CPSA COMBINED PENSIONERS & SUPERANNUANTS ASSOCIATION

Response to Independent Pricing and Regulatory Tribunal's issues paper on

# Review of interment costs and pricing

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CPSA receives funding support from the New South Wales and Australian Governments

*CPSA is a non-profit, non-party-political membership association founded in 1931 which serves pensioners of all ages, superannuants and low-income retirees. CPSA has 92 branches and affiliated organisations with a combined membership of approximately 23,000 people living throughout NSW. CPSA's aim is to improve the standard of living and well-being of its members and constituents. CPSA receives funding support from the NSW Government Departments of Family & Community Services and Health and the Australian Government Department of Health.*

CPSA welcomes the opportunity to comment on IPART's issues paper on the cost and pricing of interments in NSW. CPSA offers the following comments.

1.
CPSA has no views on how the upkeep of closed cemeteries should be funded, except that it should not be funded by effectively raising the price of future interments to cross-subsidise expenditure on closed cemeteries. The sale of burial plots in perpetuity has always been a practice that bore a close resemblance to a Ponzi scheme, in which the revenue brought in by new customers is used to pay for the needs of existing customers. It is clear that, given the extremely low proportion of sales of renewable tenure plots since the Cemeteries and Crematoria Act 2013 commenced, the industry is not minded to change its ways and the regulator is not minded to make them. In short, this is not a problem that can be solved through an IPART review.

2.
CPSA notes that section 145 of the NSW Cemeteries and Crematoria Act 2013 requires IPART "to conduct an investigation of interment costs and the pricing of interment rights within the interment industry …" and requires that "investigation [..] to include a review of competition, cost and pricing factors within the funeral industry".

In CPSA's view, conducting two separate reviews in sequence does not satisfy the requirements of the NSW Cemeteries and Crematoria Act 2013. Section 145 uses the word "include" and completing a review of interment pricing and subsequently completing a review of pricing factors in the overall funeral industry is clearly not an inclusive process and is therefore not compliant with the NSW Cemeteries and Crematoria Act 2013.

From the consumer point of view, what is important is the overall pricing of a funeral. The issues paper does not offer a break-down of interment procurement. However, CPSA assumes that the majority of interments are procured by funeral directors on behalf of people arranging a funeral. This assumption is based on the fact that the majority of interments take the form of cremation followed by the burial or dispersion of ashes. CPSA assumes that cremations and interments are organised by funeral directors as part of their overall service package. The pricing of this service package is unregulated and billing is generally not itemised fully or not itemised at all.

CPSA also assumes (on the basis of anecdotal evidence) that many interments taking the form of full burials are procured prospectively by consumers themselves. However, once these consumers die and require the use of the pre-purchased interment, a funeral

is usually arranged through a funeral director, who will offer an overall service package, excluding procurement of a burial site obviously, but presumably including a cost component for liaising with the cemetery. The pricing of this service package is unregulated and billing is generally not itemised fully or not itemised at all.

In summary, consumers and consumer organisations are asked to give IPART their views on the pricing of graves without being able to put this in the context of the overall transaction of a funeral. In the case of graves for a full burial, the costing and pricing of all other elements is to be ignored. In the case of the entombment or burial of ashes, the same approach applies, with the addition of the exclusion of the pricing of cremations.

CPSA wishes to highlight the fact that it is in the interest of the funeral industry to maximise demand for burial land and ration supply to a level where demand can be satisfied at a maximum price. For example, funeral directors market the burial of ashes at cemeteries as a natural part of any burial, when ashes need not be buried in cemeteries. It is not in a funeral director's interest to advise consumers they are able to collect and take home ashes in a container not bought from the funeral director. This is particularly applicable in the case of a funeral director who also operates a cemetery. This marketing practice drives up demand, with a third of ashes interred at a cemetery.

As part of this inquiry, IPART aims to make recommendations as to how the interment demand/supply situation should be managed while ignoring this marketing practice, which has the overall effect of putting more pressure on land supply and driving up prices. By making a recommendation to curb this marketing practice, IPART could be instrumental in establishing a sound demand management practice in the funeral industry and reduce the demand for land for burials. However, by splitting up the section 145 inquiry, in contravention of that section, IPART cannot make recommendations in that regard.

2.
The pricing principles proposed in section 4 of the Issues Paper do not recognise two important points.

First, interment pricing can play an important role in dissuading people from choosing full burial of remains or interment of ashes at a cemetery. The Issues Paper quotes a renewable tenure burial rate for 2017-2018 of less than one-third of one per cent of all burials that year, while Crown cemeteries simply do not offer renewable tenure. It is CPSA's observation that six years after the commencement of the NSW Cemeteries and Crematoria Act 2013, renewable tenure burials are offered only incidentally by cemetery operators.

The demand for burial land can obviously be reduced by the creation of a price signal and this should be created in an equitable manner.

Second, in many cases, particularly where interment at a cemetery of ashes and at-need burials are concerned, interment pricing is typically not transparent for the consumer who purchases a funeral package covering all components of a funeral. While consumers have a right to a fully itemised account for a funeral package under Consumer Law, they need to request it and, given the typical emotional state of consumers at that point, anecdotal evidence suggests few do so. In any case, Consumer Law provides that funeral directors have seven days to provide an itemised account, a period during which funeral preparations, including the signing of a contract, need to be finalised, so that legally compliant account itemisation can be delayed by funeral directors until a contract has been signed and even until after a funeral has taken place.

The pricing of interments needs to be transparent to the consumer of an overall funeral package in the interests of delivering an effective price signal to consumers. It is CPSA's position that all quotes and tax invoices should fully itemise the cost of each item purchased in a funeral package and that those items should not include a mark-up by the funeral director. Instead, the funeral director's fee should be included as a separate line item.

3.
CPSA's position is that basic funerals (as per the NSW Fair Trading Act 1987) are an essential service and therefore need to be available at a price consumers can afford.

It is clear that the affordability of a basic funeral as an essential service, should be paramount in IPART's configuration of pricing principles, but it is also clear that affordability considerations should rank lower than considerations of environmental sustainability.

The approach taken generally by IPART based on the objectives of the Cemeteries and Crematoria Act 2013 appears to be based on the assumption that the use of land for full burials and burial of ashes is not negotiable: it must be available and it must be affordable and it must pay for itself. As IPART has stated that this review is to be guided by the objects of the Cemeteries and Crematoria Act 2013, it is CPSA's view that these objectives are internally inconsistent in the main and need themselves be reviewed to more closely to align with reality.

If the demand for burial land is to be managed in part by giving a price signal, consideration should be given to pricing burial plots uniformly, irrespective of geographical location. Obviously, land in the Sydney basin has a higher value than in urbanised areas to the south, north and west. However, a consistent pricing signal for outer areas now, could prevent supply shortages and rising prices in those areas later. If postage stamp pricing would be applied irrespective of urban or regional, the commercial desire to develop land for burial purposes would be curbed.

4.
The question is whether interments have become a luxury in urban New South Wales and whether interments should continue to be portrayed as a default choice. Two-thirds of the disposal of human remains take the form of cremation and two-thirds of ashes are not interred following cremation. This means that in New South Wales more than 40 per cent of deceased persons are not interred. CPSA suggests this is a trend that cannot be ignored and needs to be built on and reinforced by pricing regulation.