

7 June 2019

Interment Costs and Pricing Review
Independent Pricing and Regulatory Tribunal
PO Box K35
HAYMARKET POST SHOP NSW 1240

To whom it may concern

SUBMISSION - IPART REVIEW OF INTERMENT COSTS AND PRICING

I write to make a formal submission on behalf of City of Newcastle (CN) to IPART's review of interment costs and pricing.

CN's comments are confined to points 1-24 of the list of issues for stakeholder comment within the IPART issues paper and are provided below for your consideration.

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

Yes we agree.

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

All of the principles are equally important. Ease of implementation will differ between each principle. To deal with the tension between affordability for the customer and financial sustainability for the owner (cost recovery), it will be best dealt with by cemetery operators such as CN working on a sliding scale over time i.e. a transition phase.

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

For CN, the lands that are most the most likely source for increased capacity in the future are those which are in close proximity to existing cemeteries that are within, or close to the boundary of our local government area. In addition, we would seek to utilise Crown or CN-owned land that is not fit for purpose for other uses would also be considered. For example, reclaimed (former landfill) sites.

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

We agree with those provided in 5.1.2 of the IPART report. They represent the bulk of the development costs.

5. Who should be responsible for developing new cemeteries?

The market, regulated by the NSW Government, via the Cemeteries and Crematoria Act 2013

Local Government is a provider of cemeteries based on historical practices that do not reflect modern reality, providing a much wider range of community services than ever before. There should be no enforced requirement on Local Government to provide cemeteries.

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

The owner of each cemetery. Specifically, CN does not support a blanket Cost Shifting model where closed cemeteries are passed to local government for ongoing “passive recreation” ownership and/or management, e.g. Crown Trust, particularly without any perpetuity maintenance fund reserve to accompany it.

If Local Government is to be required to take responsibility for maintaining closed cemeteries in perpetuity, they should be properly supported by ensuring there is an adequate perpetuity maintenance fund reserve that accompanies the transaction - which meets say 50 years of future maintenance/renewal costs and no restriction on the ability/permissibility to develop the cemetery land in a sensitive fashion in the future for costs beyond.

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?

No.

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

Guidance is welcome to assist cemetery operators with investing and managing funds for perpetual maintenance, by Cemeteries and Crematoria NSW as the governing authority in NSW.

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

Interment costs are those which are required to place human remains in the earth or in a mausoleum, crypt, vault, colymbarium, niche wall or other structure. This typically includes the following activities: labour costs for site preparation e.g. for an earth burial; digging; placing of remains; filling; and top dressing.

The most typical factors that affect these costs for CN include: location between and within cemetery sites; latent conditions e.g. presence of considerable rock; and when the interment occurs, weekends vs week days.

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

For CN, yes. We note that for other operators, cost differentials in interment prices vary considerably more and the reason/s for this are not always transparent.

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?

Yes, some operators are more efficient than others.

CN notes that recent cemeteries have been better planned to reduce operation costs. For example, better design of burial sites being of either beam or lawn care and a higher proportion of niche wall burials which are much cheaper operationally than earth burials.

Further, heritage and/or monumental cemeteries have evolved, with effectively no future planning toward future operating costs as most of these sites were managed by churches in the past and families used to take care of graves. There has been a cultural shift away from families having an interest in monument care and maintenance beyond placement.

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?

Yes, over time if regulations are enforced where councils are required to fully fund all costs of cemetery operations.

The largest barrier currently is that council providers are not required to fully fund all costs of cemetery operations – numerous councils run their cemeteries “at a loss”, and subsidise this loss with rates income.

Another mechanism that may promote competition is enforcing a requirement for funeral services to be transparent with customers about whether they (the funeral service) receive financial benefit from burials at any cemetery. For example, InvoCare are known to “vertically integrate” their service offerings to the customer. Their funeral service providers promote those cemeteries which they own.

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

Yes, according to tax legislation and their company status.

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

No.

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

Publishing of guidelines with a benchmark methodology for setting prices, and with occasional benchmark prices. CCNSW should also consider transparency mechanisms that promote visibility of how the various operators set their pricing – to inform and empower customers. This could include the publishing of prices on a regular (e.g. annual) basis.

CN does not support regulation.

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?

Given the disparity that currently exists between private v public operators, it may be prudent to adopt a staged approach to the recommendations over time. In this way, the first release of guidelines/recommendations could be about “achieving parity”, while future releases could be about “industry standards” and “benchmarks”.

Consideration will need to also be given to geography; Sydney’s land availability issue is genuine but unique. Also, demand and rates of utilisation within cemeteries varies widely across the state. Therefore, not all factors and/or recommendations will be relevant in all parts of NSW.

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

For CN’s interest only, interment pricing and perpetual maintenance reserves.

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

They should be recommendations and guidance on best practice. Other mechanisms exist to monitor periodically performance. In particular, all NSW councils are now subject to the same external audit process, managed by the NSW Auditor General – who has the remit to undertake special audits as they deem necessary.

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

Yes. Cremation interments are much cheaper than earth burials from an overhead perspective.

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

To give cemetery operators flexibility in how to efficiently run their operations.

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?

Minimal extent for CN cemeteries, prices for interments do not vary much between our sites.

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

There is a low understanding generally within the community that there are a range of pricing options for end of life options. This is driven mostly by the funeral industry than by individual cemetery operators as this is not part of non-private cemeteries operations. Unless a consumer pre plans the alternatives for end of life care, the customer is most often directed by their “at need” funeral care experience.

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

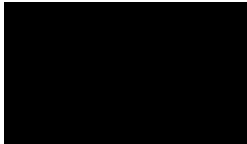
Yes. This gives cemetery operators the flexibility to manage their operations, and plan ahead, effectively.

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

Affordability of land (capital purchase), affordability of local demographic regions to pay for interments, accessibility (proximity).

Should you require any further information on CN's submission please contact Adam Vine, Manager Property and Facilities on [REDACTED].

Yours faithfully



Ken Liddell
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