

Response to Professor David Throsby's presentation on 'The Value of Heritage'

Tony Hinton

Formerly Commissioner with the Productivity Commission

Coauthor of *Conservation of Australia's Historic Heritage Places*, Report No. 37, Productivity Commission, Canberra, 2006

Abstract:

The value of heritage is not under challenge. Rather, the issue is as flagged in the title of this Workshop, namely, how best to integrate costs and benefits of heritage into government decision making. Six points are made to help focus the Workshop's deliberations.

Introduction:

It is a great pleasure to participate in this Workshop. The agenda for the day and a half available is rather ambitious. However, that is entirely appropriate given the significance of the public policy issues involved.

Professor Throsby provided an excellent overview on the benefits of heritage. The benefits are not in dispute from me. And I suspect that no-one else here at the Workshop would seek to challenge the existence of heritage benefits. The Productivity Commission's Report clearly articulated the sorts of benefits that flow from heritage.

In responding to Professor Throsby's presentation, I would like to outline six points. These points are more in the form of issues rather than answers, primarily designed to assist the Workshop's deliberations. Not providing solutions is probably appropriate at this early stage of the Workshop's proceedings. The six points essentially relate to the focus of the Workshop, namely, how best to integrate costs and benefits of heritage into government decision making. It is not surprising therefore that some of them after a fashion match some of the points made earlier this morning by David Borthwick in his opening address. These six points are not entirely self-contained, with some over-lapping being inevitable.

Key points:

The **first** point is in relation to benefits. It is important in government decision making to be aware of the key point that those benefiting from heritage preservation are not necessarily those who are bearing most of

the costs of that preservation. Cost benefit analysis is a net concept. Government intervention to achieve heritage preservation can generate net benefits. However, that decision making process also needs to take into account who is benefiting and who is bearing the major costs. That distributional aspect may in fact require reassessing the government intervention and/or additional forms of intervention.

The **second** point is that different ownership categories for the property for which heritage preservation is being sought probably involves different issues in relation to government decision making. Privately owned properties raise some different issues relative to the preservation of government owned properties. Some common aspects exist, such as the need for transparent decision making, with a focus on net benefits. However, differences do exist, probably requiring different decision making processes. For example, the costs of preserving a publicly owned property usually would be funded out of public funds. Hence, the benefits to the wider community would be paid for, generally speaking, by the general community. That does not automatically occur for the preservation of heritage values of privately owned properties.

The **third** point is that government decision making in the heritage area involves all three levels of government: Commonwealth Government, State Governments and local governments. As covered in some detail in the Productivity Commission's report, very different systems of decision making occur across the three levels of government and in fact differences also exist among State Governments and across local governments. The overall decision making process needs to have coherence. Also, as recommended by the Productivity Commission, action to improve government involvement in heritage preservation should focus on the areas where the system is failing the most. Their conclusion not surprisingly emphasised the need for the local government decision making to be improved.

My **fourth** point specifically relates to built heritage and, in particular, whether the building is actually in use or is redundant. The important factor here is that the best way to have a building preserved is to have it in use. Preserving the actual heritage characteristics may require some specific additional steps. However, generally speaking, a redundant building is invariably not on track to have its heritage characteristic preserved. This factor needs to be in sharp focus in government decision making in relation to heritage.

The **fifth** point is more specifically in relation to cost benefit analysis.

The Productivity Commission placed considerable weight on the need for government action to be based on net benefits accruing, with the benefits of government action being greater than the costs, both being broadly based concepts whereby all benefits and all costs are picked. However, it is important to ensure that the system of assessing costs and benefits is not only soundly based, but that it also is sensible in the sense that the process of cost benefit analysis actually adds value to the decision making processes. For example, pursuing spurious precision when measuring costs and benefits needs to be avoided. In many cases it is clear that the costs will outweigh the benefits (or vice-versa).

Implementing quantification processes in those circumstances would be unwarranted. The Productivity Commission Report tried to identify areas of potential value for implementing cost benefit analysis. Perhaps there is scope also for benchmark work to be made available across local governments which have similar categories of cases. Perhaps this Workshop can draw out these cases in more detail.

My **sixth** and last point is in relation to the scope of our discussions at this Workshop. The terms of reference of the Productivity Commission Report asked the Commission to look at built heritage and heritage places. Indigenous and environment heritage were explicitly excluded. The question arises for this Workshop as to whether there are lessons from the handling built heritage that might usefully apply to indigenous and environment heritage - and vice-versa. Is there a commonality of public policy issues such that the experience of one area can enrich the handling of issues in others, in relation to heritage preservation?