

21/02/2020

Independent Competition and Regularity Commission
PO Box 161
Civic Square ACT 2608

By online submission: www.icrc.act.gov.au

**Submission on: ICRC Issues paper –
Public Crematorium Services: Competitive Neutrality**

Dear Sir/Madam

InvoCare Limited

Thank you for giving us this opportunity to review and respond to the Issues Paper – Public Crematorium Services: Competitive Neutrality (**Issues Paper**) in respect to the Commission developing detailed pricing principles for the proposed ACT public crematorium at Gungahlin Cemetery, ACT. This submission is made by InvoCare Limited (**InvoCare** or **IVC**), the largest private provider of funeral services and cemeteries and crematoria in Australia, in respect of the Issues Paper. Capitalised terms used in this letter which are defined in the Issues Paper have the meaning given to them in the Issues Paper.

The issues paper has set out eight questions for the review by external stakeholders. InvoCare has listed its comments / submissions to these questions below:

Issues Paper: Section 3

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?

IVC Response: InvoCare is satisfied with the Commission's description of the cemetery and crematorium services market characteristics and the operation of the industry.

Issues Paper: Section 4

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?

IVC Response: InvoCare sees no issues with the Commission developing detailed pricing principles for the ACT public crematoriums. InvoCare believe any attempt to control pricing for private cemetery and crematorium operators would be difficult and counter-productive in that it:

- cannot adequately allow for the wide-ranging interment rights products;
- would inhibit the flexibility for an operator to offer interment rights, products and pricing best suited for its targeted community/customers and which are more cost effective; and
- interferes with genuine competition achieved through price transparency.

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?*

IVC Response: InvoCare believes that the Commission has adequately identified operational and capital costs associated with a crematorium facility. InvoCare agrees with the view of the Commission that prices should recover the full costs of providing crematorium services. In addition, InvoCare propose that prices should cover value-add memorial services.

IVC believes that the proposal that prices should just cover the listed operational and capital costs is not sufficient to operate a modern cemetery and crematorium. Additional profit margins will be required to be able to meet the changing and demanding needs of the consumer for new and innovative interment products, culturally specific interment products, modern chapels for services on site, and high quality technology to live stream services to other parts of Australia and countries across the world. These are just a few of the current value-add expectations from consumers from a modern cemetery and crematorium.

Depending on the circumstances of the operator, a portion of the margin should also be able to fund a perpetual care fund that will ensure the cemetery and crematorium is maintained once at capacity. However, as noted, this does depend on the circumstances of the operator, which vary from operator to operator. For example, a single operator of a cemetery and crematorium will rely upon that cemetery and crematorium as its sole source of income. Other operators, such as InvoCare, have numerous cemeteries and crematoria and therefore the “completion” of one cemetery and crematorium will not mean that the relevant operator is no longer viable and earning income. We note that Canberra Cemeteries currently operates three cemeteries.

To this end, a further consideration for the Commission and Canberra Cemeteries is whether the proposed crematorium at Gungahlin cemetery provides Canberra Cemeteries with a further source of income from which perpetual maintenance may be funded.

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

IVC Response: In terms of how costs and overheads of a Public Cemetery and Crematorium could be shared, InvoCare has no comments. This is not within the scope of our expertise and, accordingly, we cannot comment on this issue.

InvoCare does very strongly believe competitive neutrality is key for attracting private enterprises into the ACT to invest and operate in cemeteries and crematoriums without being disadvantaged by a government enterprise as a competitor. It is also a catalyst for the government to ensure it operates efficiently whilst providing essential and innovative services to the community and is financially viable as a stand-alone business.

5. *Do you have any views on the commercial rate of return on investment by a private crematorium facility?*

IVC Response: The rate of return on investment from the InvoCare-owned crematorium is commercial in confidence and InvoCare is not willing to disclose this information.

6. Do you have any comments on whether competitive neutrality is likely to be satisfied in regard to borrowing costs, tax and tax-equivalent payments, and regulation?

IVC Response: InvoCare has no comments on this question.

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?

IVC Response: Private cemetery and crematorium operators (such as InvoCare) need to balance the need to provide essential cremation and interment services to the communities they service in an affordable manner and to fulfil their obligations to their shareholders as well. Like any commodity, as availability decreases the upward pressure on prices increases. In our opinion, affordability of memorialisation products is best achieved through a combination of:

- increasing available land and the approval process to greenfield cemetery and crematorium developments. This 'barrier to entry' can be substantially reduced by state/territory government regulation; and
- encouragement of renewable tenure, or even subject to genuine religious beliefs, compulsory renewal after 99 years (or such other time period) or a levy on perpetual tenure (or on terms beyond 99 years or such other time period).

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?

IVC Response: InvoCare is the largest private operator of cemeteries and crematoria in Australia having provided 24,000 cremations and burials services in communities in NSW and QLD in 2019 from the 14 IVC cemeteries and memorial parks. InvoCare believe that it operates in a manner that is consistent with competitive neutrality policy. On the issue of a 'level playing field' among private operators, InvoCare does not believe private operators should pay a levy/tax and or other financial imposition to which a government enterprise is not subject, in order to fund the operations of cemetery and crematoria. If a levy/tax is imposed on a private operator it would place upward pressure on prices which would have the opposite effect of making interments and memorialisation more affordable.

Thank you for the opportunity to provide our comments. If you would like any explanation or assistance, please do not hesitate to contact us.