



## THE VALUE OF HERITAGE: EXECUTIVE SUMMARY

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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.