



Making heritage happen

Incentives and Policy Tools for Conserving Our Historic Heritage - Summary Report

National Incentives Taskforce
for the



EPHC
Environment Protection and Heritage Council

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Disclaimer

This report has been prepared by a joint Taskforce of Commonwealth, State and Territory heritage officials, in response to a request from the Environment Protection and Heritage Council (EPHC).

Any views expressed or recommendations made in the report are those of the Taskforce, and do not represent the views or policies of Commonwealth, State, Territory or Local Governments.

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In a nutshell

Purpose

The purpose of this report is to survey the historic heritage incentives currently offered in Australia and internationally, compare them with incentives for nature conservation; examine their effectiveness or otherwise; and to draw conclusions about potential reforms that should be considered to support Australia's historic heritage.

The context: Australia's historic heritage protection system

Australia's system of heritage protection and conservation can attest to many achievements over the past 20 years. A comprehensive heritage listing and protection regime is in place; heritage legislation has been introduced and modernised; standards of conservation practice have been established and refined.

Commonwealth, State, Territory and Local Government have all played an important part in the development and administration of this system.

However, the creation of incentives and other positive policy tools has not kept pace with regulatory developments in Australia.

Financial incentive programs remain very small at all levels of government, helping to fuel disenchantment or opposition amongst many property owners, of whom a growing number is affected by heritage regulation.

This shortfall undermines the effectiveness of listing and regulation, adds to the growing

pressure on the nation's stock of historic heritage places, and is reflected in the widespread loss of places through neglect and demolition.

In 1985 the Australian Heritage Commission released a report entitled *Financial Incentives for Conserving the Built Environment* and in the same year the South Australian Government published *Fiscal Incentives for Heritage Conservation*. The report to the Planning Ministers Conference on heritage-related tax reforms followed in 1986, ostensibly 'in response to the increasingly vociferous comments from the building and development industry about the private cost of maintaining our cultural heritage.' In the eighteen years since then, it appears that little progress has been made in seriously addressing the issues highlighted in the reports.

Why do we need incentives and other policy tools?

Heritage listing and heritage protection is ultimately a 'public good' driven by the broader community. As such there is a strong expectation in the community that all levels of government should accept a significant part of the responsibility to ensure that places of heritage value are conserved.

An effective heritage system is founded on a balance of 'sticks and carrots'. The lack of a meaningful level of 'carrots' undermines support from property owners for the system, makes regulation more difficult, and misses opportunities for garnering private investment.

It is estimated that on current trends a substantial part of Australia's remaining historic heritage will be lost through demolition and neglect between now and 2023 (perhaps as much as 10-15%).

That holds implications not only for the quality and liveability of Australia's towns and cities, but also for the future of the tourism industry, and Australia's commitment to sustainable development.

How does Australia compare with its peers?

Australia's public investment in incentives for historic heritage compares unfavourably with that of a number of western countries, particularly in North America & Western Europe.

How does historic heritage compare with natural heritage in Australia?

Australia's system of historic heritage conservation has fallen far behind the advances in the conservation of Australia's natural heritage, and has been rightly called the 'Cinderella' of heritage funding.

The way forward

Nevertheless, the opportunity remains for the balance to be redressed. There are numerous examples of successful and innovative tools that have proven their worth overseas and could be adopted in Australia; and tools already employed here that can be applied more effectively.

This report contains 4 recommendations, as a suggested framework for action by Commonwealth, State and Territory Governments, in some cases in partnership with Local Governments.

The report provides an overview of those tools, bringing the information together in one document directly related to the Australian context, for the first time. A companion volume to the Ministers' Overview covers the subject in greater detail.

Who compiled this report?

The report has been prepared by a Taskforce of Commonwealth, State and Territory heritage officials, in response to a request from the Environment Protection and Heritage Council (EPHC).



Section One

Introduction

1.1 Background

The purpose of this report is to survey the historic heritage incentives currently offered in Australia and internationally; compare them with incentives for nature conservation; examine their effectiveness or otherwise; and draw conclusions about potential reforms that should be considered to support Australia's historic heritage.

This report provides an overview of those tools, bringing the information together in one document directly related to the Australian context, for the first time. The report has been prepared by a Taskforce of Commonwealth, State and Territory heritage officials, in response to a request from the Environment Protection and Heritage Council (EPHC).

Recommendations are made in the concluding section, as a suggested framework for action by Commonwealth, State and Territory Governments, in some cases in partnership with Local Governments.

1.2 Why we need incentives and other policy tools

Heritage listing and heritage protection is ultimately a 'public good' driven by the broader community. As such there is a strong expectation in the community that all levels of government should accept a significant part of the responsibility to ensure that places of heritage value are conserved. That expectation extends not only to the regulatory side of listing and

protection, but also to financial aid and assistance.

In an environment with limited resources, regulation may appear attractive because it appears relatively 'cost free'. Governments can simply 'require someone to do something'. That may be the reason that regulation has traditionally been the predominant conservation tool in some countries, including Australia.

However, an effective heritage system is founded on a balance of 'sticks and carrots'. The lack of a meaningful level of 'carrots' undermines support from property owners for the system, makes regulation more difficult, and misses opportunities for garnering private investment.

Specifically, the purposes of heritage incentives are to:

- Ensure that owners are not unduly disadvantaged by the constraints or extra expense that the regulatory system may impose;
- Leverage private capital investment in conservation;
- Generate additional conservation activity than would otherwise occur;
- Counteract land use policies or other government programs that threaten heritage places; and
- Ensure that as far as possible a 'level playing field' exists between restoration work and new construction.



Section Two Incentives and other policy tools

2.1 Introduction

This report examines a wide range of incentives and other policy tools.

The main focus of the report is on Government-led schemes, incentives and policies, at the Commonwealth, State and Local Government levels. The report has not attempted to catalogue *every* approach that is being employed within Australia or internationally, but rather it focuses on the most well-established, effective or innovative approaches.

2.2 Tax incentives

2.2.1 Property tax abatements

This approach involves a full or partial reduction, freezing, or deferment of property taxes or rates. It can be achieved by adjusting the mill rate (ie the tax rate per dollar of assessed value of property or land); by assessing land value at current use rather than highest and best use; by assessments at a set percentage of full value; by complete exemption; or by deferment. These forms can be applied for a specified time or indefinitely.

EXAMPLE

Abilene Texas offers an interesting mix of 'entitlement' and 'performance-based' tax incentives: a 20% reduction of property taxes indefinitely for all listed properties; plus an additional reduction of c. 50% following a restoration project.

2.2.2 Income tax rebates or credits

This incentive offers income taxation credits or rebates for conservation work performed by tax-paying individuals or corporations. A tax credit applies a uniform percentage break to all qualifying expenditure, typically in the range of 20-30%.

This form of incentive is very common in the United States, with a long standing Federal scheme, and also many schemes offered by State Governments. Unlike their Australian counterparts, most American states levy income tax, at a rate around 4-5% of taxable income.

This report recommends (supported by the majority of the Taskforce) the reconsideration of a Federal tax rebate scheme in Australia, under arrangements designed to improve the effectiveness of the scheme that operated in the 1990s.

However the Commonwealth does not support the reinstatement of a tax rebate scheme, on the grounds that its objectives can be more efficiently, effectively and transparently delivered through grant programs.

EXAMPLE

18 US States Governments offer income tax credits of 20-50% of expenditure on approved restoration work.

In most cases the credit is claimable *in addition to* the Federal tax credits. The state of Missouri budgets \$20 to \$40 million US per year for the scheme.

2.2.3 Tax deductions

This incentive increases the flow of resources to non-profit historic heritage organisations by allowing the value of donations to be deducted from the taxable income of donors.

In Australia at the present time, such donations are not tax-deductible, except in relation to donations to the National Trust.

2.2.4 Other miscellaneous tax benefits

Stamp duty exemptions

This incentives involves full or partial reduction of stamp duty on sales of heritage listed properties, with the aim of encouraging investment in heritage conservation.

Sales Tax exemptions

Some governments exempt or reduce sales tax payable on goods purchased for heritage restoration projects. In Australia, the GST has displaced all sales taxes.

Accelerated depreciation and bond issues

The 1998 Report of the Built Heritage Conservation Working Party recommended consideration by government of two incentives:

- An increase in the depreciation rate for heritage-listed buildings to 10% (equivalent to an effective life of 10 years), compared with the depreciation rate of office and retail buildings of 2.5% (40 years) and industrial and hotel buildings of 4% (25 years). This reform was also recommended by the Report of the Working Party to the Planning Ministers in 1986, which proposed an 8% depreciation rate.
- Approval by the Tax Office of 'Heritage Bonds', designed to attract investment into heritage conservation projects by offering high rates of return and tax deductions.

Capital tax exemptions

Capital tax exemptions may take one of two basic forms:

- Exemption from tax payable on assets from a deceased estate (inheritance tax or other relevant taxes); and
- Exemption from Capital Gains Tax payable on the lump sum profit on resale of an asset.

Australia does not have inheritance taxes; however the capital gains tax exemption for properties bequeathed in wills to *nature conservation* organisations, could usefully be applied to historic heritage.

2.3 Grants and loans

2.3.1 Grants

Grant schemes are the most common form of financial assistance provided by governments.

While they take a wide variety of forms, they can be categorised into three main types:

- entitlement grants;
- discretionary grants; and
- performance grants.

In practice, discretionary grants and performance grants overlap with each other, and to some extent performance grants can be considered a sub-set of discretionary grants.

EXAMPLE

The Netherlands Department of Conservation (RDMZ) provides property owners with as-of-right grants towards maintenance and restoration, with the contribution varying between 20% and 70% of cost, dependent on the circumstances. The scheme is funded at approximately 80 million guilders per year (\$64 million AUS).

EXAMPLE

Many grant schemes are offered in the United Kingdom. The largest are the Heritage Lottery Fund which offers £142 million per year in England alone, (\$395 million AUS), and the English Heritage grants programs which total £40 million per year (\$105 million AUS).

2.3.2 Loans

Loans may be made to property owners as either:

- direct loans; or
- loan subsidies.

Direct loans are those made by the government or heritage organisation to the property owner, at a lower interest rate than would be commercially available.

Loan subsidies provide essentially the same effect as direct concessional loans, except that the loan finance is supplied by a commercial lender, while the interest rate 'gap' is funded by the heritage organisation.

2.4 Planning incentives and other planning instruments

Local Governments and other planning authorities have a pivotal role to play in promoting built-heritage conservation, as the majority of Australia's heritage places and areas are listed and protected at a local level.

The local planning scheme is a powerful tool that can promote conservation, or alternatively act as a major disincentive, through:

- zoning controls;
- planning incentives; and
- transfer of development rights.

EXAMPLE

The City of Roanoke in Virginia operated until the late 1980s with a 1960s-era zoning ordinance. In 1988 the City introduced a new zoning ordinance with conservation objectives, that reduced densities, adjusted minimum lot sizes, & established new 'historic districts' with design standards. The central district heritage provisions were augmented with incentives for inner-city residential conversions, & reduced height limits.

2.5 Heritage agreements

A heritage agreement is a legally-binding contract intended to ensure the long-term conservation of a heritage place. An agreement is generally signed in perpetuity and is therefore binding on current and future owners. An agreement will set out approaches to restoring and/or managing the property and may provide the owner with access to financial or planning incentives.

Agreements can be a useful mechanism for providing certainty for property owners, and for contracting an exchange of 'obligations and incentives'. However they can require significant resources to administer, monitor and enforce.

2.6 Revolving funds and conservation trusts

Revolving funds have been a successful way of encouraging conservation of historic heritage properties in the USA and the United Kingdom. A revolving fund is 'a pool of capital created and reserved for a specific activity, such as historic preservation.' The capital is used to either:

- acquire (by donation or purchase), safeguard, and re-sell historic properties with a conservation covenant attached; and/or
- lend to individuals or organisations to buy, restore and protect historic properties.

The monies from the sale or repayment of the loan are returned to the fund to be reused for similar activities, hence the term 'revolving'. The acquisition-and-resale approach is the most common form of heritage revolving fund.

EXAMPLE

The Preservation North Carolina (PNC) Revolving Fund is highly successful example of approximately 90 funds in the USA. PNC acquires endangered historic properties either through an option to buy, donation or outright purchase, and then finds purchasers willing to rehabilitate the properties.

Nearly 500 properties have been handled through the fund, totalling about US \$100 million in value.

2.7 Encouraging use of heritage properties

One of the problems facing historic buildings is their deterioration through non-use. Historic heritage buildings are more likely to be well maintained if they are occupied. Of the unoccupied heritage buildings in Australia, 39% have been found to be in poor external condition.

The term 'adaptive re-use' describes 'a heritage building previously used for another purpose being refurbished and converted to another use, without compromising its heritage qualities' (North Sydney Council, 2002).

The international literature on adaptive reuse is considerable, and Australia too provides many examples of successful re-use projects.

Planning authorities can encourage adaptive re-use of historic properties through various mechanisms (eg zoning flexibility, relaxation of building code requirements, rate and land tax discounts, and so on).

2.8 Technical assistance

The provision of technical knowledge and expertise is an important tool for conserving heritage.

Property owners can be provided with the services of people with relevant skills and expertise, either free-of-charge, or for a subsidised fee. Services may be offered by government or non-government organisations.

EXAMPLE

New South Wales and Victoria provide extensive networks of heritage advisors through a collaboration of State and Local governments.

The networks have grown steadily over the past decade and cover a majority of local government areas.

Monumentenwacht is a successful non-government organisation established in the Netherlands in 1973 to prevent the deterioration of historic buildings, by providing in-depth maintenance advice to owners. Historic building owners subscribe to the service and receive an initial property inspection with a prioritised maintenance report. This is followed by annual inspections.

Each year, forty inspection teams inspect 13 000 listed buildings.

2.9 Labour and volunteers

One of the great success stories with the *natural environment* is the level of involvement by the community, particularly in the form of volunteer labour. Volunteers have become a vital part of environmental works within Australia.

A large contingent of volunteers is already involved with historic heritage particularly in the areas of fund-raising, providing guide services at

historic buildings as well as restoring heritage properties. Work generally focuses on individual projects or sites. However, the potential exists to establish larger and more structured networks.

2.10 Recognition and promotion

The importance of information and awareness strategies is often undervalued, and yet can be an important catalyst of community interest in, and political support for, heritage conservation. There is no better illustration of this than the community support fostered for environmental issues in Australia in the 1980s, the formation of hundreds of on-the-ground environmental groups, and subsequent developments in government policy and programs.

Government and non-government organisations can encourage understanding and appreciation of Australia's heritage in a range of ways.

2.11 Client and community relationships

A strong focus on achieving sound and cooperative client relationships, is an effective conservation strategy. To some extent this represents a shift in focus from the more traditional 'enforcement and policing' model of heritage administration.

Facing the cost of enforcement and litigation (time and dollar costs), program managers have sought other means of achieving strategic outcomes. As such, the option of developing negotiated solutions with owners and managers of heritage places has become increasingly attractive.

Sound client relationships require a conscious effort, and they need to be incorporated into heritage agencies' strategic and business planning.

2.12 Government-to-government assistance

Assistance from one level of government to another is an important tool, serving to:

- (a) stimulate participation at a 'lower' level; and
- (b) ensure the provision of incentives and other services in the most effective and efficient way, by the agencies that are 'close to the client'.

Extensive use of this approach is made in a number of countries.

EXAMPLE

In the United States, much of the State Historic Preservation Office network is funded with Federal money from the Historic Preservation Fund (HPF). The Fund is administered by the National Park Service, and in 2001 it contributed \$46 million US to the operation of state offices.

In Australia, state heritage agencies fund local heritage advisory services in concert with local governments, generally on a 50-50 basis.



Section Three Funding sources & mechanisms

All of the incentives and tools described in the preceding section, come with a cost. At a time when government budgets for historic heritage are increasingly constrained, an important question is 'how can new funding sources can be identified?'.

Budget appropriations for historic heritage in Australia have generally stagnated or declined in the last decade.

Overseas, the success of the larger incentive programs often springs from their alliance with the broader 'quality of life' movement. In many American states, funds for historic preservation are raised as part of larger nature conservation, open space or farmland conservation programs. In the United Kingdom, English Heritage and the Heritage Lottery Fund have tied parts of their granting programs explicitly to economic

regeneration, particularly in neglected urban areas.

A wide variety of new or non-traditional funding sources for heritage programs has been successfully employed.

EXAMPLE

The USA, a proportion of proceeds from various Federal and State taxes is dedicated to heritage programs, eg:

- offshore drilling royalties including US\$100 million per annum to the Federal Historic Preservation Fund;
- real estate transfer taxes contribute to the Arkansas State Heritage Fund – \$2.20 for every \$1,000 of real estate sold, and 1/8 cent of every dollar from State sales tax.



Section Four

Evaluating the effectiveness of incentives

4.1 Introduction

The central questions in evaluating effectiveness are:

- i. 'to what extent does an incentive induce conservation outcomes that would not have occurred in the absence of that incentive'?
- ii. 'to what extent does an incentive provide equity for the owners of heritage places'?
- iii. 'how effective are heritage incentives in relation to other forms of government expenditure'?
- iv. 'how effective is one form of incentive compared with another'?

It should be noted that an incentive may still be deemed effective, even if it does *not* induce additional conservation activity. 'Public policy may [simply] dictate that the public should share the cost of that preservation activity from which the public derives value' (Shuster, 1997).

Heritage incentives, particularly grants, have rarely been subjected to systematic research and analysis in Australia. The costs, pre-planning and extended time-frames involved, serve as a deterrent. Nevertheless, this work is an important ingredient in influencing public policy and ensuring that incentives schemes survive, once established.

A number of studies from *overseas* have demonstrated the effectiveness of heritage incentives on each of the four grounds.

EXAMPLE

Preservation Maryland commissioned a firm of real estate and valuation consultants to in 2001 to study 2 years of the Maryland tax credit scheme, and they found:

- The tax credits cost \$39.9 million dollars in revenue foregone over 2 years, but generated an additional \$20 million in state and local taxes, of which the state government received \$13 million;
- The tax credits generated restoration work that was substantially new: in the case of commercial projects, 93% needed the tax credits to proceed; and
- Each \$1.00 in state investment generated \$4.00 in construction spending and significant other employment and development activity benefits.

4.2 Quantity of incentives

An important issue in the effectiveness of an incentive scheme is the quantity of incentive provided.

Most of the grant, loan and tax schemes provided in Australia have been quite small, and have fallen well short of the amount required to make a significant impact on heritage conservation activity within a state or locality.

Oversubscription is the norm for grant and loan schemes in Australia.

For grant schemes targeted at State

Registered places, it suggested that *a suitable minimum quantity would be \$2.5 million in grants per annum per 1,000 places in the State Register; and an oversubscription ratio < 3:1.*

[By comparison, the National Heritage Lottery in England offers £142 million per annum, (\$395 million AUS), covering a stock of 30,200 Grade 1 and Grade II* listed buildings, and reports a success rate for applications of 62%, ie. an oversubscription ratio of only 1.6:1)].

In the case of loan schemes targeted at State Registered places, it is suggested that *a suitable minimum quantity would be a minimum of \$1 million in subsidised loans per annum per 1,000 places in the State Register; and an oversubscription ratio < 3:1.*

4.3 Key themes

A number of themes emerge from the comparison of alternative financial incentives and other policy tools in this report, including the following:

- Ideally, a financial incentive program involves a mix of as-of right ('entitlement') incentives and discretionary incentives, so that the program addresses the various related goals of equity; public certainty and confidence in the program; and directing incentives to priority 'targets'.
- Tax incentives are widely employed overseas, particularly in the United States and Europe, where they are preferred to large grant

schemes because of their 'entitlement' aspect, and their effect of containing direct outlays by Government.

- Conversely, grant schemes can be set up to achieve similar effects, if the level of funding commitment exists. The grant schemes administered by the Dutch Department of Conservation (RDMZ), and the British Heritage Lottery Fund, are examples of this.
- No single financial incentive or other policy tool offers a 'magic wand' solution; rather, a combination of complementary tools produces the best results. Ideally, a comprehensive heritage program incorporates strong financial incentives; advisory services for owners; a planning regime that is sympathetic to conservation outcomes, or at least neutral; promotion of conservation outcomes through a system of 'revolving' acquisitions, donations, and restorations; and a strong focus on community outreach including promotion, information and demonstration.
- Without a strong commitment by government, an incentive scheme or policy tool will tend to be a 'token' program that raises public expectations only to disappoint them. Some governments have reinforced their commitment to a scheme by underwriting it with a dedicated funding source. The funding sources take many forms including lottery funding, gambling revenue, royalties from offshore drilling or mining, real estate transfer taxes, mortgage registration fees or the sale of Government bonds.



Section Five

Conclusions - the Australian experience

5.1 Australia compared with the western world

Precise comparison of public investment in heritage incentives in different countries is difficult because of differing financial aid arrangements and differing public sector structures generally.

However, some valid comparisons can be made, when population, government budgets, and the size of heritage inventories are all taken account of.

Australia's public investment in incentives for historic heritage compares unfavourably with that of many western countries, particularly in North America and Western Europe.

Table 3

COMPARISONS OF AUSTRALIAN AND OVERSEAS INVESTMENT IN INCENTIVES 2001/02¹

				SIZE OF JURISDICTION		
Jurisdiction	Schemes	Incentive per yr (\$000,000)	Success ratio	Population (000,000)	Public budget	Heritage listings
<i>NATIONAL:</i>						
England	Heritage Lottery Fund	395	62%	60		30,000 Gr I&II* listings
England	English Heritage Grants	105	60%	60		450,000 other listings
USA	Federal Tax Credits	895	95%	260		77,000 listings
	Historic Preservation Fund	93		260		
Holland	RDMZ grants	64	70%	16		40,000 listings
Australia	CHPP grants	3.6	13%	20		10-15,000 listings
	Rural Hotels Program	5	36%			N/A
	Federation Fund	70	5%			N/A
<i>STATE:</i>						
Colorado	Grants	24	65%	4.3	13,800	
	Tax credits	0.6				
Florida	Grants	15	70%	16	53,00	
	Tax credits	3	94%			
Missouri	Tax credits	25	57%	5.5	19,000	16,000 listings (incl. 120 districts)
Maryland	Tax credits	20	99%	5.2	16,000	55,000 listing (incl. 183 districts)
	Grants	2				
New Jersey	Grants	7	32%	8.5		1,400 listings
Delaware	Tax credits	3	99%	0.8	2,800	
NSW	Grants	1.5	8%	6	8,000	20,000+listings
Victoria	Grants	4.5		5	8,000	80,000 listings
SA	Grants	1.7		2	1,500	5,800 listings
WA	Grants	0.5	12%	1.5	3,000	16,000 listings

Notes:

- * \$ amounts expressed in \$AUS except for the US figures which are in \$US.
- CHPP is the *Cultural Heritage Projects Program* and is an ongoing annual program. The *Commonwealth's Federation Fund (Cultural & Heritage Projects Program)* and *Rural Hotels Program*, are one-off initiatives, not ongoing programs.
- The 'success ratio' refers to the proportion of applications that were funded by each program in 2001/02 (total incentives granted ÷ total incentives applied for).
- The figure of 10-15,000 listings at the Australian National level comprises the Register of the National plus State Registers, their overlap being discounted. The figures for the Australian States include all local as well as State listings.

5.2 *Historic heritage compared with natural heritage*

It is beyond the scope of this study to provide an exhaustive inventory of the public resources devoted to heritage across all jurisdictions in Australia. Expenditures are incurred by multiple agencies, and sometimes a single program may include expenditure on both natural and historic environment.

However it is apparent that there is a huge disparity in the public resources devoted to the historic vs. natural environments in Australia.

Expenditure at a Commonwealth level in 2001/02 on the natural environment was in the order of \$1,273 million, compared with expenditure on the historic environment of \$103 million. This is broadly consistent with the expenditure relativities at a State level.

Included in the Commonwealth's environment expenditure are initiatives such as the *Natural Heritage Trust*, and the *National Action Plan for Salinity and Water Quality*.

The *Natural Heritage Trust* was extended by a further \$1 billion over five years from July 2002, building on the first phase of the Trust commenced in 1998.

The *National Action Plan for Salinity and Water Quality* was endorsed by the Prime Minister, Premiers and Chief Ministers at the Council of Australian Governments in November 2000. It involves a funding package of \$1.4 billion from the Commonwealth, States and Territories over seven years, over and above the \$2.7 billion Natural Heritage Trust. All the member-Governments have signed the Inter-Governmental Agreement to implement the plan.

Tax incentives for nature conservation were introduced between 1997 and 2001, including

reforms related to tax deductions for donations, deductions for reduced land value arising from covenants, and concessional capital gains treatment of covenanted properties or bequeathed properties.

In relation to revolving funds, the Commonwealth Government has provided \$5 million from the Natural Heritage Trust towards the establishment of Funds in NSW, Victoria, WA and South Australia. In all cases, Commonwealth funds have been at least matched by contributions from State Governments or other sources.

Incentives provided by Local Governments remain fairly limited, but the concept has advanced further for native vegetation schemes than for historic heritage. Many of the schemes established in the last five years have been assisted with seed funding from the Natural Heritage Trust, such as the Surf Coast, Bendigo and Cardinia incentive schemes in Victoria. Such schemes tend to be much more generous than local incentives for historic heritage.

In the same period, incentive schemes for historic heritage have stagnated or gone backwards, as have State heritage budgets. Success stories such as the *Government Heritage Restoration Program* commenced in Victoria in 1999 have been rare, but significantly that program did not cater for private property owners.

The Commonwealth Government introduced its *Distinctively Australian* program in 2003, with funding of \$1.3 million allocated in 2003/04, rising to \$4.8 million in 2006/07. These funds will support conservation of nationally significant historic, natural and indigenous heritage places.

In short, Australia's system of historic heritage conservation has fallen far behind recent advances in the conservation of Australia's natural heritage, and has been rightly labelled the 'Cinderella' of heritage funding.



Recommendations

1. That the EPHC notes the principal elements of best practice in incentives and other innovative policy tools for historic heritage conservation, as identified by the Taskforce:
 - i. Measures which provide effective support for owners of heritage places, provided either by the Commonwealth or States independently, or in partnership with Local Government, including:
 - Tax deductions for donations to approved funds;
 - Tax concessions for owners that enter into Heritage Agreements or other conservation covenants;
 - Tax rebates for qualifying private expenditure;
 - Land Tax remissions;
 - Local government rate rebates;
 - Grants;
 - Loan subsidies; and
 - Revaluation provisions for heritage listed places, based on the NSW and Victorian model.
 - ii. Improved town planning practices at the state and local levels that promote historic heritage conservation by:
 - reducing disincentives to conservation in the form of incompatible zonings; and
 - making imaginative use of planning incentives wherever possible in sympathy with other planning objectives.
 - iii. Inclusion of historic heritage conservation as an integral element of Commonwealth, State or Local sustainability policies or strategies.
 - iv. Provision of an effective network of specialist heritage advisory services.
 - v. Ensuring information, promotion and awareness activities are given a high priority, with cooperation between States wherever possible.
 - vi. Establishment of special funding sources for heritage programs to supplement consolidated revenue appropriations (such as a share of lotteries or gaming revenue; or a share of Land Tax or another suitable tax).
 - vii. Establishment of Revolving Funds for the acquisition, restoration and disposal-under-covenant of historic heritage places.
 - viii. Mechanisms for measuring the effectiveness of financial incentive schemes for historic heritage in Australia.
2. That the EPHC notes that each jurisdiction will report back to the EPHC on measures to be adopted to implement best practice incentives and policy tools (i)-(vi) above, by February 2005.
3. That the EPHC notes that the Taskforce will report back to the EPHC on the operation of Revolving Funds, by February 2005.
4. That the EPHC notes that the Taskforce will report back to the EPHC on means of measuring the effectiveness of financial incentive schemes for historic heritage in Australia, by February 2005.