



# **Cemeteries & Crematoria Association of NSW**

Feedback in relation to the

**Australian Capital Territory**

**ICRC Issues Paper - Public Crematorium Services: Competitive Neutrality**

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## Cemeteries and Crematoria Association of NSW (CCANSW) feedback re the **Independent Competition and Regulatory Commission (ICRC) Issues Paper**

The Cemeteries and Crematoria Association of NSW (CCANSW) fully supports the:

- application of competitive neutrality principles
- need to ensure transparency in pricing of cemetery, crematoria and funeral directors' services.

In that context, based on our experiences in NSW and awareness of industry operations nationally, feedback is provided in relation to a number of the questions raised in the Review.

### **1. Do you wish to make any comments on the Commission's description of the cemetery and crematorium services market characteristics and the operation of the industry? Are there any other features of the market that the Commission should be aware of**

Whilst the statement, "*Crematorium services include the actual cremation process, which requires a cremator, a building in which to house the cremator, and associated transport and other equipment.*" (Section 3.1 page 10) is broadly accurate, not all operators provide transport facilities.

Furthermore, the subsequent section is not aligned with recent industry start up crematoria operations, nor the majority of NSW cemetery operations:

*"Crematoria usually offer additional services and products for the bereaved, including:*

- a range of interment plots for cremated remains (ashes)*
- memorial halls or chapels for funeral or remembrance services*
- rooms in which functions can be held immediately after the service as well as facilities for visiting clergymen and funeral directors, and lounges for the bereaved*
- memorialisation products, such as headstones, plaques, mausoleums, urns, and other products*
- maintenance in perpetuity (forever) of the crematoria site"*

The expression crematoria site, of itself, is ambiguous. The crematorium i.e. the furnace area, does not need perpetual maintenance but some other parts of the overall site will e.g. perpetual cremation memorialisation... if indeed there are facilities other than a cremator furnace.

In NSW within the last decade, the establishment of new crematoria has been by private enterprise operators. For the most part those facilities may be described as stand-alone furnace (cremator) installations, often within factory estates.

As such they are what might be described as bodily disposition facilities, which allow their operators (usually funeral directors) to diminish the number of cremations occurring in already established crematoria. Often the new cremator operator will have other facilities elsewhere e.g. a funeral chapel, possibly with refreshment facilities. It would be most unusual for them to also offer cremated remains interment (cremation memorialisation)

Of particular note is the inclusion of mausoleums, which is a very different offering not specific to crematoriums per se. Whilst some mausoleums do offer a form of cremation memorialisation, they are predominantly provided for the interment of bodily remains in above ground crypts.

The existing crematorium in the ACT is in many ways quite different to what is on offer in NSW. Norwood Park has cremation facilities, chapel facilities, and cremation memorialisation. It does not inter bodily remains within its grounds.

In contrast the public cemeteries, administered by the ACT Public Cemeteries Authority, inter both bodily and cremated remains and incurs the related perpetual maintenance liability. Its pricing of cremation memorialisation is transparent and not bundled in with a cremation offering.

Australia wide, whilst all public cemeteries that we are aware of offer cremation memorialisation, only a minority have a cremator. From a transparency perspective CCANSW would advocate that fees for the actual cremation of bodily remains are scheduled transparently, distinct from cremation memorialisation. That differentiation is consistent with industry best practice.

**2. Do you have any comments on the overall approach the Commission has proposed to develop detailed pricing principles? Are there other broad pricing principles that the Commission should consider?**

CCANSW endorses the principle outlined on Page 12 *“To ensure competitive neutrality, the prices charged by Canberra Cemeteries for crematorium and related services must recover the full costs incurred in providing those services.”*

In that context, a critical element is what is included in *“full costs”*. Canberra Cemeteries, like other cemeteries nationally, already provides for cremation memorialisation. Consequently the related memorialisation costs are distinct from the actual costs of establishing and operating a crematorium.

For consistency, the act of cremation should be treated as a distinct business activity. It is separate from the use of related services e.g. chapels and refreshment facilities and also from memorialisation services. Bundling fees together makes it more difficult for client families to compare prices and diminishes transparency.

The following statement on page 11 of the Issues Paper:

*“Generally, a bundled one-off fee is charged by a cemetery or crematorium for the purchase of a burial/interment spot, the burial/cremation and interment, contribution to the long-term maintenance of the cemetery or crematorium, and contribution to the long-term maintenance of graves/monuments/memorials”*

incorrectly conveys the impression that the perpetual maintenance of monuments is a cemetery responsibility. That is not the case. Maintenance of monuments is ultimately the responsibility of the holder of the interment right (usually the family), not the cemetery.

**3. Has the Commission identified the full costs that are likely to be incurred in operating a crematorium facility? Are there other costs or cost categories that should be included?**

Understandably the Commission is seeking to identify any competitive advantages that Canberra Cemeteries may have in relation to the provision of cremation services. In that context, compared to other providers, it also has competitive disadvantages associated with the ongoing operation of its cemeteries... not just the cremation memorial sections within them.

All cemetery interment offerings need to include a fee component not only to cover the direct costs associated with the cremation memorialisation interment spaces, plaques etc., but also:

- as a contribution towards perpetual maintenance and
- subsidising the resources necessary to facilitate community genealogical enquiries.

For comparative pricing purposes a case can be made to exclude the costs of associated facilities e.g. chapels, because they are not a necessity for cremation. Chapels should be costed and charged for in their own right as should memorialisation services.

The listing on page 12 of the Issues Paper includes a variety of costs associated with a cremation facility as distinct from a purpose built crematorium. Items such as:

- costs of purchasing memorialisation products, such as plaques and urns, for sale at the facility; and
- costs of purchasing consumables such as flowers and refreshments, used for ceremonies and memorial services,

are not direct cremation costs. Those elements are associated with the quite separate functionality of funeral service delivery and cremation memorialisation.

#### **4. Do you have any suggestions on how shared costs and overheads could be allocated to ensure competitive neutrality?**

Whilst a public crematorium facility may be able to source some inputs at a lower price than the private sector, there are inputs where the bulk purchasing power of a private operator may generate a competitive advantage. Similarly the public facility is likely to have reporting requirements and responsibilities to service the broader community, not just direct clients.

Where the competing private crematorium is part of a larger entity e.g. Propel or InvoCare, arguably those organisations already have the in-house legal, accounting and marketing expertise on tap or established consultants to efficiently service their needs. In those circumstances they have a competitive advantage compared to the overarching public sector, which may lack the industry technical expertise to cost effectively service their requirements.

Those entities also have the distinct competitive advantage due to their vertical integration, whereby, as funeral directors as well as crematoria operators, they are usually the first point of call by a bereaved family. In those circumstances they are likely to also be able to promote their own cremation service. They may also be able to market pre-need to their historic data bases.

Where a public crematorium is being established, it is possible to identify the direct costs associated with establishing the cremator facility and its specific infrastructure. The operator should also be able to identify the attributable variable costs incurred as a direct result of the activity.

#### **7. Do you have any comments on the most appropriate approach to ensuring that prices for goods and services not directly related to core crematorium services (such as memorialisation products) are consistent with competitive neutrality policy?**

The pricing of funeral services, refreshments and cremation memorialisation should be kept separate from the fee for the actual cremation. Bundling fees together makes it more difficult for client families to compare prices and diminishes transparency.

That approach is consistent with the recently published IPART REVIEW OF THE COSTS AND PRICING OF INTERMENT IN NSW. It is recommending:

- *“Increased competition by comparison (publishing comparable information in an accessible way) for greater choice and affordability for consumers*
- *Assistance to cemetery operators in the form of a pricing tool to understand the full extent of costs over the life cycle of a cemetery and price accordingly*
- *Cemeteries may offer similar services for different prices where underlying costs are different (e.g., where cultural or religious requirements impose additional costs); but any difference in prices should be justified transparently with reference to costs.”*

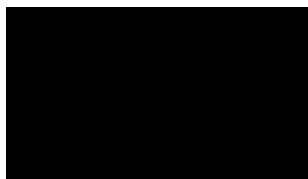
In its interim findings IPART also noted that *“The market for cremation and ashes interment is workably competitive.”* This Association is unaware of any impediments operating within the market in the ACT that would result in it being less competitive than the NSW market.

**8. Do you have any other comments or information you would like to give the Commission to assist it in ensuring that the private crematorium facility will operate in a manner that is consistent with competitive neutrality?**

Regardless of whether it is a private or public crematorium the prices for cremation should be transparently separated from the prices for:

- utilisation of related facilities e.g. chapels and function facilities / refreshments
- the interment right /deed for a position for the placement of the cremated remains
- cremation memorialisation e.g. the plaque or monument.

Traditionally within the NSW industry, pricing is presented with transparent separation between the cost of the actual cremation and the subsequent memorialisation.



Cemeteries & Crematoria Association of NSW.