

IPART Independent Pricing and Regulatory Tribunal | NSW

Review of the funeral industry in NSW: Funeral Providers' Costs

Information Paper

June 2021

Funeral providers' costs to arrange and conduct a funeral

In response to consumer concerns about high prices for funerals, we reviewed the costs that funeral providers incur in arranging and conducting a funeral in NSW.

We investigated the costs of doing business for funeral providers to get a better understanding of what drives the costs of a funeral.

This involved:

- a survey of funeral providers on their activities and costs in organising a funeral
- researching funeral costs from publicly available sources
- reviewing information provided in submissions
- visiting the premises of some funeral providers to understand the activities involved in organising and conducting a funeral.

We obtained information from 7 funeral providers on their activities and costs in organising a funeral. This is a small sample, representing about 8% of funerals provided in NSW. However, it includes funeral providers with different business models and ownership models, of different sizes, and located in both metropolitan and regional areas. The funeral providers volunteered their information, and we did not check or audit it. Therefore, the survey results are illustrative of the costs involved in organising a funeral, rather than definitive or statistically robust.

We found that:

- The costs of organising and conducting a funeral depend on many factors including the range of activities the funeral provider undertakes for the consumer, and the consumer's requirements and preferences for the funeral.
- Funerals are labour-intensive, and labour-related costs are the largest cost category. Our sample of funeral providers estimated that a single ceremony 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.¹
- Funeral products and services drive the cost of a funeral. Some products and services are essential such as the death certificate, and cemetery or crematorium fees. Others are discretionary – for example, viewings, a ceremony, flowers, order of service book, and audio-visual and streaming services.

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- From our sample of funeral providers, the average cost of the products and services associated with a cremation was about \$5,300 (with a range of \$3,922 to \$6,600). These costs include fees paid by funeral providers to third parties, known as disbursements (e.g. cremation fee, death certificate, flowers, stationery). Disbursements can make up over half the costs for an average funeral.
 - Overhead costs vary substantially across funeral providers. The average overhead costs for our sample of funeral providers was \$2,700 per funeral, with a range of \$650 to \$4,390. This large variation is mostly due to differences in the providers' business models (i.e. traditional or mobile funeral provider) and size. Overhead costs include capital costs associated with buildings (mortuary), vehicles and equipment, as well as rent, utilities, insurance, repairs and maintenance, and administration.
 - Profit accounts for a large proportion of funeral industry revenue. According to IBISWorld, funeral industry profitability has declined over the last 5 years largely due to a shift toward cremations, which tend to have lower margins. The Covid-19 pandemic with restrictions on funeral sizes has resulted in a lower spend per funeral.ⁱⁱ

Our comparison of funeral providers' prices and costs shows that their prices are likely to reflect their underlying costs. (See our Information paper on prices for more information.)

In submissions to our draft report we didn't receive any direct feedback on funeral providers' costs to arrange and conduct a funeral. However, the Australian Funeral Directors Association asked us to clarify that the most expensive items in the price of a funeral can include the burial, memorialisation and catering.ⁱⁱⁱ These items can in the first instance be a cost to the funeral provider, and then be passed through to the customer in the price of the funeral.

Funeral providers' costs per funeral depend on many factors

The costs that funeral providers incur in organising and conducting a funeral depend on a variety of factors, including:

- the range of activities they undertake for the consumer
- the type of funeral, ceremony and other products and services the consumer chooses
- their own business model, size and other characteristics.

Range of activities undertaken

Organising and conducting a funeral involves many activities, including:

- collecting, transporting and caring for the body, including embalming if requested
- supplying a coffin or casket
- organising cremation or the purchase of a burial plot and arranging for burial
- arranging venue, date and time of a funeral ceremony, and a celebrant to undertake it
- arranging floral tributes, newspaper notices, funeral stationery and audio-visual presentations
- completing registration of death and other legal paperwork.

Funeral providers may undertake all these tasks themselves or may use external providers for some of them. The customer may undertake or organise some or all of these activities themselves. The more activities the funeral provider undertakes or arranges to be undertaken, the higher the costs they incur.

Type of funeral, ceremony and other products and services

The nature of a funeral varies widely, depending largely on the consumer's requirements and preferences. At one end of the spectrum, there are "no service no attendance" (NSNA) funerals, with no ceremony at the time of the funeral. At the other end, there are premium funeral packages with multiple ceremonies, transport for the family and expensive tributes. The choices the consumer makes have a large impact on the total funeral cost – for example:

- Burial or cremation. Burials are usually more expensive as there are costs associated with the burial plot, grave digging fees, and memorialisation. We provide more information on burial costs below.
- Whether or not to have a ceremony. The lowest cost funerals available are usually NSNA funerals. Higher cost funerals involve one or more ceremonies in a chapel or church, and at the gravesite.
- Whether or not to have a viewing. Some funerals involve one or more viewings of the deceased (at mortuary or church), including outside normal business hours. This can add to the costs.
- Which coffin or casket. There can be a significant variation in the quality and cost of these items. For example, the cost of a coffin can vary from a \$150 for a direct cremation coffin to over \$10,000 for a casket.
- Which flowers, funeral stationery and other tributes. As for the coffin, the consumer can choose to spend little or a lot on these products and services. They may also choose to source them themselves in the competitive market.
- Whether to provide a venue and catering for after the funeral (the wake). The costs associated with this reflect the number of guests and the type of refreshments provided.

Funeral costs include some costs that are unique to funerals such as the labour involved in organising and conducting a funeral, and the cost of a coffin. Other inputs can be sourced in a competitive market (e.g. flowers, venue hire, audio visual services, catering), while other costs are set by third parties (e.g. death certificate, cremation certificate, minister or celebrant fees, burial plot, grave digging fees).

Funerals are labour-intensive to organise and conduct

Funeral providers can offer a wide range of activities for funerals. Staff employed (or contracted) by funeral providers can include:

- **funeral director and assistants** – responsible for the management of the funeral activities. This includes meeting with the family about the funeral arrangements, organising the funeral arrangements, conducting or attending the ceremony.
- **mortician and assistants**– responsible for the care of the body and preparation for the funeral. This could include to wash and dress the body, and to prepare the body for a viewing such as makeup, hairdressing, and embalming.
- **vehicle drivers** – to transfer the deceased to a mortuary, the ceremony, and to the cemetery or crematorium. There can also be drivers to transport the family to and from the ceremony such as limousine services.
- **administrators** – office management and funeral contract administration.

Funeral providers usually charge a professional services fee to cover their labour costs.

Industry research group IBISWorld estimates that labour-related costs represent 34% of the costs of a funeral, and are the largest cost category.^{iv} It also estimates that funerals typically include labour of between 24 and 40 hours per funeral, depending on the services required.^v

Our investigation of labour costs found that:

- a single ceremony cremation with a viewing involves 28 hours of labour on average
- a burial generally involves more hours of labour than a cremation on average
- labour costs per funeral vary significantly across providers
- labour costs are influenced by minimum employment requirements and conditions for the funeral industry.

Single ceremony cremation with a viewing involves 28 hours of labour on average

Our sample of funeral providers estimated that, on average, around 28 hours of labour is involved in organising and conducting a single ceremony cremation with a viewing (with a range of 15 to 43 hours).

Table 1 shows the number of hours spent on the main activities involved for this type of funeral. It indicates that, on average, transport, funeral arrangements, and the funeral ceremony each account for around 25% of the total hours of labour. Meetings with the family accounts for 16%, care of the deceased 6%, and legal arrangements 4%.

Table 1 Labour hours to organise and conduct a single ceremony cremation with a viewing

Activity	Description	Range (hours)	Average (hours)
Transport	<ul style="list-style-type: none"> Transfer deceased into care Transfer deceased to funeral venue Transfer deceased to crematoria Transport of family to funeral 	5.0 to 10.5	6.9
Care of deceased	<ul style="list-style-type: none"> Wash and dress deceased 	0.5 to 2.0	1.6
Meetings with family	<ul style="list-style-type: none"> Discuss funeral arrangements Viewing of deceased 	3.0 to 6.0	4.6
Certificates and permits	<ul style="list-style-type: none"> Arrange Death Certificate (BDM) Arrange cremation certificate and permit 	0.5 to 1.5	1.2
Arrangements for funeral	<ul style="list-style-type: none"> Booking crematoria and celebrant/minister Arrange supply of coffin Arrange hearse Arrange flowers Arrange audio visual services Arrange order of service book Arrange newspaper notices Booking wake venue and catering services Arrange transport of ashes 	4.6 to 8.1	6.7
Funeral ceremony	<ul style="list-style-type: none"> Attendance at ceremony venue Conducting ceremony 	1.5 to 15.0	7.1
Total hours		15.1 to 43.1	28.1

Source: IPART analysis of funeral provider cost survey, February 2021.

Burials generally involve more hours of labour than cremations

Burials generally involve additional activities to organise and conduct than cremations, and therefore more hours of labour. From our cost survey of funeral providers, these activities may include:

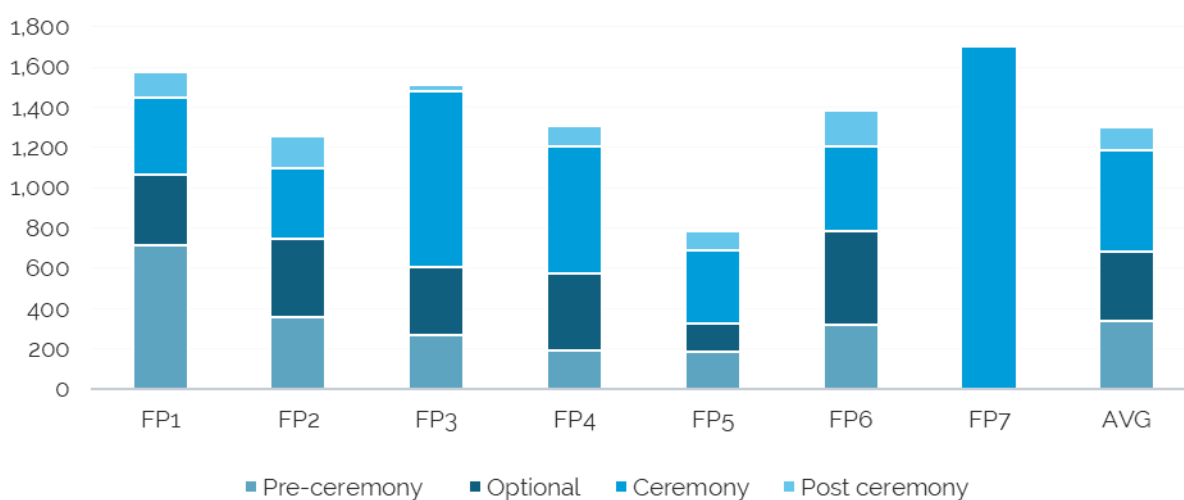
- embalming of deceased – 3.75 hours
- viewing at funeral venue – 0.5 hours
- attendance at gravesite – 2.6 hours.

Some funeral providers have their own cemeteries, which means they may undertake additional activities (and incur additional labour hours). For example, these include grave digging and arranging and providing headstones or other grave memorials.

Labour costs per funeral vary across providers

As Figure 1 shows, our cost survey of 7 funeral providers (FPs) found that labour costs for the average funeral undertaken by the funeral provider can range from \$783 to \$1,700 per funeral. We also found that the labour costs per type of activity – which we have categorised as pre-funeral, pre-funeral optional, funeral and post-funeral – also varies across providers.

Figure 1 Labour costs per funeral provider for their average funeral



Note: FP is Funeral Provider. FP7 provided the overall cost only and so is not included in the average.
Data source: IPART analysis of funeral provider cost survey, February 2021

Table 2 provides more detail on the activities included in each type of activity, and shows the average labour cost per type.

Table 2 Funeral provider activity (labour) costs for their average funeral

Type of activity	Description	Average cost
Pre-ceremony	<ul style="list-style-type: none"> Transfer of deceased into care Care of deceased Arrange cremation permit Meetings with family about funeral arrangements 	\$340
Pre-ceremony optional	<ul style="list-style-type: none"> Viewing of deceased Embalming deceased Booking ceremony and minister/celebrant Booking venue for wake and catering services Arranging hearse, flowers, audio visual services, order of service book, newspaper notices 	\$343
Ceremony	<ul style="list-style-type: none"> Transport of the deceased to ceremony venue Viewing of the deceased at ceremony venue Transport of family/mourners to the ceremony Attendance at ceremony Attendance at graveside 	\$504
Post ceremony	<ul style="list-style-type: none"> Final transport of the deceased to crematorium or cemetery Complete registration of death with NSW Registry of Births Deaths and Marriages 	\$117

Type of activity	Description	Average cost
	<ul style="list-style-type: none"> For cremation, arrange transport of ashes Arrange payment of various fees Collection of payment 	
Total per funeral		\$1,304

Note: Funeral provider FP7 was not included analysis as cost breakdowns were not provided.
Source: IPART analysis of funeral provider cost survey, February 2021.

Labour costs are influenced by minimum employment requirements and conditions

The *Funeral Industry Award 2020* provides for minimum wages and allowances, minimum hours, overtime and penalty rates for workers in the funeral industry.^{vi} The Australian Funeral Directors Association commented that in 2019, minimum payment to casuals for after-hours transfers increased from two hours to four hours per staff member. This meant that the minimum labour cost for after-hours transfers (which typically require 1 hour of time from 2 staff) is for 8 hours.^{vii}

Funeral providers also need to comply with requirements in the *Work Health and Safety Act 2011*. These include requirements for the safe handling and preparation of the deceased by workers (such as two staff are required for the transfer of deceased into care and the care of the deceased).

Funeral products and services drive the cost of a funeral

Funeral products and services include standard items, such as death certificates, and cemetery or crematorium fees. They also include discretionary items – such as viewings, funeral ceremonies, flowers, order of service books, and newspaper notices – that consumers may or may not require. Generally, the consumer's choices about these discretionary products and services drive the cost of a funeral.

Our investigations found that:

- Funeral products and services for a single ceremony cremation with a viewing cost \$5,328 on average.
- In many cases, funeral providers pay fees to third parties for the provision of funeral products and services. These fees, known as disbursements, can be significant.
- Additional services to meet cultural and religious requirements add to funeral costs.

Table 3 summarises the costs of products and services for a single ceremony cremation with a viewing, based on our cost survey of funeral providers. These costs range widely from \$3,922 to \$6,600 per funeral, with an average cost of \$5,328.

Table 3 Funeral provider costs of products and services for a cremation

Product or service	Description	Cost or range	Average cost
Certificates and permits	• Death Certificate – Births Deaths and Marriages	\$60	\$60
	• Doctor's cremation certificate	\$110 to \$284	\$175
Mortuary care, transfer and viewing	• Transfer to mortuary	\$302	\$302
	• Storage	\$330	\$330
	• Mortuary preparation	\$235	\$235
	• Viewing at mortuary	\$150	\$150
Coffin	• Cheapest available	\$250 to \$995	\$733
Funeral ceremony	• Minister/celebrant	\$254 to \$396	\$347
	• Venue hire	\$350 to \$748	\$549
	• Hearse hire and driver	\$580	\$580
	• Flowers (minimum coffin spray)	\$180-275	\$234
	• Order of service stationery	\$300-\$660	\$432
	• Arrange newspaper notice	\$183-\$400	\$311
Cremation fee	• Depends on location of crematoria	\$638-\$1,245	\$890
Total		\$3,922-\$6,600	\$5,328

Source: IPART analysis of funeral provider cost survey, February 2021.

As Table 3 shows, the cost of some products and services range widely across funeral providers – for example, coffins, venue hire, and order of service stationery. Our sample funeral providers reported that the cheapest available coffin they purchased was between \$250 and \$995.

Funeral providers' disbursements to third parties can be significant

The cost of some products and services listed in Table 3 may represent disbursements paid by funeral providers to third parties. For example, the cost of the death certificate, cremation certificate, fees charged by cemetery, crematorium fees, minister or celebrant fees, and flowers are often disbursements.

The funeral information standard provides a sample list of disbursements for which funeral providers must provide a reasonable estimate, including death certificate, cremation certificate, fees charged by cemetery, crematorium fees, viewing of body outside of business hours, newspaper notice, family limousine, and flowers.

In addition, there can be other disbursements that a funeral provider may pay to a third party. For example, a funeral provider may organise and pay for catering services and venue hire. The Australian Funeral Directors Association commented that these catering costs can readily exceed the professional services fee for a funeral provider.^{viii}

Disbursements can comprise a significant proportion of the costs for a funeral. Data from our survey of funeral providers shows disbursements can make up over half the costs for their average funeral (see Figure 2).

Burial costs can be significant for funeral providers

A funeral provider may initially incur the burial costs for a funeral (or the funeral customer may purchase these items directly from a cemetery operator). These costs include the fees for the interment right at the cemetery, grave digging fees, and grave monumentation.

Although charging practices vary, funeral providers often pass these items through at cost, and recover their own related costs (such as labour costs for administration and organisation) through their professional services fee.

The cost of the interment right will depend on the location of the cemetery, the site within the cemetery, and the type of plot such as a lawn grave or a monumental grave. The grave digging fees at a cemetery generally reflect the type of grave and whether it is the first or subsequent burial.

In Sydney the price of a basic adult lawn burial (ie burial plot and grave digging fees) can range from \$9,400 to \$11,500 at the Crown operated cemeteries.^x

In addition to the burial costs, there are costs of grave monumentation such as headstones, monuments, and plaques. These costs vary widely based on the design and materials used. According to [Gathered here](#) indicative costs are:

- grave marker, lawn monument or sloper starts at \$750 – \$1,000
- headstone and base usually starts at \$2,000 – \$3,000
- full monument usually starts at \$3,000 – \$5,000.^x

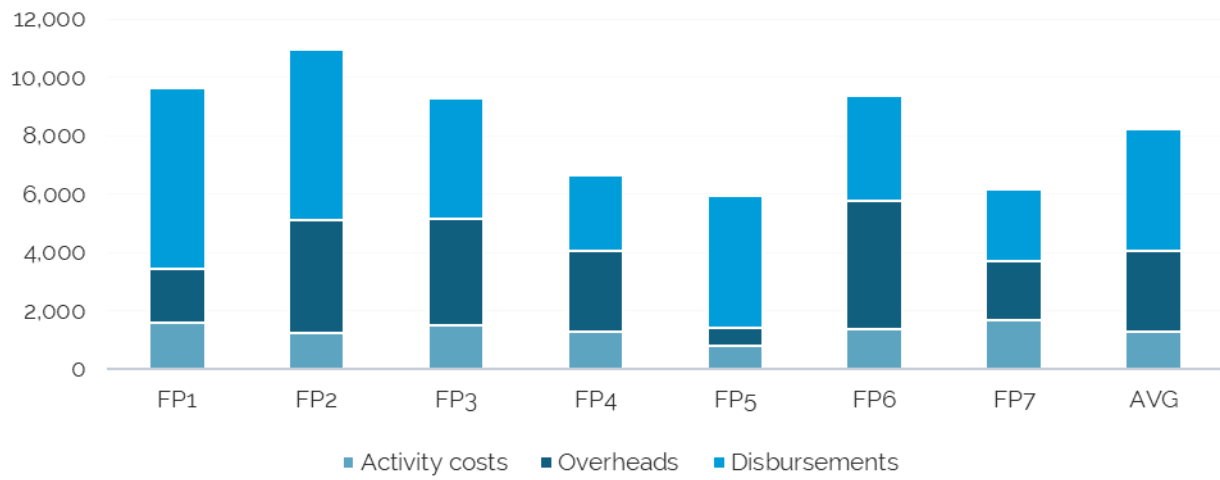
A family may arrange and pay for grave monumentation and its installation. Alternatively, a funeral provider may organise this on behalf of the family and pay costs to a stonemason and cemetery operator which are later recovered from the family.

A funeral provider, H Parsons, submitted that as a proportion of total costs, disbursements are often larger than funeral provider services, particularly for funerals with a burial. Further, H Parsons submitted that disbursement costs are paid by a funeral provider without guarantee of payment from the consumer.^{xi}

The business model of a funeral provider will affect what is included in disbursements, activity costs or overheads. To illustrate this, a mobile funeral provider (FP5) contracts third parties to provide mortuary and transport services and these costs are captured in disbursements. The traditional funeral providers that have their own shopfront, mortuary and vehicles (i.e. FP1, FP3 and FP6) have these costs captured in the activity (labour) and overhead costs. The overheads per funeral cost also depends on the number of funerals performed by the provider each year.

For our sample, the reported average total cost per funeral is around \$8,000. (See Figure 2.)

Figure 2 Funeral provider component costs for their average funeral



Note: FP is Funeral Provider.
Data source: IPART analysis of funeral provider cost survey, February 2021.

Cultural and religious requirements and practices can add to funeral costs

We have received limited information from funeral providers on how activities and costs differ across religious and cultural communities in NSW.

A funeral can involve a number of ceremonies such as at a church or chapel and at the cemetery. This will usually require additional labour, venue, and transportation costs for the funeral provider. Similarly, the viewings of the deceased at the funeral home and church (or chapel) may also require additional costs. One funeral provider explained that Pacific Islander and Filipino communities often require extended time for viewing the deceased and this can lead to costs outside of normal business hours.



Funeral costs to meet cultural and religious requirements will generally reflect

- the number of services
- the number of viewings
- timing of funeral activities
- transfer distances.

Other timing factors may impact on the costs of a funeral including:

- duration of the ceremony
- time of day
- day of the ceremony.

A burial may be required on a weekend rather than a weekday resulting in additional labour costs (such as penalty rates and overtime) for the funeral provider. For example, the Islamic custom is to bury the deceased as soon as possible and this may require services outside of normal operating hours on a Saturday or Sunday, resulting in additional labour costs.

Some religious communities have their own funeral providers to service their particular requirements. For example, Sydney Chevra Kadisha provides funeral services to the Jewish community on a not-for-profit basis, and they use volunteer (honorary) labour to keep the costs down. Similarly, Australian Muslim Janaza and Community Services located in Sydney provides funeral services to the Muslim community on a not-for-profit basis.

Other funeral providers have specialised in funerals for specific religions in their local community (e.g. Catholic Church or Greek Orthodox Church) or cultural groups such as the Chinese community. Funerals for the Chinese community can involve large costs for coffins and memorialisation of graves. Funeral practices can also involve additional costs for "witness dressing" and accessories such as a traditional cloth, traditional blanket and thank you envelopes.^{xii}

Aboriginal communities comprise many nations and cultures, and their requirements for funerals can also differ. For example, it may be necessary to have at least two ceremonies, possibly a year apart, in order to do the 'sorry business' properly. As kinship ties tend to be wide and include many people, a funeral can be large and include hundreds of people.^{xiii}

A funeral for an Aboriginal person may require that the person who has died be transferred from the place of death back to country, often a regional or remote area. This may require a funeral provider to transport the person who has died over large distances resulting in additional costs.

Overhead costs vary substantially across funeral providers



The overhead costs for a funeral provider include:

- Capital costs associated with buildings, mortuary, chapels, funeral cars (which may be specially designed), computers and audio visual equipment. Depending on the scope of services provided by a funeral provider, there may also be capital costs for a crematorium.
- Rent. Funeral providers require sites or access to sites to provide funeral services. These sites could include office shopfronts, mortuary premises, chapels, crematoria, and other property. IBISWorld reports that rental costs have increased as a proportion of revenue over the past five years due to higher property prices.^{xiv}
- Utilities for a funeral provider include electricity, gas and water. According to IBISWorld, utility costs have risen as a proportion of industry revenue over the past five years due to higher electricity prices.^{xv}
- Other costs may include insurance, land tax, advertising, communications, fuel, general administration, catering, cleaning, repairs and maintenance, uniforms, accounting, auditing and legal services.

IBISWorld considers the funeral industry has a low capital intensity. In 2020-21 industry operators are projected to invest \$0.10 on capital for every dollar spent on labour.^{xvi}

The capital costs involved in setting up a traditional funeral provider business are largely buildings (particularly a mortuary) and vehicles (principally hearses). Depreciation is typically a relatively small component of a funeral provider's costs.

Mobile funeral providers use a shared service model which involves contracting services (e.g. mortuary, vehicles) from a third party for a fee, when they need them. They often do not have physical premises but meet customers in the customer's home. These arrangements turn capital costs into operating costs and could provide for more efficient shared use of assets like mortuaries and hearses, therefore lowering the costs of providing a funeral.

A funeral provider which undertakes a large number of funerals a year has more funerals across which to recover capital costs and can benefit from economies of scale.

Profit accounts for a large proportion of funeral industry revenue

According to IBISWorld, profit accounts for a large proportion of industry revenue for funeral directors, although margins vary among operators. Profit as a share of revenue is estimated to be around 18% in 2020-21.^{xvii}

IBISWorld state that larger metropolitan funeral homes can spread their fixed costs over a broader base of funerals than regional family-owned businesses and can therefore generate higher profit margins. The shift towards cremations has put downward pressure on industry profit, as cremations tend to have lower margins. Further, government restrictions limiting funeral sizes due to the Covid-19 pandemic have resulted in a lower spend per funeral. Therefore, over the last 5 years industry profitability has declined.^{xviii}

ⁱ IBISWorld, Funeral Directors, Crematoria and Cemeteries in Australia S9520, p 28.

ⁱⁱ IBISWorld, Funeral Directors, Crematoria and Cemeteries in Australia S9520, p 28.

ⁱⁱⁱ Australian Funeral Director Association submission to Draft Report, May 2021, p 1.

^{iv} IBISWorld, Funeral Directors, Crematoria and Cemeteries in Australia S9520, p 28.

^v IBISWorld, Funeral Directors, Crematoria and Cemeteries in Australia S9520, p 20.

^{vi} [Funeral Industry Award 2020](#), accessed 6 April 2021.

^{vii} Australian Funeral Directors Association submission to IPART Issues Paper, December 2020, pp 10-11.

^{viii} Australian Funeral Director Association submission to Draft Report, May 2021, p 1.

^{ix} IPART, Review of interment costs and prices Final Report November 2020, Figure 6.3, p 48.

^x Gathered here, The costs of a headstone: memorial prices explained, accessed 3 June 2021.

^{xi} H Parsons submission to IPART Issues Paper, November 2020, p 4.

^{xii} <https://www.galaxyfunerals.com.au/download/149271/pricing-2020.pdf>

^{xiii} P Vines submission to IPART Issues Paper, November 2020, p 1.

^{xiv} IBISWorld, Funeral Directors, Crematoria and Cemeteries in Australia S9520, p 29.

^{xv} IBISWorld, Funeral Directors, Crematoria and Cemeteries in Australia S9520, p 30.

^{xvi} IBISWorld, Funeral Directors, Crematoria and Cemeteries in Australia S9520, p 39.

^{xvii} IBISWorld, Funeral Directors, Crematoria and Cemeteries in Australia S9520, p 28.

^{xviii} IBISWorld, Funeral Directors, Crematoria and Cemeteries in Australia S9520, p 28.