

REVIEW OF COMPETITION, COSTS AND PRICING IN THE NSW FUNERAL INDUSTRY



Draft Report

April 2021

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Tribunal Members

The Tribunal members for this review are:

Ms Deborah Cope, Acting Chair
Ms Sandra Gamble
Mr Mike Smart

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Invitation for submissions

IPART invites written comment on this document and encourages all interested parties to provide submissions addressing the matters discussed.

Submissions are due by 14 May 2021.

We would prefer to receive them electronically via our [online submission form](#).

You can also send comments by mail to:

Funerals Review
Independent Pricing and Regulatory Tribunal
PO Box K35
Haymarket Post Shop, Sydney NSW 1240

Late submissions may not be accepted at the discretion of the Tribunal. Our normal practice is to make submissions publicly available on our [website](#) as soon as possible after the closing date for submissions. If you wish to view copies of submissions but do not have access to the website, you can make alternative arrangements by telephoning one of the staff members listed above.

We may choose not to publish a submission - for example, if it contains confidential or commercially sensitive information. If your submission contains information that you do not wish to be publicly disclosed, please indicate this clearly at the time of making the submission. However, it could be disclosed under the *Government Information (Public Access) Act 2009* (NSW) or the *Independent Pricing and Regulatory Tribunal Act 1992* (NSW), or where otherwise required by law.

If you would like further information on making a submission, IPART's submission policy is available on our website.

IPART has made draft recommendations to help people make choices about organising funerals in NSW

We want people to be able to make informed choices about the kind of funeral they want at a price they can afford.

There is no doubt that organising a funeral is unlike most consumer decisions. People organise funerals infrequently, within a short timeframe, during what can be a stressful and emotional time. Because death is a sensitive topic, people can be reluctant or unwilling to obtain quotes, compare funeral providers or request discounts as they might with other occasional high-value purchases.

Most people are satisfied with the funerals they purchase, and formal complaints are few. However, people told us that the process of organising a funeral can be confusing, and that more information would help. We reviewed funeral provider websites and found that many are not providing all the information they are legally required to display. We also reviewed Government websites with information about organising funerals and found opportunities for information to be presented more clearly and more consistently.

Some people, both consumers and industry stakeholders, called for more regulation of the industry. However, in our view, the current level of regulation – which focuses on providing information – allows for consumers to find the best outcomes for themselves.

We recommend that NSW Fair Trading act to ensure all funeral providers comply with the existing regulation, so that the full benefit for consumers can be realised. We also recommend complementary improvements to funeral information on Government websites, so that information is comprehensive, consistent and accessible.

We also looked for signs that might indicate that there is not enough competition between funeral providers, leading to poorer outcomes for consumers. We investigated costs of funeral providers and how prices for consumers relate to those costs, and we investigated the range of choices available, in terms of providers, products, prices and business models.

We found that most people in NSW have access to a choice of funeral providers and a range of funeral services that meet their needs and are affordable.

We also looked at ways to pay for a funeral, where serious issues have been raised in the past about consumers being misled into buying products that do not suit them. We found that changes made as a result of the Banking Royal Commission are likely to address these concerns, and should be supported by education and information.

Draft Recommendations

- 1 That NSW Government agencies publishing information about organising funerals optimise their websites for search engines, to enable information to be readily found by consumers doing internet searches.
- 2 That the NSW Government's Life events webpage be made the primary site for comprehensive information about the process after a death occurs, with other websites linking the relevant sections of the process.
- 3 That NSW Fair Trading develop a consumer guide that:
 - encourages consumers to contact more than one funeral provider, or view the price lists of funeral websites, before agreeing to transfer the person who has died into the care of a funeral provider
 - includes a checklist and questions to ask funeral providers to assist consumers quickly obtain more than one quote (we have prepared an example of what could be included [here](#))
 - includes information about the legal requirements of conducting a funeral without the assistance of a funeral provider, as well as any forms required (e.g. the form to register the death and the form to apply for shrouded burials).

The consumer guide should be published on the NSW Government's Life events webpage and could also be provided at hospitals, aged care homes or social services organisations.

- 4 That NSW Health, and Births Deaths and Marriages NSW update relevant forms such as authority to collect deceased, or the registration of death, to allow families to complete and submit them electronically, and without the assistance of a funeral provider.
- 5 That, to improve compliance with the funeral information standard, NSW Fair Trading amend its website and FAQ information about the standard to:
 - provide examples of what constitutes 'prominent display'
 - clarify what constitutes a public website for the purposes of the standard
 - include a definition of the 'least expensive funeral package' to clarify that it is an estimate of the total minimum price for the least expensive combination of products a funeral provider offers to customers, whether or not the funeral provider defines that combination of products as a 'package'.
- 6 That NSW Fair Trading start the process for amending the funeral information standard to
 - require all funeral providers to publish:
 - a. the price of their professional services fee.
 - b. the price of the least expensive funeral package that includes a funeral service, for the burial or cremation of a body, if supplied by the funeral provider.

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- clarify that funeral providers are required to publish funeral information on any public website maintained by the funeral provider, and include a link to the funeral information on any social media account maintained by the funeral provider. If the funeral provider does not have a public website but has a social media account, it must publish the funeral information on each social media account.
 - include a definition of the ‘least expensive funeral package’ to clarify that it is an estimate of the total minimum price for the least expensive combination of products a funeral provider offers to customers, whether or not the funeral provider defines that combination of products as a ‘package’.
- 7 That, to improve compliance with the funeral information standard, NSW Fair Trading continue to audit websites and commence enforcement action for non-compliance.
 - 8 That NSW Health remove from the Public Health Regulation any provisions regarding body disposition that they consider unnecessary to protect human health when the regulation is reviewed prior to statutory repeal.
 - 9 That NSW Government websites with funeral information include information about (or links to Commonwealth information about) enhanced financial regulation, and consumer rights and responsibilities with respect to funeral financial products.
 - 10 That NSW Fair Trading prioritise consumer education about funeral insurance and funeral products, including the existing ‘It’s ok to walk away’ campaign with Aboriginal consumers.

Draft Findings

- 1 That NSW funeral markets are workably competitive.
- 2 That the NSW crematoria market is workably competitive.

Terminology used in this report

The terminology around funerals can be confusing, with the same word used in different ways. For the purposes of this report, here are the definitions we have used:

- ▼ In this report, a **funeral** is any combination of activities that occur after a person’s death to commemorate their life, record their death and dispose of their body. Often people use the word “funeral” to mean a ceremony that commemorates someone’s life, but a funeral does not have to include a ceremony – indeed, the market for “no service no attendance” funerals is growing – and many tasks associated with a funeral must occur whether or not there is a ceremony.
- ▼ The ceremony that may occur as part of a funeral is also commonly called a service, particularly by the funeral industry. In this report we call the ceremony a **funeral service**, to distinguish it from other services performed by funeral providers, such as organising mortuary care, transporting a body, arranging for a death to be registered and so on.

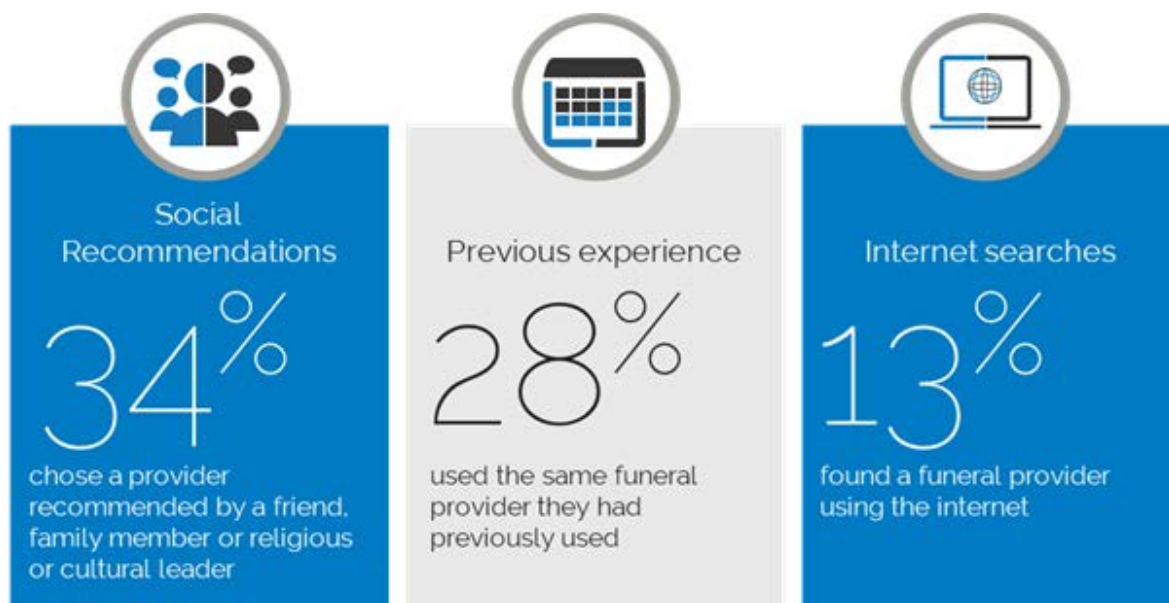
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- ▼ This report uses **funeral provider** to mean a person or company who organises any or all of the products and services associated with a funeral. Funeral director is a more commonly used term for this occupation, but we have used a broader term to capture the range of different business models for organising funerals.
 - ▼ This report uses **funeral package** to describe a prescribed set of products and services offered for a bundled price by a funeral provider. Some funeral providers offer these bundled packages, sometime at a discount to the itemised prices of the components.

What consumers told us about organising a funeral

We used the NSW Government 'Have Your Say' website to find out about people's experiences organising funerals in NSW. We received 111 survey responses.

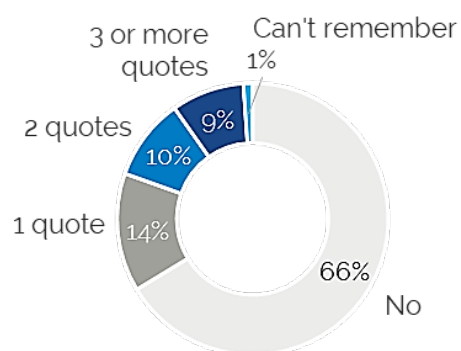


1. How do people find a funeral provider?

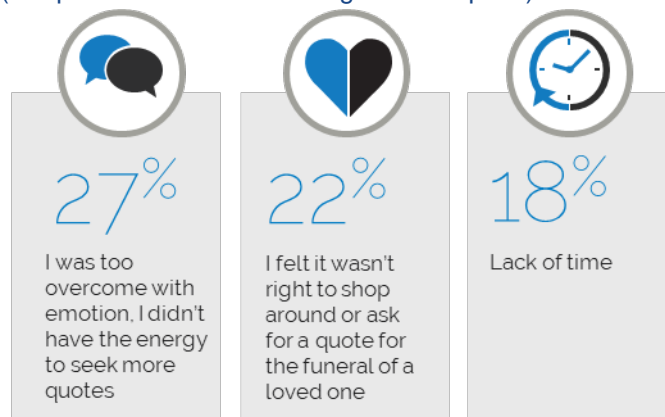


2. Comparing quotes

Did you get a quote before choosing a funeral provider?

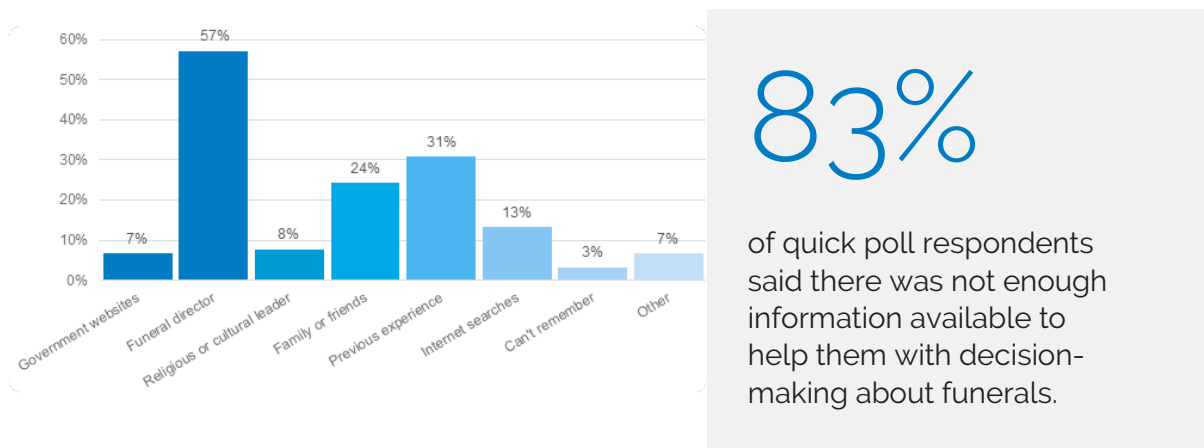


What prevented you from getting more quotes? (Responses from those who got 0 or 1 quote)



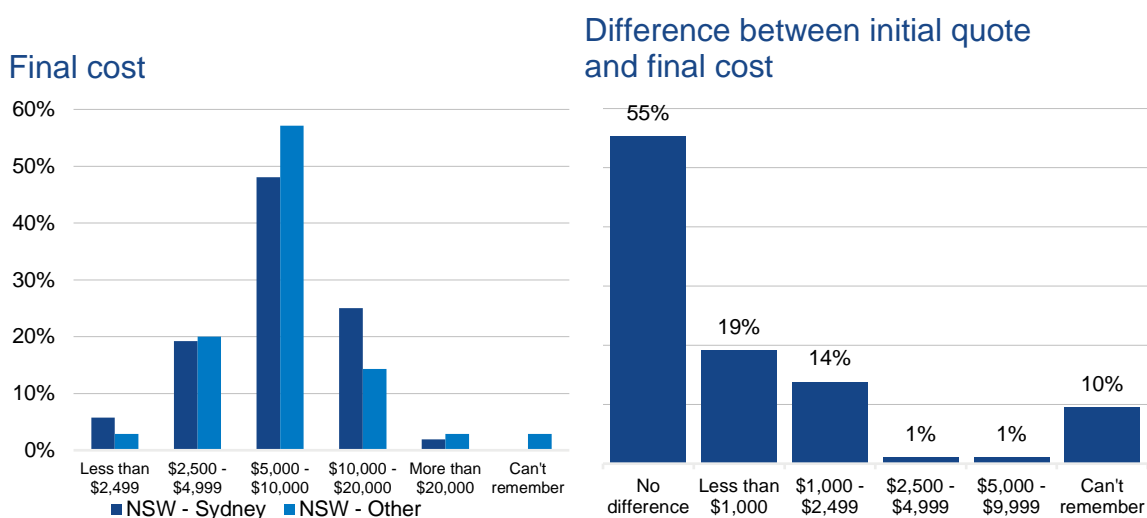
3. Information used

A majority of survey respondents said that they used information from the funeral provider to help organise a funeral. Some respondents used information from other sources as well.



4. Price and Payment

The median price range of funerals (both within Sydney and the rest of NSW) as reported by survey respondents was \$5,000-\$10,000, consistent with our research in the issues paper¹ that indicated both median and average prices within that range.

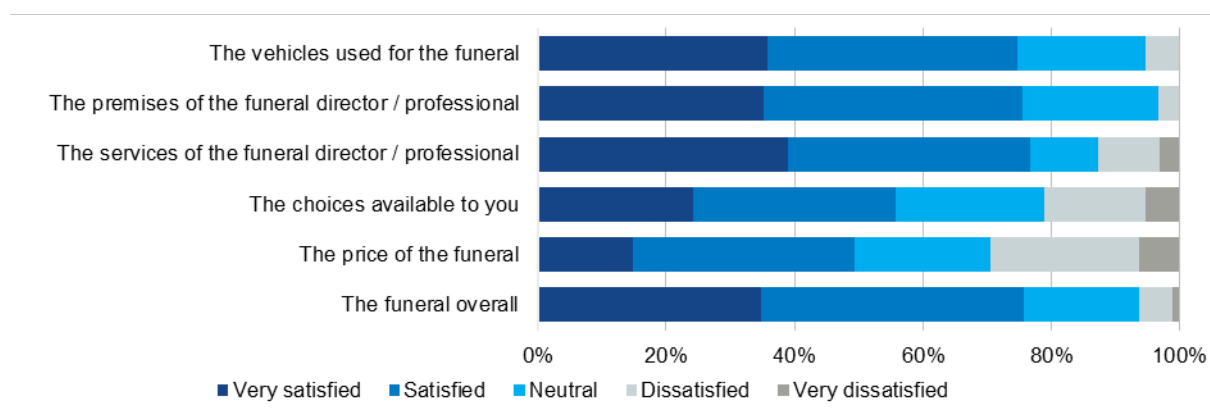


¹ When researching for the issues paper we presented the typical price of a traditional funeral with cremation in Australia as \$7320 as reported by [GatheredHere](#), 10 March 2017.

Personal savings were used to make payments in 46% of funerals and money from the estate contributed to payments in 33% of funerals. Personal credit or money borrowed from family or friends was used in 11% of funeral payments.

5. Satisfaction

We asked people how satisfied they were with different elements of the funeral including choices, services of the funeral provider, premises, vehicles, price and the funeral overall.



Government website information



Finding Government websites

Using search terms such as **'funeral'**, **'organising funerals'**, **'how to organise a funeral'** or even **'organising a funeral in NSW'** only returns 1 Government website (Service NSW) on the first 3 pages of Google

We found 6 NSW Government websites about what to do when someone dies

- ▼ Cemeteries and Crematoria NSW
- ▼ Department of Communities and Justice
- ▼ NSW Fair Trading
- ▼ NSW Government
- ▼ Service NSW
- ▼ Clinical excellence commission – Last days of life factsheets

Much of the information assumes the use of a funeral provider early in the process, and does not prompt the family to consider other options or seek quotes.

None of the Government websites we reviewed encouraged people to compare funeral services and prices (including NSW Fair Trading which does recommend this for other purchases).

Some of the information was out of date or conflicting. The advice about 'first steps' differs between the Department of Communities and Justice, NSW Fair Trading, Service NSW and NSW life events pages.

Funeral provider website information

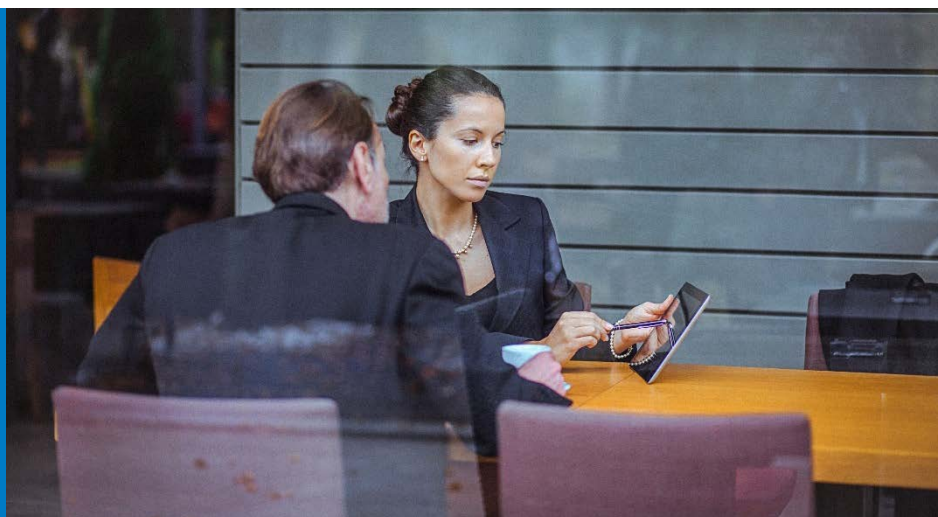
The funeral information standard requires funeral providers in NSW to prominently display an itemised price list on their website and at their place of business. There are around 250 funeral providers in NSW. Most funeral providers in NSW have a website, a Facebook page, or both.

The funeral information standard has improved transparency for consumers, enabling them to compare alternatives in the short time available to arrange a funeral. However, only around two thirds of funeral providers are currently displaying any prices on their website.

For more detail on our findings, see our [information paper on consumer issues](#).

65%

of funeral providers
have at least some
pricing information
on their website



Our recommendations to make comparing funerals easier for consumers

We are recommending some changes to the funeral information standard to ensure that all funeral providers understand what information they are legally required to publish. These changes include:

- ▼ NSW Fair Trading to update its website and FAQ information about the standard to:
 - explain, with examples how funeral providers should ‘prominently display’ funeral information
 - clarify that funeral providers should publish funeral information on their Facebook (and other social media) pages if they don’t already publish this information on a public website
 - make it clear that the ‘least expensive funeral package’ means the **least expensive combination of products** a funeral provider offers to customers.

We are also recommending some changes to the funeral information standard to make it easier for consumers to compare funerals, including:

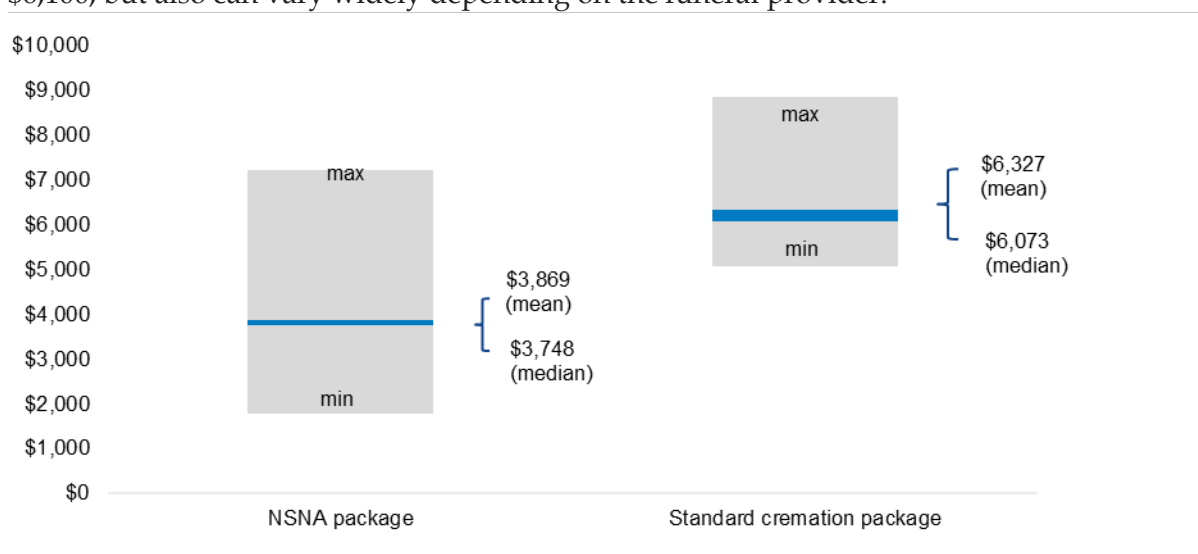
- ▼ That NSW Fair Trading change the funeral information standard to require all funeral providers to publish:
 - the price of their professional services fee
 - the price of the least expensive combination of products that includes a service, if they offer funerals with a service.

Funeral prices vary, reflecting a wide range of choice

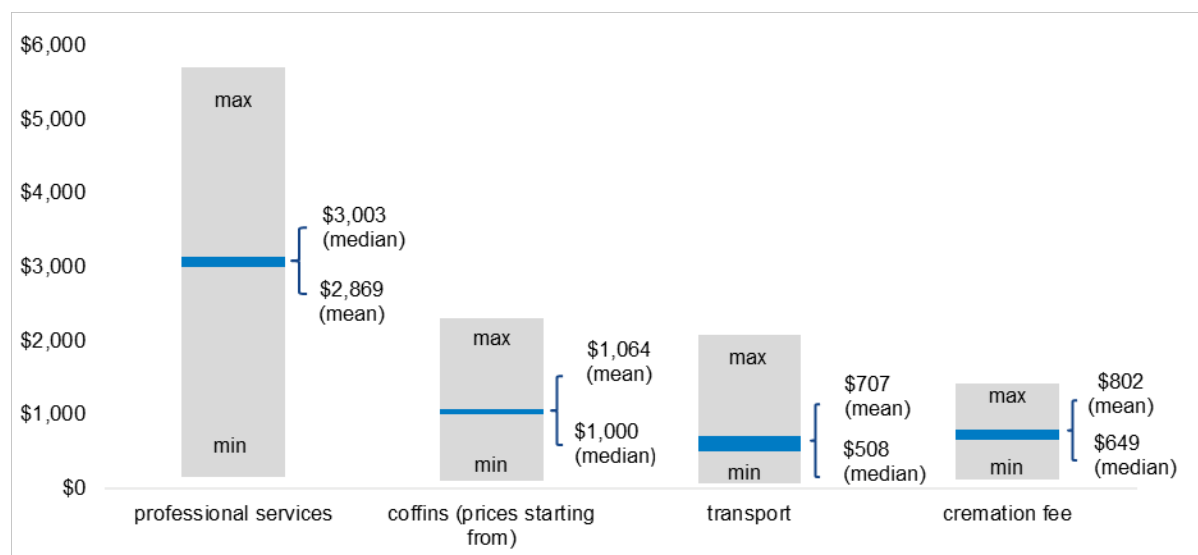
Most funeral providers offer a range of funerals with different price points. These include No Service No Attendance (NSNA) funerals, funerals with a funeral service and premium funerals. Consumers can purchase a funeral that meets their needs, at a price they can afford, by comparing the range of options available.

<p>No Service No Attendance cremation or burial</p> <p>The funeral provider organises for the body to be prepared and placed in a coffin, to be transported to cremation or burial, and does the required legal paperwork, without a ceremony. Mourners do not attend any stage of the process.</p>	<p>Funeral with a funeral service</p> <p>The funeral provider does the legal paperwork, and organises for the body to be prepared and placed in a coffin, transported to the place of a funeral ceremony, and to the cremation or burial. They may also organise newspaper notices, viewing of the body, flowers, stationery, audio visual presentations, transport for mourners to the ceremony, and catering after the ceremony.</p>	<p>Premium funeral</p> <p>A funeral with a service that includes most of the optional inclusions, and/or the inclusions are higher priced, and/or there are multiple viewings or multiple funeral services (e.g. in a chapel and at graveside).</p>
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We found that typically an NSNA cremation is around \$3,750, but can range from less than \$2,000 to around \$7,000. A standard cremation with ceremony package is typically around \$6,100, but also can vary widely depending on the funeral provider.



The most expensive items in a funeral are usually the professional services fee (which is typically around \$3,000), and the coffin (which typically starts from around \$1,000). Transport of the body and the cremation fee (if applicable) also make up a large proportion of the total price.



For more information on our analysis of funeral prices, please see our [Information Paper on Funeral Prices](#).

What we found about the costs of doing business for funeral providers

To get a better understanding of what drives the costs of a funeral, we investigated the costs of doing business for funeral providers. We also assessed whether the prices of funerals reflect the costs of providing funerals, and found that prices are likely to reflect costs.

Funeral providers typically undertake some or all of the following services

- ▼ collect, transport and care for the body, including embalming if requested
- ▼ supply a coffin or casket
- ▼ organise cremation or organise purchase of a burial plot and arrange for burial
- ▼ arrange the venue, date and time of a funeral service, and a celebrant to undertake it
- ▼ arrange floral tributes, newspaper notices, funeral stationery, audio-visual presentations
- ▼ complete registration of death and other legal paperwork.

Funeral providers may do all these tasks themselves, or may use external providers for some tasks. The customer may do some or all of these activities themselves if they wish.

The “traditional” model of a funeral provider has business premises. The premises are likely to include a place the funeral provider meets customers, as well as a mortuary where bodies are prepared and placed in coffins. Business premises may also include a chapel or other space where funeral services can be held. Traditional funeral providers also usually own one or more hearses and one or more other vehicles for transporting bodies.

The “mobile” model of a funeral provider may not involve business premises at all. The funeral provider may only meet customers in their homes, may contract body transfer services from a company that specialises in that service, contract body preparation services from an independent mortuary, and organise funeral ceremonies in third party venues.

Organising and conducting a funeral takes around 28 hours

- ▼ Funeral providers estimated that a single service cremation funeral with a viewing takes about 28 hours labour on average (with a range from 15 to 43 hours).
- ▼ Industry research group IBISWorld estimates that 34% of the costs of a funeral are labour-related, the largest cost category.
- ▼ Funeral providers reported that the cheapest available coffin they purchased was between \$250 and \$995.

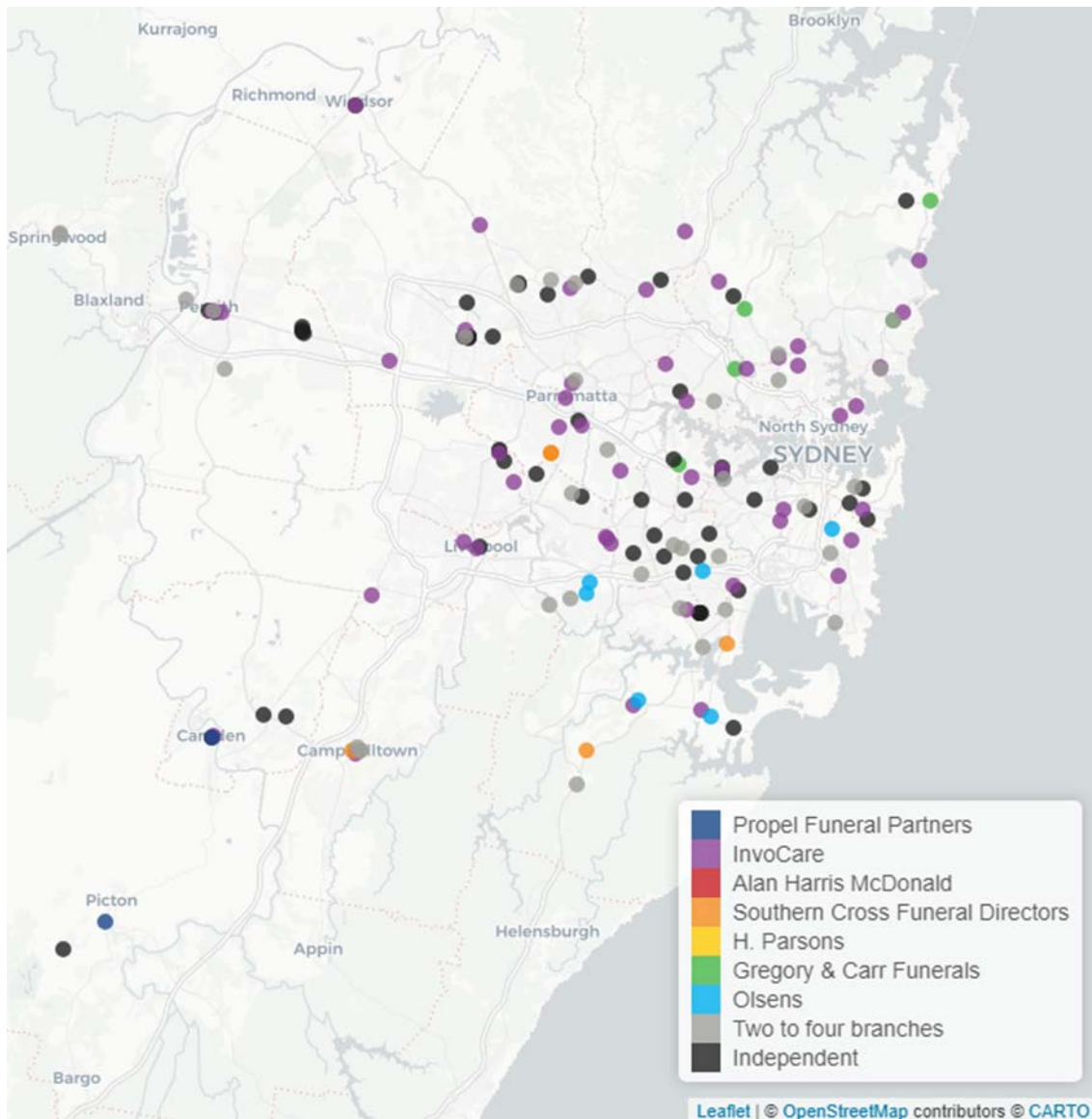


For more detail, please see our [Information Paper on Funeral Costs](#).

Most people in NSW have a choice of funeral providers and products

Robust competition provides consumers with plenty of choice at a range of different service levels and price points; competition between providers also makes it more likely that consumers will be charged a fair, cost-reflective price for the services they purchase.

To understand the level of competition in the market, we analysed the structure of the funeral industry and the number of providers by geographic area. We found that most people in NSW have a wide range of choice when purchasing a funeral. In small towns there may only be one local funeral provider, but the possible entry of new providers is likely to keep prices fair, and ensure quality of service.

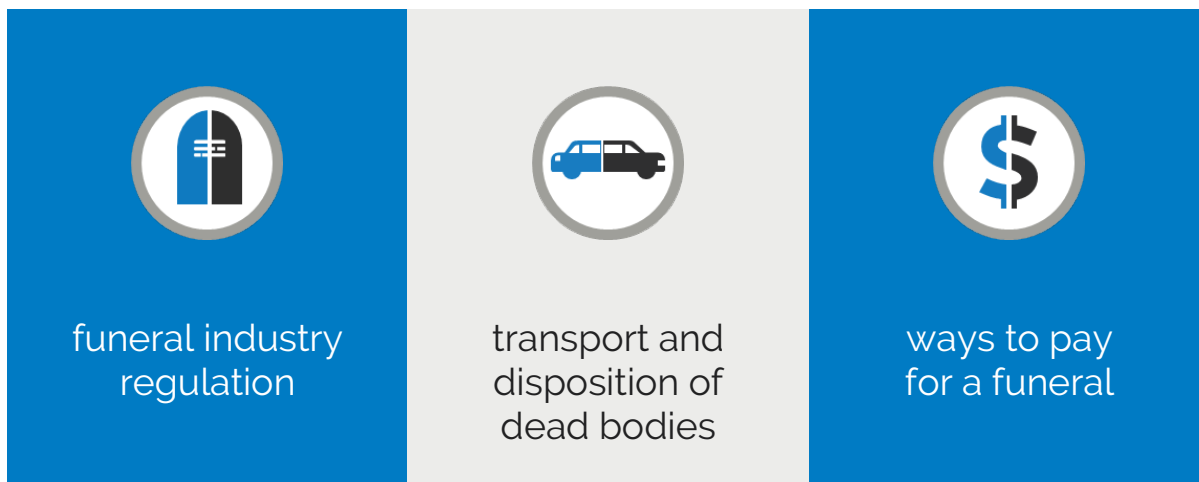


See the Competition Assessment Technical Paper for more detail.

The current level of regulation of the funeral industry is appropriate and fit for purpose

Some industry and consumer stakeholders called for more regulation of funeral activities, including licensing of funeral providers. These stakeholders argued that more stringent regulation will improve or guarantee the funeral industry's service standards.

We looked at current regulatory arrangements in 3 areas – funeral industry regulation, transport and disposition of dead bodies, and ways to pay for a funeral.



We concluded that there is a need for ongoing regulation in each area and the existing regulatory arrangements are largely fit for purpose and appropriate.

In particular, we found:

- ▼ **There is no need for additional regulation or licensing of the funeral industry as an occupation, but compliance with existing regulation must be enforced.** We consider the funeral information standard is justified to address the lack of information consumers would otherwise experience in dealing with funeral providers. But the relatively low level of compliance with the standard is limiting its effectiveness. We are recommending that NSW Fair Trading continue to audit funeral provider websites and take enforcement action for non-compliance.

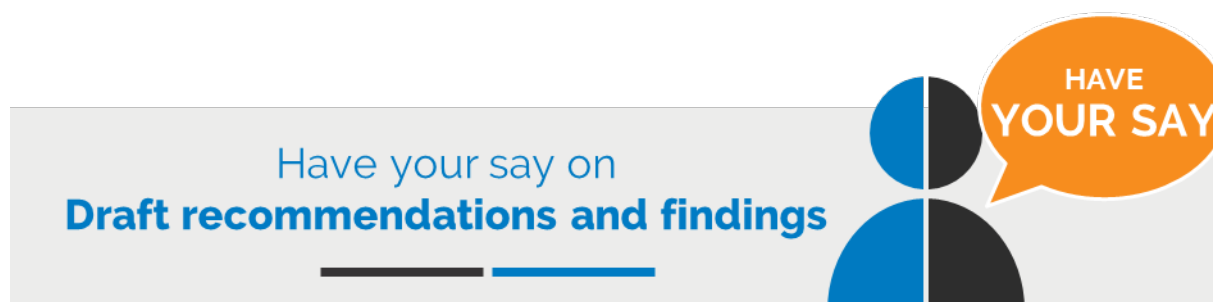
The competitive funeral market is already providing high industry standards. Licensing and additional regulation would add to the costs of the industry, impede innovation and not support competition, choice or affordability in the funeral market.

- ▼ **There may be scope for reduced regulation of the transport and disposition of the deceased.** We are recommending NSW Health consider this issue when this regulation is reviewed prior to statutory repeal later this year.
- ▼ **There is no need for additional regulation of ways to pay for funerals, but there is scope for further improvements to consumer education in this area.** Recently strengthened regulatory arrangements in this area include greater regulation of funeral insurance sellers to protect vulnerable consumers, and new powers for ASIC to intervene in products where there is a risk of consumer harm. The NSW and Australian governments have also increased consumer education about funeral insurance and other payment issues. We are recommending the NSW Government and NSW Fair Trading make further improvements in this area.

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- ▼ **There is insufficient justification for a single funeral industry regulator**, as some stakeholders have called for. In our view, it is more effective for funeral consumer issues to be dealt with by NSW Fair Trading, funeral-related health issues to be dealt with by NSW Health, and funeral financial issues to be dealt with by financial regulators.

See the [Regulation and Licensing Information Paper](#) for more detail.

We are seeking feedback



We will hold an online public hearing on 29 April 2021. Please register via our website, www.ipart.nsw.gov.au, if you would like to attend.

We are accepting written submissions until 14 May 2021. Please submit them via our website, www.ipart.nsw.gov.au.