



ICRC

independent competition and regulatory commission

MEDIA RELEASE

COMMISSION RELEASES DRAFT REPORT ON PUBLIC CREMATORIUM COMPETITIVE NEUTRALITY

The ACT Independent Competition and Regulatory Commission today released a draft report that contains draft pricing principles to help Canberra Cemeteries develop prices for its proposed crematorium that are competitively neutral. Competitive neutrality means that public businesses compete on a level playing field with private operators and do not receive an advantage purely as a result of their government ownership.

The ACT Government has asked the Commission to develop the pricing principles ahead of Canberra Cemeteries developing prices and a costing methodology for the proposed crematorium later this year.

The prices developed by Canberra Cemeteries will be assessed by the Commission for compliance with the pricing principles and the ACT Competitive Neutrality Policy.

In developing the draft report, the Commission has examined the activities associated with providing crematorium services by Canberra Cemeteries to ensure that the draft advice is appropriately tailored for achieving competitive neutrality.

The draft report also provides guidance to Canberra Cemeteries on how it can develop its pricing proposal and demonstrate compliance with the ACT Competitive Neutrality Policy.

In preparing the draft report the Commission has been assisted by industry bodies, private operators, funeral directors and Canberra Cemeteries.

The Commission is inviting interested stakeholders to provide their views on the draft report by Thursday 16 April.

The Commission will provide its final report and advice to the Treasurer and the Minister for City Services by 31 May 2020.

ENDS

For media enquiries, please contact the Commission on 02 6205 0799 or email:
icrc@act.gov.au

The draft report is available on the Commission's website at www.icrc.act.gov.au or can be obtained by contacting the Commission on (02) 6205 0799 or via email at icrc@act.gov.au.

Attachment A: List of draft pricing principles

Draft pricing principle 1: Prices should recover the full costs of providing crematorium services. This includes direct costs associated with the crematorium and a portion of relevant costs that are shared between the crematorium and cemetery.

Draft pricing principle 1.1: The costing methodology to be developed by Canberra Cemeteries and used to set prices should accurately identify and quantify all the costs of supplying services by the public crematorium facility.

Draft pricing principle 1.2: Canberra Cemeteries should demonstrate that inputs are sourced (a) through a competitive tender process or open marketplace or (b) at prices comparable to market rates that would be paid by a similar private crematorium operator.

Draft pricing principle 1.3: The prices charged by the public crematorium should recover the costs of land, including land holding costs.

Draft pricing principle 1.4: The price of memorialisation goods and services should at least recover their costs of supply and any other directly attributable costs. These prices may also include a contribution to shared costs and a commercial profit margin.

Draft pricing principle 1.5: The price of interring cremated remains should recover the associated perpetuity maintenance costs.

Draft pricing principle 2: Shared costs and overheads should be appropriately attributed.

Draft pricing principle 2.1: Canberra Cemeteries should employ an appropriate allocation methodology to assign shared costs to the crematorium facility. An activity-based allocation method or method based on appropriate cost drivers is likely to be a pragmatic and appropriate cost allocation method.

Draft pricing principle 2.2: The crematorium facility's accounts should be ring fenced from the accounts of the cemetery operations.

Draft pricing principle 3: The prices charged by the public crematorium should recover the costs of financing its investments in capital assets, including both an appropriate commercial rate of return that includes an appropriate risk allowance and an appropriate allowance for depreciation.

Draft pricing principle 3.1: The prices charged by the public crematorium should generate an appropriate rate of return on retained earnings used to fund the construction of the crematorium.

Draft pricing principle 3.2: The prices charged by the public crematorium should recover a commercial rate of interest on any borrowings. If the public crematorium operator receives any interest rate concessions as a result of its public ownership, prices must include an allowance to offset the financial savings from any such concessions.

Draft pricing principle 3.3: The prices charged by the public crematorium should allow for an appropriate rate of return on any equity provided by the ACT Government as its shareholder.

Draft pricing principle 3.4: Prices charged by the public crematorium should, over time, recover depreciation of capital assets. Depreciation allowances should be consistent with generally accepted accounting principles and based on appropriate asset lives.

Draft pricing principle 4: The prices charged by the public crematorium operator must recover all Commonwealth and Territory taxes that a private operator, in the same position, would face.

Draft pricing principle 4.1: The prices charged by the public crematorium should include an allowance that is equivalent to the company tax that would be paid by a private operator in the same position.

Draft pricing principle 5: The public crematorium operator must comply with the same regulations that apply to its private sector counterparts.