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**Measuring the Economic and Cultural Values
of Historic Heritage Places**

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1. Introduction

This research project on the valuation of cultural heritage aims to develop a methodology for a quantitative valuation study of the use and non-use values of historic heritage places, with the eventual goal of providing data for use in the analysis of the costs and benefits of heritage policies and programs. The initial stages in reaching this larger objective involve determining how historic heritage places are to be categorised for measurement, establishing the process by which heritage attributes will be determined for valuation and developing and trialling an effective measurement framework. The principal techniques being developed for valuation assessment in the project are derived from choice-modelling/contingent-valuation methods. A particular focus of the project is on the systematic integration of cultural and economic value assessments within a consistent theoretical framework.

2. Context

Public policy towards the built cultural heritage in most countries is implemented through regulatory intervention in the form of listing of properties at various levels of importance, ranging from the UNESCO World Heritage List for sites of 'universal' value, to local lists of heritage that is of interest to local communities. Accession of a given heritage item to a list at any level requires an evaluation in terms of its cultural significance; one of the most important templates that for many years has guided the approach to assessing cultural significance all over the world has been the Burra Charter, put forward by the Australian group in ICOMOS, the International Council on Monuments and Sites (Marquis-Kyle and Walker, 1992). This has connected in turn with theoretical and applied interest in the cultural value of heritage interpreted more broadly (Avrami et al., 2000; Mason, 2008). Quantitative assessments of cultural significance or value are rarely if ever undertaken.

Economic evaluation of heritage is more recent. The theory of cultural capital has proved to be a useful means of representing heritage assets in economic terms (Rizzo and Throsby, 2006), but empirical applications of valuation methodologies to cultural heritage projects remain somewhat sparse. Theoretical parallels between the concepts of natural and cultural capital have a counterpart in practical terms, such that methodologies of use in environmental evaluation can be seen to be readily applicable to cultural projects (Navrud and Ready, 2002). Both revealed and stated preference techniques have been used in this context, mainly in respect of specific buildings or sites where the assessment is as much of private demand for the site's characteristics as it is for the public-good component of value (Willis, 2009; Choi et al. 2010).

The only major choice modelling study of Australia's built heritage taken as a whole has been that carried out by Jeremy Thorpe and colleagues for the Allen Consulting Group (2005). This study was undertaken as a contribution to the Productivity Commission's 2005 Inquiry into the built heritage. The study specified attributes including the number of additional places conserved, the condition,

accessibility and age mix of places, and the cost. An overall willingness to pay for protection of heritage was derived for the Australian population.

3. Distinctive features of this project

There are four particular aspects of the present project which are distinctive. First, the project is looking at economic values associated with conserving different types of heritage rather than heritage in general. In this way the intention has been to drill down beneath the surface of heritage as an aggregated phenomenon as it was treated in the Allen Consulting Group's study referred to above, and to investigate differences in the community's values for the conservation of different heritage types. It can be expected that valuations are likely to differ between, say, large-scale iconic buildings and small-scale local heritage such as residential houses, and also between socio-demographic groups. The valuations of experts, i.e. heritage professionals responsible for making judgements on cultural significance, is also being assessed.

Secondly, the project is developing robust, objective and replicable methods for the assessment of the cultural value of heritage as a specific component of the overall value of heritage assets. This aspect of the research is aimed at establishing clearer theoretical and empirical connections between the traditional approaches to assessing cultural significance and recent developments in the theory of cultural value. It is also directed towards integrating the assessment of cultural value with the economic valuation – decisions on heritage conservation may be portrayed as having to find an appropriate trade-off between the financial (market and non-market) values of heritage and its cultural significance.

Thirdly, the project is interested in an issue in the economic theory of value to do with the role of altruism and the possibility of distinguishing between valuation of benefit to the individual, whether received as a private or public good, and benefit the individual perceives as accruing to society as a whole. This distinction can be represented as a difference between WTP from the individual's own resources and preferences for the allocation of funds from collective sources on behalf of society at large. Accordingly, the survey instrument being developed for this project is explicitly asking respondents about their sense of importance of particular types of heritage to themselves as individuals and their belief about the value of the same heritage to society as a whole, even if they don't necessarily value it themselves.

Finally, if resources permit, the project will investigate public preferences over different forms of government intervention in pursuit of heritage policy. The two instruments of most application in implementing heritage policy are regulatory controls (including listing) and fiscal means such as grants to private owners to assist in conservation.

4. Categories

The full list of heritage categories with which the project is concerned is detailed below. The categories can be divided into two groups: those relating to

individual buildings or sites, and those relating to groups of buildings or sites comprising a cultural landscape. The specific categories are as follows:

- *Individual buildings/sites*
 - Residential house: e.g. 19th century, Federation, 1950s, Queenslanders.
 - Local public building: e.g. church, community hall, school of arts, town hall, council, school.
 - Individually-important small-scale building or site on State or national list: e.g. Friends' Meeting House (North Adelaide), Walsh Bay warehouses (Sydney).
 - Individually-important large-scale building or site on State or national list: e.g. Royal Exhibition Building (Melbourne), Sydney Mint building.
 - Rural building: e.g. shearing shed, country pub, railway station, homestead.
 - Indigenous site: e.g. Uluru/Kata-Tjuta.
 - Industrial heritage: e.g. mining sites, warehouse buildings.

- *Cultural landscapes*
 - Residential streetscape with heritage houses: e.g. Paddington, Kuring-Gai (Sydney).
 - Suburban shops when homogeneous from a particular period.
 - Rural townscape: e.g. Braidwood NSW.
 - CBD streetscape in capital cities when homogeneous: e.g. Macquarie Street, Sydney.
 - Countryside, with homesteads, outbuildings, stockyards, fences.
 - Agricultural landscape, e.g. wine-producing regions
 - Indigenous cultural landscape, e.g. Burrup Peninsula (WA)
 - Archaeological heritage: e.g. Lake Mungo

For purposes of inclusion in the survey instrument, these categories have to be condensed into a manageable number of the most important distinct categories. A possible condensation to just five categories is:

- Residential house or group of houses from earlier times. *Examples:* 19th century terraces, Federation house or houses, colonial mansion, etc.
- Local public building or group of buildings with historic connections. *Examples:* an old church, community centre, municipal buildings, school, etc.
- Important historic building or group of buildings. *Examples:* the Sydney Town Hall, the QVB, the row of colonial buildings on the Eastern side of Macquarie Street, etc.
- Rural landscape or townscape with historic structures. *Examples:* landscape with country railway stations, old homesteads, shearing sheds, etc.
- Site or landscape of Indigenous significance. *Example:* rock art location, sacred site, a prominent site in Aboriginal history, etc.

5. Attributes

The specification of the characteristics of heritage that motivate its valuation derives both from standard compilations of criteria that are mostly used for listing purposes and from the theoretical discourse on the concept of cultural value of cultural goods and services. The criteria as developed for the purposes of this project are:

- *Aesthetic value indicated by such characteristics as:*
 - Beauty, harmony of form, colour
 - Authenticity, integrity, homogeneity
 - Visual relationship with surroundings
- *Symbolic value indicated by such characteristics as:*
 - Conveys sense of national identity
 - Conveys sense of local identity
 - Tells a story/has a narrative quality
- *Social value indicated by such characteristics as:*
 - Focus for community involvement/activity
 - Connects people, gives a sense of belonging
 - Stimulates creativity, cultural engagement
- *Historical value indicated by such characteristics as:*
 - Important just because it is old
 - Embodies a sense of its time
 - Continuity between past and present
 - Should be kept for future generations to see/enjoy
- *Educational/scientific value indicated by such characteristics as:*
 - Important for educating children/the community about the past
 - Of architectural/ethnographic importance.

When criteria such as these are used in a listing assessment, the evaluation is often made simply on a yes/no basis. This project is developing rating/ranking methods for assigning a more precise measure of value under these criteria. It may also be possible to construct a choice experiment for investigating preferences amongst these attributes

6. Economic value assessment

The project is investigating the determination of the two dimensions to economic value described above using both CVM and choice modelling applications. The payment vehicle and controls for biases in each case are still being worked out, and what follows is only indicative.

Willingness to pay for individual benefit

The current level of heritage expenditure by governments yields the level of public-good benefits that are perceived by the community at the present time. The

CVM application asks about WTP for an increased level of benefit to be delivered by a package specifying the following types of improvements in general terms only, as:

- more assistance to private heritage owners to assist in the conservation of their properties;
- improved conservation of government-owned heritage properties;
- better public access to government-owned heritage buildings and sites;
- acceptance of a greater number of buildings/sites onto heritage lists.

The diffuse nature of the benefits attributable to increased expenditure makes it difficult to specify a quantitative increase in the output being valued. Nevertheless, if several levels of improvement can be indicated for each component of the above package in a comprehensible way, the components (or a sub-set thereof) can be seen as attributes in a choice modelling context in which cost of the package is also included.

Alternatively a choice modelling experiment is possible where three different attributes are specified:

- Improved quality of heritage stock;
- Additional quantity of heritage stock
- Cost to individual

However here again the difficulties of specifying levels in a way that is meaningful to respondents makes this application problematical.

Willingness to pay for social benefit

This aspect of the project relates survey respondents' assessment of the social importance of different categories of heritage to the way in which they would like to see a given quantum of additional funding for heritage allocated between categories. This is most simply presented as a straightforward allocation exercise, but it could also be framed as a choice modelling experiment keyed to the characteristics of different heritage categories.

7. Progress

This project has been one of the last to be initiated in the Environmental Economics Hub, and only began in earnest in the current year. Detailed literature reviews and compilations of existing heritage assessment frameworks in use in Australia have been completed, and some exploratory qualitative work through focus groups has been undertaken. A one-day workshop was recently held in Sydney to discuss the project methodology at which two international visitors presented papers: Professor Randall Mason, who directs the Graduate Program in Historic Preservation at the University of Pennsylvania and has had extensive experience in assessing the cultural value of the built heritage, and Professor Ken Willis, who is Professor of Environmental Economics at the University of Newcastle in the U.K. and has undertaken a wide range of economic evaluation projects in the environmental and cultural heritage fields.

The estimation procedures being developed for empirical application in this research project comprise the following:

- For cultural valuation
 - Focus groups
 - Attitudinal measures based on a web-based panel survey of individuals
 - Expert appraisals.
- For economic valuation
 - Focus groups
 - CVM/choice modelling applications using the same web-based panel survey.

In order to implement these methodologies, a suite of survey questionnaires is currently being prepared, which will be tested in small-group work before being finalised for application in a small-scale survey early in 2011. This survey will act as a trial run for a full-scale empirical application in a subsequent project, hopefully in 2011-12.

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