

MCB ADDRESS SPECIFIC POINTS OF INTERIM REPORT

IPART	MCB COMMENT
<p><b>Executive Summary</b> More transparent cemetery prices</p>	<p>It is not clear what the assumptions made regarding the pricing tool? Operating cemeteries are widely varied – Crown, Local Government, country metropolitan, private, churches and are subject to different financial pressures and community expectations.</p>
<p><b>Approach to the review</b></p> <p>Cemeteries are run by Crown land managers, local governments, private operators, churches and community groups and they all have <b>different incentives</b> to be more efficient, offer affordable services and take account of all their costs.</p> <p>It is unclear who has responsibility for <b>sourcing land</b> for new cemeteries.</p> <p>There is competition between cemetery operators in some areas (Sydney in particular) and this can lead to innovation and service quality improvements but has less impact on prices.</p> <p>Renewable tenure interments allow some of the costs of acquiring additional land for cemeteries to be avoided in the long term, but also involve additional costs at the end of the tenure period, including the administration costs of contacting right holders to see if they want to renew, and costs of preparing the interment site for a new interment.</p> <p>Local government operators can be incentivised towards more efficient costs by publishing transparent and comparable information.</p> <p>There is currently no legal requirement for cemetery operators to set aside funds for the costs of perpetual maintenance. Some cemeteries may not be maintained to standards expected by the community once they are closed to new burials. We recommend that there should be a requirement for all cemetery operators to make adequate financial provision for perpetual maintenance of interment sites and the cemetery.</p> <p>There is wide variation in prices for interment services across NSW, and these prices are displayed inconsistently and are difficult to compare.</p>	<p>Rather than incentives – perhaps pressures</p> <p>MCB works with Department Planning Lands and Heritage to identify land and community feedback</p> <p>Prices may not be the client’s main priority e.g. location proximity is a main consideration, including tradition, family history</p> <p>Agree, an example of MCB cemetery renewal program could be provided as an alternative suggestion</p> <p>Assuming the Local Governments (LG) are subject to the same operating costs and have similar local community expectations. This probably would not be the case for LG in WA</p> <p>May be difficult for LG who only conduct one or two burials per year.</p> <p>Cemeteries operating costs are subject to varied pressures.</p>
<p><b>Interim findings</b> The market for cremation and ashes interment is workably competitive.</p> <p>Consumer choice in the cemetery sector operates differently from many other sectors, as choice is strongly influenced by proximity to family, cultural and religious requirements, and decisions often need to be made in a short timeframe at a time of emotional stress.</p>	<p>Cemeteries with a crematorium may have different operating costs to those who offer burial only.</p> <p>Preference of location as offered by the Funeral Director</p>

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<p><b>Interim recommendations</b></p> <p>There be a legal obligation on all cemetery operators to make adequate financial provision for perpetual maintenance of interment sites and the cemetery.</p> <p>CCNSW to develop Guidelines on when and how a cemetery operator can use perpetual maintenance funds for a cemetery.</p> <p>In setting interment fees and charges, all cemetery operators should include future maintenance costs of their cemeteries.</p> <p>Users of the pricing tool should include land value at its initial purchase cost, but for cemeteries that are located on gifted land, the land value should be zero. Land value for an established cemetery should not be adjusted over time to reflect changes in surrounding land values.</p>	<p>Families choose the style of a monument and so the cemetery is liable for these choices and the craftsmanship of the masons.</p> <p>Guidelines may be too broad</p> <p>For perpetuity or a limited time eg. 50 years with regular review.</p> <p>Land depreciates due to its purpose.</p>
<p><b>1.5 What is the current approach to pricing interment services?</b></p> <p>Current prices for interment vary significantly across NSW</p>	<p>Same in WA, approved by the Minister and gazetted.</p>
<p><b>4 Market structure and form of recommendations</b></p> <p>Once we understand these, we can make recommendations about the types of additional measures that might be required to achieve the outcomes of cemetery financial sustainability and customer affordability and access.</p>	<p>Should take into consideration standards as well</p>
<p><b>4.2 Mixed governance arrangements for cemeteries mean the market structure differs between regions</b></p> <p>There is some competition between providers of interment services in Sydney.</p> <p>Cemeteries outside Sydney tend to be provided by Local Government and there is limited competition between cemetery operators. However, while there is less competition between providers, local governments are accountable to their communities for pricing decisions..</p>	<p>No competition in Perth however, MCB operate on a financial model that is fair, affordable and equitable for the community and also to excellent service and operational standards meeting community expectations.</p> <p>Agree</p>
<p><b>5.2 What are the costs of providing interment services?</b></p> <p>Cemeteries and Crematoria NSW (CCNSW) be made responsible for acquiring land for new cemeteries in Sydney as part of the statutory review of the Cemeteries and Crematoria Act 2013.</p> <p>There are many costs associated with developing the land for use as a cemetery</p> <p>Allocation to interment services (eg, staff on-costs, long service leave)</p> <p>Cultural and religious requirements can increase the cost of interment services Requirements for graves to be dug and backfilled by hand</p>	<p>Working with government to identify strategic direction in-line with developing communities</p> <p>Include staffing, vehicles and equipment</p> <p>Records management/computer systems</p> <p>Casket size, depth, lift and deepen, preplacement of foundations and beams</p>

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<p>We recommend that any additional costs of the interment, including the interment right, should be separately and transparently identified on a cost-reflective basis, as discussed in Chapter 7.</p> <p>Sales costs will vary over the life cycle of a cemetery</p> <p>Cemetery overheads also need to be allocated to each interment right – Corporate Costs</p> <p>How do we estimate the efficient costs of interment services? Prices that reflect the efficient costs of interment services ensure consumers are not being over charged and help cemeteries achieve financial sustainability into the future. As mentioned above, our approach is to assess the efficient costs of delivering interment services, and recommend measures where necessary, to encourage more efficient costs in future, taking account of both the nature of the cemetery industry and the operator type. We will also consider the impact on ensuring prices remain affordable.</p>	<p>MCB grant fees are standard across all our sites. We add fees for service separately e.g. oversized casket, additional burial depth. MCB allows the deceased of specific cultural/religious persuasions e.g. Muslim, to have the option of being buried in any area so that additional costs borne by their faith are not mandatory.</p> <p>This is not MCB model – cross-subsidisation</p> <p>Included should be governance, HR, contractors, subsidiary services</p> <p>This could be viewed as subjective</p>
<p><b>5.4 What factors affect the costs of renewable tenure?</b> Since June 2018, all cemeteries in NSW have been able to offer renewable tenure, with a minimum term of 25 years. The term of the renewable interment right commences on the day on which the interment right is granted.</p> <p>Given this, it may be more appropriate to purchase at need. If the renewable right is purchased and then is not required until close to expiry, it may need to be extended. A renewable interment right can be renewed for a minimum of 5 years at a time, with the total duration not greater than 99 years.</p> <p>With regard to costs, the main difference between renewable and perpetual tenure is that the land, and the cost of maintaining the site, are only required for the period of the renewable tenure (between 25 and 99 years). In contrast, perpetual interment rights require the funding of land and maintenance into perpetuity.</p> <p>Contacting rights holders - the Cemeteries and Crematoria Regulation 2014 sets out the steps a cemetery operator must take to give notice to the rights holder.<sup>95</sup> The process must start at least 12 months before a renewable interment right is due to expire, initially attempting to contact the rights holder by post and email. If unsuccessful, this is followed with telephone, post and emails repeated at three monthly intervals. Failing all this, notice must be published in a local and Statewide newspapers, and on the cemetery's website or social media account.</p> <p>The rights holder has two years from expiry to apply to renew the interment right.</p> <p>Lift and deepen costs</p>	<p>Pre-need is attractive to those wishing to secure a gravesite on a particular location</p> <p>MCB view this as renewal</p> <p>Both tenure and perpetuity require funding and maintenance obligations for perpetuity unless the cemetery is repurposed.</p> <p>MCB has no such regulation so there are no mandatory costs here. We do mail out campaigns especially for expired pre-need graves that have no burials.</p> <p>Grace period. MCB have no such regulation</p> <p>MCB costs are associated with cemetery renewal</p>

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<p><b>6.1 Overview of interim findings and recommendations on cemetery perpetual maintenance</b></p> <p>There should be a legal obligation on all cemetery operators to make adequate financial provision for perpetual maintenance of interment sites and the cemetery.</p> <p>Cemetery operators should provide a Plain English Statement of terms and conditions for interment rights at a cemetery that customers can easily access. This should include a clear statement on the nature and level of maintenance of the interment site and the cemetery.</p>	<p>Just keep to limited tenure, rather than perpetual</p> <p>This is a big imposition but a good reason why funds need to be secured to manage a cemetery that is closed or full.</p> <p>Agree</p>
<p><b>6.2 What are the perpetual maintenance costs of a cemetery?</b></p> <p>The Northern Beaches Council notes that while monuments erected on a grave are the responsibility of the interment rights holder, after a few generations usually no one in the family is willing to take care of this obligation. To manage this risk the council has developed a grave monument safety and inspection program.<sup>97</sup> If an interment right holder does not maintain a site (such as a monument) then there could be risks to public safety and this may represent a financial liability for the cemetery operator. Therefore, over time some ongoing maintenance costs could be shifted from the interment right holder to the cemetery operator.</p>	<p>Agree and this may be incentive for cemetery operators to remove headstones for safety reasons or for cemetery renewal.</p>
<p><b>6.3 A legal obligation on cemetery operators is needed to provide for perpetual maintenance of cemeteries</b></p> <p>There be a legal obligation on all cemetery operators to make adequate financial provision for perpetual maintenance of interment sites and the cemetery.</p>	<p>Agree</p>
<p><b>6.4 The current funding arrangements for perpetual maintenance of cemeteries lack transparency and accountability</b></p> <p>A small number of council cemetery operators have also set aside funds into separate perpetual maintenance or cemetery reserve funds. For example, Bega Valley Shire Council, Central Coast Council, Hills Shire Council, Shoalhaven City Council and Wagga Wagga City Council have perpetual maintenance reserve funds.<sup>115</sup> For private cemetery operators (which includes ASX listed companies<sup>116</sup> and small private companies), their practice of setting aside funds for perpetual maintenance are not clear.</p> <p>Most cemetery operators in NSW do not report on the size of their liabilities for the perpetual maintenance of their cemeteries nor do they have transparent arrangements to fund these liabilities.</p>	<p>This may be due to community pressure or expectations and may not be applicable for all LGs</p> <p>This is not surprising. If the plan was limited to eg. 50 years and regularly reviewed, there may be more accurate data being able to be achieved.</p>
<p><b>6.5 Cemetery operators that meet a threshold for number of interments for new perpetual sites per year be required to establish a perpetual maintenance reserve fund</b></p> <p>Box 6.1 Funding arrangements for perpetual maintenance of cemeteries in other jurisdictions</p> <p>Under the CC Act there are different ways that our proposed option could be implemented</p>	<p>Perpetual maintenance funds required for all cemeteries not just for interments with perpetuity.</p> <p>No comment</p>

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<p>Cemetery operators that conduct more than 50 bodily interments in new perpetual interment sites per year at a cemetery must contribute to an independently managed perpetual maintenance reserve fund to provide for long-term cemetery maintenance.</p> <p>CCNSW to develop Guidelines on when and how a cemetery operator can use perpetual maintenance funds for a cemetery.</p>	<p>Disagree, a fund set up must conform to Dept Treasury guidelines and managed and reviewed annually to ensure that sufficient funds are set aside for future maintenance obligations. This must be managed by the cemetery authority not some independent organisation. Reason being that each cemetery or memorial park has its own maintenance obligations. The cemetery authority will know this and what cost are involved.</p> <p>Yes and to be audited annually.</p>
<p><b>6.6 Cemetery operators need to be more transparent on the roles and responsibilities for maintenance</b></p> <p>Operators will clearly explain, in any agreement providing an interment right, any maintenance obligations that exist in relation to a grave, monument or memorial, and which party is responsible for maintenance. Any ambiguity in the agreement in relation to who is responsible, or to the nature or extent of any such obligation, will be construed in favour of the holder of the interment right.</p> <p>An object of the CC Act is to ensure that operators of the cemeteries and crematoria demonstrate satisfactory levels of accountability, transparency and integrity. We consider that cemetery operators should be required to provide a Plain English Statement of terms and conditions for interment rights at a cemetery. This could be developed as a Code of Practice for an interment industry scheme. Compliance with any requirements for an interment industry scheme can be enforced by CCNSW and penalties can apply</p>	<p><i>MCB By-law</i> has dealt with this S. 51</p> <p>This was proposed in the <i>Cemeteries Act 1986</i> MCB review position paper 2007</p>
<p><b>7.2 There is wide variation in prices for interment services</b></p> <p>Some cemetery operators provide individual prices for different service components, including interment, perpetual maintenance and exhumation. We observed substantial variation in the other service components (see Figure 7.2), such as:</p> <ul style="list-style-type: none"> <li>Interment fees which varied from \$450 to \$3,140</li> <li>Perpetual maintenance which varied from \$410 to \$1,460</li> <li>Exhumation which varied from \$457 to \$9,140</li> </ul>	<p>Due to specific cemetery conditions, no assumptions should be made on fees and charges; cost recovery should be the basis of all fees and charges.</p> <p>MCB interment fee for adult is \$1450</p> <p>MCB exhumation fee is \$4358</p>
<p><b>7.4 Displaying prices using consistent terminology would make price comparison easier for consumers</b></p> <p>Publish the total price for a bodily interment service on cemetery operator websites</p> <p>Table 7.3 ABC Cemetery pricing schedule for an adult lawn burial – at-need</p>	<p>MCB is published with the State Law Publisher and on MCB website. MCB could revise with more layman’s language</p> <p>MCB comparison is \$2322.00 (Grant) + \$1450.00 (Interment) = \$3772.00</p>

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<p>The total price for a bodily interment service (ie, the sum of all necessary service components) for both at-need and pre-need purchases</p> <p>Product specifications for the interment right, such as size and depth</p>	<p>MCB prices are itemised separately in the gazettal document and common use fees on MCB website under Facilities and Services Price List. There is no explanation of terms. Whether a grant needs to be purchased requires further knowledge about the status of the grant, cemetery renewal and available burial space in the grave</p> <p>This is restrictive, may not be possible to provide</p>
<p><b>7.5 A central website with all prices available would improve consumers' ability to compare prices</b>          Within 12 months CCNSW to develop a central website to enable consumers to compare prices for interment services in one place.</p>	<p>Perhaps not quite so relevant in WA. Possibly more relevant for FDs</p>
<p><b>7.7 We have developed an interment right pricing tool</b></p> <p>The tool calculates a price for an adult lawn bodily interment right, and allocates land and maintenance costs to interment rights assuming that every gravesite in the cemetery is an adult lawn grave). Most cemeteries offer different types of bodily interment services such as monumental graves, mausolea, etc, and they often charge less where a gravesite is smaller (eg, children's graves). The pricing tool does not calculate prices for these services. Rather, the tool serves as a full cost recovery price benchmark for a basic service. The 'basic service' price can be scaled up or down for non-basic services based on land area used by, and any additional costs of, the non-basic services. A renewable tenure price is also calculated relative to the perpetual tenure price</p> <p>A cemetery's holding costs will change with the change in the utilisation of cemetery land. While renewable tenure allows a right to be sold multiple times, it also means that when a right expires, it once again becomes an unsold lot (for which holding costs are again incurred, and the revenue to recover these costs is not realised until the point at which right is re-sold).</p> <p>Renewable interment right price (second and subsequent renewal). As discussed above, when the term of a right expires, the right holder can renew the right or allow the right to be sold to another person. If the right is renewed, then that right holder is effectively preventing the re-use of the site. In which case, they should pay the equivalent price for perpetual tenure, relative to the term of renewal. This requires us to set a price based on the 'indifference principle'. Unlike the first method (the formula), the indifference principle does not account for any savings from land re-use enabled by renewable tenure, and so the price under the indifference principle is higher.</p> <p>Submissions to our Issues Paper, such as the Jewish Board of Deputies and the Lebanese Muslim Association indicated that renewable tenure is not suitable for all faith groups,160 and so it is likely the cemeteries will continue to offer perpetual tenure to meet the needs of these communities. However, there may be some groups of consumers for whom renewable tenure is appropriate. Because we have found that prices for renewable interment rights with shorter lengths of tenure can be cheaper than a perpetual interment right, we consider that renewable tenure may provide an opportunity for consumers who would prefer to be buried, but for whom purchasing a perpetual interment right would be less affordable.</p>	<p>Assumptions:          Adult lawn grave          Relevant only to the interment right &amp; can be scaled dependent on tenure          Land and maintenance costs are allocated to the interment right          Equitable contribution to cemetery costs</p> <p>Unknown quantity. However, cemetery renewal guarantees income for say 5 years on a "new" burial area.</p> <p>MCB reduced the second tenure fee to the same as the first tenure fee in order to attract sales for the second tenure.</p> <p>Works ok with MCB faith groups although our Jewish community does not generally agree with the principles of cemetery renewal.</p>

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**7.8 We will further investigate options for recovering legacy costs**

Another option suggested in a submission to our Issues Paper was for existing cemetery managers to be supported in acquiring new land so they can cross-subsidise the cost of maintaining old land and the graves located in both the old and new land.<sup>161</sup> Alternatively, the legacy costs from past interments could be recovered more broadly from ratepayers or taxpayers.

LG only