel
<b>Age</b>	19 <sup>th</sup> century (1803-1900)	19 <sup>th</sup> century (1803-1900)	Post war (1946-70)	1971 to present
<b>Condition</b>	Good condition	Excellent condition	Excellent condition	Poor condition
<b>Significance</b>	State significance	National significance	State significance	Local significance
<b>Protection</b>	No further development permitted	Sympathetic alternations subject to approval	Sympathetic alternations subject to approval	No permit required for interior alterations
<b>Distance</b>	15 km	4 km	10 km	3 km
<b>Controls</b>	Control of traffic	Control of noise	No controls	Control of visitation
<b>Access</b>	Public access – with entry fee	Public access – for commercial purposes	Public access – for commercial purposes	Private access only
<b>Total willingness to pay</b>	\$115.67	\$161.74	\$31.98	\$60.09

Source: SurveyEngine, 2017; SGS Economics and Planning, 2017

TABLE 7: CIVIC PLACES

	Example 1	Example 2	Example 3	Example 4
<b>Type</b>	Place of worship	School	Gallery	Police/gaol
<b>Age</b>	Interwar period (1919-45)	Early 20 <sup>th</sup> century (1901-18)	1971 to present	19 <sup>th</sup> century (1803-1900)
<b>Condition</b>	Good condition	Poor condition	Good condition	Excellent condition
<b>Significance</b>	National significance	Local significance	State significance	National significance
<b>Protection</b>	No permit required for interior alterations	Sympathetic alternations subject to approval	Sympathetic alternations subject to approval	No further development permitted
<b>Distance</b>	13 km	9 km	2 km	40 km
<b>Controls</b>	No controls	No controls	Control of visitation; Control of noise	Control of traffic
<b>Access</b>	Public access free	Private access only	Public access – with entry fee	Public access free
<b>Total willingness to pay</b>	\$42.26	\$40.12	\$109.08	\$155.64

Source: SurveyEngine, 2017; SGS Economics and Planning, 2017

TABLE 8: LANDSCAPES

	Example 1	Example 2	Example 3	Example 4
<b>Type</b>	Residential landscape	Lighthouse	Trees	Agricultural landscape
<b>Age</b>	19 <sup>th</sup> century (1803-1900)	Early 20 <sup>th</sup> century (1901-18)	19 <sup>th</sup> century (1803-1900)	Post war (1946-70)
<b>Condition</b>	Excellent condition	Poor condition	Good condition	Excellent condition
<b>Significance</b>	National significance	National significance	Local significance	State significance
<b>Protection</b>	No further development permitted	No further development permitted	No further development permitted	Sympathetic alterations subject to approval
<b>Distance</b>	1 km	84 km	26 km	52 km
<b>Controls</b>	Control of traffic	No controls	No controls	Control to traffic; Control of visitation
<b>Access</b>	Public access – with entry fee	Public access free	Private access only	Public access free
<b>Total willingness to pay</b>	\$1.43	\$122.40	\$89.71	\$6.42

Source: SurveyEngine, 2017; SGS Economics and Planning, 2017

TABLE 9: HISTORIC SITES

	Example 1	Example 2	Example 3	Example 4	Example 5
<b>Type</b>	Settlement site	Goldrush site	Mining site	Shipwreck	Military site
<b>Age</b>	Interwar period (1919-45)	19 <sup>th</sup> century (1803-1900)	Early 20 <sup>th</sup> century (1901-18)	Post war (1946-70)	Early 20 <sup>th</sup> century (1901-18)
<b>Condition</b>	Excellent condition	Good condition	Poor condition	Poor condition	Good condition
<b>Significance</b>	Local significance	National significance	National significance	State significance	National significance
<b>Protection</b>	Sympathetic alterations subject to approval	No further development permitted	No further development permitted	No further development permitted	No further development permitted
<b>Distance</b>	4 km	12 km	4 km	37 km	16 km
<b>Controls</b>	No controls	Control of traffic; Control of visitation	Control of traffic; Control of visitation; Control of noise	No controls	Control of traffic
<b>Access</b>	Private access only	Public access – with entry fee	Public access – with entry fee	Public access – free	Public access – with entry fee
<b>Total willingness to pay</b>	\$4.24	\$197.21	\$52.16	\$15.07	\$151.08

Source: SurveyEngine, 2017; SGS Economics and Planning, 2017

## Key observations of results

These results indicate:

- The **type** of site, landscape, historical site or object had among the largest effects on preference. Mining, industrial and commercial sites had the lowest value across the categories.
- For building **age**, the older a site is, the higher value placed on it. This is similar for landscapes and historical sites although both with a small reversal for post war 1956-1970 period.
- For all three site categories, sites were valued more the better **condition** they were in.
- In the **significance** category, for Buildings, respondents were willing to pay more if the site was state listed, compared to either a national or a local heritage overlay. For historic sites, local significance (those covered by a local heritage overlay) had a relatively higher value. For landscapes the differences were negligible.
- When considering **distance**, for Buildings and Landscapes, proximity held a higher value with willingness to pay dropping off the further the site was away. However, for Historic sites the effect was not significant.
- For Buildings and Landscapes, **protection** that allowed sympathetic alterations subject to permit held a higher value than no development. This was reversed for Historic sites, with alterations having a negative effect.
- **Control** of visitation was only significant and positive for historic sites. The effect of security measures on all types of sites was not significant. Noise control was positive but only significant for Buildings. Control of traffic was universally highly positive for all sites.
- Public **access** to all sites had a higher value than private access for all sites. It is noteworthy that entry fees on historic sites were highly preferred to free public access.

## Willingness to pay for historic objects

Table 10 shows the application of the heritage valuation simulator to a range of real historic objects. The attributes are arbitrarily assigned and the resulting willingness to pay displayed. All examples are therefore hypothetical. They are presented here as a way of demonstrating how the tool works. The VHR only includes a small number of objects which are difficult to group into categories. Therefore specific, actual objects were tested in the survey rather than randomised building/place profiles.

TABLE 10: HISTORIC OBJECTS

	Example 1	Example 2	Example 3	Example 4
<b>Type</b>	Eureka Flag	The Taggerty Buffet Car	ANZAC memorabilia	Marianne Gibson Quilt
<b>Condition</b>	Very poor condition	Good condition	Excellent condition	Good condition
<b>Rating</b>	Victorian significance	Victorian significance	Victorian significance	Victorian significance
<b>Significance</b>	Integral to a Heritage Place	Significant in its own right	Significant in its own right	Significant in its own right
<b>Context</b>	Part of an exhibition	Part of an exhibition	Archived	Part of an exhibition
<b>Custodian</b>	Medium to large	Small sized community	Private collection no access	Small sized community
<b>Changes</b>	Works to conserve/protect allowed			
<b>Total willingness to pay</b>	\$129.07	\$104.64	\$79.65	\$48.85

Source: SurveyEngine, 2017; SGS Economics and Planning, 2017

## Key observations of results

These results indicate:

- The **object type** had among the largest effects on preference. Consistent with military sites in the above models, Anzac Memorabilia also held a higher value than other assets.
- Better **condition** was preferred over poorer condition. However, an anomalous result indicated that an object in 'excellent condition' had a negative WTP. This result should be examined closely for possible causes which may include the estimation by respondents that an object in excellent condition did not require additional protection.
- The value of **context** was related to an object's connection to a site and use. Archived objects or exhibited objects had a negative WTP.
- Value of **custodianship** was directly related to the custodian's size and access. Private custodianship with no access had the lowest WTP.
- More stringent levels of control over **relocation and changes** had a higher value.

## Segment differences

**Male respondents** had a higher preference for objects that were of local significance.

**Older respondents** (people over 60) were correlated with the following:

- higher preference for older heritage sites with a peak at 1902-1918
- higher preference for sites in 'excellent' condition
- lower preference for industrial sites, halls, schools, hospitals, theatres, sports centres, goldrush and mining sites
- lower preference for objects including the Minton peacock, ANZAC memorabilia and the buffet car
- higher preference for noise controls (and security measures at 95 percent), and
- higher preference for objects being looked after by a community collection.

**Wealthier respondents** (gross weekly income over \$1,900) had:

- a lower value for protecting bridges, and
- a higher value on residential buildings.

**University Educated respondents** had:

- higher value for local significance
- higher preference for modern buildings (at 95 percent), and
- more negative value for ANZAC memorabilia (at 95percent).

**Respondents from metropolitan Melbourne** had:

- higher preference for noise and traffic controls, and
- higher preference for archiving objects.

## Willingness to Pay for a portfolio of heritage assets.

The SurveyEngine Heritage Valuation Simulation Tool can also be used to estimate the value of portfolios of heritage assets. Detailed guidance on this is provided in Appendix F.

In order to estimate the WTP by Victorians for the protection of Victoria's heritage assets, a lower bound (minimum WTP) and upper bound (maximum WTP) were identified. The true value falls between these two estimates.

Using this methodology, SurveyEngine estimates the value of Victoria's heritage as approximately \$1.1 billion (falling within the range of \$1.05 and \$1.18 billion). This methodology is documented in greater detail in Appendix F.

This method can also be used to assess people's WTP for smaller portfolios of assets, for example, heritage buildings within an urban renewal area. The population catchment for an urban renewal area is likely to be the local government area. It is important to note that the values used must be derived from the most highly valued asset that exists within the catchment. I.e. If the heritage assets in the urban renewal area are all industrial heritage buildings, the maximum individual WTP for protection of a single asset will be closer to \$100.

### Case study application

To illustrate the use of the simulator in assessing the value of individual heritage sites, we have applied it to a registered building in Southbank, although the attributes of this building have been hypothesised., SGS used the ABS's 2016 Census of Population data and applied the assumption that, on average, residents in the City of Melbourne live 1 kilometre from Southbank.

The Robur Tea Building (Figure 2) was built between 1887 and 1888 as a warehouse, and is currently used as a massage parlour and spa salon. This building is one of the few remaining traces of the industrial and warehousing establishments that until the 1970s and 1980s dominated the south bank of the Yarra.

The Robur Tea Building is in excellent condition and is registered as an asset of State significance.

FIGURE 2: ROBUR TEA BUILDING, SOUTHBANK



Source: Victorian Heritage Data Base

Based on the attributes listed in the Victorian Heritage Data Base, and the estimated adult population of the City of Melbourne, the simulator returns a value of heritage of some \$20 million for the Tea House, for the City of Melbourne community only (see Table 11).

As noted above, SGS recommends the application of a convention for determining population catchments, where only the local/municipal population is used to determine the value of heritage assets. Appropriate population catchments are where there are no other substitutable heritage assets within the same area. This is further described in Appendix F.

TABLE 11: VALUATION OF SOUTHBANK HERITAGE ASSET

	<b>Robur Tea House</b>
Willingness to Pay (per resident adult)	\$168
Resident adults (City of Melbourne)	121,818
<b>Total heritage value</b>	<b>\$20,431,315</b>

Source: SurveyEngine, 2017; SGS Economics and Planning, 2017

### 4.3 Usage and attitudinal responses

The survey also asked usage and attitudinal questions. The results provide insight into:

- How respondents access information on heritage
- Understanding of the heritage protection system
- Views on funding and enforcement
- Views on different types of heritage assets
- Promotion of heritage protection, and
- Understanding of what heritage is.

#### Accessing information

Most respondents reported they find out about heritage via the internet, with television and radio the next most popular format (Table 12). A related question identified that approximately 50 percent of respondents reported that they enjoy reading about heritage on social media.

TABLE 12: SURVEY RESULTS FOR THE QUESTION ‘HOW DO YOU MAINLY FIND OUT ABOUT HERITAGE’\*

Answer	Frequency	Percent
Print media (newspapers / magazines)	572	35.5%
Television / radio	678	42.1%
Social media	371	23.0%
Internet	853	52.9%
Friends / relatives / colleagues	412	25.6%
Other	57	3.5%
Not interested	185	11.5%

Source: SurveyEngine, 2017

\* More than one answer allowed

However, less than a quarter of respondents reported that they use the Heritage Council website as a source of information, with almost 70 percent stating they do not use the website. This is not necessarily because people find the website difficult to use, but more likely that they are unaware of it. Only 17 percent of respondents said they find the website difficult to use to find information on the Heritage Register. Thirty one percent stated they find it easy to use and the remaining 52 percent stated they do not know whether finding information on the Heritage Register is easy via the website.

#### The heritage protection system

The responses indicate a lack of knowledge about how the heritage protection system currently works, and the process of listing a heritage asset on the Heritage Register.

Table 13 shows that over 50 percent of respondents (776) either did not know or had no comment in response to the strengths and weaknesses of the heritage protection system and how it could be improved. Of the remaining responses, the highest responses were that the current systems works well (8 percent), there is ineffectual enforcement (7 percent) and that the identification of local significance through planning overlays is weak and/or should be replaced with a state only system (5 percent).

TABLE 13: SURVEY RESULTS FOR THE QUESTION ‘WHAT ARE THE STRENGTHS AND WEAKNESSES OF THE CURRENT TWO TIERED APPROACH<sup>49</sup> TO HERITAGE PROTECTION IN VICTORIA? WHAT WORKS WELL AND WHAT COULD BE IMPROVED?’\*

Answer	Frequency	Percent
Don't know / no comment	776	51%
Status quo – it works well	127	8%
Weakness – ineffectual enforcement	104	7%
Weakness – overlays weak or should be abandoned in favour of a state scheme	80	5%
Weakness – too complicated or inconsistent	62	4%
Strength – is more effective or allows more places to be protected	57	4%
Improvement – increased awareness and communication with community	56	4%
Improvement – owners of heritage properties should be better supported	41	3%
Weakness – two tiers is slow, inefficient and bureaucratic	34	2%
Weakness – too broad and too many overlays	33	2%
Weakness – council's lack of effectiveness and consistency	32	2%
Better management or prioritisation	31	2%
Improvement – less tax / more Government funding or purchase	22	1%
Weakness – too narrow, too few are protected, gaps in protection	17	1%
Improvement – there could be more protection or controls	15	1%
Strengths – better use of local or council knowledge	10	1%
Strength – allows more flexibility and differentiation of heritage assets	10	1%

Source: SurveyEngine, 2017

\* More than one answer allowed

When considering whether government could operate differently to protect heritage (Table 14), again the highest response was that respondents did not know (47 percent). Of respondents who did provide suggestions, 20 percent identified changes to governance arrangements, nine percent identified enforcement, penalties and legal settings, and seven percent suggested more information and awareness of heritage assets.

<sup>49</sup> A definition for the two tiered approach to heritage protection was included in the survey.

TABLE 14: SURVEY RESULTS FOR THE QUESTION 'ARE THERE WAYS THAT THE GOVERNMENT COULD OPERATE DIFFERENTLY TO PROTECT HERITAGE?'

Answer	Frequency	Percent
Don't know	761	47%
Manage differently or reorganise the authorities	286	18%
Better enforcement, tougher penalties or stricter laws	142	9%
More information and better awareness of heritage sites	105	7%
Fund Heritage better	65	4%
Empty comment, opinion or vague statement	64	4%
Support or consider owners and occupiers more	55	3%
Non specific yes	50	3%
Better community consultation	43	3%
Happy with the current situation	30	2%
Acquisition of heritage properties	10	1%

Source: SurveyEngine, 2017

\* More than one answer allowed

The community's role in the process of listing assets on the Heritage Register also does not appear to be well understood with more than half of respondents (54 percent) identifying that they did not know whether the process allowed for adequate community input. Two thirds (67 percent) of respondents also reported that they did not know if there were types of heritage assets that were currently under represented on heritage lists (Table 15) possibly indicating a lack of knowledge or interest in the heritage protection system. Twenty percent of respondents believe that there are no heritage asset types currently under represented, and 13 percent believing there are.

TABLE 15: SURVEY RESULTS FOR THE QUESTION 'IN YOUR OPINION, ARE THERE TYPES OF HERITAGE ASSETS THAT ARE UNDER REPRESENTED ON HERITAGE LISTS?'

Answer	Frequency	Percent
Yes	208	13%
No	323	20%
I don't know	1,080	67%
Total	1,611	100%

Source: SurveyEngine, 2017

### Funding and enforcement

The survey shows overwhelming agreement (79 percent) that government should look after heritage places and objects. There was also a belief that it was unfair that individual landowners are asked to look after heritage places for the whole community. This shows a belief that heritage assets bring benefit to the whole community and therefore government should have a leading role in their protection.

Considering these views, it is therefore not surprising that there is support for government funding for a broad range of heritage assets and that funding should extend to private owners of heritage assets.

Table 16 shows almost half of respondents believe government funding should be available for heritage assets of both state and local significance. Only a quarter of respondents believed state funding should be limited to state significant assets only.

TABLE 16: SURVEY RESULTS FOR THE QUESTION ‘SHOULD GOVERNMENT FUNDED GRANTS ONLY BE AVAILABLE FOR PLACES INCLUDED IN THE VICTORIAN HERITAGE REGISTER OR SHOULD THEY BE BROADENED TO INCLUDE PLACES IN HERITAGE OVERLAYS OF LOCAL GOVERNMENT PLANNING SCHEMES?’

Answer	Frequency	Percent
Victorian Heritage Register only	411	25%
Victorian Heritage Register and others	734	46%
I don't know	467	29%
Total	1,612	100%

Source: SurveyEngine, 2017

Table 17 shows approximately 40 percent believe government funds should extend to private owners, even without a demonstration of public benefit. However, this view was not as universal with almost 35 percent stating it should not be.

TABLE 17: SURVEY RESULTS FOR THE QUESTION ‘SHOULD THERE BE GOVERNMENT FUNDED GRANTS AVAILABLE TO PRIVATE OWNERS WITHOUT THEM HAVING TO DEMONSTRATE PUBLIC BENEFIT?’

Answer	Frequency	Percent
Yes	655	41%
No	563	35%
I don't know	394	24%
Total	1,612	100%

Source: SurveyEngine, 2017

When considering where additional funding on heritage should be directed, the two highest categories were ‘protection and management of historic archaeological sites’ (27 percent) and ‘conservation management plans for heritage places and objects’ (26 percent). Other categories that rated highly were ‘digital recording of registered places and objects’ (17 percent), ‘interpretation of historic archaeological sites’ (13 percent) and ‘protection of shipwrecks’ (12 percent).

Ineffectual enforcement has already been reported as the biggest weakness of the current system (Table 13) and better enforcement, tougher penalties and stricter laws the most commonly identified ways to better protect heritage (Table 14). Respondents were also asked whether penalties should be higher for owners of heritage assets who undertake unlawful construction with 72 percent of respondents agreeing and only 11 percent disagreeing. When considering an acceptable penalty for an owner of a heritage asset who has deliberately neglected the asset, 40 percent believed a council notice followed by fines until remediation was appropriate. Thirty seven percent believed a court order requiring remediation was appropriate. Only 14 percent believed no penalty should apply.

### Different types of heritage assets

A number of questions were asked about the importance of protecting different types of heritage assets. This provides insight into the types of assets people believe are most worthy of protection.

Eighty five percent of respondents either strongly agree or somewhat agree that it is important to recognise all types of heritage places with only three percent disagreeing (Table 18).

TABLE 18: SURVEY RESULTS FOR THE QUESTION 'IT IS IMPORTANT TO RECOGNISE ALL TYPES OF HERITAGE PLACES (LANDSCAPES, OBJECTS, COLLECTIONS)'

Answer	Frequency	Percent
Strongly agree	745	46%
Somewhat agree	625	39%
Neither agree nor disagree	202	13%
somewhat disagree	25	2%
Strongly disagree	14	1%

Source: SurveyEngine, 2017

Respondents were also asked about specific types of archaeological heritage. For archaeological sites and for artefacts recovered from heritage places, a slightly higher percentage of respondents (88 percent and 89 percent respectively) strongly or somewhat agreed that this type of heritage was important to protect. For maritime/shipwreck heritage sites the percentage was slightly lower, at 79 percent.

### Promotion of heritage protection

Many respondents thought that more should be done to promote heritage protection. Table 19 shows almost half of respondents believe not enough is being done to promote heritage in Victoria with only 19 percent agreeing that enough is being done. More than 70 percent of respondents identified that they would like to know the human interest stories behind heritage places and objects. This perhaps suggests a way of promoting heritage protection to the broader community.

TABLE 19: SURVEY RESULTS FOR THE QUESTION 'DO YOU THINK THERE IS ENOUGH DONE TO PROMOTE HERITAGE PROTECTION IN VICTORIA?'

Answer	Frequency	Percent
Yes	305	19%
No	779	48%
I don't know	527	33%
Total	1,611	100%

Source: SurveyEngine, 2017

### Understanding of what heritage is

One of the most striking findings from the usage and attitudinal responses is the high percentage of respondents who answered 'I don't know' to some of the questions, potentially indicating a lack of understanding in how the Victorian heritage protection system currently works, how funding is allocated, what types of sites or objects are currently covered, or even a lack of knowledge of what heritage is.

This is further reinforced by the response to a question on whether respondents believe that what people consider to be heritage is too broad. The responses are evenly split with a third of people agreeing that what people consider to be heritage is too broad, a third believing it is not too broad and a third uncertain (Table 20). This could also suggest the scope of what people believe constitutes heritage varies significantly.

TABLE 20: SURVEY RESULTS FOR THE QUESTION 'DO YOU THINK THAT WHAT PEOPLE CONSIDER TO BE HERITAGE IS TOO BROAD?'

Answer	Frequency	Percent
Yes	551	34%
No	505	31%
I don't know	555	34%
Total	1,611	100%

Source: SurveyEngine, 2017

#### Related reports

A report detailing the full results and analysis: 'Victorian Heritage Valuations 2017' is located in Appendix E.

A practical valuation guide is located in Appendix F.

# 5. REPLICATION STUDY

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This chapter presents the results of the survey which replicated the methods and structure of a 2005 study by the Allen Consulting Group which quantified the value of heritage places. Differences and similarities between the results of the 2005 study and the replication study are discussed as well as possible reasons for the differences.

## 5.1 ACG – Valuing the Priceless

In 2005, the Allen Consulting Group released ‘Valuing the Priceless: the value of historic heritage in Australia’ which used choice modelling to quantify the value of heritage places to the community.

The current project, sought to replicate as closely as possible both the methods and structure of the ACG survey. The purpose of this was to update the results and to provide insight into whether there had been any major shifts in how heritage is being valued by the community.

The principal difference between the two surveys is that the original ACG study was conducted Australia wide whereas this study was conducted in Victoria only.

The fieldwork for the replication study occurred over a two week period in September 2017. There were 566 useable responses provided out of a total sample of 1060, an effective response rate of 65 percent (see Table 21). The sample used was consistent with the population distribution identified in the 2016 Census.

TABLE 21: SURVEY SAMPLE STATISTICS

Respondent statistics	Number
Complete	566
Quality screenout	113
Technical screenout	9
Incomplete	372
<b>Total sample</b>	<b>1060</b>

Source: SurveyEngine, 2017

## 5.2 Similarities

In general, the results 12 years on align with the 2005 results, but there are some noteworthy departures from the patterns of responses found in 2005.

The tables and figures following show key findings from the 2005 and 2017 studies.

Respondents in both studies were conscious of the financial impost a heritage levy would mean for them should they choose a different level of heritage protection than currently provided. Both studies also found that respondent’s Willingness to Pay (utility) is increased by:

- an increase in the number of heritage places protected
- an increase in the proportion of places that are in good condition, and
- an increase in the proportion of places that are accessible to the public.

Table 22 shows that respondents in both 2005 and 2017 believe that heritage has significant value. The overwhelming majority in both studies either ‘strongly agree’ or ‘agree’ that heritage has direct use, indirect use, option, existence and other non-use values.

TABLE 22: COMMUNITY VIEWS AND PERCEPTIONS OF HERITAGE RELATED VALUES, 2005 AND 2017

Value type	Statement	'Strongly agree' and 'Agree'		'Strongly disagree' and 'Disagree'		Neither agree or disagree	
		2005 (Aust)	2017 (Vic)	2005 (Aust)	2017 (Vic)	2005 (Aust)	2017 (Vic)
Direct use value	Looking after heritage is important in creating jobs and boosting the economy	56.1%	66.3%	11.0%	6.0%	32.9%	27.7%
Indirect use value	My life is richer for having the opportunity to visit or see heritage	78.7%	70.9%	4.6%	5.2%	16.8%	23.9%
Option value	It is important to protect heritage places even though I may never visit them	93.4%	82.3%	1.5%	1.5%	5.0%	16.2%
Existence value	Heritage is part of Australia's identity	92.3%	83.0%	5.3%	1.9%	2.3%	15.1%
	The historic houses in my area are an important part of the area's character and identity	80.2%	73.3%	5.2%	5.4%	14.5%	21.3%
Other non-use values	It is important to educate children about heritage	96.9%	89.2%	0.3%	0.7%	2.8%	10.0%

Source: Source: Allen Consulting Group, 2005; SurveyEngine, 2017.

Table 23 shows the implicit prices estimated for a range of attributes. It includes the 2005 reported values, 2005 values adjusted to account for inflation to 2017, and the 2017 study values.

The findings from this study broadly agree with the 2005 ACG study, although there appears to be some slippage in valuations placed on heritage. In general, average willingness to pay for the protection of additional places from loss is estimated to be \$4.64 per person each year for every 1,000 places protected, compared to \$5.53 in 2005. When inflation is considered, the difference is more considerable, with the original survey willingness to pay being equivalent to \$7.47.

TABLE 23: IMPLICIT PRICES FOR HERITAGE CONSERVATION

Attribute	Annual price per person			Units
	2005 (reported) (Aust)	2005 (inflation adjusted)* (Aust)	2017 (Vic)	
Places protected	\$5.53	\$7.47	\$4.64	Per 1,000 additional heritage places protected
Condition of places	\$1.35	\$2.46	\$0.33	Per 1 percent increase in the proportion of places in good condition
Age mix of places	-\$0.20	-\$0.27	\$0.14*	Per 1 percent increase in the proportion of places that are over 100 years of age
Accessibility of places	\$3.60	\$4.86	\$1.86	Per 1 percent increase in the proportion of places that are publicly accessible
Development control				
Change to level 1	\$39.50	\$53.33	\$26.55	Change from 'demolition permitted' to 'substantial modifications permitted but no demolition'
Change to level 2	\$53.07	\$71.65	\$46.51	Change from 'demolition permitted' to 'minor modifications permitted only'
Change to level 3	\$2.38	\$3.21	\$18.58	Change from 'demolition permitted' to 'no modifications permitted'

Source: Allen Consulting Group, 2005; SurveyEngine, 2017.

\* Age Mix willingness to pay is not significant

\* adjusted for inflation to 2017 equivalent

Respondents are also willing to pay for improvements to the condition and public accessibility of places. A one percentage point increase in the proportion of places that are accessible to the public is valued at \$1.86 per person per year compared to \$3.60 in 2005 (\$4.86 in 2017 prices). As in 2005, this result indicates that people, on average, value accessibility more highly than condition.

Regarding Development Control, on average, respondents are willing to pay \$26.55 per person per year to change the level of development control from one of 'demolition permitted' to a slightly more stringent protection policy of 'substantial modifications permitted — but no demolition'. This is comparable with the 2005 value of \$39.50 per person. However, when inflation is considered, the difference becomes more significant, suggesting a decline in the valuing of development controls over this time period.

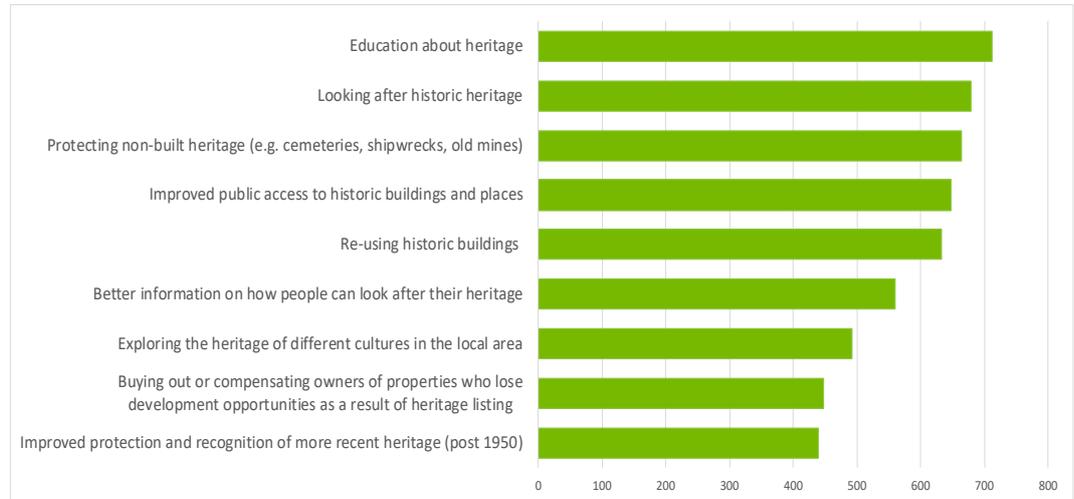
Respondents are willing to pay an additional \$19.96 per person for a further tightening of controls such that only 'minor modifications' are permitted, this compares well with the 2005 figure of \$13.57 per person (or \$18.32 when adjusted for inflation).

Finally, going the next step to 'no modifications permitted' reduces utility in comparison with the 'minor modifications permitted' option. Relative to the 'no change' scenario in which demolition is permitted, it is worth \$18.58 to respondents. This has the same sign as the 2005 study. However, in 2005 it was estimated that the no modifications option was worth a relatively modest amount of \$2.38.

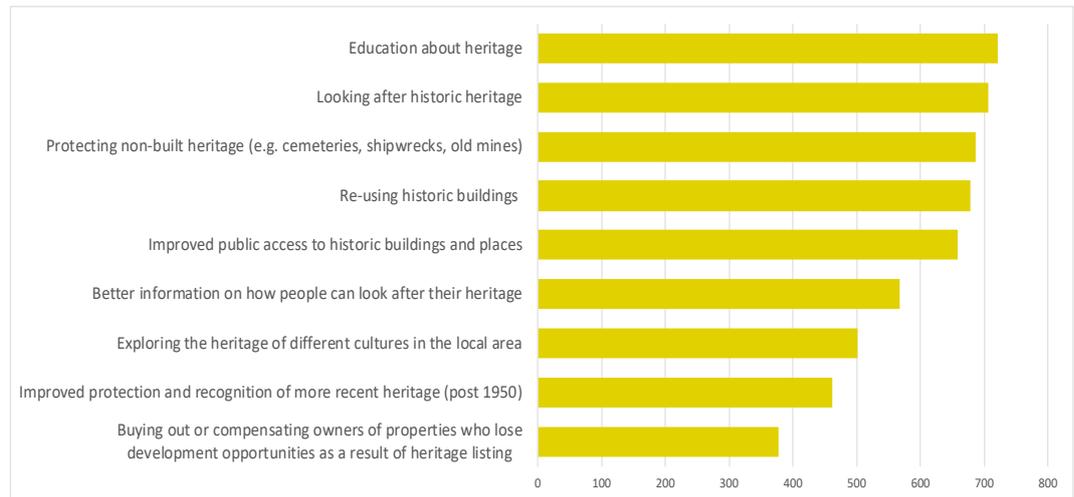
These results suggest that people perceive development controls to be an important policy instrument for protecting heritage. They are not in favour of demolition but value a system that allows property developers/owners the flexibility to undertake modifications that retain the utility of the asset.

FIGURE 3: SURVEY RESULTS FOR THE QUESTION 'IF MORE MONEY WAS TO BE SPENT ON HERITAGE ISSUES, WHICH OF THE FOLLOWING WOULD YOU CHOOSE', 2005 AND 2017

2005



2017



Source: Allen Consulting Group, 2005; SurveyEngine, 2017.

Figure 3 compares the results from 2005 and 2017 on what heritage issue people would prefer to see money spent on. The rank order of importance also remains largely unchanged with education, looking after historic heritage and protecting non-built heritage the top three responses in both surveys.

### 5.3 Differences

A few key changes are apparent between the two studies, principally a seemingly greater ambivalence towards heritage issues than in 2005. This is evident in several places: in the higher incidence of 'don't know' answers, approximately double the number of respondents selecting the 'no change' option in the models and a lower significance in some model estimates. This general trend is reinforced with the majority response that heritage protection is 'about right' rather than 'not enough is being done' as it was in 2005 (Figure 4).

Finally reported rates of volunteerism for heritage activities, causes and club memberships have experienced a 50 percent decline since 2005 when comparing Victoria in 2017 to Australia wide in 2005. This decline needs to be considered in light of the different populations being sampled.

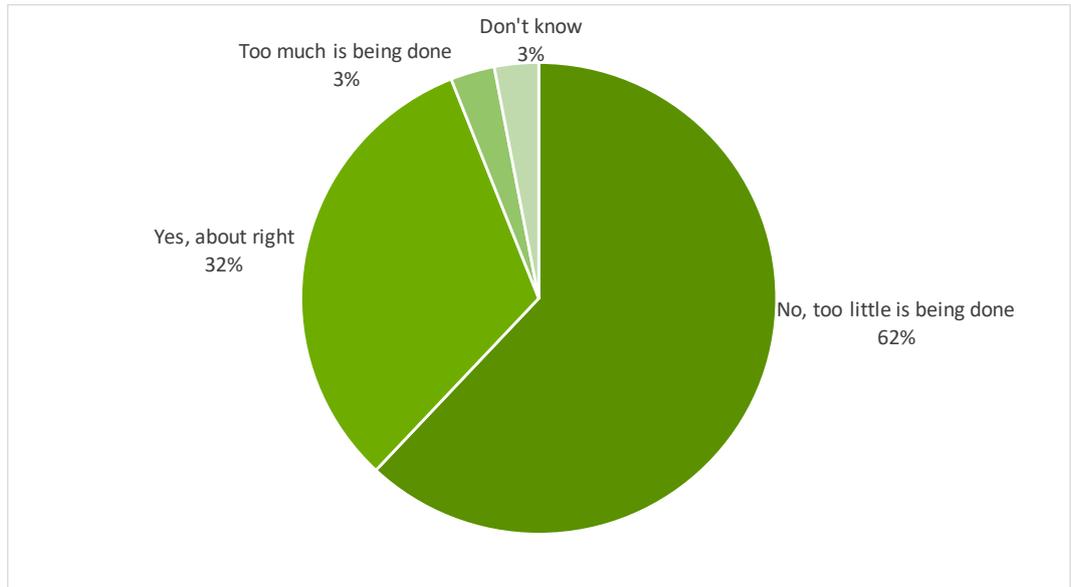
A 2016 study by Volunteering Australia found that over the previous 5 years, there had been a decline in volunteering, and people were increasingly time poor and facing greater barriers to volunteering<sup>50</sup>. The decline in volunteerism for heritage activities is much greater than the reported decline in volunteerism overall.

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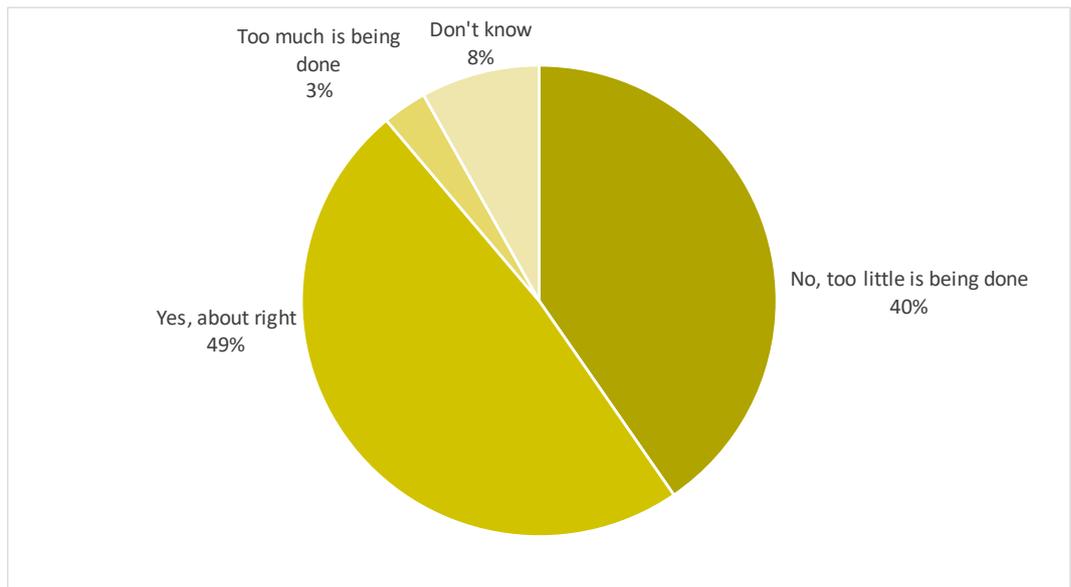
<sup>50</sup> [http://www.volunteering.com.au/wp-content/uploads/2016/04/160406.CfV\\_.MediaRelease.StateofVolunteeringReport.v.1.0.pdf](http://www.volunteering.com.au/wp-content/uploads/2016/04/160406.CfV_.MediaRelease.StateofVolunteeringReport.v.1.0.pdf)

FIGURE 4: SURVEY RESULTS FOR THE QUESTION 'DO YOU THINK ENOUGH IS BEING DONE TO PROTECT HISTORIC HERITAGE ACROSS AUSTRALIA'

2005



2017



Source: Allen Consulting Group, 2005; SurveyEngine, 2017.

## 5.4 Discussion

There may be several reasons for the changes in willingness to pay for heritage between the 2005 and 2017 study. As noted, the principal methodological difference between the two surveys is that the original ACG study was conducted Australia wide whereas this study was conducted on Victorian adults only. It is possible that the 2017 results are similar to the Victorian only responses from 2005. Without the raw data from the 2005 study, however, it is not possible to test this hypothesis.

Changes in internet access may also affect the profile of respondents. In 2005, internet use in Australia was approximately 50 percent. In 2017 this has risen to over 90 percent. Both the surveys in 2005 and 2017 were conducted online. This change in internet access means the 2017 survey was accessible by a more representative sample of the population. Combined with the increasing use of online panels<sup>51</sup> it is suggested that the 2017 survey may be more representative of the Victorian population than in 2005.

The willingness to pay for the protection of 1000 buildings declined significantly when adjusted for inflation. This difference may be a result of other economic and social issues becoming more pressing. For example, between 2005 and 2017 the Global Financial Crisis significantly impacted the economy and house prices have risen significantly, particularly when compared to income. Whilst people still value heritage and are willing to pay for its protection, economic and social changes may have influenced the relative value people attach to heritage and the amount they are willing to pay for its protection. Over this time period, concerns regarding climate change have also increased, and so it is likely that valuing heritage has become a lower priority in the face of greater financial insecurity and vulnerability to climate change. It is also possible that the community is placing a higher value on the adaptive reuse of heritage assets. This is reflected in issues papers and case studies prepared by the Heritage Council of Victoria on the opportunities and challenges of the benefits of adaptively reusing industrial heritage buildings.<sup>52</sup>

The overall consistency in results between the 2005 and 2017 study suggest that people perceive development controls to be an important policy instrument for protecting heritage.

Overall, the results of the two surveys indicate a consistent willingness to pay for the protection of heritage assets. Responses to attitudinal questions regarding the importance of heritage are also consistent, indicating that heritage assets are considered an important dimension of urban environments. While there is some variation in the results, the overwhelming majority in both studies either 'strongly agree' or 'agree' that heritage has direct use, indirect use, option, existence and other non-use values.

Interestingly, in 2005 over 60 percent of respondents thought not enough was being done to protect heritage. In 2017, this had dropped to 40 percent. This suggests that the general population in Victoria is largely satisfied with protection of heritage assets that has occurred during this time. However, given the difference between the sample populations (Australia versus Victoria) it is also possible that residents in other jurisdictions were more concerned that not enough was being done to protect heritage in 2005.

### Related Report

The full replication study: 'ACG Heritage Valuation Replication Results', is located in Appendix A.

<sup>51</sup> An online panel is a sample of persons who have agreed to complete surveys via the Internet

<sup>52</sup> In 2014, an issues paper was prepared by the Heritage Council of Victoria, 'Adaptive Reuse of Industrial Heritage: Opportunities and Challenges' [http://heritagecouncil.vic.gov.au/wp-content/uploads/2014/08/HV\\_IPAWsinglepgs.pdf](http://heritagecouncil.vic.gov.au/wp-content/uploads/2014/08/HV_IPAWsinglepgs.pdf)

# 6. IMPLICATIONS FOR HERITAGE PROTECTION

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## Overview

This study provides insight into a number of pertinent issues for Heritage Victoria and the Heritage Council of Victoria. The results of the original ACG study in 2005, the replication of the ACG study by SurveyEngine in 2017 and the new Choice Modelling study undertaken by SurveyEngine in 2017 all contribute to improved understanding of these issues.

It is important to consider the methodological differences between each of these studies when analysing the consistencies and differences in their results. The 2005 ACG study was conducted Australia wide, while the 2017 replication study was only conducted in Victoria. Further, the SurveyEngine study involved an entirely new study methodology, with a focus on individual heritage assets, and a different suite of attitudinal questions.

## What value do Victorians place on heritage?

The combined results of the three studies provide conclusive evidence that Victorians place significant value on the protection of heritage.

Using the asset specific WTP tool developed as part of this study, the capitalised value of the heritage services generated by the assets on the VHR is estimated to be in excess of **\$1.1 billion**. This translates to roughly \$0.45 million per asset on average, though it should be noted that there is a broad spectrum of valuations per item reflecting parameters of asset type, land use, condition and access.

In 2005, over 90 percent of people thought that 'It is important to protect heritage places even though I may never visit them'; 'Heritage is a part of Australia's identity'; and 'It is important to educate children about heritage'. In 2017, over 80 percent of Victorians also thought these same values were important.

In the 2005 ACG report, people in Australia indicated a willingness to pay of \$7.47 (adjusted to 2017 prices) for every 1,000 additional heritage places protected. In the 2017 replication study, people in Victoria indicated an average willingness to pay of \$4.64. This may indicate that people's average willingness to pay for the protection of additional places has declined though differences in survey scope and timing need to be borne in mind (see below).

Unlike the ACG 2005 study and the 2017 ACG replication study, the 2017 SurveyEngine study distinguished Victorians' willingness to pay for the protection of different types of historic sites, heritage landscapes, heritage places and historic objects. It provided a more nuanced tool to assess how people value heritage so that individual assets could be valued based on a specific range of attributes. The median WTP for the protection of these assets was found to be \$118.13 per item per year, based on application of the valuation tool to a representative random sample of items on the VHR.

The 2017 SurveyEngine Study also found that over 75 percent of Victorians thought that owners who deliberately neglected heritage assets should be penalised, either by a court order requiring remediation, or a council notice followed by fines until remediation occurs. It also found that almost 80 percent thought that penalties for owners who undertake unlawful construction works (which would include demolition or extensive modification) should be

higher. This concern for protecting heritage assets through penalties and court involvement also indicates a strong valuation of heritage within the Victorian community.

In terms of willingness to pay, there was some significant variation across these studies. Willingness to pay is heavily influenced by the type of heritage asset in question. As noted, willingness to pay for the protection of 1,000 buildings/assets declined significantly between 2005 and 2017 when adjusted for inflation. This difference may be a result of other economic and social issues becoming more pressing. For example, between 2005 and 2017 the Global Financial Crisis significantly impacted the economy and house prices have risen substantially, particularly when compared to income. At the same time, growth in wages has been low while energy and utility costs have increased. Whilst people still value heritage and are willing to pay for its protection, economic and social changes may have influenced the relative value people attach to these assets. Over this time, concerns regarding climate change may have also increased. It may be that valuing heritage has become a lesser priority in the face of greater financial insecurity and vulnerability to climate change.

When the original ACG study, the 2017 ACG replication study and the 2017 SurveyEngine study are considered together, there is a clear message that people place a high value on heritage.

### What aspects of heritage are more important to Victorians and why?

The SurveyEngine 2017 study revealed significant and specific preferences for particular types of heritage based on Victorians willingness to pay. These are described below.

#### Type of heritage asset

People tended to value civic buildings such as hotels, train stations and courthouses substantially more than residential buildings or commercial buildings. It is likely that the perceived public benefit associated with civic buildings was a key factor in people's willingness to pay for their protection. Places of worship and industrial buildings were also only weakly valued. Lighthouses were particularly highly valued, perhaps as a result of their visual significance in otherwise largely natural landscapes, while people were less willing to pay for the protection of residential, industrial/mining or agricultural landscapes. Military sites and Anzac memorabilia were also highly valued. The military site valuation is consistent with Victoria's growing engagement with Anzac Day, as well as the ongoing construction of Australian identity associated with Anzac Day and other historic military engagements.

Gold Rush sites and the Eureka Flag (which is intrinsically connected with the Gold Rush) were also highly valued. The valuing of the Gold Rush may be directly linked to people's understanding of the essential role the Gold Rush had in the rapid and prosperous growth of Melbourne and other key regional towns such as Ballarat and Bendigo. Like military sites and Anzac memorabilia, this may be a consequence of broad public awareness and the prominence of these elements of history in school curriculums.

Other objects that were highly valued included the Electric Tram No. 13 and CSIRAC (an early computer). People's high willingness to pay for protection of the Electric Tram No. 13 could be attributed to trams forming a fundamental part of Melbourne's identity- no other city in Australia has enjoyed such a continuous and extensive tram network.

#### Age

People typically tended to value older heritage assets more than more recent ones. Nineteenth century buildings were consistently highly valued, while heritage assets from post 1971 were not. A potential cause of this is that people may only understand heritage in the context of something associated with a time before they were alive. It is possible that greater value is placed on 20<sup>th</sup> century historic assets as they become part of a more distant past.

It is also likely that the character of older heritage assets is valued- for example the opulent and architecturally extravagant buildings developed during the Gold Rush.

### Condition

There was a linear and positive relationship between valuation and asset condition, with the exception of objects. For heritage sites and landscapes and historic sites, the better the condition the more people valued it. This suggests that through improving heritage assets, people will value them more, which makes a case for their protection.

The Willingness to Pay Heritage Valuation Simulator Tool developed as part of this project is most useful for providing insights into the relative valuation of different buildings, places, sites and objects in different conditions. Appendix F provides guidance on the using this tool. This is complemented by the replication study of 2017. The combination of these tools will allow agencies such as Heritage Victoria to design policy that best responds to the aspects of heritage that people value, and apply it at a broad scale.

### Do Victorians understand the heritage system, and do they believe the heritage system is working well?

One of the most striking findings from the usage and attitudinal responses in the SurveyEngine study of 2017 is the high percentage of respondents who answered '*I don't know*' to some of the questions, potentially indicating a lack of understanding in how the Victorian heritage protection system currently works, how funding is allocated, what types of sites or objects are currently covered, or even a lack of knowledge of what heritage is.

The SurveyEngine study of 2017 provides substantial evidence that there is only a weak understanding of how the heritage system operates. There was low recognition and appreciation of the Victorian Heritage Register, heritage bodies (including Heritage Victoria) and the distinction between local heritage protection (through Planning Scheme Overlays) and State level protection.

Between 55 and 75 percent of people stated that they did not look for information about heritage issues on the Heritage Council website. Between 33 and 63 percent of people did not know whether information was easy to find on the Heritage Register. For both these questions, people over 55 were the least likely to use the Victorian Heritage Register or to find it easy to find information. At the same time, more than 50 percent of people use the internet to find out about heritage. There is a clear opportunity to lift awareness of the Victorian Government's heritage resources.

Over 70 percent of people stated that they wanted to know the human interest stories behind heritage places, and between 40 and 53 percent of people felt not enough was being done to promote heritage protection in Victoria. Again, people that were over 55 were more likely to feel not enough was being done. There was also a lack of awareness regarding heritage protection, with between 30 and 35 percent of people responding that they did not know if enough was being done to promote heritage protection. More than half of respondents could not identify strengths and weaknesses within the heritage protection system. This suggests that there is a general lack of awareness of heritage protection promotion in Victoria, and an opportunity to increase the profile of heritage protection activities undertaken by the Heritage Council.

Between 55 and 75 percent of people responded that they did not know if there were types of heritage assets that were under represented on heritage lists. It was again people in the over 55 category who were most likely to give this response. This suggests a widespread lack of understanding of the Heritage Register.

It is clear that Victorians have only weak awareness of the role of the Register in Victoria and they do not see it as a vehicle for heritage protection.

Further, when asked how government could operate differently to protect heritage, almost half of all responses were '*I don't know*'. When asked whether the current state listing

process for heritage assets allowed for adequate community input, over 50 percent answered that they did not know.

In the 2005 ACG study, over 60 percent of respondents thought not enough was being done to protect heritage. In 2017, this was 40 percent. This suggests that the general population in Victoria is largely satisfied with protection of heritage assets. However, given the difference between the sample populations (Australia versus Victoria) it is also possible that residents in other jurisdictions were more concerned that not enough was being done to protect heritage in 2005.

The 2017 SurveyEngine study, which asked about the strengths and weaknesses of the current heritage system found, that of those who responded, the highest response was that the system works well.

While people may not have a good understanding of the governance of heritage protection in Victoria, there appears to be a general acceptance that the system is working well. This represents an opportunity to increase communication around the role of Heritage Victoria and the Heritage Council of Victoria and local government councils in protecting heritage. There is significant scope to increase public awareness of the Victorian Heritage Register, particularly since people are most likely to use the internet to find out about heritage. This could be supported through television and media as well as print public awareness campaigns, which were also popular ways of finding out about heritage.

### How do Victorians think the heritage system can be improved?

All three studies indicate that people are interested in seeing heritage protected, and would like information about heritage to be more readily available.

The 2005 ACG study and 2017 ACG replication study asked people about what heritage issues people would like see more money spent on. The results across these two studies were very consistent, and indicated that *'heritage education'*, *'looking after historic heritage'* and *'protecting non-built heritage'* were consistently the three main priorities.

The 2017 SurveyEngine study asked this same question. However, a different suite of possible responses was outlined. In this survey, by far the most frequent responses were *'Protection and management of historic archaeological sites'* and *'Conservation management plans for heritage places'*. This study also showed that the system could be improved by increasing awareness and communication.

The SurveyEngine study of 2017 asked a number of direct questions regarding the heritage system. When asked how government could operate differently to protect heritage, the second most frequent response (after *'I don't know'*) was that management needed to change and the authorities responsible for heritage protection needed to be reorganised. There were a number of responses that described inefficiency of governance, ineffective enforcement, and excessive complexity.

There were also a number of responses that indicated a desire to see stricter regulations, higher penalties and better enforcement of heritage regulations. Between 65 and 80 percent of people wanted to see higher penalties for unlawful construction works, and there was strong support for court orders and fines to coerce landowners to remediate properties that been deliberately neglected. This is also reflected in people's perceptions regarding threats or risks to heritage - over 46 percent of people felt that over development was a threat/risk, followed by poor management and enforcement.

These results indicate that there is strong community support for heritage protection, and there is significant scope for improving community engagement with heritage protection. People are interested in improved education around historic heritage. While considerable heritage resources are available online, people lack awareness of them. There is also support for increased regulation and enforcement to ensure heritage protection. This has to be

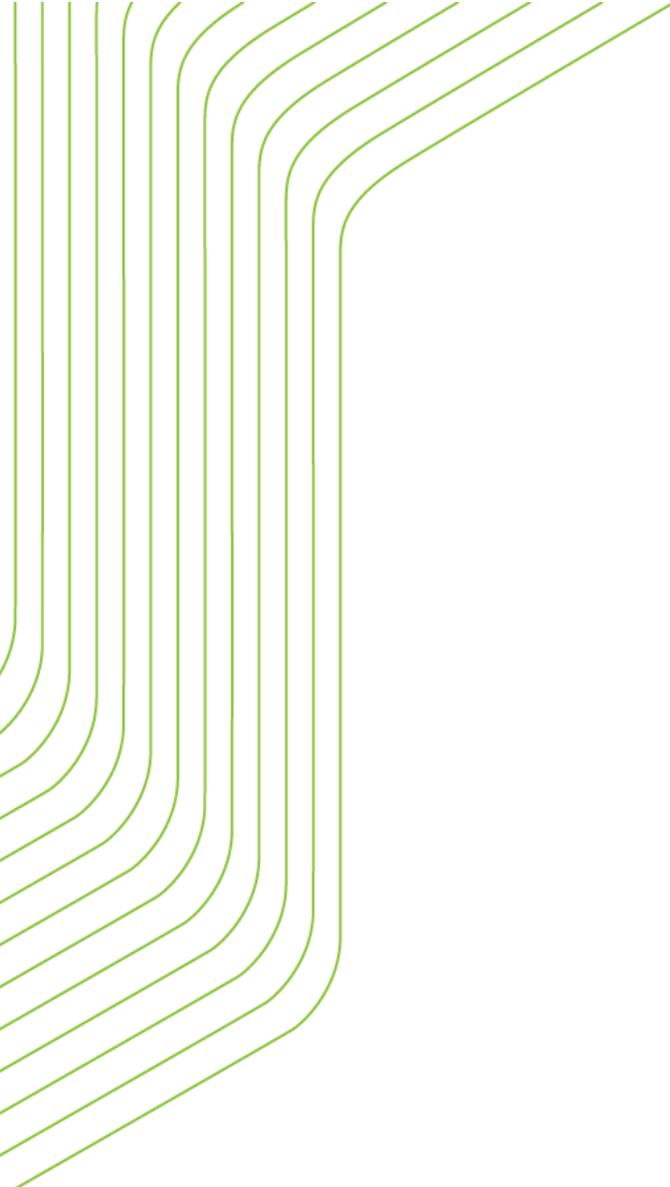
tempered with apparent concerns that current heritage management is ineffective and inefficient.

### What is the benefit of the Victorian government investing in heritage

The SurveyEngine study of 2017 found Victorians were in overwhelming agreement that the government should ensure heritage places and objects are conserved. The majority of Victorians also felt it was unfair for individual landowners to look after heritage properties for the whole community. At the same time, there was ambivalence regarding the role of government funded grants for private owners where there were no demonstrated public benefits, with roughly equal numbers of Victorians identifying a role as those who did not.

At an estimated value of \$1.1 billion, Victoria's heritage stock generates an annual flow of more than \$40 million in benefits for the community (calculated at a yield of 4%). This flow relates only to WTP for cultural, educational and other purely heritage services. It does not include collateral benefits, for example, support for tourism exports or underwriting the wider cultural 'brand' of Melbourne.

Heritage Victoria's operating budget for 2017 was \$4.2 million (including staff costs), while the Heritage Council's operating budget was \$500,000. There would appear to be a strong case for further investment in heritage identification and protection, on cost benefit grounds.



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