

16th November 2020

Independent Pricing and Regulatory Tribunal
PO Box K35
Haymarket Post Shop
SYDNEY NSW 1240
Via: ipart@ipart.nsw.gov.au

Dear Sir/Madam,

Review of competition, costs and pricing in the Funeral Industry Issues Paper – October 2020

Thank you for your invitation to provide written comments on the issues paper delivered in October 2020 with regards to competition, costs and pricing in the NSW Funeral Industry. Please find following the submission from Catholic Metropolitan Cemeteries Trust (trading as Catholic Cemeteries and Crematoria).

1 Choice and competition in the Funeral Industry

1.1 *What are your views on the range of providers and choices of services emerging in the funeral industry?*

Funeral service providers in NSW (in particular greater Sydney Metro area) are predominantly made up of 2 listed companies & private operators. Aside from the major players, the industry is highly fragmented. Most operators are small in scale and are usually family-run businesses operating in a narrow geographical region.

The industry has consolidated over the past five years due to acquisitions by the larger operators, with this trend expected to continue as owners of small family run business reach retirement age. The private operator sector has a good cross-section of long-established business operating alongside new market entrants. Competition (in particular greater Sydney Metro area) is high, with funeral directors competing on price, service and reputation.

Over the past ten years, there has been an increase in the number of new funeral directors who utilise shared resources such as mortuaries, hearses, mourning cars. It can be argued that this model can reduce the capital cost of businesses which can lead to lower price funerals. A counter-argument would be that the lower capital requirement reduces the barrier to entry which can create a breeding ground for “fly-by-night” operators.

The level of service provided by the listed companies, in the main, range from Average - Excellent and for private companies the range is between Poor - Excellent. Between the listed and private operators, there is also a wide range of options in terms of style of funeral service ranging from a simple “No Service No Attendance’ funeral, a traditional church funeral to more elaborate themed funeral services.

There is also an emerging trend of consumers having a strong interest in alternative and emerging funeral options such natural/eco burials, online streaming/use of technology during

a funeral and personalisation or 'celebration' style funerals moving away from the traditional religious services. To continue to meet changing consumer needs, funeral directors are going to have accommodate innovative and additional 'non-traditional' type services in the future. Given this cross-section of service providers, the consumer is well served in terms of supplier choice, level of service as well as style of funeral service.

1.2 *What are your views on the need for regulation and what regulation might look like?*

The funeral industry is regulated by a variety of state and federal legislation, including public health, fair trade, planning, local government, and occupational health and safety. No one entity currently has oversight of the industry resulting in a fragmented approach to regulation and compliance.

The funeral industry, like most industries, is made up of a mix of good and bad operators with the majority of operators falling in the former category. Our view on the necessity to regulate is reflective of the difficulties faced by consumers in trying to compare like-for-like services, understand the funeral process (what is going to occur and when) and to ensure consumers are dealing with reputable and transparent operators.

We believe that one industry regulator be established that oversees the entire industry incorporating funeral directors, mortuary transport services, morticians/embalmers, monumental masons, cemetery and crematoria operators.

Such a regulator would eliminate the current fragmented approach and breakdown barriers between cemetery operators who currently have extensive compliance obligations under the Cemeteries and Crematoria Act NSW (and its regulations) and other funeral service suppliers who currently operate under minimal obligations.

In our view, the areas which require further regulation include:

Pricing:

a) Standardisation of what constitutes a basic cremation service & a basic burial service:

The regulator should prescribe the components for:

- i) Basic no service no attend cremation service
- ii) Basic onsite chapel cremation service
- iii) Basic graveside burial service
- iv) Basic onsite chapel to gravesite burial service

b) Funeral directors should then be required to advertise the itemised price of the above four service types on their website (without changing any of the components prescribed by the regulator) & at their place of business. Further to this, it should also be stipulated that the individual price of each item is displayed.

c) A requirement to indicate the compulsory and the optional items included in a quote and on a funeral service sales agreement.

d) The Regulator should test the compliance of step 2 by regular random checks of website and enforce non-compliance orders with an appropriate monetary fine.

Whilst it is noted that there is an existing fair trading requirement to ‘prominently display’ pricing and funeral information on websites; the information is too often either not displayed, is hidden or the client is required to send their details to receive the information.

Comparison sites such as ‘Gathered here’ makes the process of comparing quotes a little easier; it is still not enough for a consumer to make an informed decision. As an example, when a consumer compares quotes on this site, some funeral directors will show the price of the coffin, but others will only have the word “Included” next to this item.

By way of example if funeral director A is showing the coffin price at \$1,200 and funeral director B has the word “Included” on its quote the consumer will not know the cost of the coffin included in the quote for funeral director B.

Given that coffins can range from \$500 to thousands of dollars, this will make it impossible for the consumer to compare quotes. The practice of using the word “included” rather than showing the actual price is used for other items such as flowers, viewing, cremation Fees etc. Utilising steps a, b & c as a guide for regulating pricing information will help the consumer make sense of comparing prices and help with making an informed decision.

Independent Rating System

We also support the idea of an independent rating system as part of industry regulations as this can be a good measure for the level of service provided by each funeral director. Given that the cost to deliver a high level of service is higher than providing an average or low level of service a rating system will arm the consumer with more information and help understand some of the price differences between funeral directors.

Disclosure Requirements

Funeral Directors should be obligated to disclose to clients the location of where a deceased will be held and prepared and where a cremation will take place and when (under current NSW Health guidelines this can occur up to 48 hours after delivery to a crematorium).

Industry Licencing/Registration Scheme

The regulator should be responsible for the establishment of a licencing/registration scheme for funeral directors, morticians/embalmers and mortuary transport services. Such a scheme would require an assessment of each business or individual by the regulator, ensuring that the operator meets minimum requirement to operate a funeral business such as:

- a) Criminal history check
- b) Appropriate insurance arrangement are in place
- c) Minimum qualifications checks and continual professional development requirements
- d) Facilities and vehicles are compliant with requirements

We would also encourage regular audits being conducted by the regulator on operators to ensure compliance with all requirements and well as the potential for deregistration in the event an operator is found to engage in unprofessional conduct.

1.3 Can people complete some or all of the funeral arrangements easily without using a funeral director?

In theory, except for mortuary care/embalming and transportation of the deceased, the consumer could conduct a funeral without using a funeral director; however, the degree of difficulty would be very high.

There can be upwards of 10 different tasks which will need to be completed for a standard funeral service. Some of these tasks such as flowers, thank you cards, catering, newspaper notices and death certificate can be organised by the family.

However, given the short period of time involved in organising a funeral and the coordination required between different suppliers will prove to be difficult for most people.

1.4 What are your views on the impact of COVID restrictions on choice of services in the funeral industry?

COVID has been a double-edged sword with regards to the choice of service.

On the one hand, it has reduced or eliminated some services such as large funeral services, wake functions, viewings etc. However, there has been an uptake in other areas such as web-casting of services and an increase in the number of no service-no-attend type funerals. It isn't easy to ascertain if the shift in this consumer behaviour is permanent or not.

The Covid restrictions have required funeral directors to become more reliant on technology to facilitate service provision which has (for some) required significant investment in technology platforms and staff training. Ultimately the use of such technology has created a more substantial opportunity for choice to the consumer by providing them with various communication options not only for the funeral itself but the arrangement process and viewing.

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

In NSW, under the Funeral Good and Services Information Standard contained within the Fair Trading Regulation 2019, funeral directors are required to display certain funeral information, including the itemised cost of goods and services, at their place of business and on their website. Funeral directors are also required to show their least expensive funeral package, as well as providing an itemised quote before entering into a contract with a client.

Whilst the information standard is an improvement on the previous *'Basic Funeral'* pricing requirements under previous regulations; there are still several difficulties associated with the application:

- a) Funeral Directors are not obligated to have a website publicly promoting pricing,
- b) The proposed pricing template provided by Fair Trading is not compulsory, making 'like for like' funeral pricing comparisons difficult,
- c) the information is not always easily found on the provider's website and is not always useful information.
- d) There are examples where suppliers will only offer prices by a quote, which is in direct contravention of the regulation. The quotes are not difficult to obtain, but it is yet another step

which the consumer needs to take before obtaining a price. This does become difficult at the time of arranging given time constraints involved in arranging a funeral,

- e) No pricing against individual items on the list of service inclusions – Refer to d) under question 1.2
- f) In addition, some funeral director sites have customer feedback sections which are controlled and edited by funeral director, meaning that consumers never see the whole picture on the integrity, value, or service of an FD.

Online funeral and cremation price comparison tools such as GatheredHere.com.au are becoming more popular, which demonstrates that there is a desire in the community for consumers to access funeral pricing for comparison purposes easily.

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

A 2019 CHOICE report into funeral pricing¹, indicated a significant amount of consumer uncertainty in regards to pricing, finding:

- a) Most people have no idea about funeral options outside of what's suggested by a funeral provider,
- b) A significant area of uncertainty is pricing:
 - i. almost half the survey participants had no idea how much a funeral should cost when they had to organise one;
 - ii. two-thirds didn't think to negotiate on price;
 - iii. one in five didn't believe they had options to reduce costs.

Whilst there is a healthy amount of competition in the funeral industry to ensure prices paid by consumers reflect supply/demand forces in play, the main questions/concerns regarding funeral pricing and affordability are:

- a) to what extent does the vulnerability of the consumer, coupled with
- b) the short time period available to arrange a funeral and
- c) the lack of ability to compare like-for-like services at the time of arranging an at-need funeral service contributes to overspending and consumers inability to compare pricing adequately.

Our view is that these three factors do put the consumer at a disadvantage in terms of being able to make an informed decision at the time of making at-need funeral arrangements.

1 – CHOICE 'How much do funerals cost?' Sami Jeong September 2019

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

In our view, pre-paid funerals are the best alternative to arrange and pay for a funeral service. Pre-arranging almost eliminates the emotional overspend, which usually occurs when arranging an At-need funeral. It also gives the customer enough time to compare like-for-like funeral services and conduct some research on the service level provided by a funeral director. The services prepaid are covered when the customer dies, regardless of how much they cost at the time of death.

It can be argued that Funeral insurance and funeral bonds can also eliminate emotional overspend; however, the shortcomings of these two products are well discussed in the IPART issues paper.

Funeral Financing can also be fraught with the danger of high-interest rates and penalties if the consumer falls behind in payments. Financing also does not eliminate the threat of emotional overspending if the funeral arrangements are made at the time of need.

Yours Sincerely,



Peter O'Meara
Chief Executive Officer