



Cemeteries and Crematoria Association of NSW (CCANSW) response to the request for input from IPART.

1. Do you agree with our proposed pricing principles? Are there additional principles we should consider?

Whilst the concept of being affordable and equitable for all is fine in theory, in reality affordability relates not only to price but also to income, tastes and individual preferences. Client families have differing perceptions of what is value for money... it is not just about price. Whilst a variety of factors impact demand, all individuals should be afforded equal opportunity, without influence of cultural or religious beliefs.

“Interment prices should be affordable and equitable for all” equally.

‘Equally’, implying as a minimum, no community or culture is treated differently or is cross-subsidised by another. All individuals, as a minimum, have equal access to the same basic type of interment at the same price (i.e. a basic lawn site for a burial and a basic niche wall for cremated remains).

“Interment prices should allow for the financially sustainable operation of cemeteries into the future.”

Section 4.2 of the Issue Paper states “... *cemeteries to offer a basic interment right (that meets religious and cultural requirements)*”. The diversity in cultural and religious requirements means the cost is also significantly different. For example, the cost of a mausoleum, tomb (vault) or lawn beam site all vary greatly. As does the interment process associated with each.

The opportunity for an individual’s cultural or religious beliefs, should be provided for. Accordingly, to ensure *‘financial sustainability’*, all individuals should also be provided with equal opportunities. However, where an individual chooses an alternative to the minimum basic type of interment available to everyone equally, the full cost of interment, site development and maintenance costs should be reflected in all prices (i.e. full absorption pricing).

Clearly there is potential for conflict between affordability and sustainability, especially in cemeteries that are running out of space.

In situations where a cemetery operator has “inherited” a cemetery e.g. as a consequence of council amalgamations or church closure, without a perpetual maintenance fund dowry, it is not realistic to load up other cemetery fees to recoup historic shortcomings.

CCANSW supports the need for prices and related descriptors to be transparently available, in simple English, without bundling of key components. This is consistent with National Competition Policy principles. It is important for clients to be able to compare prices and make an informed decision.

If cemetery operators do not include a perpetual maintenance component within the fee calculation process, the issues associated with perpetual maintenance funding will continue to compound. Given the challenges faced by municipal cemetery operators, associated with the sensitivity of their electorates to price rises, it is important that cemetery operators can reference IPART and or CCNSW recommendations in that regard.

The other associated issue, referred to within the Review, is the risk that funds set aside over the years may be dissipated inappropriately by the cemetery operator in the future. There would appear to be merit in developing appropriate governance requirements for both preserving funds and also for substantiating the application of parts of those funds for periodic perpetual maintenance outlays, as distinct from standard operational expenditure.

In that regard IPART might clarify the distinction between what might be deemed general operating expenditure, as distinct from perpetual maintenance expenditure.

2. Are any principles more important than others? How can we manage trade-offs between conflicting principles?

From a family financial perspective cremation is typically a considerably less expensive form of bodily disposition.

“Interment prices should allow for the financially sustainable operation of cemeteries into the future”, should be the priority. As should treating all individuals equally while still providing the choice to fulfil cultural or religious needs, without the need for cross subsidisation.

Over time, the significant increase in the proportion of bodily disposition by cremation, as distinct from burial, has meant that, for the most part, the entrenched demand for burial comes from within particular faith based groups e.g. Bahai, Islamic, Jewish and Orthodox.

In some cases, faith based organisations are specialist cemetery operators themselves and make provision within their community to assist committed members with interment expenses, where necessary. Where that does not occur, families who are committed to burial look to their own devices to fund related outlays.

Related decision making processes would be facilitated by simple, transparent pricing, with prices set to make an appropriate contribution towards perpetual maintenance.

3. What type of land is the most likely source of increased cemetery capacity in Sydney? The Hunter/Central Coast/Illawarra region? Other regional areas?

From a CCANSW perspective the question is not so much to do with what type of land but who can afford to acquire, develop and hold that land, with little prospect of an economic return on the capital outlay for generations.

As the future demand for bodily interment is most likely to be faith based, there would appear to be merit in considering encouraging the development of cemetery land in areas associated with strong clusters of those faiths.

As private enterprise operators are more likely to provide services associated with cremation, the responsibility for establishing provision for bodily interment is likely to fall to the crown or municipal or faith based operators.

Rather than fostering the establishment of large complexes, like Rookwood, there would seem to be merit in identifying a range of smaller sites, accessible to their local communities.

It would be worthwhile examining the existing NSW land holdings of the three tiers of government, to identify those that may be surplus to needs, and the appropriateness of implementing strategies to use them for bodily interment.

It is important to note that in parallel with identifying the potential sites, consideration should be given to the organisational structure most appropriate to develop and operate them.

If suitable governance and prudent financial principles are not associated with green field development, then associated perpetual maintenance issues will arise for those sites in the future.

4. Are there other costs involved in developing land for use as a cemetery?

Securing a parcel of land for development as a cemetery is likely to be preceded by several failures before successfully purchasing a site. For example, the establishment of a new cemetery is often met by community resistance or the inability to achieve rezoning for burial use, consequently the cost can be significant and should be included in the total purchase cost of the successful site. The sunk cost of previous failed purchases could include costs associated with professional consulting fees, community engagement and consultation, developing proposals, concept design plans, soil testing and surveying.

The purchase cost of all plant and equipment, additional labour resources and finance costs cannot be overlooked. This assumes a new cemetery is in addition to an existing cemetery where resources are being retained at the original site for ongoing maintenance and burials.

The capital cost of holding land before it is used is material, however, can be minimised by adopting a staged approach to development. Progressively developing allotment sites over time to meet demand as required can reduce the upfront development cost of foundations, roads and other infrastructure requirements. The ongoing maintenance cost of fallow land also requires less resource (labour, plant, irrigation water) than gardens developed ready for sale.

5. Who should be responsible for developing new cemeteries?

The fact that the majority of bodily disposition is by cremation and less than 40% of those cremations appear to convert to interment within cemeteries needs to be considered. The ability of existing cemetery operators to self-fund new sites is diminished not only by the growth in cremation as the form of bodily disposition but also the fact that the proportion of cremations occurring within non private (cemetery) operators across NSW is diminishing.

Reserved perpetual maintenance funds could be considered as a source of temporary funding for purchasing and developing new cemeteries. By estimating the break-even period for a new cemetery, where purchase costs are fully repaid, the reserve funds for the original cemetery could be temporarily reduced to the amount required for the breakeven period. For example, if the breakeven period for a new cemetery is 30 years, and the maintenance costs for 30 years of the original cemetery are estimated as \$50m, then a perpetual fund can be reduced to \$50m and any surplus used to purchase new land.

As this self-funding approach assumes that the fund is large enough to allow temporary withdrawals (temporary in the context of perpetuity), it really means that developing new sites would be beyond the capacity of most cemetery operators.

The development of new cemeteries should be administered by a central agency within the State Government, coordinating coverage of the State to ensure that overlap of sites/services does not occur. There should be collaboration with the Planning Department, Health Department and the Greater Sydney Commission or similar planning bodies. It would also be useful if local government was required to include cemetery services in their community strategic plans.

6. Who should have responsibility for maintaining closed cemeteries in perpetuity?

Closed cemeteries are problematic.

Section 6.2 raises the question of *'whether current pricing practices will provide sufficient funding for the maintenance of the cemetery in perpetuity'*. In reality, in most cases, it is unlikely that it will. The price of an interment right in perpetuity in some instances is based on a projection of a fee that has an historically low base and also on an estimate, which is materially under-priced.

Unless the operator has undertaken a cost of services review to identify the true annual cost of current maintenance (i.e. operating costs less interment and all other costs exclusive of maintenance) and the ongoing capital cost of (say) irrigation maintenance, plant and equipment replacement (not purchase) costs after the cemetery is closed to interments. The price of an interment right would also include the original cost of development, which in some instances is unknown and or overlooked.

It is simplistic to expect local Councils to take responsibility for the perpetual maintenance of closed cemeteries, especially if they are not already the designated cemetery operator for those sites.

Whilst 'closed' cemeteries are able to be fostered as community and passive recreation spaces

- they have inherent associated risks e.g. deteriorating monuments, as public spaces
- their surface memorialisation makes them more expensive to maintain than parklands.

Unlike municipal parks or reserves, older cemeteries are also more likely to contain items of historic interest or may be heritage listed. They can also contain unique flora and fauna and interesting monumental architectural elements. Inevitably they are repositories for genealogical information.

Where the closed or non-viable cemetery has been operated by an entity e.g. a church, rather than being a small, isolated farm interment location, then IPART should seek to ascertain the feasibility of related umbrella organisations being made more responsible for directly contributing towards perpetual maintenance costs.

Where significant historic interments have occurred in isolation e.g. upon farmland, IPART should focus upon making responsibility for maintaining those sites a caveat upon prospective land developers.

7. Should there be a legal obligation on all cemetery operators to make financial provision for the perpetual maintenance of their cemeteries? What form should this financial provision take?

In principle there should be an obligation but the implementation challenge relates to making a distinction between the shortfall in historic perpetual maintenance funds and making provision related to the particular interment locations, for which interment rights are now being sold.

Current fees cannot reasonably recover material historic shortfalls, especially where an operator now has multiple sites, some of which were vested in them e.g. through council amalgamation, rather than acquired commercially.

For the most part private operators offer cremation facilities, attracting increasingly higher volumes of activity. Associated with private crematoria, cremated remains interment areas can be economically created without the infrastructure, and space required for bodily interment. Those operators are unlikely to have financial responsibility for closed cemeteries.

In these circumstances cremation cash flow can cross subsidise operational costs. Consequently, it may be difficult for a cemetery operator, without a cremator, to compete with an operator that has one, especially if that competitor is part of a vertically integrated business e.g. a funeral director with a cremator and cremation interment capacity.

Where cemetery operators are likely to need assistance is with actually determining when their interment spaces will be exhausted, imputing future costs, the methodology for calculating perpetual maintenance, then factoring that back into current approaches to fee setting.

Operators who have considered such matters note that there are significant costs associated with related investigations by accountants and actuaries. Smaller operators are unlikely to have the resources to produce the necessary data for appraisal and may not be in a position to incur the related costs.

8. Should more guidance or oversight be given to cemetery operators regarding investing and managing funds for perpetual maintenance? If so, by whom?

Yes. Guidance with regard to acceptable risk profiles for investment of perpetual maintenance funds would be beneficial. It may help individual cemetery operators to make more appropriate investment decisions.

The requirement to expend funds on perpetual maintenance does not just start "*when the gates close*". Consequently, guidance in relation to the nature of outlays for which withdrawals from a perpetual maintenance fund are acceptable, would also be useful.

9. What are the costs of interment, and what factors cause these costs to vary?

This response from CCANSW does not consider the

- direct costs incurred by client funeral directors associated with conducting an interment
- fact that current interment fees also may include a contribution towards the historic shortfall in cemetery fund accumulation.

Interment of bodily remains (Burial) Costs

The costs of interment, associated with the burial fee, include direct, indirect and overhead costs.

Direct costs: refers to the labour and equipment (i.e. excavator, procession lead car) required for the end-to-end burial process. For example, interment tasks and labour time may include:

Tasks	Persons	Hrs / Person	Hrs / Task	Description
Confirm Site	1	1	1	Identify site, map route, selection machinery, allocate team
Dig Site	2	1.75	3.5	Collect machinery, dig site, grave cover
Set-Up	2	1	2	Ceremony set up (boards, carpet, lowering device, chairs)
Concierge	1	0.5	0.5	Liaise with funeral director and lead procession
Funeral Service	2	1	2	Lower casket, stand-by
Back Fill	2	1	2	Move setup to side, back fill site
Remove Setup	2	0.5	1	Collect setup (chairs, etc.)
Top up & Turf	2	1	2	Settle grave, top soil and turf
Water site	1	2	2	Water site X 5 over two weeks
Admin	1	1	1	WHS requirements, overall feedback, FD feedback
Direct Labour Hours			17	

In the above example, labour costs equate to 17 hours of labour plus on costs.

The plant and equipment used in the above example included the procession car and various other excavators and tractors required to dig the site, transport soil from the site, then return soil to the site and back fill.

In another example where cultural or religious beliefs require the site to be dug and back filled by hand, the labour time, hence cost and staffing requirements, are significantly higher, however plant and equipment costs may be lower.

Other direct costs which are relatively immaterial per interment but can amount to a material cost for a cemetery overall include the cost of soil processing.

Indirect Costs: include labour for staff associated with all other process required to achieve the interment such as sales staff.

Overhead costs: include corporate costs such as board fees, finance costs and records management.

The following table gives an indication of the variability in interment costs for a single depth earth burial.

Cost Component	%
Direct Costs	31 - 50%
Labour	28 - 40%
Plant and Equipment*	2 - 10%
Indirect Costs	10 – 24%
<u>Overheads</u>	<u>38 – 47%</u>
Total	\$1,350 to \$3,000

Interment into a mausoleum, vault or niche wall for ashes all vary in the amount of labour and the use for various plant and equipment but can be calculated using the same methodology. For example, a mausoleum interment would not require an excavator but may require the use of a scissor lift and include other direct costs such as silicon to seal the crypt and rollers or sand to glide the coffin.

Understanding the interment process and the nuances associated with each interment are the key factors that cause the cost to vary.

Interment Right Costs

An interment fee includes the maintenance cost associated with the site for the term of the licence (right) plus the development cost associated with establishing the site and an amount for land value.

Site Maintenance: requirements across a cemetery can vary significantly. Where an allotment requires greater labour inputs and the use of capital equipment, the total cost of maintenance, hence interment fee, is directly impacted. The labour cost of maintenance is impacted by the maintenance procedures. The maintenance procedure for a niche wall is fundamentally different to a mausoleum, standard lawn site or monumental site. For example, the procedure for a lawn site may include lawn mowing, weed spraying and gardening. In addition to maintaining the burial site itself, an allowance for maintaining the overall vista should be included. For example, roads, irrigation, paths, tree pruning and boundary fencing.

The methodology used to calculate the maintenance costs for an Interment right, is the current total maintenance cost per active interment right, forecast as a discounted cash flow over the term of the interment right to produce a NPV (Net Present Value). Alternatively, a perpetual license is calculated using the 'Cost of perpetual maintenance' formula outlined in section 5.2, (where g is the long-term growth rate).

In using either methodology (for a term or perpetual licence), the fundamental assumption is all previously sold interment rights are self-sustaining, that is, for each active right a fee sufficient to maintain the site for the agreed period has previously been received. In other words, if previous interment right fees, were not based on full cost recovery and are less than the cost of maintenance, the perpetual fund held by the cemetery is likely to be insufficient. If current interment right fees are also not based on full cost recovery, the cost of future maintenance obligations will be reliant on cross subsidisation.

The following table provides an indication of maintenance costs for a single allotment per year. The variation in cost is due to the maintenance procedures. For example, the direct cost of maintenance (10-85%), depends on the amount of labour and machinery required. In some instances, no machinery can be used due to the nature of the site (i.e. mound of earth with lawn) or accessibility to the site

Cost Component	Maintenance cost %
Direct Costs	10 - 85%
Labour	6 - 85%
Plant and Equipment*	0 - 6%
Indirect Costs	10 – 30%
Overheads	20 - 25%
Total	\$25 - 180 per year

Development Costs: for an earth burial, three broad development groups can be identified:

- Basic – areas where land has been cleared, surveyed and unsealed walkways are provided
- Beam/Path – in addition to basic, beams and/or sealed pathways are installed
- Feature Garden – in addition to sealed pathways, monumental foundations are installed within a themed garden area.

Several variations can also occur within these groups, where each variation can affect the cost of development and the interment right fee. For example, a feature garden may include vaults or tombs, a raised mound of earth with lawn for each site or a full monumental stone over the site, each for cultural, religion or prestige.

The development cost of a renewable and perpetual interment is different.

Typically, the development cost for a reuse site is less than the initial cost of site development. For the initial sale, the development procedure and cost is the same for both types of licence.

The development cost for the renewal of an existing licence may be seen as the labour time to contact the next of kin and renew the licence, with some allowance for records management and public notices. However, the renewal cost is relatively immaterial to the renewal revenue received.

The development cost for a redeveloped site (second and subsequent resales of a site) is typically less than the initial development cost. Once the renewable term has expired the cemetery operator is faced with a variety of questions e.g. what to do with the residual remains and the monument that may have been on that location.

The development process for reselling an expired site includes

- lift and deepen: (done at the time of the first interment) and typically cost at least an additional hour of labour time
- contacting right holders: where the total cost per site is less than 0.5 hours labour
- removing and disposing of existing monumentation. When a renewable right expires, the cemetery operator may need to remove a monument or other form of memorialisation, from that site before it can be made available for resale.

Apart from the required costs of notification in relation to an expired right, dealing with in situ memorialisation will have related costs.

The memorial will need to be taken apart. Those of its components which are not required to be stored for five years e.g. the kerb or base, the ledger, the footings etc. will need to be taken off site and disposed of.

The headstone will need to be securely stored for at least five years before it can be disposed of. There will be associated costs with administration, creating a secure compound, sorting when disposal is to occur and costs related to the actual disposal.

All of these costs will impact operational costs and the potential viability of renewable term interment rights.

- remapping site in line with new site measurements.

However, the development cost is reduced by utilising existing infrastructure such as irrigation, roads and paths. Where replacement of infrastructure is required, the cost of footings, planning and foundations is usually not required.

Land Cost: Two alternatives are offered for discussion, land lease and land purchase. In both instances, an allocation of the space reserved for roads and other infrastructure should be included in addition to the allotment area itself (e.g. total cemetery area divided by total allotments).

An amount for lease of the allotment land based on an annual payment, included in a discounted cash flow calculation. Alternatively, an amount for the cost of purchasing the allotment land. Acknowledging that no transfer of title is provided to the interment right holder, however no alternative use of the land is available.

Whether the interment right is issued in perpetuity or on a reuse basis will also impact related costs.

Renewable Interment Rights

The cost of maintenance for a 99 year term interment right (or part thereof) and a perpetual interment right is relatively the same, when calculated using a discounted cash flow.

The cost of renewing an expired interment right is immaterial and no further redevelopment cost is incurred. Renewal income is received and an opportunity provided for the cemetery to ensure full cost absorption is applied when establishing a renewal fee for ongoing site maintenance.

Where the interment right is not renewed and the opportunity to resell the interment right for that location is available. Current legislation surrounding exhumation of remains, should be considered by IPART. The repositioning of remains, for example, by either lift and deepening or moving remains to an ossuary within the cemetery grounds, may currently be classed as an exhumation. We understand the SA legislation was amended to permit 'lift and deepen' and moving remains within the cemetery grounds, without the need to apply for an exhumation licence.

In considering the '*financial sustainable operation of cemeteries into the future*', the costs associated with handling and storing the bodily remains retrieved after the renewable term has expired, need to be considered.

Lift and Deepen

The most economical option is to 'lift and deepen' at the time of preparing the site (digging the grave) for the first interment of a new term licence. The marginal cost of a lift and deepen is approximately an additional hour of labour time. Soil is sifted, and the interred remains are collected, before placing them deeper into the ground.

The benefits of a lift and deepen are that

- the remains do not occupy any land or space which may otherwise be sold for interment
- there are no further ongoing maintenance costs in relation to the original set of remains
- the marginal cost of preparing the site is relatively immaterial and may be built into the interment right fee at the time
- the interment right location is able to be resold and generates additional income compared to a perpetual interment right.

We note that a prospective new interment right holder may be resistant to having previously interred remains kept within the 'new' interred site. If that's the case they can purchase a site which is not in re-use.

Alternatively, for transparency, the cemetery operator may define the extent of the reuse interment right by both its location and its depth. Therefore, any remains that are moved under the defined depth would be below the 'new' site. Should this become an issue, cemeteries may consider applying a different fee to sites with or without remains below a new site.

Ossuary

An ossuary is the place where the remains of people are kept. Broadly, this can be in a receptacle or room above the ground or as a burial site below the ground. The cost of an ossuary per interment, will depend upon

- the number of remains able to be stored within a given space
- whether they are stored individually contained or placed together in a communal receptacle.

Based on the South Australian experience, remains during a lift and deepen process, are likely to require a quarter of the space of a coffin, when reinterred, enabling the possibility for at least twelve sets of remains to be interred into the equivalent area of a triple depth site.

Where remains are relocated, several options are possible to ensure land, which may otherwise be sold as a new allotment site, is avoided or minimised. For example, some cemeteries have placed reinterred remains under infrastructure within cemetery grounds. Placing remains underground in a designated area that could otherwise be sold, is at the cost of an interment site and interment revenue forgone.

Constructing an above ground ossuary on the same site where remains are first stored below the ground, can also minimise the loss of sales revenue from otherwise new interment sites.

When considering related matters, it is important to remember that the issue only arises if no one is prepared to renew the interment right. The anticipated mode of disposition of the remains should be transparently stated as part of the Terms and Conditions on the Application for a Renewable Interment Right.

10. Can the variation in interment prices be explained by cost differences (such as higher labour costs for weekend interments)?

The actual costs associated with interring remains will vary according to a variety of factors. Some which can cause the direct costs to vary, hence the price when adopting full cost absorption, are:

- Contract labour used by smaller cemeteries (i.e. council or remote regional operators)
- Depth of the site (i.e. single, double or triple depth) will increase labour time and cost
- Soil type (sandy, clay, stone) increase difficulty and may need shoring up and vary dig time
- Site access may require specialised equipment with limited other uses (i.e. maintenance uses) increase capital (machinery) cost allocation
- Hire cost of plant and equipment
- Transport cost of plant and equipment if stored off site or shared between sites
- The interment process as required by cultural or religious tradition (i.e. hand labour only)
- Labour rates (overtime penalty rates may be incurred where the preference is to inter the deceased with a specific time frame)

- Number of staff that are to attend and how long they stay on site
- Penalty rates for weekends and public holidays.

Some indirect costs will also impact fees

- Contribution towards revenue and perpetual maintenance that is included within the interment fee
- The allocation of some organisational administrative overheads, especially within local government cemetery operators.

11. After considering factors outside of the control of a cemetery, are some cemetery operators more efficient than others? If so, what are the main factors behind these greater efficiencies?

As in all industries, there are varying levels of operational efficiency.

Section 5.4.2, suggests ‘larger cemeteries are able to distribute overheads over a larger number of sales and therefore have a lower cost per interment.’ However, other costs not applicable to some smaller cemeteries need to be considered. For example, where multiple cemeteries are managed and traveling between sites is required, the cost of transporting labour and machinery resources need to be included when setting prices to ensure the ‘financial sustainable operation of cemeteries into the future’.

Efficiencies can also relate not only to the volume of interment activity and the number of sites managed by a particular operator but also the

- importance of cemetery operations to the core business of the entity i.e. for some municipalities they are socially significant but economically immaterial. As a result, the cemetery operations may not attract internal funding that enables it to implement improvements in procedures, technological applications etc.
- resources allocated to facilitate operations
- effectiveness of the technology applied to managing cemetery records, mapping, registers and transactions
- geographic spread of sites
- degree to which decision making is facilitated or constrained by self interest groups, electoral implications and community participation
- constraints on timely decision making by governance policies e.g. about the frequency of price adjustments
- quality of inherited infrastructure
- their operational culture.

Larger Crown Trusts, and private operators, may be more commercially focused in their approach to merchandising, and from an organisational perspective be “nimble” in responding to the marketplace.

12. Is competition between cemeteries likely to lower costs? If so, are there ways to address barriers to the ability of cemetery operators to compete with one another?

The demand for interment rights is likely to be impacted not only by price but also by

- the proximity of that cemetery to the family home, public transport etc.
- personal preferences in relation to religious orientation or social groups or previous interments
- the reputation of the cemetery operator
- ambiance and maintenance of the site
- the population age distribution in the area
- public awareness of the relative scarcity of cemetery space within their preferred location
- knowledge of imminent deaths and associated family demand for neighbouring sites.

Experience over the last decade within NSW has demonstrated that competition by private cremator operators with non-private cemetery crematorium complexes has at times been associated with

- reductions in cremation prices
- a diminished focus on fostering interment of cremated remains
- the promotion of the “one stop shop” approach by funeral directors who also operate a cremator
- a material reduction in the volume of cases handled by a non-private operator
- enhanced client service.

The IPART challenge is to recognise that, compared to bodily interment, cremation is a cash flow generator that does not create an offsetting perpetual maintenance obligation.

In the limited number of cases where private operators provide bodily interment spaces, it cannot be assumed that interment right prices have fallen as a result of competition. At times funeral directors within such vertically integrated businesses may be offering bundled services to families e.g. funeral plus interment plus memorial. In those circumstances comparisons are not easy to make.

13. Does the tax treatment of private operators increase their operational costs relative to crown trusts and not-for-profit operators?

Where private operators pay tax, it does increase their identifiable direct costs relative to non-tax paying entities.

Some crown trusts and not-for-profit operators would argue that the tax cost differential is offset, quite possibly more than offset, by the costs

- they incur with their reporting obligations to responsible authorities
- of additional required audit fees

- associated with servicing their communities and necessary community consultation
- associated with the Crown Cemetery levy
- incurred where they have been entrusted with the care of inoperative or semi closed sites, with inadequate associated accumulated funding.

14. Should private and local government cemetery operators also pay the Crown Cemetery Levy to fund the operations of CCNSW?

As a statutory authority CCNSW should be funded by the State government and not need to impose levies. Potentially a levy creates a conflict of interest between the Agency and its funding sources.

Members of the Cemeteries and Crematoria Association of NSW (CCANSW) operate 58% of cemeteries and crematoria within the state. **If a levy is to be imposed**, from the equity pricing principle perspective, rather than considering placing it upon interments (of bodily and cremated remains), **CCANSW advocates levying it upon the form of disposition of the bodily remains i.e. the volume of burials and cremations.**

This approach has a number of advantages.

- IPART and CCNSW acknowledge that the proportion of cremated remains being interred is falling, so adding to that cost will impact demand for cremated remains memorialisation. A levy on interment will encourage scattering or interment into unregulated positions to avoid the levy e.g. unauthorised placement within a council park.
- It levies all cremations, not just those resulting in interment.
- It helps to generate revenue from organisations that would otherwise, not only diminish the viability of cemetery operators but also avoid the levy as they cremate but do not offer interment.

Quite possibly in a more sophisticated approach, whilst the levy is attributed to the volume of cremations and bodily interments, the actual quantum might be variable to reflect other factors such as sustainability, capacity of operation, perpetual funding requirements and volumes.

The application of the funds raised should do more than fund a statutory authority. There should be a mechanism able to be created, to assist with cemetery perpetual maintenance.

15. What form should the recommendations from this review take? How prescriptive should they be?

The applicability of recommendations to all cemetery operators should be clear, particularly in regard to embracing cremator operators that do not fall under the CCNSW definition of cemetery operator (because they do not offer interment of cremated remains as part of their services).

The IPART recommendations should provide direction to CCNSW to encourage focus on particular activities e.g. development of Codes of Conduct, perpetual maintenance fund investment guidelines etc. It should also be supporting NCP by making recommendations related to transparency in pricing and unbundling of major cost components.

Making prescriptive recommendations is of limited value unless a suitable mechanism for ensuring compliance is established.

16. Should the forms of recommendation from this review vary depending on the ownership/management of the cemetery to which they apply? If so, how?

NO.

We note the use of the term cemetery and its inherent limitations. The IPART focus should recognise

- the direct correlation between an increase in the provision of private enterprise cremation services and the diminished revenue of cemetery operators (those providing bodily and cremated remains interment)
- that smaller operations, such as local government smaller cemetery operators and Church Trusts may have limited capacity or expertise to implement recommendations without reasonable timeframes or financial and other assistance, especially when compared to large trusts and publicly listed cemetery operators.

These factors should be able to be considered, not so much in framing the form of recommendations, but in the implementation timelines and the support mechanisms to facilitate implementation.

17. To which services and product offerings should the recommendations from this review apply?

Preferably IPART would make recommendations specifically in relation to fees for a basic service i.e. interment in a lawn grave.

If IPART promulgated pricing principles, then those principles should be able to be consistently applied to the full spectrum of bodily disposition goods and services. They could be applied by a cemetery operator to appropriately different fees between lawn graves, headstone lawn, monumental and mausolea interment.

It would be particularly helpful if IPART could identify a multiple, which as a minimum, should be reflected in the difference between a renewable tenure fee and a perpetual fee for the same style of interment right.

Whilst its fee recommendation might be constrained to a basic service, IPART should be promoting the requirement to transparently reveal **major** fees, unbundled, to facilitate transparency and to assist client decision making.

18. What should the form of recommendations of this review be with respect to perpetual maintenance reserves?

The slow take up of the opportunity to introduce renewable tenure in NSW reflects many factors. Obviously one key ingredient is the lack of recognition by some operators of the direct correlation between the length of tenure and the fee that needs to be charged, if perpetual maintenance is to be funded.

In the absence of clarity in relation to appropriate investment risk management, and governance principles in relation to not only injections (deposits) into perpetual maintenance funds but also criteria for withdrawals, it would seem beneficial to initially establish guidelines.

This would provide an indicator to all operators in relation to approaches required to incorporate a suitable component within fee structures and how to reflect it both within decision making re pricing and also financial reporting.

19. Are there cross-subsidies or inefficiencies in pricing for interment services?

There are various examples of cross subsidies within pricing.

Some local government operators have inherited sites i.e. they may not have established some sites that are now entrusted to their care. At times this is the result of council amalgamations or accepting responsibility for an historic church graveyard or heritage interment locations. The operating costs of these sites may be cross subsidised from other sources e.g. rates paid to council (in the form of funding the cemetery deficit), or a council not allocating overhead costs in fee determination for interment rights.

Similarly, where an operator has multiple sites, at times common fees will be charged, rather than tailoring fees to the costs of service provision or maintenance on a site by site basis.

Even within a site some operators do not adequately differentiate fees between sections e.g. lawn versus monumental, single versus double sided rows, to reflect the establishment and related perpetual maintenance costs.

Some inefficiencies occur from a market perspective where fees do not adequately reflect market forces e.g. where there is a shortage of space within a section or a section has attributes which make it far more attractive than other interment locations e.g. it may be near a beautiful tree or a tap or a shelter or a seat or an historic monument or it may be in a well shaded position or one with good visual amenity or even views.

Whilst flat pricing structures may be administratively simple for some operators to use, they are inefficient in considering site attributes.

At times the structure and level of fees reflects their historic origins, rather than a considered current pricing model. Legacy pricing has resulted in cross subsidies.

If the term interment services is taken in a more limited sense to refer to the services associated with interment at need e.g. digging, rather than pricing interment rights, then particular, possibly more understandable cross subsidies/inefficiencies arise.

When a client family meets with the funeral director to arrange a funeral they usually will be expecting to be quoted for the cemetery related services. That process is facilitated by the availability of published price lists.

Those cemetery operators that publish price lists are taking a risk that the costs associated with digging a given grave, can be covered by the published fee. Often they will not have the capacity to go back and vary the charge if unanticipated issues arise impeding the dig e.g. water, grave wall collapse, hitting rock.

20. If there are cross-subsidies, are there compelling reasons why they should continue?

Whether the reasons are compelling will depend on the particular circumstances and also upon IPART's preparedness to be perceived as possibly being responsible for creating material fee adjustments.

Not all local government cemetery operators operate cemeteries as a stand-alone business unit. As a result, whilst operating revenue and direct expenses may be budgeted and monitored, quite often the administrative overheads are not allocated as a cost. It is reasonable to anticipate that financial and technology services, compliance, contractor administration, legal, record keeping etc. might as overheads be equivalent to 30%.

Similarly given the geographic spread of some LGA's, the application of direct travel costs for contractors etc., to outlying cemeteries would materially increase fees in more remote areas. In those areas the population density is also likely to be less and its less likely that a local crematorium will exist to provide an alternate less expensive disposition option.

Full cost absorption should be reflected in all pricing.

21. To what extent does the range of prices for interment rights within and between cemeteries reflect different efficient costs, product differentiation, or price discrimination?

Variations in pricing between cemetery operators will be influenced by the nature of services provided, the approach taken to accounting for maintenance and perpetual maintenance, the historic fee base, and market forces i.e. the interaction of supply and demand.

The organisational culture of the cemetery operator and the relative size of cemetery operations within the organisation, will also impact fees. Larger cemetery operations are more likely to take a commercial approach.

Within council operations if cemeteries are a relative minor budget area, they may attract inadequate funding and attention. They are also likely to be cross subsidised.

Within council operations it is likely that Interment site prices are also based on historic prices, annual CPI increases and also comparison with local competitors - as opposed to a set formula for land cost + development cost + capital cost etc. as outlined in Part 3. Price discrimination is beginning to develop but is often constrained by the reluctance of local government authorities to implement it for fear of public backlash.

The variation in prices across cemeteries, in some instances, is being influenced by legacy pricing which is not reflective of full cost allocation and cost reflective prices. Consequently, cross-subsidies are impacting the long-term sustainability of some cemeteries.

22. Are there other areas of concern in current cemetery interment pricing approaches?

The main concern is the lack of transparent, readily available, unbundled, pricing information for some private cemetery operators.

23. Should fees for interment rights vary with available cemetery capacity?

Where supply is short, if market forces are constrained then fees will be lower, the available interment rights will sell more quickly and the site will be closed sooner for new interment right sales. The issue is not that the site will have closed (that's inevitable anyway, in time), rather it is the fact that it will not have maximised revenue generation to fund its own perpetual maintenance.

The fact that local government cemetery operators usually only adjust fees once a year, and even then are likely to only make CPI adjustments, already diminishes the likelihood of market forces operating and reduces the accumulation of funds for perpetual maintenance.

24. Which community impacts should we consider as part of this review?

IPART should consider the impact of its review upon the basic provision of interment services. In a civilised society, everyone should have access to a dignified form of bodily disposition. All communities should be considered equally as should the impact on any one community at the expense of another.

That is not to say that all individual preferences should be catered for at a minimal price or that where bodily interment is the preferred option, that it must be available within X kilometres from the deceased's place of last residence.

Where interment space is in short supply the community is likely to be impacted by higher prices and may need to travel further to obtain an affordable site. Where they require orientation in a particular direction, or a particular depth or a single row or above ground vault etc. the nature of their demand is likely to elevate the fee above that of a basic location.

In many respects parallels can be drawn with the real estate market. Buyers tastes, incomes and preferences determine where they purchase/rent. Critically in the cemetery context IPART needs to ensure that a dignified basic service is available, where members of the community have a justifiable reason for seeking interment rather than cremation but are experiencing financial difficulties.