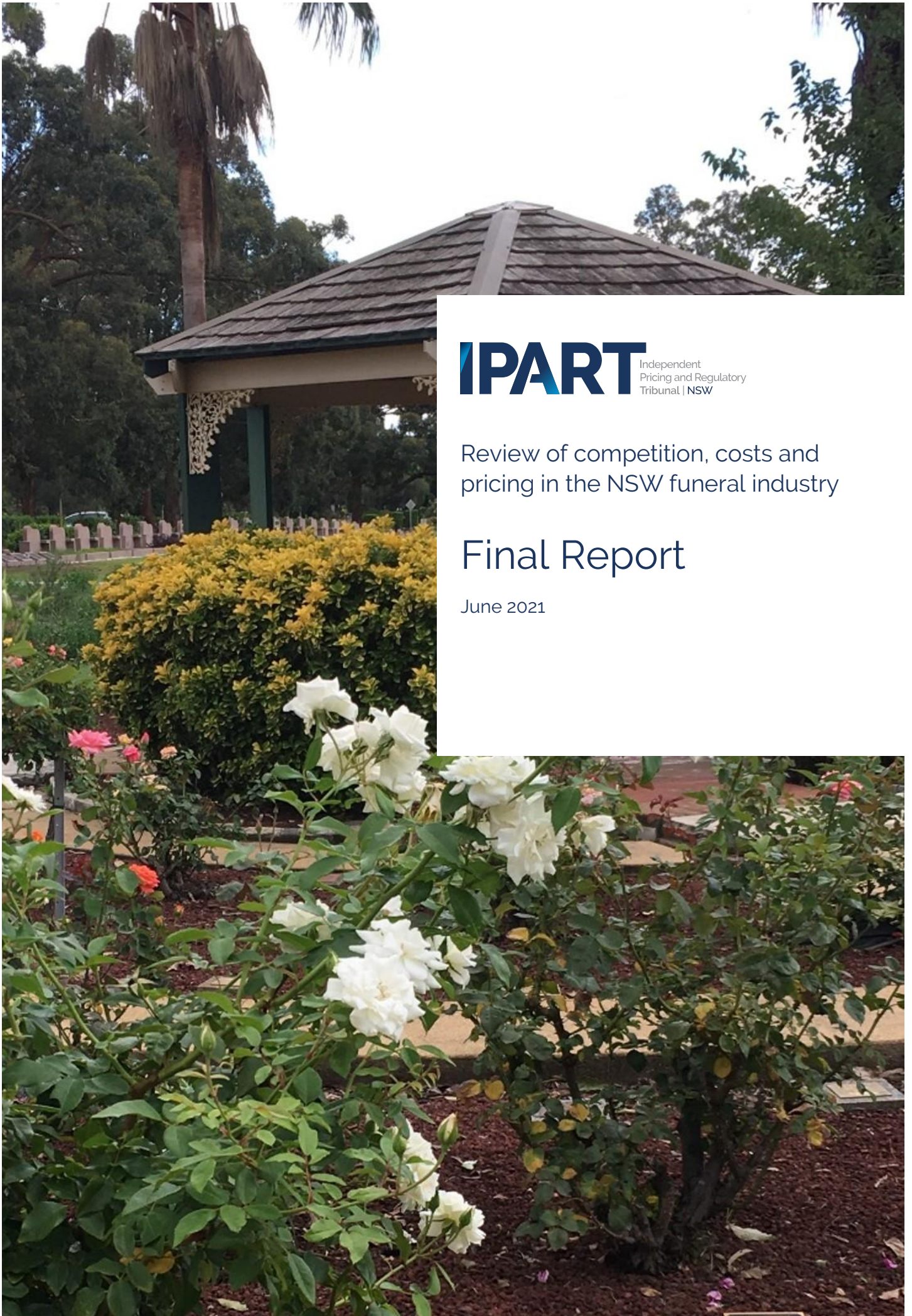




Review of competition, costs and pricing in the NSW funeral industry

# Final Report

June 2021



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## **Tribunal Members**

The Tribunal members for this review are:

Ms Deborah Cope, Acting Chair

Ms Sandra Gamble

Mr Mike Smart

Enquiries regarding this document should be directed to a staff member:

Jennifer Vincent (02) 9290 8418

Jessica Hanna (02) 9113 7715

## **The Independent Pricing and Regulatory Tribunal (IPART)**

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## IPART has made final recommendations for our funerals review

We want people to be able to make informed choices about the kind of funeral they want at a price they can afford.

There is no doubt that organising a funeral is unlike most consumer decisions. People organise funerals infrequently, within a short timeframe, during what can be a stressful and emotional time. Because death is a sensitive topic, people can be reluctant or unwilling to obtain quotes, compare funeral providers or request discounts as they might with other occasional high-value purchases.

Most people are satisfied with the funerals they purchase, and formal complaints are few. However, people told us that the process of organising a funeral can be confusing, and that more information would help. We reviewed funeral provider websites and found that many are not providing all the information they are legally required to display. We also reviewed Government websites with information about organising funerals and found opportunities for information to be presented more clearly and more consistently.

Some people, both consumers and industry stakeholders, called for more regulation of the industry. However, in our view, the current level of regulation – which focuses on providing information – allows for consumers to find the best outcomes for themselves.

We recommend that NSW Fair Trading act to ensure all funeral providers comply with the existing regulation, so that the full benefit for consumers can be realised. We also recommend complementary improvements to funeral information on Government websites, so that information is comprehensive, consistent and accessible.

We also looked for signs that might indicate that there is not enough competition between funeral providers, leading to poorer outcomes for consumers. We investigated costs of funeral providers and how prices for consumers relate to those costs, and we investigated the range of choices available, in terms of providers, products, prices and business models.

We found that most people in NSW have access to a choice of funeral providers and a range of funeral products and services that meet their needs and are affordable.

We also looked at ways to pay for a funeral, where serious issues have been raised in the past about consumers being misled into buying products that do not suit them. We found that changes made as a result of the Banking Royal Commission are likely to address these concerns and should be supported by education and information.

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## Final Recommendations

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1. That NSW Government agencies publishing information about organising funerals optimise their websites for search engines, to enable information to be readily found by consumers doing internet searches.
2. That the NSW Government's Life events webpage be made the primary site for comprehensive information about the process after a death occurs, with other websites linking the relevant sections of the process.
3. That NSW Fair Trading develop a consumer guide that:
  - encourages consumers to contact more than one funeral provider, or view the price lists of funeral websites, before agreeing to transfer the person who has died into the care of a funeral provider
  - includes a checklist and questions to ask funeral providers to assist consumers quickly obtain more than one quote (we have prepared an example of what could be included [here](#))
  - includes information about the legal requirements of conducting a funeral without the assistance of a funeral provider, as well as any forms required (e.g. the form to register the death, application for shrouded burials and application for cremation)
  - The consumer guide should be published on the NSW Government's Life events webpage and could also be provided at hospitals, aged care homes or social services organisations.
4. That NSW Health and Births Deaths and Marriages NSW digitise relevant forms such as authority to collect deceased, application for shrouded burials and application for cremation to allow families to complete and submit them electronically.
5. That, to improve compliance with the funeral information standard, NSW Fair Trading amend its website and FAQ information about the standard to:
  - provide examples of what constitutes 'prominent display'
  - clarify what constitutes a public website for the purposes of the standard
  - include a definition of the 'least expensive funeral package' to clarify that it is an estimate of the total minimum price for the least expensive combination of products a funeral provider offers to customers, whether or not the funeral provider defines that combination of products as a 'package'
  - provide guidance for the different business models that are captured under the definition of 'funeral director'.

- 
6. That, when the regulation is next reviewed NSW Fair Trading propose the following amendments to the funeral information standard (in addition to the current requirements):
    - require all funeral providers to publish:
      - a. the price of their professional services fee
      - b. the price of the least expensive funeral package that includes a funeral ceremony, for the burial or cremation of a body, if supplied by the funeral provider.
    - clarify that funeral providers are required to publish funeral information on any public website maintained by the funeral provider and include a link to the funeral information on any social media account maintained by the funeral provider. If the funeral provider does not have a public website but has a social media account, it must publish the funeral information on each social media account.
    - include a definition of the 'least expensive funeral package' to clarify that it is an estimate of the total minimum price for the least expensive combination of products a funeral provider offers to customers, whether or not the funeral provider defines that combination of products as a 'package'.
    - require disclosure of the funeral provider's ultimate holding company.
  7. That, to improve compliance with the funeral information standard in the Fair Trading Regulation 2019, NSW Fair Trading continue to audit websites and commence enforcement action for non-compliance.
  8. That NSW Health remove from the Public Health Regulation any provisions regarding body disposition that they consider unnecessary to protect human health when the regulation is reviewed prior to statutory repeal.
  9. That NSW Government websites with funeral information include information about (or links to Commonwealth information about) enhanced financial regulation, and consumer rights and responsibilities with respect to funeral financial products.
  10. That NSW Fair Trading prioritise consumer education about funeral insurance and funeral products, including the existing 'It's ok to walk away' campaign with Aboriginal consumers.

## Final Findings

1. That NSW funeral markets are workably competitive.
2. That the NSW crematoria market is workably competitive.

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## Terminology used in this report

The terminology around funerals can be confusing, with the same word used in different ways. For the purposes of this report, here are the definitions we have used:

- In this report, a **funeral** is any combination of activities that occur after a person's death to commemorate their life, record their death and dispose of their body. Often people use the word "funeral" to mean a ceremony that commemorates someone's life, but a funeral does not have to include a ceremony – indeed, the market for "no service no attendance" (NSNA) funerals (which do not include a ceremony as part of the funeral) is growing – and many tasks associated with a funeral must occur whether or not there is a ceremony.
- The **ceremony** that may occur as part of a funeral is also commonly called a service, particularly by the funeral industry. In this report we use the word ceremony, except where it is part of a commonly used industry term, like "no service no attendance" or "order of service".
- This report uses **funeral provider** to mean a person or company who organises any or all of the products and services associated with a funeral. Funeral director is a more commonly used term for this occupation, but we have used a broader term to capture the range of different business models for organising funerals.
- This report uses **funeral package** to describe a prescribed set of products and services offered for a bundled price by a funeral provider. Some funeral providers offer these bundled packages, sometime at a discount to the itemised prices of the components.

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## Consumer issues

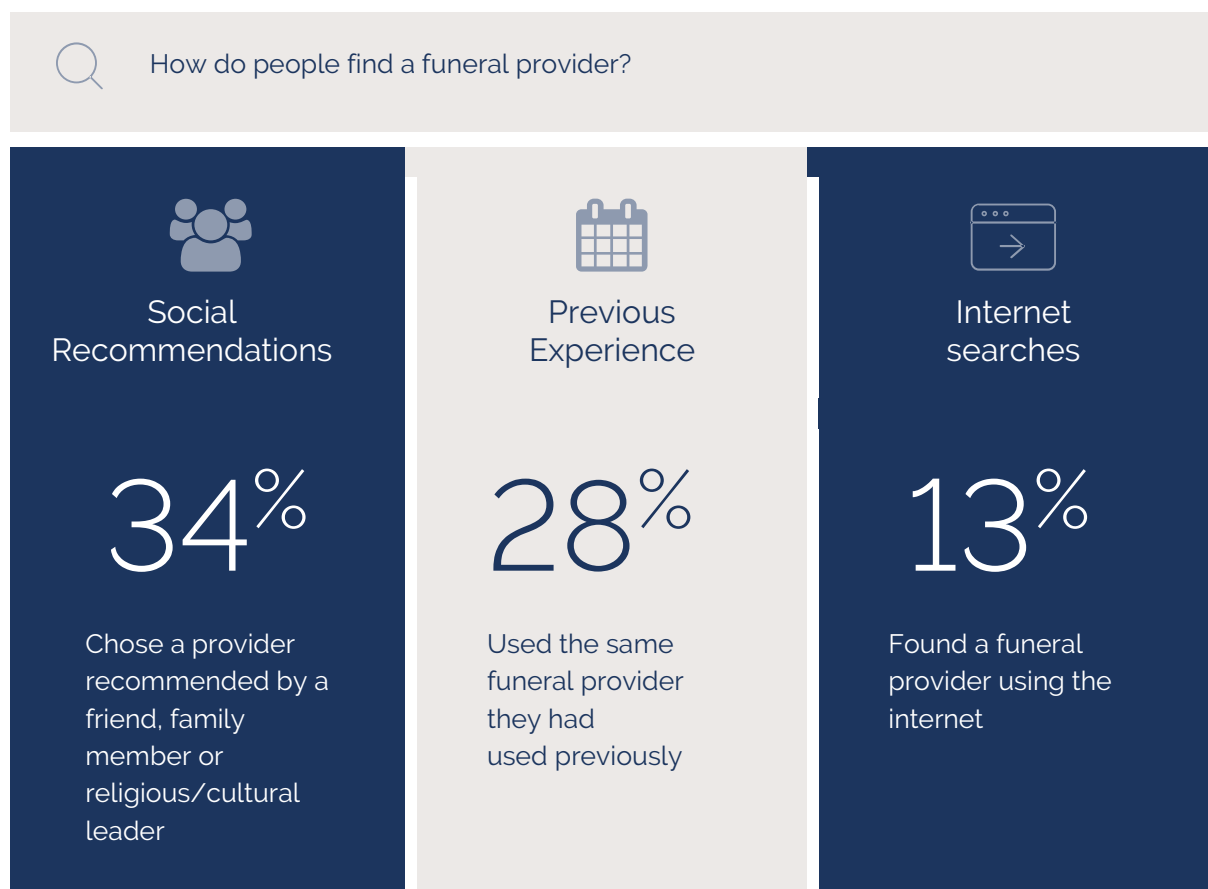
Given the important role funerals play in our lives and cultures, and their often significant cost, people need to be able to make informed choices about the kind of funeral they want at a price they can afford.

As part of our review of the funeral industry, we undertook consumer and stakeholder engagement, research and analysis to better understand:

- How people make decisions about funeral providers, products and services, including what information they use to help organise funerals
- Whether people are satisfied with the funerals they purchase and their experience of organising them
- What people most want and care about when making decisions about funerals
- Whether information provided by government agencies helps consumers make informed decisions about funerals.

### What consumers told us about organising a funeral

We used the NSW Government 'Have Your Say' website to find out about people's experiences organising funerals in NSW. We received 111 survey responses.

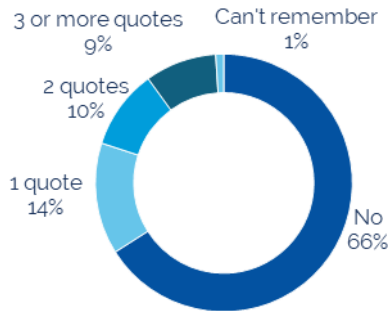






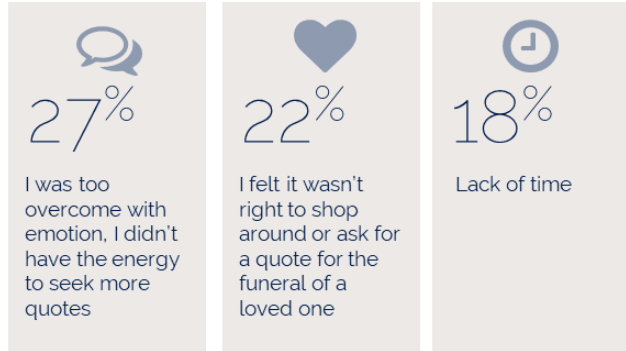
## 2. Comparing quotes

### Did you get a quote before choosing a funeral provider?



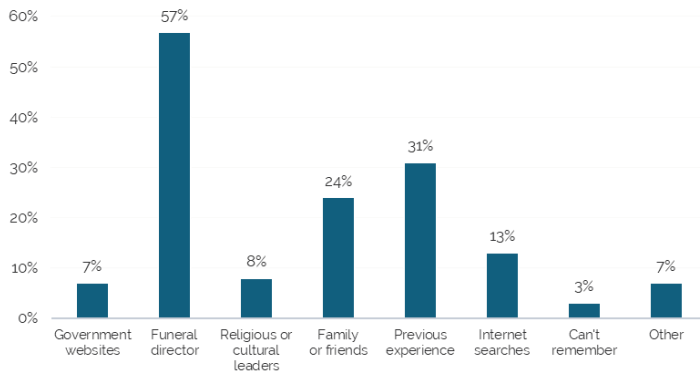
### What prevented you from getting more quotes?

(Responses from those who got 0 or 1 quote)



## 3. Information used

A majority of survey respondents said that they used information from the funeral provider to help organise a funeral. Some respondents used information from other sources as well.



# 83%

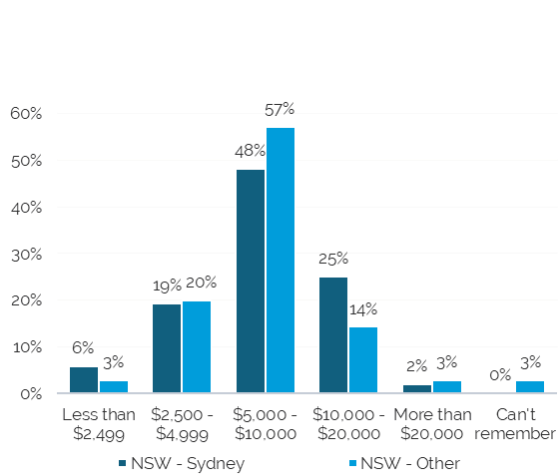
of quick poll respondents said there was not enough information available to help them with decision-making about funerals.



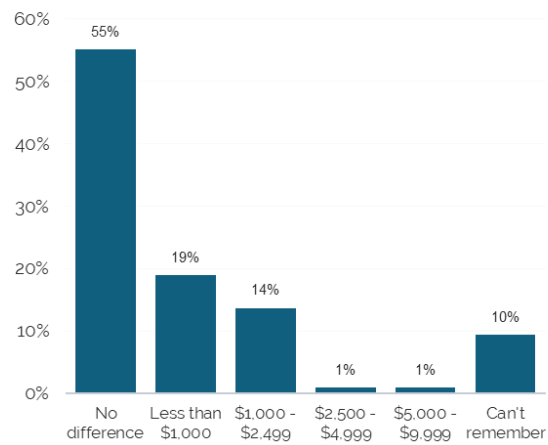
## 4. Price and payment

The median price range of funerals (both within Sydney and the rest of NSW) as reported by survey respondents was \$5,000-\$10,000, consistent with our research in the issues paper<sup>a</sup> that indicated both median and average prices within that range.

### Final Costs



### Difference between initial quote and final cost

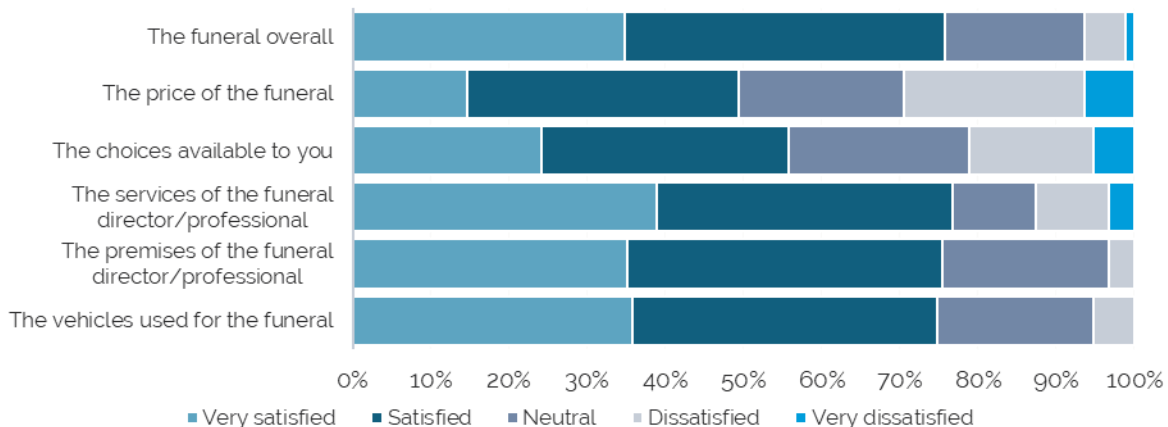


Personal savings were used to make payments in 46% of funerals and money from the estate contributed to payments in 33% of funerals. Personal credit or money borrowed from family or friends was used in 11% of funeral payments.

<sup>a</sup> When researching for the issues paper we presented the typical price of a traditional funeral with cremation in Australia as \$7320 as reported by [GatheredHere](#), 10 March 2017.

## 5. Satisfaction

We asked people how satisfied they were with different elements of the funeral including choices, services of the funeral provider, premises, vehicles, price and the funeral overall.



## Government website information



### Finding government websites

Using search terms such as **funeral**, **organising funerals**, **how to organise a funeral** or even **organising a funeral in NSW** only returns one government website (ServiceNSW) on the first 3 pages of Google

We found 8 NSW Government websites with information about what to do when someone dies:

- Cemeteries and Crematoria NSW
- Department of Communities and Justice
- NSW Fair Trading
- NSW Health
- NSW.gov.au
- Service NSW
- Clinical excellence commission
- State Library of NSW.

Much of the information assumes the use of a funeral provider early in the process and does not prompt the family to consider other options or seek quotes.

None of the Government websites we reviewed encouraged people to compare funeral services and prices (including NSW Fair Trading which does recommend this for other purchases).

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Some of the information was out of date or conflicting. The advice about 'first steps' differs between the Department of Communities and Justice, NSW Fair Trading, Service NSW and NSW life events pages.

## A consumer checklist to help funeral customers

As part of our draft report, we developed a sample checklist designed to be used 'at need' as part of a consumer guide, to assist consumers to work through the type of funeral and level of participation they want, before approaching funeral providers to seek quotes or otherwise starting funeral preparations.

We consulted on our draft recommendation and on the sample checklist and found that most stakeholders support an independent consumer guide for funerals. We incorporated stakeholder feedback in an updated version of the checklist, which we refer to NSW Fair Trading as part of our recommendation that they develop a consumer guide to funerals.

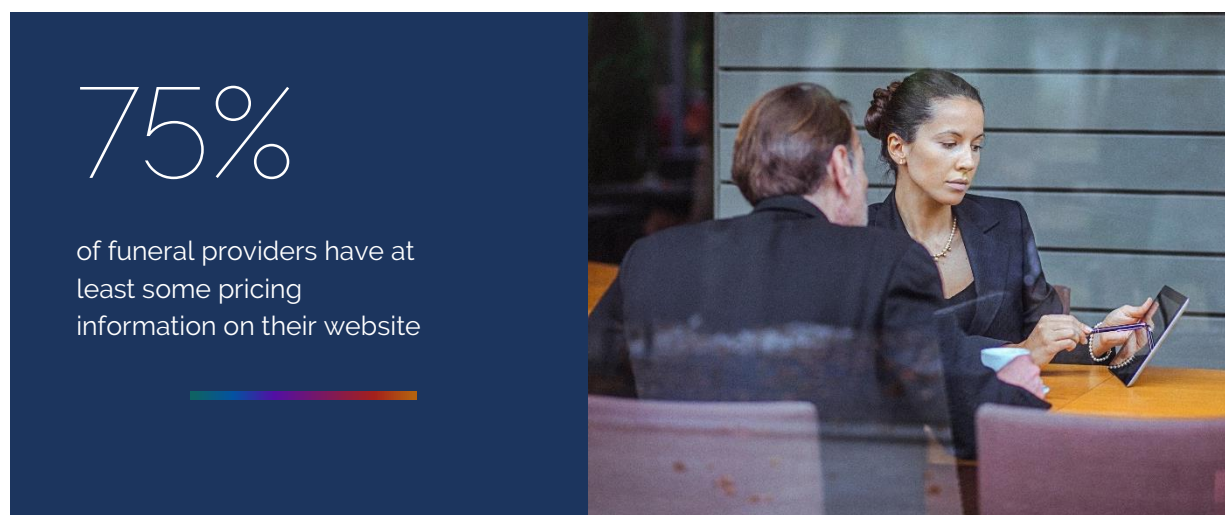
For more detail on our findings, see our information paper on [consumer issues](#).

## Funeral provider website information

The funeral information standard requires funeral providers in NSW to prominently display an itemised price list on their website and at their place of business. Most funeral providers in NSW have a website, a Facebook page, or both. The funeral information standard has improved transparency for consumers, enabling them to compare alternatives in the short time available to arrange a funeral.

However, when we published our Draft Report for this review, we found that around a third of the 250 funeral providers we looked at were not publishing any of the required funeral information.

Following release of our Draft Report, the Minister for Better Regulation announced a compliance blitz on funeral providers.<sup>1</sup> When we looked at around 260 funeral providers throughout May and June 2021, we found that compliance had improved. The number of funeral providers not publishing any of the required funeral information reduced from around a third to around a quarter, a pleasing improvement since the release of our Draft Report.



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Our conclusions about funeral provider website information and recommendations to improve compliance with the funeral information standard are largely unchanged from our Draft Report. However, we have broadened some of our recommended improvements to the funeral information standard to address some points raised in submissions to our Draft Report.

Some stakeholders submitted that our review focused too much on price and not enough on differences in quality between providers.<sup>2</sup> In our view, our recommendations promote choice and access to information for consumers. This approach recognises that people have different preferences when arranging a funeral and that price is one of many factors that they should consider.

## Our recommendations to make comparing funerals easier for consumers

We are recommending some changes to the funeral information standard to ensure that all funeral providers understand what information they are legally required to publish. These changes include:

NSW Fair Trading to update its website and FAQ information about the standard to:

- explain, with examples how funeral providers should 'prominently display' funeral information
- clarify that funeral providers should publish funeral information on their Facebook (and other social media) pages if they don't already publish this information on a public website
- make it clear that the 'least expensive funeral package' means the **least expensive combination of products** a funeral provider offers to customers
- provide guidance for the different business models that are captured under the definition of 'funeral director'.

We are also recommending some changes to the funeral information standard to make it easier for consumers to compare funerals, including:

That NSW Fair Trading change the funeral information standard to require all funeral providers to publish, in addition to the items they are currently required to publish:

- the price of their professional services fee
- the price of the least expensive combination of products that includes a ceremony, if they offer funerals with a ceremony
- the ultimate holding company of the funeral provider, to ensure that consumers can easily understand whether they are making comparisons between different brands owned by the same company.

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## What we found about funeral prices

Most funeral providers offer a range of funerals with different price points. These include:

- no service no attendance (NSNA) funerals
- funerals with a funeral ceremony
- premium funerals.

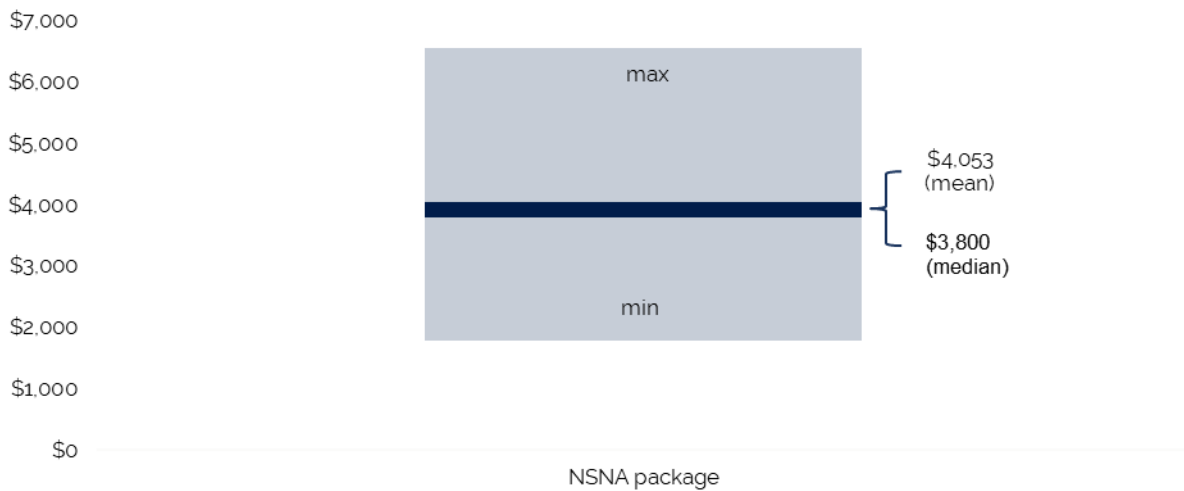
Consumers can purchase a funeral that meets their needs, at a price they can afford, by comparing the range of options available.

**No service no attendance cremation or burial** - the funeral provider organises for the body to be prepared and placed in a coffin, to be transported to cremation or burial, and does the required legal paperwork, without a ceremony. Mourners do not attend any stage of the process.

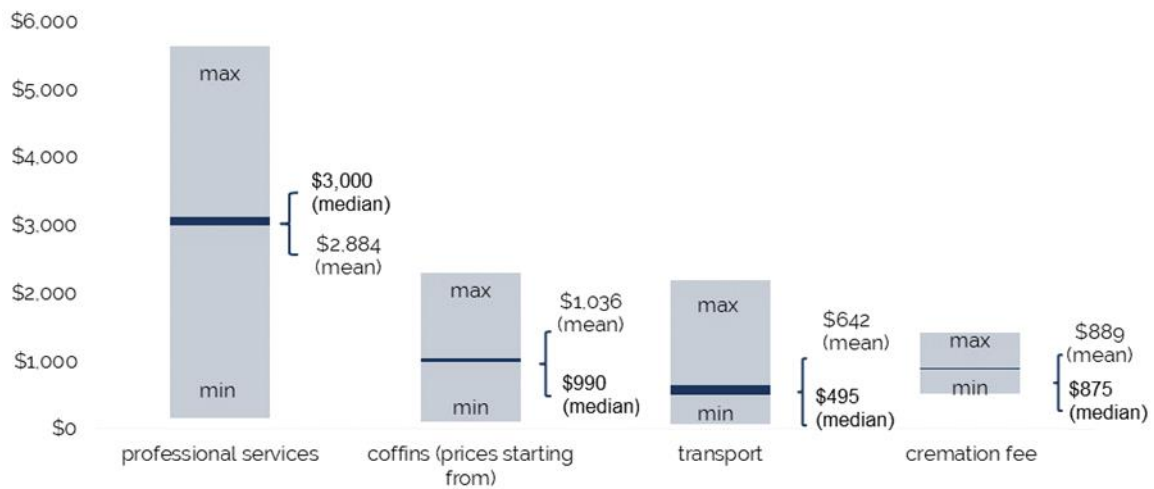
**Funeral with a ceremony** - the funeral provider does the legal paperwork, and organises for the body to be prepared and placed in a coffin, transported to the place of a funeral ceremony, and to the cremation or burial. They may also organise newspaper notices, viewing of the body, flowers, stationery, audio visual presentations, transport for mourners to the ceremony, and catering after the ceremony.

**Premium funeral** - a funeral with a ceremony that includes most of the optional inclusions, and/or the inclusions are higher priced, and/or there are multiple viewings or multiple funeral services (e.g. in a chapel and at graveside).

We found that typically an NSNA cremation is around \$3,800, but can range from less than \$2,000 to around \$6,600.



The most expensive items in a funeral are usually the professional services fee (which is typically around \$3,000), and the coffin (which typically starts from around \$1,000). Transport of the body and the cremation fee (if applicable) also make up a large proportion of the total price. Premium funerals can include more expensive items such as catering and venue hire, which we have not looked at for this review because they are optional. For more information on our analysis of funeral prices including more detail on why we have excluded some items from our analysis, see our Information Paper on [Funeral Prices](#).



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## What we found about the costs of doing business for funeral providers

To get a better understanding of what drives the costs of a funeral, we investigated the costs of doing business for funeral providers. We also assessed whether the prices of funerals reflect the costs of providing funerals, and found that prices are likely to reflect costs.

Funeral providers typically undertake some or all of the following services:

- collect, transport and care for the body, including embalming if requested
- supply a coffin or casket
- organise cremation or organise purchase of a burial plot and arrange for burial
- arrange the venue, date and time of a funeral service, and a celebrant to undertake it
- arrange floral tributes, newspaper notices, funeral stationery, audio-visual presentations
- complete registration of death and other legal paperwork.

Funeral providers may do all these tasks themselves or may use external providers for some tasks. The customer may do some or all of these activities themselves if they wish.

The “traditional” model of a funeral provider has business premises. The premises are likely to include a place the funeral provider meets customers, as well as a mortuary where bodies are prepared and placed in coffins. Business premises may also include a chapel or other space where funeral services can be held. Traditional funeral providers also usually own one or more hearses and one or more other vehicles for transporting bodies.

The “mobile” model of a funeral provider may not involve business premises at all. The funeral provider may only meet customers in their homes, may contract body transfer services from a company that specialises in that service, contract body preparation services from an independent mortuary, and organise funeral ceremonies in third party venues.

- Funeral providers estimated that a single service cremation funeral with a viewing takes about 28 hours labour on average (with a range from 15 to 43 hours).
- Industry research group IBISWorld estimates that 34% of the costs of a funeral are labour-related, the largest cost category.
- Funeral providers reported that the cheapest available coffin they purchased was between \$250 and \$995.



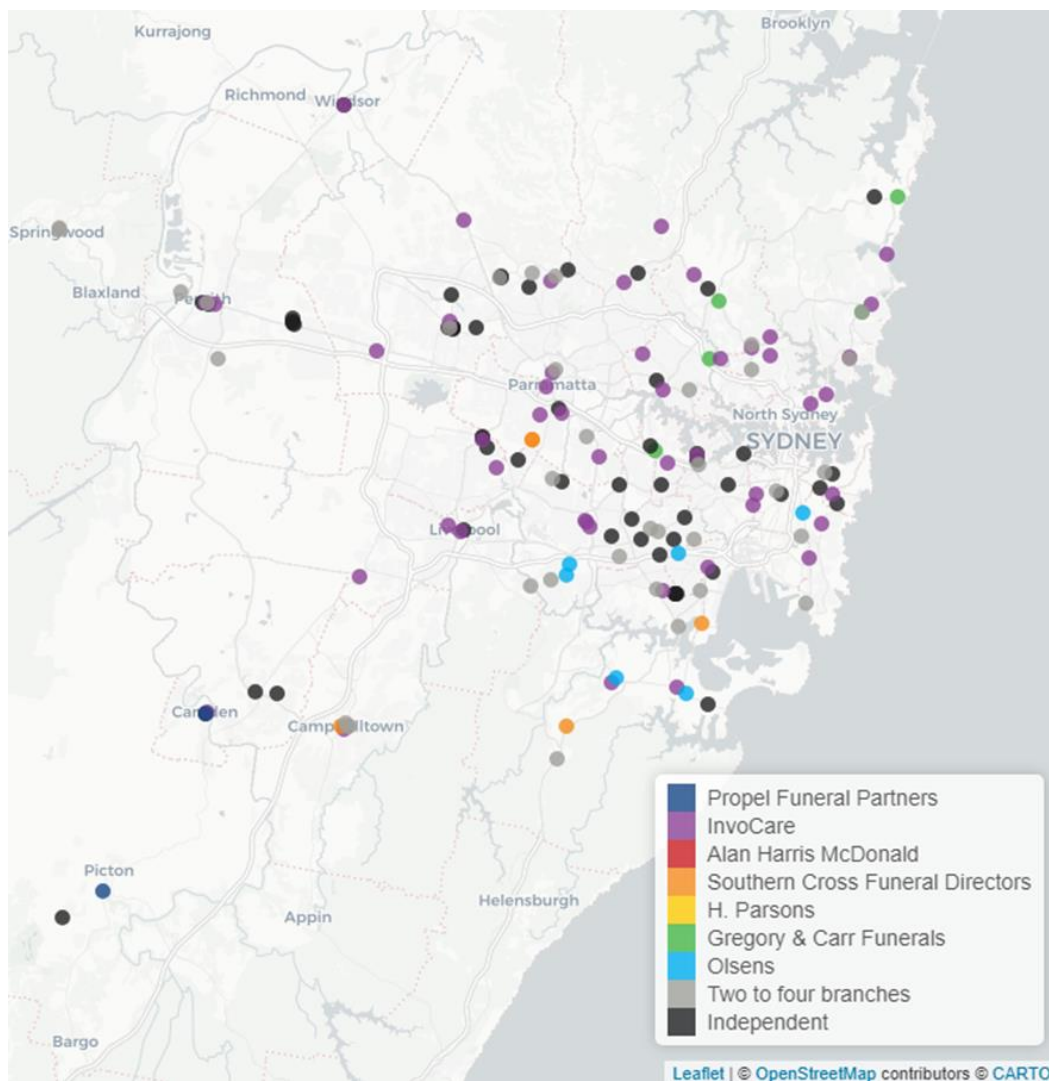
For more detail, please see our Information Paper on [Funeral Costs](#).



## Most people in NSW have a choice of funeral providers and products

Robust competition provides consumers with plenty of choice at a range of different service levels and price points; competition between providers also makes it more likely that consumers will be charged a fair, cost-reflective price for the services they purchase.

To understand the level of competition in the market, we analysed the structure of the funeral industry and the number of providers by geographic area. We found that most people in NSW have a wide range of choice when purchasing a funeral. In small towns there may only be one local funeral provider, but the possible entry of new providers is likely to keep prices fair and ensure quality of service.



See the Competition Assessment [Technical Paper](#) for more detail.

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## What we found about regulation of the funeral industry

Some industry and consumer stakeholders called for more regulation of funeral activities, including licensing of funeral providers. These stakeholders argued that more stringent regulation will improve or guarantee the funeral industry's service standards.

We looked at current regulatory arrangements in 3 areas – funeral industry regulation, transport and disposition of dead bodies, and ways to pay for a funeral.



We concluded that there is a need for ongoing regulation in each area and the existing regulatory arrangements are largely fit for purpose and appropriate.

In particular, we found:

- **There is no need for additional regulation or licensing of the funeral industry as an occupation, but compliance with existing regulation must be enforced.** We consider the funeral information standard is justified to address the lack of information consumers would otherwise experience in dealing with funeral providers. But the relatively low level of compliance with the standard is limiting its effectiveness. We are recommending that NSW Fair Trading continue to audit funeral provider websites and take enforcement action for non-compliance.

The competitive funeral market is already providing high industry standards. Licensing and additional regulation would add to the costs of the industry, impede innovation and not support competition, choice or affordability in the funeral market.

- **There may be scope for reduced regulation of the transport and disposition of the deceased.** We are recommending NSW Health consider this issue when this regulation is reviewed prior to statutory repeal later this year.

- 
- **There is no need for additional regulation of ways to pay for funerals, but there is scope for further improvements to consumer education in this area.** Recently strengthened regulatory arrangements in this area include greater regulation of funeral insurance sellers to protect vulnerable consumers, and new powers for ASIC to intervene in products where there is a risk of consumer harm. The NSW and Australian governments have also increased consumer education about funeral insurance and other payment issues. We are recommending the NSW Government and NSW Fair Trading make further improvements in this area.
  - **There is insufficient justification for a single funeral industry regulator, as some stakeholders have called for.** In our view, it is more effective for funeral consumer issues to be dealt with by NSW Fair Trading, funeral-related health issues to be dealt with by NSW Health, and funeral financial issues to be dealt with by financial regulators.

In response to our Draft Report, some stakeholders reiterated their views expressed in submissions on the issues paper that more regulation is required, including licensing or registration of funeral providers.

Some drew attention to the different nature of the recommendations we made for our review of interment costs and pricing, which included price regulation, and those for this funeral industry review, which focus on promoting consumer choice and access to information. In response to that we have set out some of the ways in which the two industries differ, and how that is relevant to the types of recommendation we have made:

- a) Geography – funeral providers can be mobile, cemeteries cannot. This means that the choice of cemetery for consumers is likely to be more limited by geography than for their choice of funeral provider. Our view is that funeral provider mobility helps to increase competition, providing choice for consumers and protecting them from unreasonably high prices and low service quality, without a need for additional regulation.
- b) Barriers to entry – low for funeral providers, high for cemeteries. High barriers to entry limit competition among cemetery operators, and therefore access and choice for consumers. In the funeral industry, new providers can easily enter the market and compete with existing providers, innovating and providing choice for consumers, and keeping prices reasonable, without the need for regulation.
- c) Number and nature of market participants – there are many funeral providers, all private; there are fewer cemetery operators, and they are mostly public. Choice and innovation are more likely with many participants than with fewer, without the need for regulation.
- d) Length of relationship between consumer and supplier – a person organising a funeral has a relationship to a funeral provider for the week or two it takes to organise a funeral, while the relationship with a cemetery operator is much longer when a burial is involved, sometimes into perpetuity. Where the relationship does last for many decades and longer, the ability of the consumer to enforce a contract is much lower and additional regulation may be required.
- e) Nature of supply – the number of funeral providers is flexible, while cemeteries have finite capacity (which is close to exhaustion in some cases). This makes the cost and risk structures of the two industries very different and the regulatory requirements for cemeteries higher than for funeral providers.

- 
- f) The risk and impact of low quality or incorrectly priced services – low quality funerals tend to be immediately apparent so the market can respond quickly. Individual funeral providers are likely to go out of business relatively quickly if they provide low quality services, price their services either too high or too low, or have inefficient costs. However, low quality cemetery operators may not have their inadequacies discovered for decades, which will impact both past as well as present burials. For this reason we recommended stronger prudential regulation of cemetery perpetual maintenance arrangements in our interment review, but see no need for such regulation in the funeral industry.

See the [Regulation and Licensing](#) Information Paper for more detail.

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<sup>1</sup> [Ministerial media release](#), 15 April 2021

<sup>2</sup> For example, see Funeral Directors Association of NSW, submission to IPART Draft Report, May 2021, p 5.