

CATHOLIC METROPOLITAN CEMETERIES TRUST - RESPONSES TO INTERIM RECOMMENDATIONS

IPART INTERIM REPORT INTO COSTS AND PRICING OF INTERMENT IN NSW

The following responses are offered to the interim recommendations. Where we have not commented on a matter, the assumption is CMCT agrees with the interim recommendations. Where we have commented, we either disagree or are seeking clarification of the recommendation or offer an alternative for consideration by IPART.

We congratulate you on your insightful report and thank you for the opportunity to respond.

1) Part 5 Page 31 Interim recommendations: -

- **Cemeteries and Crematoria NSW be made responsible for acquiring land for new cemeteries in Sydney as part of the Statutory review of Cemeteries and Crematoria Act 2013.**

CMCT agrees with centralising the identification of cemetery land and tendering of operations by Government to minimise competition and market price distortion as well as improve operating efficiencies and procedures.

However, CMCT believes the recommendation to centralise this responsibility with the regulator C&NSW is questionable. We do not consider C&NSW as a regulator has the resources or technical competence to undertake site identification and acquisition without specialist support. From past experience, CCNSW has proven to be benign in this space. This function may be better allocated to the Office of Strategic Lands or Property NSW (now Housing & Property Group in DPIE) or outsourced by government to a qualified private sector organisation who possess the requisite town planning, valuation and acquisition experience critical to the development of state significant infrastructure such as cemeteries. We believe the Planning functions and responsibilities for development approvals should also be assigned to the Department of Planning, Industry & Environment (DPIE) and evaluated as State Significant Development. In CMCT's experience councils and local communities have often opposed development of land for cemetery use. In fact, Campbelltown, Liverpool and Penrith councils have all attempted to alter their districts plans to restrict cemeteries and crematoria as a permissible use in their LGA's. There has been significant reluctance by local councils to assess development applications impartially and in some cases, councils have actively obstructed applications. There is a critical need for cemetery operators and the Department of Planning to take an active role in seeing the planning pathway for cemetery development applications improved.

A substantial amount of demographic data relating to cemetery land acquisition already exists in relation to preferred cemetery site criteria. The Harley Report and the Greater Sydney Commission Report, (which are yet to be made public) together with the CCNSW Demand Assessment Study and CMCT's cemetery site identification and demographic studies authored by Urbis incorporates valuable information and criteria for preferred cemetery locations as well as clear recommendations on the planning approval pathway.

A cooperative round table group led by DPIE involving Crown Cemetery Trusts, Local Government, Office of Strategic Lands or the Housing & Property Group in DPIE (formerly Property NSW) as well as appropriately qualified and skilled private sector organisations could accelerate the identification and planning process for new cemetery developments for eventual tendering of operations.

In our view CCNSW should not be solely responsible for the identification of suitable land for cemeteries. Cemetery operators should be encouraged to put forward land acquisition opportunities and ideas for approval so that no opportunities are missed by cemetery operators to acquire suitable land in a fast-moving property market.

- **New Cemeteries in Sydney have their operations competitively tendered out to either an existing Crown Land Manager or appropriately qualified private operator.**

CMCT is largely in agreement with the concept of tendering the investment in cemetery infrastructure and operations to both Crown Cemeteries' land managers and appropriately qualified private operators.

IPART's proposed pricing principles should create competition and potentially better pricing for consumers as well as operational efficiencies. This assumes once a site is identified, appropriately zoned and approved for cemetery development, a competitive process based on transparent criteria would enable various parties to tender for acquisition of the land and development of infrastructure to operationalise the cemetery site.

We also assume there are savings provisions for land already acquired such as the recently acquired Varroville and Wallacia cemetery sites which are in the planning process for development in the short term. We assume the new tendering arrangements would not apply to these sites.

2) Part 6 Interim recommendation: - Perpetual Maintenance of Cemeteries

CMCT agrees with the interim finding that a consistent approach for cemetery operators in providing adequate funds for perpetual maintenance is essential. However, we are of the view that specifying perpetual care reserve funds should be independently managed by Treasury Corporation or by an independent body approved by the regulator CCNSW could prove problematic.

By way of example, if T-Corp or an independent fund manager are not subject to regular market competitive investment performance criteria, as is currently the case with CMCT's fund manager selections based on rigorous market analysis, the operator may achieve a sub-optimal performance on their perpetual care fund.

Furthermore, we believe the regulator CCNSW does not possess the skills or capability to make an informed market assessment on who is best positioned to manage the perpetual care funds of an approved cemetery operator. This is a highly specialist function that should be left to the judgement of the operating Board and be supported by a rigorous approved Investment Policy and selection process.

We believe the better option is to leave the operator to determine the fund manager selection, based on rigorous professional evidence-based optimal return criteria (tendered every 3 to 5 years) and supported by an approved Investment Policy and independent actuarial review. This should be the case for all professional services regularly tendered by a cemetery operator so as to achieve the best outcome. In CMCT's case because of its charitable status and entitlement to franking credit refunds on its perpetual care reserves it would be opposed to the centralisation or pooling of its perpetual care funds as it relies on the concessional tax treatment of its perpetual care funds to keep product prices low.

We agree that guidelines should be developed on the use of perpetual care funds for the operational activities of a cemetery operator particularly for closed cemeteries as well as for the investment in new cemetery infrastructure. This could be self-regulated and reported under statutory regulation to CCNSW. We also believe minimum maintenance standards for closed sections of cemeteries is required to ensure a base level of maintenance is maintained for the future of a closed cemetery. The Crown Trusts would appreciate the opportunity to provide input on the guidelines developed by CCNSW on the use of perpetual care funds.

In addition to ensure Perpetual Care obligations are funded, an independent actuarial review on an agreed standard model should be undertaken every 4 years to assess the adequacy of the funding. The outcome should be disclosed by way of a note to the audited financial accounts. In the interim years, funds should be set aside based on the number of burial rights sold during the course of the year. Furthermore, we believe the provision should be indexed by CPI until the next actuarial review. The allocation will vary with each cemetery and should be considered when determining pricing.

3) Page 66 Part 7 Interim recommendation 11: - Product and Pricing

CMCT supports the publishing of total price for a bodily interment service (i.e. the sum of all necessary service components) for both at-need and pre-need purchases. We also support the publishing of itemised price of each necessary service component. However, we do not support the publishing of itemised prices for each service component as this will only make it more difficult for the consumer to understand and to compare.

As an example, the interim recommended format for publishing of prices (Table 7.2) itemises the interment fee component of the bodily interment service. The itemised components are:

- Excavation

- Order of interment
- Burial or placement

We believe that the consumer will not necessarily understand nor will they benefit from knowing the fee for an “order of interment”. The consumer will most likely understand the term “excavation” however, we do not believe it will be of any benefit to the consumer when comparing prices.

We believe the consumer is interested in the total price for interment fee – the component prices making up the total price of interment fee is confusing and irrelevant to the consumer for price comparisons. This is especially true when we consider the fact that the consumer does not have a choice in selecting certain items from the interment fee component.

The above approach will help IPART achieve its desired effect of making price comparisons meaningful and easy for consumers.

In line with IPART’s aim to use terminology which will make it easy for consumers to interpret and compare pricing information, we recommend that cemeteries are required to publish the price for one or more of the following three bodily interment services:

- 1) Plaque Lawn – this is a basic interment service which is common to most (if not all) large cemeteries). The components for this service will be:
 - a. Interment Right – Site (should also include size of site)
 - b. Interment Fee – Excavation
 - c. Memorial – Plaque – Size of plaque and material (Bronze, brass, granite)
- 2) Headstone Lawn - this is a basic interment service which is common to most (if not all large cemeteries). The components for this service will be:
 - a. Interment Right – Site (should also include size of site)
 - b. Interment Fee – Excavation
 - c. Memorial – Headstone
 - i. Headstone price – Need only be published if memorial is supplied by cemetery
 - ii. Placement Fee – Need only be published if memorial is not supplied by cemetery
- 3) Monumental – Although not all cemeteries provide this product it is a product which is popular among many cultural and religious groups. The components for this service will be
 - a. Interment right – site (should also include size of site)
 - b. Footings – Footings for monument (if provided by cemetery)
 - c. Monument – POA

The above 3 products represent the most like-for-like bodily interment services provided by most larger cemeteries. Although each cemetery can publish prices of other services, the consumers can only benefit if they can compare prices of like-for-like products.

It should be noted that the names for the above 3 products are not industry standard. As such it will be beneficial if each of the products are supported with images so that the consumer can better understand the service or product for price comparison.

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Catholic Metropolitan Cemeteries Trust