

REVIEW OF
COMPETITION
COSTS AND PRICING
IN THE FUNERAL INDUSTRY

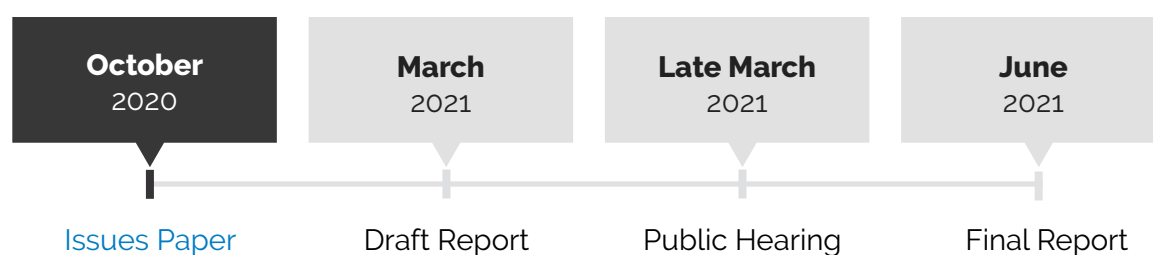
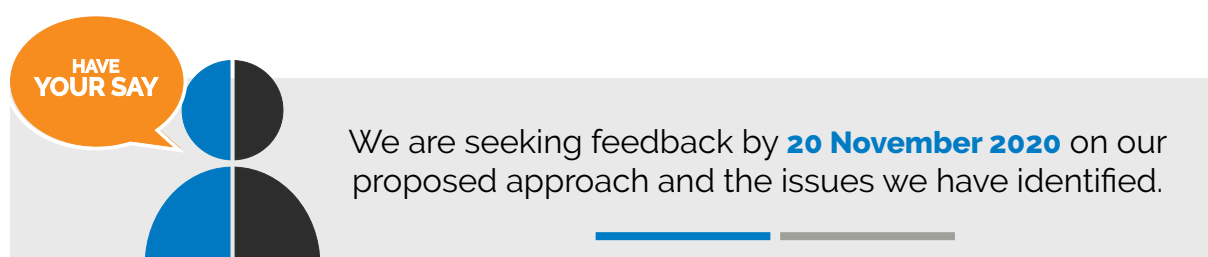


We want to know what you think about funeral prices

The Independent Pricing and Regulatory Tribunal of NSW (IPART) is investigating competition, costs and pricing factors in the funeral industry. This Issues Paper sets out our proposed approach to the review of the funeral industry in NSW.

Our objective is for consumers to be able to make informed choices about the kind of funeral they want at a price they can afford.

In reviewing the funeral industry, we propose to assess and consider:



The funeral industry has received a lot of attention in recent years

Since the *Cemeteries and Crematoria Act* first envisaged this IPART review in 2013, the funeral industry has received a lot of attention, including:

- ▼ The introduction of the *Fair Trading Regulation 2019* and Information Standard which requires funeral providers to disclose their prices on their websites and at their place of business on an itemised basis, including the least expensive package for burial or cremation.¹
- ▼ 'Navigating end of life journeys', a project by digital.nsw, which aims to make the administrative tasks when a person dies easier to navigate.²
- ▼ Research papers and media attention such as a four part series by Choice in 2019³ and investigations by Four Corners.⁴
- ▼ The ACCC's priorities for 2020 include competition and consumer issues in the funeral services sector.⁵

To avoid duplicating the work that has already been done, we are seeking comment from stakeholders on issues that require further attention. The information on the following pages outline some of the issues that we have found so far.

Organising a funeral is unlike most consumer decisions

Because people organise funerals infrequently and they occur quickly, during what can be a stressful and emotional time, organising a funeral is different to most other consumer decisions. As it is an infrequent purchase, people are generally unfamiliar with the options available, the prices involved and what is required or optional. Also, as death is a sensitive subject, people can be reluctant, or unable, to engage in the usual methods of decision-making for large purchases, like shopping around and comparing services and prices, inquiring about discounts or selecting on the basis of price.



We propose to assess the role of competition in making choices more varied and more affordable

In most industries, competition is the main factor that keeps prices fair. It also helps make sure there are different products and services for people to choose from. However, the cultural, behavioural and emotional factors involved in organising a funeral mean that the effects of competition on a market may not apply to the funeral industry, or may apply differently.

We want to assess how competition does and can work to deliver funeral choices that people want at prices they can afford.

On one hand, the funeral market may be getting more concentrated

In recent years, the two main providers in the Australian funeral industry – InvoCare and Propel Funeral Partners – have been acquiring smaller local providers. They now operate over 40 and 20 different funeral brands in Australia, respectively, as well as their own cemeteries and crematoria.⁶ These funeral providers may bundle services, limiting consumers' ability to choose different parts of the package from a different cemetery or crematorium.

When arranging a funeral, people tend to choose a local funeral director, meaning the choice may be limited to only a few providers. In some cases these may be owned by the same company, but operating under a different brand name. Access to a range of funeral services may also be limited.

Before deciding on our approach to costs and prices in the funeral industry, we will assess how competitive the market is by investigating the number of funeral providers by region.

On the other hand, new ways of doing a funeral are emerging

There are new types of funeral providers who are emerging in the industry, including:

- ▼ Funeral directors with no physical premises who do not necessarily provide the components of a funeral themselves – for example, they will access mortuary facilities, transport services, body preparation services and funeral and hospitality venues from other providers.
- ▼ Not-for-profit organisations offering alternatives to traditional funerals.
- ▼ Funeral providers who offer a no-service, no attendance cremation online.

It appears to be relatively easy to enter the funeral market, as funeral directors are not required to be registered or licensed,⁷ or to have particular qualifications, or to invest in expensive equipment. The emergence of new providers indicates that this is likely to be the case. We would also expect this type of competition to put pressure on all providers to keep prices as low as they can be, and to offer a range of funeral choices to meet customer preferences. Pandemic restrictions on funerals have reduced some choices previously available to customers, but may have accelerated innovation in other areas. We are interested in stakeholder views on the range of providers and choice of services emerging in the funeral industry.

However, sometimes people argue that in very competitive industries, regulation is still required to maintain minimum standards. In the funeral industry, if it were considered necessary, options for regulation could include compulsory training, a registration scheme, an independent rating system, and industry codes of practice or codes of ethics. We are interested in stakeholder views on the need for regulation, and what form that regulation should take.



IPART seeks comment:

1. Tell us what you think about choice and competition in the funeral industry:
 - a) what are your views on the range of providers and choices of services emerging in the funeral industry?
 - b) what are your views on the need for regulation and what regulation might look like?
 - c) can people complete some or all of the funeral arrangements easily without using a funeral director?
 - d) what are your views on the impact of COVID restrictions on choice of services in the funeral industry?

Prices in the funeral industry are often varied and opaque

Knowing the cost of each item for a funeral is critical for price transparency. Choice's investigation into the funeral industry found that:

- ▼ Funeral providers had incomplete cost breakdowns, extreme mark-ups on coffins and opaque 'professional service fees'.
- ▼ Funeral directors can remove choice for people by not allowing them to supply their own coffin, or requiring a celebrant.
- ▼ Bundling of goods and services is common in the funeral industry, making it difficult to compare quotes.⁸

Price comparator website Gathered Here allows comparison of fees for funeral homes, celebrants and headstones. Based on Gathered Here's database of over 2,000 funeral service providers, the typical prices for a traditional funeral with cremation are shown in Table 1.

Table 1 The typical price of a traditional funeral with cremation in Australia

Item	Typical price \$
Professional Service Fee (for a single service)	3,500
Cremation Fee	900 ^a
Casket	1,000
Transfer of the deceased	330
Urn	200
Viewing	280
Hearse	Included
Celebrant	330
Death certificate	60
Cremation certificates	220
Flowers, newspaper notices, service booklets etc	500
Average total cost of a cremation	7,320

^a Cremation fees range from \$572 to \$1,200

Source: [Gathered Here](#), 10 March 2017, accessed 15 October 2020.

Cremation is the option chosen by around two thirds of people in NSW; if a customer chooses burial instead, we found that an interment right and burial can typically cost \$9,380 to \$11,480⁹ for a basic adult lawn burial purchased direct from a cemetery, and a funeral director can apply a mark-up to that as well.

Prices vary and savings can be made by comparing alternatives

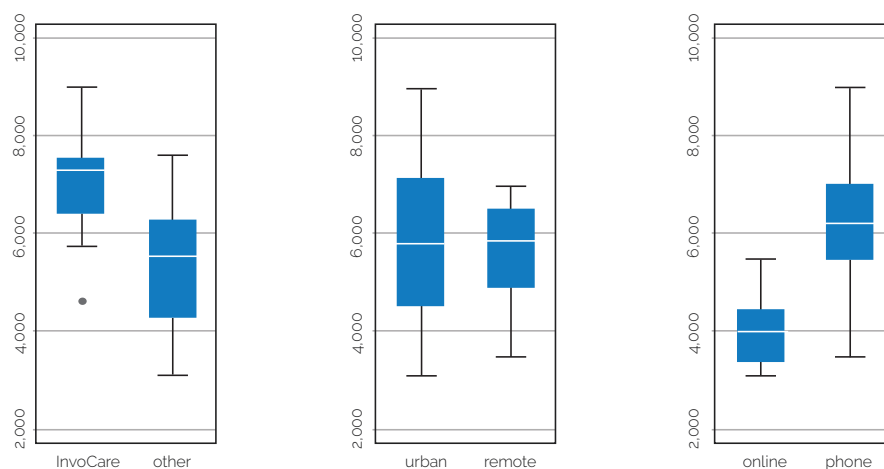
Two recent studies analysing funeral prices found that there is wide price variation in NSW and that substantial savings can be made by comparing alternatives. Analysis by Gathered Here and a study undertaken by the University of Sydney Business School known as 'It's your funeral' found that:

- ▼ The average price for a basic funeral in NSW is around \$6,000, but can range from around \$3,000 to \$9,000¹⁰.
- ▼ Prices obtained over the phone are higher than those obtained online (See Figure 1).
- ▼ Larger funeral operators (such as InvoCare and those with multiple branches) have higher prices than smaller operators (See Figures 1 and 2).



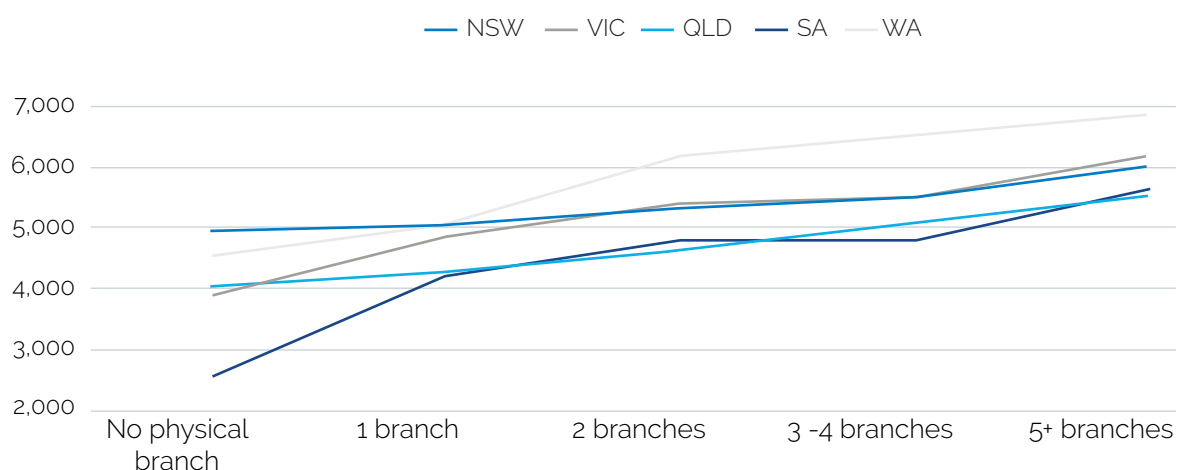
Professional service fees and coffins tend to drive the **overall price** for a funeral.

Figure 1 Spread of prices for a basic funeral in NSW (\$)



Data source: adapted from The University of Sydney Business School, [It's your funeral](#), figure 4.2, p 33, accessed 16 October 2020.

Figure 2 Price variation by funeral company size (\$)



Data source: adapted from Gathered here, [Funeral prices in Australia report 2019](#), p 21, accessed 15 October 2020.

IPART is aware of concerns that funeral prices can be based on consumers' willingness to pay (rather than being cost-reflective), as a result of consumers' emotional vulnerability and sales techniques that exploit it.

NSW Fair Trading's Information Standard aims to increase transparency of funeral prices

In 2019, NSW Fair Trading introduced an Information Standard which requires a funeral director to prominently display 'funeral information' on their website and at their place of business, including the price of a specified list of goods and services. This should make it easier for consumers to compare alternatives and shop around.



IPART seeks comment:

2. Is funeral price information easily available on providers' websites and does the information meet consumers needs?

Ensuring funerals are affordable

Our current understanding of funeral affordability issues in NSW include that:



Consumers may be 'upsold' into more expensive funeral packages when a standard option would have met their needs. Due to the stressful nature of planning a funeral, consumers are vulnerable when making purchasing decisions.



Consumers are not always aware of the various alternatives to a 'traditional' funeral, and the activities they can undertake themselves to reduce costs. They may not find out about these options until it is too late.



Many funeral directors did not previously publish prices, requiring prospective customers to meet to discuss prices. This hampers shopping around in the short time available to arrange a funeral – we consider that NSW Fair Trading's information standard should address this problem.



IPART seeks comment:

3. Tell us what you think about funeral pricing and affordability.

There are a number of ways to pay for a funeral

Funerals can be arranged either “at-need” or by using different types of “pre-paid” financial products such as pre-paid contracts, funeral bonds and funeral insurance. These products are regulated by the Australian Securities and Investments Commission.

Prepaid funerals share risks between the customer and the funeral service provider, as they involve arranging and paying for your funeral with a funeral director at today's prices. If the customer's investment doesn't meet the cost of the funeral, the company will cover the difference. On the other hand, if the investment grows to more than the cost of the funeral, the company keeps the surplus.

Funeral insurance is a type of life insurance. It involves making regular contributions for a specified cash payment on death. However, if you stop paying, the policy ends and you don't get a refund of the money paid so far. There is no guarantee that the cash payment will be sufficient to cover the cost of a funeral at death. There are often exclusions that mean the benefit may not be paid out at all.

Funeral bonds allow people to set aside money for a funeral, making either monthly instalments or a lump sum payment (with optional top-ups). Although less risky than funeral insurance, funeral bonds are not guaranteed to cover the cost of your funeral, and may not keep up with rising costs.

Funeral financing a number of funeral directors are now offering finance to pay for funerals (a form of credit or loan to be repaid with interest after the funeral).

Government and charitable assistance for funeral payments

If a person with no money or assets dies and there is no money to pay for a funeral, the government may pay for a basic funeral. This is called a destitute funeral.

There is a range of other government assistance available:

- ▼ Centrelink offers bereavement payments to the spouse or carer of the deceased. Generally you need to be receiving a pension or other benefit to be eligible for bereavement payment.
- ▼ Department of Veterans' Affairs offers a lump sum bereavement payment to the surviving partner of a veteran who received a service pension.
- ▼ The Aboriginal Land Council offers grants to assist Aboriginal and Torres Strait Islander people with paying for the funeral.¹¹



IPART seeks comment:

4. Tell us what you think about the different ways of paying for a funeral.

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 **20 November 2020**.

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

You can also send comments by mail

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 below.

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](#).



Postal address:

Review of competition, costs and pricing in the funeral industry

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Endnotes

1. NSW Fair Trading, [Funeral Information Standard](#), accessed 15 October 2020.
2. NSW Government digital.nsw, [Navigating end of life journeys](#), accessed 15 October 2020.
3. Choice, [Do you need a funeral director?](#) accessed 15 October 2020.
4. Four Corners, [After Death](#), accessed 15 October 2020.
5. ACCC, [Compliance and Enforcement Policy Priorities](#), February 2020, accessed 15 October 2020.
6. InvoCare, [InvoCare in Australia](#), accessed 16 October 2020; Propel Funeral Partners, Annual Report 2020, pp72-73.
7. NSW Fair Trading, [Funerals](#), accessed 15 October 2020.
8. Choice, [How much do funerals cost?](#) accessed 15 October 2020.
9. IPART, Review of interment costs and Pricing Draft Report, September 2020 Figure 6.3 p 46. This is the range for a basic adult lawn burial purchased from the Crown Land Manager run cemeteries in the Sydney metro area
10. The University of Sydney Business School, [It's your funeral](#), p 32 accessed 15 October 2020.
11. NSW Government, Communities and Justice, [Paying for the funeral](#), accessed 15 October 2020.

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Nothing in this publication should be taken to indicate IPART's or the NSW Government's commitment to a particular course of action.

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