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RE: COMMUNITY CONSULTATION STATE SUSTAINABILITY STRATEGY DISCUSSION PAPER

Dear Professor Newman,

Thank you for giving the National Trust the opportunity to review and respond to the discussion paper, *Focus on the Future: Opportunities for Sustainability in Western Australia*.

The National Trust of Australia (WA) is this State's peak community based heritage body conserving and interpreting Western Australia's heritage. The Trust's national membership of more than 80,000 is currently estimated to account for about 20% of individual Australians supporting, through membership and voluntary arrangements, natural, built and moveable heritage conservation and development programs in this country.

As the leading community representative body in this State, the Trust is currently working on its own policy related to how to better meet the needs in a more sustainable way.

Heritage management is a growing issue for our community, as well as a recognised and valued social good. What is less well recognised is the role heritage plays in economic development.

As such, all in the heritage sector are faced with the need to promote the values of conserving and interpreting heritage and respond appropriately and with sustainability to the needs of the community.

Unfortunately, heritage service providers in this State are currently working within funding, program, legislative and incentive structures that suggest natural and built heritage conservation and development activity are negatively impacting the economy.

In the case of built and moveable heritage management, the community also perceives the issue to be less urgent, when compared to other social issues such as the environment, employment and education.

This is limiting and discouraging community investment and involvement in managing their own heritage.

However, there remain many examples of innovative, successful and sustainable heritage conservation and development¹ programs.

Our submission aims to highlight both the value of heritage conservation and development to sustainable communities in general, as well as to sustainable development.

The National Trust advocates the need for heritage conservation and development to be incorporated within the dialogue and parameters of the frameworks developed for the Sustainability Policy.

The Trust is also of the view that the Government must now, to assist this transition and educate the wider community on the rationale for its inclusion, compile a Heritage Strategy and a State of Heritage Report for Western Australia's Natural, Built and Cultural Heritage.

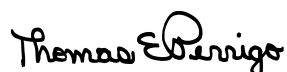
Adequate government funding and establishment of State tax based incentives to support the built and moveable heritage sector are required urgently, to encourage both increased heritage conservation and development activity in this badly under-resourced area. The Trust's analysis of public and private investment in public sector heritage clearly highlights the inequitable distribution of resource across the different heritage aspects. Resources expended by Government on supporting conservation and development of built (6%) and moveable heritage (23%), remains significantly less than the government's contribution to natural heritage (70%).

Finally, given the Government's recommendation to the National Trust of Australia (WA) that this organisation exit the machinery of government, the Trust has also chosen to highlight the structural issues that are currently preventing sustainability within the not for profit sector generally (and specifically for charitable institutions) into the longer term.

If you have any queries regarding our submission please do not hesitate to contact Glenda Bye on (08) 9212 1114.

The National Trust of Australia (WA) congratulates the Premier and the Department of Premier and Cabinet's Sustainability Policy Unit for their work and the thoughtfulness that has been put into compiling the consultation paper. We wish you well in your endeavours.

Yours sincerely,



On Behalf Of
DAVID DOLAN
 Council Chairman
 National Trust of Australia (WA)

¹ Heritage Development is defined by the Trust as involving Interpretation and/or Rehabilitation of historical properties and/or heritage places.

NATIONAL TRUST OF AUSTRALIA (WA)

Unifying Western Australia's Heritage and Heart

SUBMISSION TO WESTERN AUSTRALIAN SUSTAINABILITY STRATEGY – DISCUSSION PAPER

EXECUTIVE SUMMARY

The National Trust of Australia (WA) fully supports the goals and priorities outlined in the consultation paper *Focus on the Future: Opportunities for Sustainability in Western Australia*, which is working towards the development of a *Western Australian Sustainability Strategy*.

However, it is the view of the National Trust of Australia (WA) that Western Australian leaders must view the conservation, interpretation and rehabilitation of this State's heritage as an important aspect for building Western Australian sustainability.

Sustainable development focused upon conservation, interpretation and rehabilitation of our natural and built heritage has the potential to unite all Western Australians around a common goal, as it is a matter that concerns not only governments and communities, but also individuals on a personal level.

The National Trust's choice to involve themselves in the development of the *State Sustainability Strategy* is an indication of a new way of thinking about the linkages between conservation of the environment and natural and built heritage, its association with heritage development, and the achievement of sustainable livelihoods for people.

The challenge is to think about new ways to better integrate ecology, economy, ethnicity and equity alongside the identification, assessment, conservation and interpretation of heritage values.

The Trust is of the view that there is a need to accept a new heritage conservation ethic that ensures the needs of future generations are met. In this 21st century, the most important agenda will consist of human rights, democracy, heritage, economic and environmental issues, and community based non government organisations must play an important role in this agenda, particularly in public education, participation and community based management.

The Trust is hopeful that development of the *State Sustainability Strategy* will help build the level of awareness of the value of heritage and overcome the social, geographical and conceptual isolation faced by many people working on conservation and heritage development and management issues.

The wider community and industry must not view heritage conservation and development any longer in a negative way.

It is the view of the National Trust that heritage² is a central platform for sustainability.

Community owned and not-for-profit heritage efforts play a vital role in protecting and defining our natural and built heritage. Indeed, many National Trust initiatives are already focused towards the simultaneous achievement of environmental, economic and social goals.

Heritage governs the development of community attitudes, values and beliefs. Together, these significantly influence the way individuals and communities:

- learn and accept;
- relate to other people;
- make decisions about their resource and capacity prioritisation;
- adapt and manage change; and
- show flexibility and tolerance towards difference.

Heritage conservation, interpretation and rehabilitation is focused on addressing a variety of social and economic issues. These include, but are not limited to:

- a perceived undervaluing and lack of commitment to supporting heritage and/or heritage diversity;
- an increasing separation by cultural heritage, income and geographic location;
- environmental deterioration;
- heritage discrimination;
- loss of agricultural lands and natural bushland and wilderness;
- erosion of society's built and cultural heritage
- spread of high-rise jungles and disinvestments in central cities and towns;
- placeless and unsafe sprawls

When funded adequately and implemented cost effectively, heritage conservation and development has the capacity to underpin almost every component of the Ontario Principles, a Canadian framework that encompasses the social, economic, environmental and value based decision making aspects of sustainable communities.

The Ontario principles essentially describe a sustainable community as one that:

- Recognises that growth occurs within some limits and is ultimately limited by the carrying capacity of the environment (*and its human capita*³);
- Values cultural diversity;
- Has respect for other life forms and supports biodiversity;
- Has shared values amongst the members of the community (*promoted through sustainability education*);
- Employs social and ecological decision-making (*e.g. integration of heritage values criteria into all municipal government, business and personal decision-making processes*);
- Makes decisions and plans in a balanced, open and flexible manner that includes the perspectives from the social, heritage, health, economic and environmental sectors of the community;
- Makes best use of local efforts and resources (*nurtures solutions and capacity building at the local level*);
- Uses renewable and reliable sources of energy;
- Minimises harm to the natural environment;
- Fosters activities that use materials in continuous cycles.

² Our heritage values are reflected in the art, architecture, artefacts, historical records, language, stories, customs, decision making processes and lifestyle choices of society.

³ Italics inserted by the National Trust of Australia (WA)

The National Trust of Australia (WA) views sustainability as a linking and balancing of inter-related environmental, economic, social and heritage issues through democratic community driven processes.

The National Trust of Australia (WA) will continue to undertake policy development and advocate the importance of heritage conservation and interpretation to the sustainability of Western Australia's quality of life.

The Trust will also continue to practice sustainability in action, as there are many aspects of the National Trust's heritage conservation and development activities that already support community sustainability.

- The practice of National Trust stewardship on behalf of the community ensures valuable heritage is not lost to future generations (and remains available for them to interpret and understand the impact of their heritage on their current value systems, decision making processes and development);
- The practice of conservation and restoration of historic buildings, which reduces the level of consumption of naturally derived resources as the processes employed use existing or re-cycled materials wherever possible.
- To help conserve natural and heritage resources, the Trust supports as a general principle, rehabilitation, restoration and adaptation of existing buildings rather than building demolition and new construction. The ratio of employment to materials in heritage conservation and building reconstruction and/or adaptation is almost three times that recorded for standard building practices, thus generating increased job creation. Anecdotally, there is also a belief that the supply and demand cycle of heritage development is less cyclical⁴ than general housing, retail and commercial construction, as it is less reliant on the level of business confidence, investment and overall economic activity.
- The practice of bushland covenanting engages the community in the development of a landscape where both biodiversity and ecological processes are maintained by a network of private and public conservation lands and managers. In many cases the landowners are members of local or regional conservation or land care groups. Increasingly, covenants are being used as a conservation and educational tool by NGOs, community groups and government agencies to assist them achieve their strategic conservation objectives and to educate them to manage their own heritage.
- Facilitating community and visitor investment and involvement in heritage places and events. Every community has a history, and the events planned and the experiences offered around it to the wider community and tourists alike, are both educational and cultural. More than 10% of all tourists will choose to visit a historic property whilst travelling and more than 40% are seeking to engage in the heritage and culture of a place. Therefore these activities help to provide local character, strengthen community ties, build tourist visitation and expenditure and help local communities revitalise and economically develop.

⁴ And could potentially be structured to be counter cyclical to support building and construction training and skill development in times of economic downturn.

SUBMISSION TO WESTERN AUSTRALIAN SUSTAINABILITY STRATEGY – DISCUSSION PAPER

Background

The concept of sustainability emerged as our ecological systems declined, which helps to account for its initial focus being centred around four major themes.

1. Growth Management
2. Energy Efficiency
3. Land Use
4. Conservation

In more recent years the concept has been further broadened to incorporate issues associated with heritage management and the degradation of our quality of life, community capacity building capability and social capita.

There have been many definitions of sustainability or sustainable development that give support to the inclusion of different elements in a sustainable development and management strategy.

Some of the current definitions viewed as relevant to the heritage conservation and interpretation sector include:

"Sustainability equals conservation plus stewardship plus restoration."- *Sim Van der Ryn, 1994*

Sustainability is the [emerging] doctrine that economic growth and development must take place, and be maintained over time, within the limits set by ecology in the broadest sense--by the interrelations of human beings and their works, and the biosphere... It follows that environmental protection and economic development are complementary rather than antagonistic processes." *William D. Ruckelshaus - Scientific American, September 1989*

"Sustainable development means improving the quality of human life while living within the carrying capacity of supporting ecosystems."- *World Conservation Union, 1991*

"Sustainability is an approach to decision making which integrates environmental and social concerns into business and economic decisions. Sustainability is also fast becoming a touchstone for governmental policy at all levels from the local to the global. It requires planning for the welfare of future generations while attempting to meet the needs of the present generation"- *Florida Sustainable Communities Centre, 1999.*

In reality, however, most definitions are too simplistic and, while easy to memorize, provide little justification for concerted actions.

To be comprehensive and yet provide indications of sustainability's systemic essential relationships or patterns of interaction, any workable strategy must include a good definition that is not overwhelming, but which does not leave anything out.

Perhaps the most comprehensive definition of sustainability offered so far has come from the 1986 Conference on Conservation and Development held in Ottawa, Canada by the International Union for the Conservation of Nature. At this meeting, 50 countries agreed on the following statement:

"Sustainable development seeks to respond to five broad requirements:

1. Integration of conservation and development,
2. Satisfaction of basic human needs,
3. Achievement of equity and social justice,
4. Provision of social self-determination and cultural diversity, and
5. Maintenance of ecological integrity [*and heritage values*⁵]."

From this definition, as well as many others, come the same core themes and values that point to the minimum elements necessary for a workable sustainable development and management strategy.

A suggested list of these themes as proposed by Stephen Wheeler at Urban Ecology Inc. in Berkeley, California include:

1. Open versus closed resource flows;
2. Integration of human and natural systems;
3. Emphasis on both diversity and connection;
4. A balance of public and private;
5. Human scale;
6. Ecological (*and heritage*⁶) stewardship and restoration, and
7. Fulfilling human potential.

In a similar vein, perhaps one of the most comprehensive definitions of sustainable communities is found in the Canadian framework known as the Ontario Principles, which encompasses the social, economic, environmental and value base decision making aspects of sustainable communities.

The Ontario principles describe a sustainable community as one that:

- Recognises that growth occurs within some limits and is ultimately limited by the carrying capacity of the environment [*and social capital*];
- Values cultural diversity;
- Has respect for other life forms and supports biodiversity;
- Has shared values amongst the members of the community (*promoted through sustainability education*);
- Employs ecological management decision-making⁷ (*e.g. integration of environmental criteria into all municipal government, business and personal decision-making processes*);
- Makes decisions and plans in a balanced, open and flexible manner that includes the perspectives from the social, health, economic and environmental sectors of the community;
- Makes best use of local efforts and resources (*nurture solutions at the local level*);
- Uses renewable and reliable sources of energy;
- Minimises harm to the natural environment; and
- Fosters activities that use materials in continuous cycles.

For the sake of brevity in this response, the descriptions of all these themes have not been included.

However, they are mentioned to provide a background to the comments made by the National Trust of Australia (WA) to this discussion paper in terms of better managing our economic development whilst enhancing the quality of our environment and societal wellbeing (*through heritage conservation, interpretation and rehabilitation*).

⁵ Where there is an insertion in italics, it has been added by the National Trust of Australia (WA)

⁶ ⁶ Italic insertion by the National Trust

⁷ Although it is the Trust's view that heritage management criteria should also be included in this element

Current Situation

The National Trust of Australia (WA) has long been aware of the sustainability issues facing the State in terms of heritage conservation and development. Effectively conserving the heritage estate of Western Australia and yet continuing to ensure public access to heritage services and infrastructure as a means of raising awareness of the value of our heritage is challenging. Throughout 2001 we have continued to raise this as an issue generally and as part of our advisory response to Government.

In February 2002 the Trust established an internal working party of senior managers to identify the issues and challenges faced by heritage conservation groups such as the National Trust of Australia (WA), an organisation representative of both the not-for-profit sector and a provider of heritage services, to meet sustainability objectives. This work is leading the development of NTWA policies on sustainability.

NTWA's response to the paper *Focus on the Future: Opportunities for Sustainability in Western Australia* has tried to detail a written response outlining all the ideas and aspirations of the heritage sector for a sustainable Western Australia from the community's perspective in the format requested.

Specific recommendations for priority action are highlighted in a Recommendations Box at the end of each section. A separate discussion paper detailing the Trust's view of the sustainability needs from the perspective of the not-for-profit sector is also attached for your review.

BOX 1 - SUSTAINABILITY - KEY QUESTIONS

The National Trust of Australia (WA)'s response to these key questions has been incorporated within the Executive Summary and the responses for Boxes 2 and 3.

BOX 2 - SUSTAINABILITY - DIFFERENT PERSPECTIVES

The National Trust of Australia (WA) views the spread of high-rise jungles and disinvestments in central cities; the growth of placeless urban sprawls; the increasing separation by cultural heritage, income and geographic location; environmental deterioration; the loss of natural wilderness and bushland and the erosion of society's built heritage not only as unsustainable but also as one interrelated community building challenge.

We stand for the:

- restoration of existing urban centres and towns within coherent metropolitan regions;
- reconfiguration of sprawling suburbs into communities of real neighbourhoods and diverse localities that recognises and celebrates the contribution of its history;
- conservation of our natural environments; and
- interpretation and as appropriate, conservation and/or rehabilitation of our built legacy, dependant upon the significance of the heritage values.

We recognize that physical solutions by themselves will not solve social and economic problems, but neither can economic vitality, community stability and environmental health be sustained without a coherent and supportive physical framework.

We advocate the restructuring of sustainable development public policy and development practices to support the following principles:

Help conserve and interpret our heritage: All donations to the National Trust are tax deductible.

- Neighbourhoods should be diverse in use and population
- Communities should be designed for the pedestrian in transit as well as the car
- Cities and towns should be shaped by physically defined and universally accessible public spaces and community infrastructure;
- Urban places should be framed by architecture and landscape design that celebrate local history, culture, climate, ecology and building practice.

The National Trust represents a broad-based community, composed of public and private sector leaders, community advocates and multi-disciplinary professionals.

We are committed to re-establishing the relationship between the value of heritage, the art of building and architecture and the making of community, through community based participatory planning and design.

We dedicate ourselves to reclaiming our historic properties, streets, blocks, monuments and artefacts, parks, natural bushland, neighbourhoods, communities, towns, cities, regions and environment.

Recommendations:

- Introduction of initiatives to encourage increased participation in heritage management research and development activity, especially research related to the value of heritage and heritage tourism to Western Australia and the economic impact of heritage rehabilitation.
- That the Curriculum Council of Western Australia evaluate the knowledge impact of incorporating the study of history and heritage values into the existing society and environment and other curriculum frameworks.
- That the Curriculum Council of Western Australia ensure that the learning outcomes for society and environment include a component related to the value of heritage as both a social good and as an economic driver.
- That new initiatives to encourage greater participation in history and heritage management at a tertiary education level be introduced.
- That given the Review of the Machinery of Government for Western Australia is currently underway, that the State Government consider the establishment of a centralised State Government Department of Heritage Resources⁸ that could coordinate the management of public sector owned heritage assets and provide the nucleus for an associated Centre of Cooperative Research.
- That Commonwealth/State Governments consider the establishment of a Centre of Cooperative Research or an ARC Linkage Centre of Excellence, focused on Heritage Management and Development, to be located in Western Australia.

⁸ As an example, in the State of Virginia USA the Department of Historical Resources is charged with the responsibility for managing and putting that State's historical assets to work.

BOX 3- SUSTAINABILITY, GOVERNANCE AND SOCIETY

A separate paper is attached addressing this issue from the perspective of the not-for-profit sector, including charitable organisations.

It should be noted, however, that in the United States, as in Europe, their governments are significantly reducing their role in providing many social goods, leaving the task largely to the not for profit sector. Governments in these jurisdictions are providing direct investment to support community initiatives as well as tax based incentives to encourage corporate and community investment and involvement. With the role and responsibility perceived by the wider community as residing with the community and not with Government, the level of giving and volunteering remains much higher in these countries than in Australia.

Recommendations:

1. That the State government consider State based incentives and advocate to the Federal government the need to consider options and adopt incentives that help to address the issues of the:
 - 1.1. Low philanthropic activity in Australia in comparison to other developed nations (e.g. USA 89% to Australia 40%), given the opportunities available from the aging of Australia's population (*an age group that currently represent a high proportion of the donor population*) and the likelihood of reduced government appropriations in the future.
 - 1.2. Community's lack of awareness of the economic value of heritage (especially that of historic rehabilitation). This might include providing owners of built heritage additional incentives, such as (a) allowing peppercorn leasebacks on donated property in order to support conservation appropriate current usage and/or introducing historic rehabilitation tax credits, for rehabilitating existing historic properties and/or for implementing heritage conservation management principles at heritage sites
2. That the State government endorse all recommendations, but especially recommendations 2, 14, 15, 18 and 23 of the Prime Minister of Australia's Report on Charitable Institutions (November 2001)
3. That the State government follow the lead of European and United States governments, where governments support community initiatives by investment, rather than expect the community to support government run initiatives.
4. That the State government encourage improvements in the grant funding processes and technologies followed in this State to support the development of appropriate and transparent performance measures for the not for profit sector. It is the National Trust's view that this will help facilitate the emergence of a true marketplace for philanthropic funds, capable of channelling funds and talent to the most effective organisations in an efficient way.
5. That any bilateral or multilateral agreement that may form from the recently announced Charitable Institutions Review initiative undertaken by the Prime Minister of Australia, take into account the need for Governments to fund the development of a charitable institutions information site for the Australian not-for-profit sector. This web site should incorporate a national database of not for profit organisations in order to help develop enhanced transparency within the sector.

BOX 3 - SUSTAINABILITY, NATURAL RESOURCES MANAGEMENT AND BIOLOGICAL DIVERSITY ISSUES

South Western Australia has been identified as a global hotspot for biodiversity. Unfortunately, the existing conservation reserve system is inadequate to effectively conserve the full range of species and communities at a landscape scale, as the public good cost would be unsustainable. The following points demonstrate this principle:

- In 1999, 20.5% of populations and 27.1% of individual plants of declared rare (threatened) flora in WA were located on private property.
- 56% of vegetation types identified in WA are not represented in the conservation reserve system, and a further 31% are poorly represented (Hopkins *et al*, 1996).

Therefore it is of vital importance that private landowners are actively engaged in conserving our natural heritage well, as direct conservation of biodiversity incorporating private land conservation can extend the effective conservation area of adjacent reserves and provide important linkages across the landscape.

Two case studies will best illustrate how the National Trust's Natural Heritage Program is supporting sustainability objectives.

Case Study 1 – Bushland Covenancing Program

In the Shire of Westonia, a family are covenancing 1000 ha of uncleared vegetation adjacent to the Sandford Rocks Nature Reserve, which will more than double the effective conservation area.

The practice of bushland covenancing by the National Trust of Australia (WA) engages the community in the development of a landscape where both biodiversity and ecological processes are maintained by a network of private and public conservation lands and managers. In many cases the landowners are members of local or regional conservation or land care groups.

Increasingly, covenants are being used to build community capacity. NGOs use covenants as a conservation and educational tool, enabling community groups and government agencies to achieve their strategic conservation objectives and manage their own heritage. Through each National Trust covenant, the landowners commit themselves to ensuring that the land is managed for conservation through a management plan, and is protected from active and passive clearing, as well other inappropriate land uses. The majority of the covenants are signed in perpetuity, and none are for less than 30 years.

Since the program's launch in 1998, nearly 100 Western Australian landholders have voluntarily asked the Trust to assist them with protecting and managing conservation/natural heritage values over 120,000ha on 178 land titles through a conservation covenant. Forty-one covenants have now been signed and many others are nearing completion.

If this land had been conserved as part of the natural estate it would have cost Western Australian tax payers more than \$20 million in capital expenditure and at least \$150,000 in recurrent expenditure each year.

Case Study 2 – Bush Bank

The *Bush Bank* program has been established to contribute to biodiversity conservation in Western Australia by protecting and conserving significant remnant bush on private land.

Founded by a consortium established between the National Trust of Australia (WA), the Department of Conservation and Land Management, the Western Australian Department of Agriculture and WWF Australia, the program is now operated by the National Trust with operations commencing across Western Australia's agricultural and pastoral regions.

Operating as a new revolving property fund, the *Bush Bank* program encourages private investment in the protection and restoration of the rural landscape. *Bush Bank* will provide financial, conservation, communications and legal expertise to help landowners transfer land for conservation purposes.

An investment strategy will provide short-term investment returns for *Bush Bank* funds. The *Bush Bank* revolving fund will promote the trading of bush that provides valuable habitat for wildlife, therefore reducing the economic burden of some landholders and ensuring conservation of native bushland remnants. Land trading and restructuring of farming systems in this way will also support efforts to reduce the impact of salinity.

Bush Bank aims to: (a) Increase the conservation management of privately owned bushland in WA; (b) Raise the market value of bushland and significantly increase the trading of land for conservation purposes; and (c) Assist rural communities to retain valuable bushland without the economic cost being unfairly placed on individuals.

Bush Bank will be a vital sustainable development tool for Western Australia in the protection and restoration of native vegetation. It will help change attitudes to bush by making bush land more of an asset rather than a liability. However a wider range of tax changes and incentive schemes are still required to ensure the ongoing sustainability of the program.

Recommendations

- That the State Government extend its support in principle to these programs of the National Trust by providing recurrent funding as a sustainable development strategy.
- That within the Draft State Sustainability Strategy principles, that the wordage within Principle 2 be broadened to state: "Improved resource valuation, pricing and incentive mechanisms to protect and repair ~~(the environment)~~ natural, built and moveable heritage should be engaged".

BOX 3 - ECONOMIC AND SOCIAL STRATEGIES FOR SUSTAINABILITY

(Putting Western Australia's Heritage Resources to Work)

Established in 1959, the National Trust of Australia (WA) has a long and distinguished record of management of heritage places, especially historic properties.

It is the informed view of the National Trust, substantiated by research that has been undertaken both overseas⁹ and in Australia, that Historic Property Conservation, Interpretation, Restoration and Rehabilitation not only provide sustainable development benefits for Western Australians (economic, social and community capacity building benefits] but also display smart growth. The rationale for this view is provided below.

Job Creation and Increase in Household Income A 1996 economic study conducted in the state of Virginia, USA showed that for each \$1 million spent on property rehabilitation, 3.4 more jobs are created than for each \$1 million spent on new construction. This is because rehabilitation of old properties is more labour intensive, and as such, also creates more household wealth. This study showed each \$1 million spent on rehabilitation adds US\$53,500 more to household income than an equivalent amount spent on new construction. Finally, the study also showed that for each \$1 million spent on rehabilitation, 15.6 jobs are created in the construction industry and 14.2 jobs elsewhere in the economy.

Minimises natural resource usage Conservation and rehabilitation of historic buildings focuses on the reuse of existing assets (both infrastructure and buildings) as well as materials. Use of existing assets and materials is not only a sustainable development strategy, it also represents a fiscally responsible policy – especially if existing infrastructure and buildings have been paid for by tax payers and the costs of creating new materials are taken into account.

Stabilisation Effects There is evidence that rehabilitation activity is often a counter-cyclical activity that can stabilise local economies during slow times. There are a number of reasons for this. For example, the majority of conservation and rehabilitation projects are modest in scale, making them affordable when large-scale new construction is not. In addition, conservation and rehabilitation projects can be done in stages, making them more feasible during periods of short cash flow and economic downturn. Finally, because local workers and suppliers tend to get a larger share of the total expenditure on conservation and rehabilitation projects than is the case with new construction, the benefits tend to be more concentrated locally.

Promotes Skill Development and Community Skill Transfer Not only does heritage conservation and development activity create more jobs than new construction, it also maximises the use of human resource (not only because of labour intensity but also through skill development and transfer that is effected through heritage and environmental management volunteer programs].

Builds Local Revenues Heritage precinct rehabilitation has been shown to enhance local property revenues through increased property values.

⁹ Sources: Virginia Department of Historic Resources, Preservation Alliance of Virginia, English Heritage, National Trust for Historic Preservation, National Trust (United Kingdom), Heritage Council of Western Australia.

Utilises existing infrastructure thus eliminating the need for additional taxpayer dollars to construct new roads, water and sewer lines, gas, electrical and telecommunications

Promotes efficient development Built heritage conservation and rehabilitation activity is often more cost effective than new construction (especially if the cost of demolition is factored in).

Generates Economic, Regional and Community Development and Leverages Private Investment Heritage conservation, rehabilitation and interpretation has been shown to drive economic development. Overseas research indicates that Heritage Rehabilitation Tax Credits can improve the Housing Stock of a State and increase the level of affordable housing. To achieve the latter objective, investors often combine other development incentives with historic rehabilitation credits to make their projects more financially attractive.

Promotes Urban Revitalisation Historic property rehabilitation represents one of the most potent tools available for urban revitalization and inner city development. Healthy and vibrant cities serve as a check on placeless sprawls and can reduce developmental pressure for use of open space and bushland in outlying areas. The loss of urban population, especially in the regions, can also be reduced.

Conserves Built Resources, Reduces Landfill and Preserves Open Space Historic property conservation and rehabilitation projects require fewer materials, and fewer energy resources for transportation of materials. By preventing demolitions, conservation and rehabilitation projects significantly reduce pressure on landfills. This issue is a growing concern for communities, as there is a high cost, both in economic and environmental terms, of solid waste disposal. As such conservation, rehabilitation and restoration is a more environmentally friendly development approach than new construction.

Reduced Automobile Dependence Heritage precincts and historic districts are typically located in or adjacent to central business district areas. By concentrating business, commercial and residential uses in a limited area, redevelopment projects reduce dependence on automobiles, thereby conserving energy resources, enhancing air quality, reducing traffic congestion and carbon emissions and often improving the quality of life for local residents.

Builds Tourism Visitation and Expenditure Heritage Conservation and Interpretation attract tourists who want to experience (interact) with another nation's heritage. Australian research¹⁰ highlights the fact that more than 11% of travellers will visit an historic property (slightly more than scenery and wildlife, which attracts visitation from 10% of travellers). However, visitation increases to more than 25% when a cultural attraction is incorporated in the visit (heritage displays, art gallery, artisans in residence, museum, arts festival, cultural event). A study undertaken by the Virginia Division of Tourism suggests that visitors who stop at historic attractions stay longer, visit twice as many places, and spend, on average, over 2.5 times more money than do other visitors. Very limited research conducted on Australian traveller patterns appears to support this finding.

Enhances Community Well-being Sustainable heritage management can help the community experience what their ancestors enjoyed - nearby open space, friendly neighbourhoods, safe streets, access to local schools. Rehabilitation of

¹⁰ Roy Morgan, National Visitor Survey, 1999

historic precincts and neighbourhoods also promotes a general sense of community – of who we are and who we have been. By conserving the tangible evidence of past generations, we allow people to be a part of something bigger than themselves.

Promotes Economic Integration Heritage precincts and historic districts typically contain mixed uses and a variety of heritage. They are also often located near public transportation lines with social infrastructure – churches, neighbourhood schools, recreational facilities and community groups – already in place. As a consequence, heritage precincts or historic districts can, and often do, accommodate residents and property owners of all socioeconomic classes.

Provides Education Resources Conservation and Interpretation of built heritage represents a primary document for the study of history, architecture, archeology, art and culture. Both conservation and rehabilitation efforts preserve unique information.

Promotes Community Stewardship Historic property conservation and rehabilitation represents good stewardship. Preservation of cultural resources for future generations is an investment in the future.

Build's Western Australia's Identity and Investment in Heritage Respect for the past is not just a hallmark of Western Australia's senior citizens. It can also be a defining characteristic of Western Australia's identity. Currently more than 94%¹¹ of all Australians believe heritage to be important (with 68% believing it to be very important), but less are committed to investing in the retention of that heritage. Our heritage is rich and diverse and we must continue to generate a community passion about conserving and interpreting it.

Case Study 3 – Golden Pipeline Country

Highlighting a new direction for Integrating Community-based Heritage Conservation and Interpretation with Heritage Precinct Development: Approaches and Tools.

The Golden Pipeline Project was established to conserve, interpret, celebrate and promote one of Australia's major industrial heritage assets, the Goldfields and Agricultural Areas Water Supply Scheme.

The economic impact expected from the project in the longer term is increased visitor expenditure of \$4,000,000 as well as new job creation of at least 60 direct construction related jobs, with multiplier effects expected to translate into another 100 jobs elsewhere in the State's economy. Forty will be based locally, primarily in the hospitality and tourism sector.

Day to day management of the project rests with the National Trust, but foundation partners and other stakeholders include the Government of Western Australia, through its various departments, agencies and statutory authorities, 12 Local Government Authorities who are all signatories of the Golden Pipeline Project Memorandum of Understanding and providers of visitor infrastructure and services within "Golden Pipeline Country".

(Continued overleaf)

¹¹ Roy Morgan, Heritage Revival Research, 1999

Case Study 3 – Golden Pipeline Country (continued)

Underpinning the extensive consultation program was the development of a community directed Interpretation Plan and a Business Plan, focused towards achieving a number of sustainable development objectives. These include:

- ◆Integration of conservation and development effort;
- ◆A focus on social self determination and cultural diversity; and
- ◆Development of sustainable communities, by celebrating heritage values and putting historic resources to work.

The lessons learnt from the development aspects of this project that can aid other programs designs include:

- ◆Importance of local participation;
- ◆Need to extend funding time horizons;
- ◆Maintaining the perspective of the project in the “larger picture”;
- ◆Incorporating realistic planning with clarification of responsibilities;
- ◆Linking State policy work with project level work;
- ◆Making connections between State, national and international policies and local actions;
- ◆Building institutional and local capacity;
- ◆Need to apply lessons from the field to policy creation;
- ◆Effectively linking policy analysis and advocacy work;
- ◆Need for institutional and enterprise collaboration to meet the multiple development needs of communities;
- ◆Importance of strategic business planning; and
- ◆Importance of a plan to identify fundraising sources and to raise funding to cover recurrent cost.

Case Study 4 – Greenough Hamlet

Greenough is located on the Brand Highway, south of Geraldton. The southerly winds, continually blowing across the flat countryside, have influenced the tree growth throughout the area and the famous '*leaning*' Greenough trees can be seen everywhere.

Settlers were first attracted to the rich farming land of the Greenough Flats in the mid 19th century. The flats were formed by the Greenough River's movement towards the coast from the direction of Bindoo, an ancient glacier bed. As it neared the ocean, large lagoons were formed, which were eventually filled with silt, creating fertile land.

Evidence of Greenough's history is still very evident today, with many outstanding examples of early stone buildings dominating the landscape. The Greenough 'Hamlet', located 24 kilometres south of Geraldton, is a settlement of wonderfully preserved buildings constructed by the pioneers who first settled the district.

The National Trust has conserved the entire hamlet as a national heritage. Work is currently underway by the Community to better manage this heritage and put the hamlet's historical resources to work. Ultimately the aim is to achieve international recognition as a prime example of a 19th Century Australian farming community's cultural landscape. The Trust manages the Hamlet in community based partnership arrangements with the Shire of Greenough. Conservation works completed during the 2000-2001 financial year include stone wall conservation, roofing repairs and painting which have resulted in a very high standard of presentation of the buildings. An Artist-in-Residence program was established in conjunction with the Geraldton Art Gallery.

(Continued overleaf)

Case Study 4 – Greenough Hamlet (Cont'd)

Clinches Mill, a monument to the cereal crops which once flourished on the flats, is now used as a gallery/exhibition space and artist accommodation is provided in the former Teacher's Quarters inside the Courthouse building.

Jointly the Shire and the Trust have been successful in raising funds to construct a Visitor and Interpretation Centre on the rear of the existing Wainwright's Store on the edge of the Hamlet. Construction of this \$500,000 complex is now underway. A future challenge will relate to the costs associated with the need to re-theme the historical property facilities on an ongoing basis to attract repeat visitation from local, national and international visitors.

Building a sustainable community effort that underpins Greenough Hamlet's operation is a key direction for this project. The Visitor Centre will help promote Greenough's heritage tourism product and experiences, which it is hoped will further build visitation, tourist expenditure and the length of stay in the region. The Centre will incorporate a tourist information centre and retail outlet, an exhibition/interpretation area and an extended café.

The Visitor Centre will also house a range of heritage and historical resources, underpinning the educational product necessary to build awareness of the region's heritage values. Finally, the variety of venues at the Hamlet will provide a valuable resource for the local community to use.

Recommendations

- That the State Government recognise and acknowledge the inability of built heritage sites providing public education and heritage tourism attractions to charge sufficient visitation entry fees, attract loans and/or fundraise adequate funds to build new visitor service facilities, modify and transport moveable heritage including exhibitions, and/or to conserve and maintain existing infrastructure at a scale suitable to support either "*break-even operation*" or commercial practice;
- That the State Government review its policy on capital and recurrent funding for natural, built, moveable and cultural heritage programs to ensure a more equitable distribution of existing resource allocation [See *Appendix 1*].
- That successful and positive heritage management and development services and programs be promoted to State Government departments, Local Government and other heritage service providers generally to assist in their sustainable development thinking and planning mechanisms.

Building Sustainability into the Not-for Profit Sector

“The gift that keeps on giving”

When many people in Australia think of the way the world they inhabit is organized, they think of it as a duality: business and government. The third group of organisations that are not part of government and are not run to make a profit for their owners are generally overlooked or marginalized¹². They are a lot more important than most people realise¹³

Executive Summary

Overview of the Sector

The size of the Australian not-for-profit sector, and the charities within, is significant. Based on data published over the last six years:

- In June 1996, there were nearly 32,000 not for profit entities that employed staff, with nearly 19,000 of these operating as charities¹⁴.
- ATO data indicates that since 1 July 2000, over 40,000 entities have been endorsed as income tax exempt charities.
- The not-for-profit sector employed 6.9 per cent of all people employed in Australia, with charities accounting for about 4.8 per cent of all people employed¹⁵. With the addition of volunteer services valued at market rates and converted to full time equivalent basis, the not for profit sector employed 9.1% of total expanded employment – which in WA would equate to larger than the employment in the communications industry, mining and tourism and hospitality services combined.
- Not for profit institutions serving households’ contributed \$15 billion to gross value added at basic prices (GVA) in Australia in 1998-99, equivalent to 2.7% of GVA.¹⁶ When volunteer services valued at market rates are included, the contribution increases to \$22 billion, or 3.9% of expanded GVA. By comparison, the GVA of the agriculture, forestry and fishing industry was valued at \$18.1 billion in 1998-99.
- More than 495,000 Western Australians are estimated to volunteer their services each year, with almost 40,000 volunteering their time to support environmental and heritage causes¹⁷.
- Australian households donated more than \$1.6 billion in cash donations to Australian not for profits in 1999, equivalent to \$133 per Australian adult. Reported tax deductible donations to DGRs¹⁸ account for only \$250 million of this amount¹⁹.

¹² Authors insert

¹³ Lyons, M 2001, Third Sector: the contribution of not for profit and cooperative enterprises in Australia, Allen & Unwin, Sydney, p11.

¹⁴ Provided by Australian Bureau of Statistics, related to the Australian Nonprofit Data Project, June 1996 and Australia’s contribution to the Global Nonprofit Information Systems Project, a joint project of the United Nations Statistics Division and the Johns Hopkins Centre for Civil Society Studies, which aims to develop standards to help national statistical offices develop more accurate and complete data on not for profit institutions.

¹⁵ Lyons M and Hocking, S (2000), “Dimensions of Australia’s Third Sector, Centre for Australian Community Organisations and Management, University of Technology, Sydney, pp 27-51 and 81.

¹⁶ Prime Ministers Inquiry Into Charitable Institutions, 2001, p 3

¹⁷ Australian Bureau of Statistics, 2000 Census

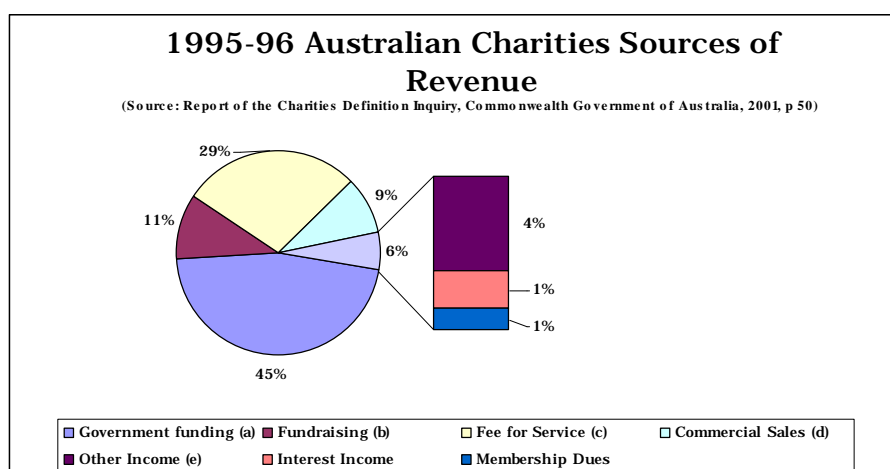
¹⁸ Designated Gift Recipients

¹⁹ Commonwealth Treasury 2001, *Tax Expenditures Statement 2000*, Table 5.1

- Australian donations are estimated to equate to more than \$4.7 billion each year, when fundraising income generated through special event fundraising, bequests and giving by trusts and the corporate sector are included in the calculation²⁰.
- Research trends for Australian corporate philanthropy in its purest sense, being charitable giving with no expectation of commercial or in-kind return – indicate that this form of giving is at its lowest level ever – down some 20% since 1998. There is a widespread concern that the current downturn may be magnified, given the introduction of the GST and the government's (perceived) lack of interest in implementing tax incentives, especially for donation of services, the strongest growing sector of the economy.²¹

Sources of Funding for Charitable Organisations

In 1995-96²², of the total revenue earned by charitable organisations, governments contributed 46 per cent. Commercial sales and service fees accounted for another 37.6%, with fundraising the other major contributor (10.5%). The balance of the earnings came from interest income, membership dues and income from the lease of property and sale of assets.



Future Trends

Research conducted into the current giving and volunteering patterns of Americans, when tied to the retirement rate and wealth transfer customs of both current day seniors and the baby boom generation has forecast a potential \$6 trillion plus windfall for the not-for-profit sector.

United States annual charitable giving by individuals, corporations and foundations amounted to an estimated \$190 billion in 1999. That total giving could increase dramatically given forecasts based on current giving patterns. An estimated additional USD 6 trillion, and perhaps much more, will flow into the sector over the next 50 years²³.

This forecast for growth is derived from planning assumptions related to the aging of the general population and the current giving patterns of US charitable bequests,

²⁰ O'Keefe and Partners, "Giving Trends in Australia, 2000, p3

²¹ O'Keefe and Partners, "Giving Trends in Australia, 2000, p5

²² Report of the Charities Definition Inquiry, Commonwealth Government of Australia, 2001

²³ Havens JJ & Schervish PG, October 1999, "Millionaires and the Millennium: New Estimates of the Forthcoming Wealth Transfer and the Prospects for a Golden Age of Philanthropy," Boston College

which are projected to total between \$6 trillion and \$25 trillion over the next 50 years²⁴.

It should be noted however, that in the United States, as in Europe, their governments are significantly reducing their role in providing many social goods, leaving the task largely to the not for profit sector.

Governments in these jurisdictions are providing direct investment to support community initiatives as well as tax based incentives to encourage corporate and community investment and involvement, rather than relying on community support for government run initiatives, as occurs in Australia.

Although the recorded rate of adult giving in Australia is less than half that recorded in America (40% of all families in comparison to 89% of all families in the USA), if this trend should transfer to Australia, it would represent a great opportunity as well as a great challenge for both Australian governments and not-for-profits – especially charitable institutions with gift recipient status. This sector itself, the people it serves, indeed all Australians, would all have a stake in how that money is best spent.

What's Needed

Ensuring that this money is used to achieve the greatest sustainable²⁵ impact will require collective effort.

It will require philanthropists and grant providers to take on the perspective of long term investors, by building community capacity, not-for-profit capabilities and rewarding performance.

Not-for-profits themselves must focus more on building their financial and organisational strength. This will require both private and public funders working together with the not-for-profit sector to develop appropriate quadruple bottom-line measures. They must also ensure that such measures are available to be used and reviewed by all.

In the United States there are early indications that some changes are already beginning to happen. The David and Lucile Packard Foundation has set aside funds to improve the management, staff and planning processes of not for profits, whilst the Edna McConnell Clark Foundation has refocused its grants towards institution building.

Many new-economy philanthropists are bringing to their philanthropic efforts, the same businesslike, entrepreneurial mind-set that made their own companies successful²⁶.

Following the path of venture capitalists, these “venture philanthropists” make multi-year financial investments in not-for-profit organisations – investments that are accompanied by management support.

²⁴ *Giving USA 2000*, Indianapolis, Indiana: American Association of Fund Raising Council Trust for Philanthropy, 2000

²⁵ Simultaneous achievement of environmental, economic and social goals

²⁶ For more information, see “*The New Philanthropists*”, Time, July 24 2000

In return, they demand results, measure performance, and then reward strong performance with additional support. Although the track record of these new philanthropists has yet to be established, they are already changing the dialogue in the sector.

The Internet too is having a dramatic impact on the sector by increasing the level of transparency. For example, on the web site Guidestar, which is a national database of not for profit organisations in the United States, (www.guidestar.org), copies of the Internal Revenue Service Form 990s filed by 20,000 US public charities and foundations are now posted on the site, which is allowing users to compare information across the different charities.

Not for profit organisations that participate in GuideStar enhance the database every time they update their GuideStar Reports. By updating their reports and posting online newsletters, press releases, and classified ads at GuideStar, participating organisations make it possible for donors, institutional funders, and not for profits to become more informed, effective, and efficient.

Ultimately GuideStar envisages the evolution of an increasingly efficient not for profit marketplace where

- information about the operations and finances of not for profit organisations is readily accessible and actively utilized by decision makers throughout the not for profit sector;
- donors seek out and compare charities, monitor their performances, and give with greater confidence;
- not for profit organisations pursue more effective operating practices, embrace greater accountability and transparency, and enjoy lower fund-raising costs; and
- society benefits from a more efficient, generous, and well-targeted allocation of resources to the not for profit sector.

Where to From Here?

The challenge now for Western Australia is to accelerate the pace and extend the reach of change amongst all of those who provide funds and deliver services without profit as their primary object or motive in this State.

When this happens, the not-for-profit sector in Western Australia will be in a far better position to:

- access and participate in the global charities market;
- meet the operational challenges of the coming years, with sustainability;
- support sustainable development for Western Australia;
- enhance the lives of all it touches.

RECOMMENDATIONS

To achieve these objectives the National Trust of Australia (WA) makes the following recommendations.

Recommendations:

1. That the State government consider State based incentives and advocate to the Federal government the need to consider options and adopt incentives that help to address the issues of the:
 - 1.1. Low philanthropic activity in Australia in comparison to other developed

nations (e.g. USA 89% to Australia 40%), given the opportunities available from the aging of Australia's population and the likelihood of reduced government appropriations in the future.

- 1.2. Community's lack of awareness of the economic value of heritage (especially that of historic rehabilitation). This might include providing owners of built heritage additional incentives, such as (a) allowing peppercorn leasebacks on donated property in order to support conservation appropriate current usage and/or introducing historic rehabilitation tax credits, for rehabilitating existing historic properties and/or for implementing heritage conservation management principles at heritage sites
2. That the State government endorse all recommendations, but especially recommendations 2, 14, 15, 18 and 23 of the Prime Minister of Australia's Report on Charitable Institutions (November 2001)
3. That the State government follow the lead of European and United States governments, where governments support community initiatives by investment, rather than expect the community to support government run initiatives.
4. That the State government encourage improvements in the grant funding processes and technologies followed in this State to support the development of appropriate and transparent performance measures for the not for profit sector. It is the view of the National Trust that this will help facilitate the emergence of a true marketplace for philanthropic funds, capable of channelling funds and talent to the most effective organisations in an efficient way.
5. That any bilateral or multilateral agreement that may form from the recently announced Charitable Institutions Review initiative undertaken by the Prime Minister of Australia, take into account the need for Governments to fund the development of a charitable institutions information site for the Australian not-for-profit sector. This web site should incorporate a national database of not for profit organisations in order to help develop enhanced transparency within the sector.

**The National Trust of Australia
(WA)**

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APPENDIX 1

MARKET ANALYSIS - Western Australian Investment in Public Sector Heritage (2001-02 Government Budget Estimate*)

* Adjustments are related to movements in cash balances and other accrual items such as receivables, payables and superannuation

	Natural Heritage (\$'000)					
	Adjustments*	Regulation	Acquisition and Natural Conservation Mgt	Nature Interpretation, Visitor Servicing & Education	Industry Development	Total Natural Heritage
Conservation and Land Management	991	0	105343	55520	0	161854
Botanic Gardens and Parks Authority	-1801	0	9334	2620	0	10153
Environmental Protection	-135	12133	19883	5493	0	37374
Office of Water Regulation	-338	1798	55	0	1867	3382
Swan River Trust	-178	4077	1531	0	0	5430
Water and Rivers Commission	-3202	24448	25934	0	17907	65087
Zoological Gardens Board	1059	0	8819	5230	0	15108
Heritage Council of Western Australia	0	0	0	0	0	0
National Trust of Australia (WA)	0	0	700	0	0	700
Art Gallery Services	0	0	0	0	0	0
Library, Archival & Information Services	0	0	0	0	0	0
Museum Services				9823		9823
Arts Industry Support	0	0	0	0	0	0
Screen Production Industry Support	0	0	0	0	0	0

Venue Management Services	0	0	0	0	0	0
Multicultural Issues	0	0	0	0	0	0
Totals	-3604	42456	171599	78686	19774	308911

MARKET ANALYSIS - Western Australian Investment in Public Sector Heritage (2001-02 Government Budget Estimate*)

* Adjustments are related to movements in cash balances and other accrual items such as receivables, payables and superannuation

	Built and Moveable Heritage (\$'000)					
	Art & Culture, Acquisition, Interpretation, Visitor Servicing & Education	Architecture, Property Acquisition, Facilities & Conservation Mgt	Industry Development	Regulation	Adjustments	Total Built Heritage
Conservation and Land Management	0	0	0	0	0	0
Botanic Gardens and Parks Authority	0	0	0	0	0	0
Environmental Protection	0	0	0	0	0	0
Office of Water Regulation	0	0	0	0	0	0
Swan River Trust	0	0	0	0	0	0
Water and Rivers Commission	0	0	0	0	0	0
Zoological Gardens Board	0	0	0	0	0	0
Heritage Council of Western Australia	0	2305	427	1920	-1229	3423
National Trust of Australia (WA)	2888	5438	0	0	1514	9840
Art Gallery Services	14506	2710	0	0	0	17216
Library, Archival & Information Services	25963	10352	0	0	0	36315
Museum Services	9823	1800	0	0	0	11623
Arts Industry Support	0	0	23513	0	-226	23287
Screen Production Industry Support	5518	0	5483	0	0	11001
Venue Management Services	8948	3088	2430	0	0	14466
Multicultural Issues	2462	0		0	-33	2429
Totals	70108	25693	31853	1920	26	129600

Help conserve and interpret our heritage: All donations to the National Trust are tax deductible.

MARKET ANALYSIS - Western Australian Investment in Public Sector Heritage (2001-02 Government Budget Estimate*)

* Adjustments are related to movements in cash balances and other accrual items such as receivables, payables and superannuation

** Includes some grant funds for services not yet provided (unearned income)

	Total Invested	% Ttl Heritage Investment	Less Revenues Received **	% Total Revenue **	Index ** (ROI)	Net Govt Appropriation	% Ttl Govt Heritage Inv.	% Govt of Total Invested
Conservation and Land Management	323708	43.3%	52061	52.4%	16.1%	271647	41.9%	83.9%
Botanic Gardens and Parks Authority	20306	2.7%	2337	2.4%	11.5%	17969	2.8%	88.5%
Environmental Protection	74748	10.0%	11142	11.2%	14.9%	63606	9.8%	85.1%
Office of Water Regulation	6764	0.9%	21	0.0%	0.3%	6743	1.0%	99.7%
Swan River Trust	10860	1.5%	173	0.2%	1.6%	10687	1.6%	98.4%
Water and Rivers Commission	130174	17.4%	6662	6.7%	5.1%	123512	19.1%	94.9%
Zoological Gardens Board	30216	4.0%	6919	7.0%	22.9%	23297	3.6%	77.1%
Heritage Council of Western Australia	3423	0.5%	19	0.0%	0.6%	3404	0.5%	99.4%
National Trust of Australia (WA)	11240	1.5%	4325	4.4%	38.5%	6915	1.1%	61.5%
Art Gallery Services	17216	2.3%	3487	3.5%	20.3%	13729	2.1%	79.7%
Library, Archival & Information Services	36315	4.9%	1640	1.7%	4.5%	34675	5.4%	95.5%
Museum Services	31269	4.2%	1284	1.3%	4.1%	29985	4.6%	95.9%
Arts Industry Support	23287	3.1%	1215	1.2%	5.2%	22072	3.4%	94.8%
Screen Production Industry Support	11001	1.5%	3307	3.3%	30.1%	7694	1.2%	69.9%
Venue Management Services	14466	1.9%	4650	4.7%	32.1%	9816	1.5%	67.9%
Multicultural Issues	2429	0.3%	90	0.1%	3.7%	2339	0.4%	96.3%
Totals	747422		99332	13.3%		648090		86.7%

			% Total
<i>Total Natural Heritage</i>		\$ 308,911	70.4%
<i>Total Built and Moveable Heritage</i>		\$ 129,600	29.6%
- Arts and Culture	101961	23.3%	
- Architecture, Buildings & Archeology	27613	6.3%	
<i>Total Heritage</i>		\$ 438,511	

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Building Sustainability into the Not-for Profit Sector

Overview

The not-for-profit sector, which incorporates charitable institutions (RGR²⁷), is poised to take on unprecedented importance in the developed economies of the world.

In the United States the annual charitable giving by individuals, corporations and foundations amounted to an estimated US\$190 billion in 1999, but that total giving could double as an additional US\$6 trillion, and perhaps much more, is estimated to flow into the sector over the next 50 years²⁸.

This forecast for growth is derived from planning assumptions related to the current giving patterns of the US baby boom generation's charitable bequests, which are projected to total between US\$6 trillion and US\$25 trillion over the next 50 years²⁹.

It should be noted however, that in the United States, their Federal Government is significantly reducing its role in providing many social goods, leaving the task largely to the not for profit sector and providing tax based incentives to encourage corporate and community investment and involvement.

Current situation

If this trend can be replicated in Australia and specifically in Western Australia, most not-for-profit organisations are simply not ready to meet these challenges. With a limited organisational infrastructure and with management teams consumed by a never-ending search for funding, few not-for-profits³⁰ have time to hone their strategy, improve their effectiveness or pursue sustainability objectives. Nor do they have the incentive or the ability to grow.

The result is a sector dominated by tiny institutions (more than 40 per cent have annual budgets of less than \$100,000) that work in isolation and duplicate efforts.

This unfortunate state of affairs results largely from the funding environment in which not for profits, and especially charitable organisations, must operate. Most donors give money earmarked for specific programs and shun the long-term investments that are required to build the organisation. The sector lacks appropriate performance measures, so donors have difficulty identifying and rewarding the most successful organisations (as would happen in the commercial environment).

²⁷ Registered Gift Recipient

²⁸ Havens JJ & Schervish PG, October 1999, "Millionaires and the Millennium: New Estimates of the Forthcoming Wealth Transfer and the Prospects for a Golden Age of Philanthropy," Boston College

²⁹ *Giving USA 2000*, Indianapolis, Indiana: American Association of Fund Raising Council Trust for Philanthropy, 2000

³⁰ When referring to not-for profit organisations and the charitable sector in this article, the reference is specifically meant to refer to charitable organisations dedicated to the arts, environment, social services and international aid. Reference is not being made to the many hospitals, private schools, foundations and religious organisations that are also, technically, not for profit organisations.

Consequently, successful programs are rarely expanded or replicated elsewhere, while many less effective programs linger on for years. To meet the sustainability challenge of the future, this situation will have to change

The funding environment is one of the culprits

Those who fund them will shape all organisations – for profit or not. Consider the experience of Internet start-ups. Venture capital firms put their indelible mark on companies such as Amazon.com and eBay by providing money, management expertise and incentives. Their recent shift in focus towards profitability has brought on a rash of revised business plans, and many failures, among the dot-coms. By sending signals to other investors, venture capitalists determine who will grow and who will not.

The funding environment has played an equally important role, but with far less productive outcomes. Not for profits typically rely heavily on grants and donations from individuals, corporations, foundations and the government.

It is also true that whilst many do generate revenue from fee-for-service activities, marketing relationships, and other commercial ventures, most lack the steady and sizable revenue stream needed to borrow from banks or to tap into capital markets.

Through necessity, most donors take a project-based rather than an organisation building approach to philanthropy. Both Government and foundations alike make short-term grants for specific projects, not longer-term grants for operating expenses or capital projects. American research shows only 2.2 percent of US foundation grants are designated to improve their recipient's performance.³¹

With the average foundation grant lasting less than three years – and most for only one year – fund-raising is a never-ending distraction to effective performance.

Corporate donors are not much better. They typically give a one-shot, lump sum payment to sponsor a particular exhibit or event. Multi-year donations to support an organisation's operating costs are extremely rare.

Individuals, although often more loyal in their commitments, are also usually reluctant to provide support for general operating expenses, preferring instead that their funds be allocated to direct support of programs. This has helped generate an excessive focus on monitoring the percentage of donations and revenues spent on overhead.

In fact most charitable organisations watch this crude measure of fiscal responsibility much as the profit sector would watch their stock price or government its cashflow. Although it is agreed that minimising overhead is a worthy goal, it is counter productive when it is taken so far as to stifle critical investments, including the introduction of controls, in the organisation.

In summary, it would appear, in general, that all those who provide funding seem to view charitable organisations as a “pass through” vehicle or a “holding zone” for program donations, rather than as lasting institutions that require professional management and infrastructure to be effective.

³¹ Porter M E & Kramer, M R “Philanthropy's new agenda: Creating value”, *Harvard Business Review*, November-December 1999

In fact, foundations, governments and individual donors not only limit the duration of grants but also actively punish success. When a not for profit begins to attract additional funding and to generate new revenue streams, foundations often end their support, arguing that the organization no longer needs it. This makes growth very difficult, if not impossible. Indeed, although most are eager to provide seed capital for innovative new programs, fewer are interested in helping to sustain and build on successes.

Nothing could be more counterproductive. Not for profits are being actively discouraged from investing in badly needed corporate infrastructure, such as IT systems, financial control, staff development processes and adequate management capacity.

Few charitable organisations outside of the community services and health sector have formal mentoring or management-training programs. As a consequence it is often the bright, committed people who have little experience in and/or aptitude for leading others that are promoted to managerial roles. Managers end up spending most of their time on fund raising and can be tempted to “*show me the money*” by adding programs and projects to obtain a particular grant even if it does not fit the organisation’s specific mission or charter.

To make a bad situation worse, the sources of funding are themselves numerous³², with effort expended to get in touch with them time-consuming and inefficient.

With such limited organisational infrastructure and management, it is not surprising that most charitable organisations remain small. In the United States only 18 percent have a budget of USD 1 million or more. In Australia that number is even smaller.

In both nations, in the more recent years, the number of new charitable organisations established has exploded. In the USA, more than 30,000 new charitable organisations are created annually. In Australia, since 1 July 2000, the Australian Taxation Office has endorsed over 40,000 entities as income tax exempt charities.

Although the advantages of this type of enterprise development is readily recognised, as small organisations can allow individual social entrepreneurs to introduce innovative approaches and tailor services to meet local needs, the introduction of incentives that would enable some consolidation to occur and enable the charitable sector access to economies of scale, would be of benefit to the sector and facilitate sustainability for causal programs.

Instead, subscale charitable organisations are now using their limited budgets and staff resources to market themselves to the same donor groups and volunteers, to compete for the same pool of foundation and government grants, to attempt to hire the same people, and ultimately, to reach the mindsets of the same populations. As a result, few charitable organisations today have the scale and organisational ability to tackle the most challenging social, heritage conservation and environmental problems effectively.

³² As an example, between 1980 and 1988 the number of grant-making foundations in the United States doubled to more than 44000. Over the same period in Australia the number grew by more than As a response, both hardcopy and online grant registers have been slowly introduced over the last few years, but the cost to access these services is an administrative expense, which provides a disincentive to charitable institutions who need to scale back this expense type to show effective operational performance to attract donations and endowments.

For the not-for-profit sector to have a greater social impact, donors and foundations as well as governments will have to provide more long-term support, with a focus on building capabilities and showing long term results – or else suffer the consequences.

Each party must recognise that improving performance will inevitably cost money but that such investments will actually improve program outcomes in the long run and facilitate sustainability for causal programs delivered through the not-for-profit sector. All need to be educated to more actively encourage not-for-profits to cooperate with each other and leverage their resources through partnerships or consolidation.

Making the needed investments requires a change of mind-set for many not for profits and their executives, who are often reluctant to take time and money away from current programs in order to make long-term investments³³.

Investments in capacity building produce returns only after several years, an unthinkable and unacceptably long time for most organisations and their donors. But the failure to think long term is at the very heart of why so few not for profit organisations are built to last.

By balancing a reliance on grants and donations with other revenue sources, such as income generated from commercial activities or licensing agreements³⁴, not for profits can circumvent some of the problems created by the funding environment. Minnesota Public Radio, for example, raised more than \$120 million by selling its catalog business to Dayton Hudson.

Other potentially lucrative possibilities include licensing, co-branding partnerships, and cause-related marketing campaigns, such as Avon's Breast Cancer Crusade, in which a corporation donates a portion of sales proceeds to a particular cause. In Australia this approach has been more effective in the sports and health arena than it has in the heritage conservation arena.

Revenue earned from such sources is particularly valuable for charitable organisations, because it can be used for operating expenses and routine capital expenditure that donors are less likely to fund. However, commercial ventures in charitable organisations can be controversial, or indeed, in Australia, not allowed under certain legal and regulatory frameworks.

Even if many of these constraints are removed³⁵, charitable organisations will still need the skill set to strike a careful balance between fulfilling their social mission and pursuing revenue-generating projects. But with this better balance in funding sources, charitable organisations should have more time and resources to invest in themselves.

³³ In 1999 the CEO of the US charitable organisation Share Our Strength decided to create a working-capital reserve that would enable the organisation to undertake research and development, strengthen its staff and seize new opportunities. To effect this direction the CEO had to lobby hard for more than 12 months to sell the idea to the staff, board members and other stakeholders.

³⁴ In the United States roughly 30% of funding for social services, arts, environmental and community organisations comes from program fees and government service contracts, although this figure varies by the type of organisation. In Australia the proportion is much higher, with 46% of funding coming from government grants or as payment for contracted services and another 28.5% from the revenue raised by charging clients for services provided.

³⁵ Adoption of Recommendation 18, *Report of the Charities Definition Inquiry*, Commonwealth Government of Australia, 2002, p 17

Performance management is another culprit

At the root of the funding situation is the absence of clear and effective performance measures for not for profits generally, and for charitable organisations, specifically.

Without measures of social and economic impact, funders and individual donors are reluctant to commit long-term support or to invest in necessary infrastructure. Indeed most not for profits themselves have no way of knowing how effective their operations are currently.

Undoubtedly, it is difficult to determine the individual performance and economic impact of the not-for-profit sector in Australia as data is neither collected centrally nor with agreed methodologies for benchmark comparison.

However it is even more difficult to determine the social impact of most of the not-for-profit sector. Many are addressing problems such as global warming, salinity, declining biodiversity, ethnocentricity and heritage degradation that will take years, sometimes decades, to improve or reverse.

Equally difficult is that even when improvement does occur, it cannot usually be clearly attributed to any single program. The success of an “unemployment to work” labour market transition program for example will depend on job training, subsidised housing and day care and economic conditions that are far beyond a not for profit's reach, such as the level of unemployment and consumer and business confidence.

Whilst social and economic researchers can use regression analysis to estimate the impact of a particular program after years of evaluation and data has been collected, not for profits typically do not have an easy way to monitor a program's impact on a regular basis.

Grant providers and donors in turn typically can't measure the impact of their grants and donations – only the actual delivery of activity. Capturing the right data to track performance adds a further layer of difficulty to the management challenge, because both the organisations and their funders are often unwilling to invest in the necessary systems.

Consequently the not-for-profit sector has resorted to using an ad-hoc assortment of other metrics, such as the number of people served, hectares of bush conserved, percentage of repeat visitors, retained membership or the ratio of such measures to the cost of the program to assess their performance.

These metrics naturally differ by type of organisation, but they also vary across similar programs, making it almost impossible to compare the performance of different organisations and to guide the investments of philanthropists and grant providers.

Moreover, because these metrics focus on processes or inputs, but not outcomes, although they may be reasonable indicators of financial and organisational performance, they are very poor indicators of social, economic, heritage and environmental impact.

This absence of outcome measures also helps to explain the excessive focus of the not for profit sector on monitoring the percentage of donations and revenues spent on overhead.

Performance Summary

Fundamentally, measuring performance in the not-for-profit sector matters for the same reasons as it does in the for-profit and government arenas.

Outcomes provide a signal to organisations and individuals who provide funds on how to channel financial, intellectual and social capital cost effectively.

Without accurate measures of social and economic impact, donors cannot distinguish between the most and least efficient organisations. The result is a fragmented sector in which almost all organisations, regardless of performance are surviving – not thriving.

To fix this situation, performance measures must focus on outcomes and not just on resource inputs, processes (administrative efficiency for example) and/or outputs (the number of people served, financial surplus, profitability).

Measures of organisational competency, strength and stability, such as staff turnover and stakeholder satisfaction are also important. The balanced scorecard approach, which incorporates financial, customer, internal and growth results could clearly offer one useful tool. However it is obvious that much work is needed to develop and refine other approaches to measuring outcomes in the not-for-profit sector.

At the same time results must be more transparent, so that donors and not for profits can compare performance across organisations. Traditionally and legally, financial records and other indicators of results are available only by written request and at the discretion of the organisation, as there is no legal mandate to provide this information unless the organisation is an incorporated company.

Encouragement by government of grant funding processes that support the development of appropriate and transparent performance measures for the not for profit sector will help facilitate the emergence of a true marketplace for philanthropic funds, capable of channeling funds and talent to the most effective organisations in an efficient way.

To this end the Internet is already having a dramatic impact on the sector by increasing transparency. For example, the World Wide Web site (www.guidestar.org) now posts copies of the Internal Revenue Service Form 990s filed by 20,000 public charities and foundations in the United States and allows users to compare information across organisations.

The encouragement by Governments in multilateral forums to advocate the development of a similar information site for the Australian not-for-profit sector would help to develop enhanced transparency within the Western Australian sector – a vital step in any transition towards sustainable development.

