



SOUTHERN  
METROPOLITAN  
CEMETERIES TRUST

Honouring and celebrating life

# REGULATORY IMPACT STATEMENT

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Prepared by:

**SOUTHERN METROPOLITAN CEMETERIES TRUST**

Date: 5 October 2015

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This Regulatory Impact Statement has been prepared in accordance with the requirements of the *Subordinate Legislation Act 1994*. Its purpose is to inform interested parties regarding a proposal to make new regulations. Comments are invited and should be addressed to the Director of Finance and Business Services  
Southern Metropolitan Cemeteries Trust,  
PO Box 1159 Clayton Victoria 3169  
or by email to [enquiries@smct.org.au](mailto:enquiries@smct.org.au) by 5pm on  
November 13, 2015

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## SUMMARY

### 1. Objective

The Southern Metropolitan Cemeteries Trust (SMCT) was created under the Cemeteries & Crematoria Act, 2003. Since 1 March 2010, SMCT has been responsible for the cemeteries previously under the governance of the Trustees of the Necropolis Springvale and the Cheltenham & Regional Cemeteries Trust.

The Trust administers Brighton General, Bunurong Memorial Park, Cheltenham Memorial Park, Cheltenham Pioneer, Dandenong Community, Melbourne General, Springvale Botanical and St Kilda cemeteries. The corporate office is located within the grounds of Springvale Botanical Cemetery at 600 Princes Highway, Springvale.

As a not-for-profit organisation, SMCT is responsible for the care and long term maintenance of eight distinctive cemetery locations and is committed to serving the needs of the communities. Historic and iconic, SMCT wants to ensure that cemeteries and memorial parks within its care are beautiful, tranquil and distinctive destinations to honour and celebrate life.

SMCT funds its activities through fees charged for Right of Interment products (graves, cremation memorials and mausoleum) and for services such as cremations and interments performed. Fees are needed to be set, in order to provide sufficient income for SMCT to fulfil its obligations under the Act, and in the absence of setting appropriate fees, SMCT would not be able to deliver its required obligations or to maintain its cemeteries in perpetuity.

The objective of the proposed fee schedule is to set fees that reflect the costs to SMCT of performing its statutory functions, while being consistent with other policy objectives. In addition, to ensure that locations will be maintained for future generations, a percentage of revenue is allocated to a Preservation Fund. This fund ensures that resources will be available to maintain all eight cemeteries in perpetuity.

Gross revenue from the proposed products and services at Bunurong, Springvale and Melbourne General Cemetery over 10 years is estimated to be \$3.1m(\$0.9m net of directly related costs), with \$0.9m (29%) being allocated to the Preservation Fund. For more information, see Appendix A.

## 2. Vision and Strategic Priorities

The vision of SMCT is to set a standard by providing their communities with world class services and facilities across every aspect of the business, whilst creating and nurturing sustainable, beautiful, iconic and distinctive locations to honour and celebrate life.

SMCT recognises that stakeholder engagement is critical and is conscious of the responsibility to understand the diverse and changing needs of the community, which provides insight into the introduction of new products and services. In providing the community with a high level of services and facilities, SMCT strives to develop and implement standards of excellence for all operational activities, service delivery, facilities and grounds management across all SMCT locations. All activities undertaken by SMCT are managed in a socially and environmentally responsible manner for the long-term benefit of the community.

Annually SMCT performs approximately 9,000 cremations and 3,000 burials and employs over 250 staff.

## 3. Summary of Proposed Fees

Fees for products are calculated based on a pricing structure which takes into account direct and capital costs, annual and perpetual maintenance costs and cemetery administration and operating costs. The fee is reflective of the ongoing costs including the growing perpetual maintenance cost obligations.

Fees will vary across products due to a mixture of factors; these include cost of construction (based on type of product) and 'position' of location. This positioning is based on attributes which includes extent of landscaped gardens, proximity to amenities (chapels, function rooms, roadways) and proximity to religious monuments and significant structures.

Fees for services are calculated based on a pricing structure which takes into account direct costs, annual maintenance costs and cemetery administration and operating costs related to the provision of the service.

### a) New Cremation Memorial Fees at Bunurong Memorial Park

The list of fees in Table 1 is new cremation memorial fees to be made available at Bunurong Memorial Park (BMP). In addition to the products available at these sites, the introduction of these new cremation memorials will provide the community with more options for memorialisation.

Item	Site	Fee Description	Proposed Fees
1.1	BMP	Low Niche Walls	\$3,000
1.2	BMP	Shrub Promenade	\$2,430
1.3	BMP	Single Granite/Stone Seat Position	\$4,080

Table 1 – New Cremation Memorial Fees at Bunurong

### b) New Mausoleum Fees at Melbourne General Cemetery

Fees shown in Table 2 are proposed crypt fees for the Saint Mary of the Cross mausoleum at Melbourne General Cemetery. It was discovered that a specific 'column' of crypts are more suitable for child interments as a result of smaller interment space than adjacent crypts. The fee structure has been repositioned to be below the current fees already in place for adjacent crypts.

Item	Site	Fee Description	Proposed Fees
2.1	MGC	Right of Interment - Saint Mary of the Cross - Above Ground - East Gallery - Single – Child – Level A	\$18,765
2.2	MGC	Right of Interment - Saint Mary of the Cross - Above Ground - East Gallery - Single – Child – Level B	\$20,385
2.3	MGC	Right of Interment - Saint Mary of the Cross - Above Ground - East Gallery - Single – Child – Level C	\$20,385
2.4	MGC	Right of Interment - Saint Mary of the Cross - Above Ground - East Gallery - Single – Child – Level D	\$18,765
2.5	MGC	Right of Interment - Saint Mary of the Cross - Above Ground - East Gallery - Single – Child – Level E	\$16,175
2.6	MGC	Right of Interment - Saint Mary of the Cross - Above Ground - East Gallery - Single – Child – Level F	\$12,940

Table 2 – New Mausoleum Fees at Melbourne General Cemetery

### c) Service Fees at Bunurong Memorial Park

The Shared Funeral Service Centre at Bunurong Memorial Park will be a quality-assured facility designed to meet the needs of the mutual client families in the diverse community. It will consist of viewing rooms and a body holding facility. SMCT are proposing a charge a fee for service for the hire and use of facilities.

Item	Site	Fee Description	Proposed Fees
3.1	BMP	Hire of Viewing rooms (per hour)	\$220
3.2	BMP	Hire of Body Holding Facility (per night)	\$55

Table 3 – New Service Fees at Bunurong Memorial Park (inclusive of GST)

### d) Chapel / Reflection space fees at Bunurong Memorial Park and Springvale Botanical Cemetery

New chapels are currently being built at BMP to allow the community more choice when determining where a funeral service will take place. SMCT have proposed a new structure to ensure consistent fees across Springvale Botanical Cemetery (SBC) and BMP. As a result, SMCT have decided to propose new fees at BMP and SBC to reflect the proposed chapel/reflection spaces.

Item	Site	Fee Description	Proposed Fees
4.1	BMP	Cremation Adult with Medium Chapel / Reflection space	\$985
4.2	BMP	Medium Chapel / Reflection Space only	\$365
4.3	SBC & BMP	Medium Chapel / Reflection Space Extended Time	\$365
4.4	BMP & SBC	Cremation Adult with Large Chapel / Reflection space	\$1,135
4.5	BMP & SBC	Large Chapel / Reflection Space only	\$515
4.6	BMP & SBC	Large Chapel / Reflection Space Extended Time	\$515
4.7	BMP & SBC	Small Chapel / Reflection Space Extended Time	\$295

Table 4 – New Chapel / Reflection space Fees at Bunurong Memorial Park and Springvale Botanical Cemetery (inclusive of GST)

## 4. Consultation

A primary purpose of this Regulatory Impact Statement (RIS) is to invite comments on the proposed fees. Submissions are now invited on the proposed fees. Written comments and submissions should be forwarded to SMCT by November 13, 2015.

## 5. INTRODUCTION

### 5.1 Regulation of fee in the Cemeteries and Crematoria Industry

The *Cemeteries and Crematoria Act 2003* provides power to fix fees and charges for services where a cemetery from time to time may fix fees and charges considering the costs of operating and managing the public cemetery as well as providing for the maintenance of the public cemetery in perpetuity. SMCT funds the operating cost and on-going maintenance through the fees charged for the products and services extended to the community.

### 5.2 The requirement for a Regulatory Impact Statement

This Regulatory Impact Statement (RIS) formally assesses the proposed fees for 2015-16 against the requirements in the Subordinate Legislation Act 1994 and the Victorian Guide to Regulation incorporating: Guidelines made under the Subordinate Legislation Act 1994.

A RIS is required for the proposed fees as the method of setting the fees is by a legislative instrument, which imposes a significant economic burden (being fees with an aggregate impost of \$2,000,000 per annum) on a sector of the public.

The guidelines made under section 26 of the Subordinate Legislation Act state that statutory rules and legislative instruments that impose fees or charges may impose a significant burden within the meaning of the Act. As a general rule, a RIS is likely to be required for proposals that introduce new fees or remake fees that recover \$2,000,000 or more in fee revenue per year, or increase existing fees that generate additional revenue of \$2,000,000 or more per year. This is thought to be relevant for all fees proposed to be introduced this financial year which include new products and services given in table 1, 2 and 3 as well as fees stated in SMCT's previous RIS prepared on the 11 May 2015. Therefore, a RIS is required for the instrument as a whole. The complete list of fees presently charged by SMCT by each site is available at <http://remote.health.vic.gov.au/cemeteries/>.

The assessment framework of this RIS examines the nature and extent of the problem to be addressed by setting fees, outlines the objectives of the proposed fees and explains the effects of the proposed fees on various stakeholders assessing the impacts of the proposed Regulations.

Feasible alternatives to the proposed fees are also considered. The RIS also examines potential impacts on competition.

A primary function of the RIS process is to allow members of the public to comment on the proposed fees before they are finalised. Public input provides valuable information and perspectives and improves the overall quality of decision making. Accordingly, feedback on the proposed fees is welcomed and encouraged.



## 6. THE REASONS FOR REGULATION

### 6.1 Key points

The long term viability and financial sustainability is a key focus of the Trust and they pursue this goal to ensure that cemeteries within its care are managed efficiently. Resources are allocated and directed to the provision of services to add value to the community. Relevant costs are allocated to the respective services provided by the Trust and the allocation of resources is the primary basis of the cost allocation. This ensures the equitable distribution of costs across the services provided by the Trust where the user of the services will bear the relevant costs of the services provided.

As discussed in the Victorian Government's *Cost Recovery Guidelines*, well-designed cost recovery arrangements improve resource allocation in the economy by ensuring that scarce community resources are allocated to their highest value uses. This generally occurs when the value that consumers place on obtaining a good or service (or the price that they are willing to pay) is equal to the full cost of production. Conversely, where fees for goods or services are set higher or lower than the cost of providing the service, then there may be under or over consumption of the service or product that might not be socially and economically efficient.

Similarly, cost recovery arrangements can also improve "horizontal equity", a term which refers to the treatment of similar individuals or groups in similar ways. In this context, horizontal equity means applying a beneficiary pays principle. Thus, where goods and services predominantly have private benefits, those who benefit bear the full cost of production rather than some or all of those costs being borne by other individuals or groups (either consumers or taxpayers).

In respect of cemeteries, there is a range of burial and memorialisation products available at different price levels as well as at different sites. Setting fees on the basis of full cost recovery enables the community to choose specific products and services provided by SMCT which best meet their requirements. In addition to SMCT, there are other cemeteries offering similar products and services where the families have a choice in acquiring.

Moreover, SMCT is responsible for the care and long term maintenance of cemeteries within its care. To ensure that the locations will be maintained for future generations, a percentage of revenue is allocated to a Preservation Fund. This fund ensures that resources will be available to maintain all eight cemeteries in perpetuity. In the absence of setting appropriate fees, SMCT would not be able to deliver its obligations under the *Cemeteries and Crematoria Act 2003* in maintaining the cemeteries in perpetuity.

## 6.2 The Proposed Fees

The proposed fees are designed to reflect the recovery of total costs associated in the delivery of the product/service which includes the maintenance of the cemeteries in perpetuity. SMCT has reviewed its activities and considers that costs are efficient. These cost allocations are also reviewed by the Department of Health & Human Services as part of its role in approving fees in accordance with *Cemeteries and Crematoria Act 2003*.

## 6.3 Objective

The objective of the proposed fee schedule is to set fees that promote efficiency and equity (through a choice of services at least cost to the community) and ongoing financial sustainability (to recover legacy costs) of SMCT consistent with the requirements of the *Cemeteries and Crematoria Act 2003*.

## 6.4 Principles of Cost Recovery

Cost-recovery may be defined as the recovery of the costs of government provided or funded products, services or activities that, at least in part, provide private benefits to individuals, entities or groups, or reflect the costs imposed by their actions.

The Government's *Cost Recovery Guidelines* set out principles underpinning cost recovery arrangements. The Guidelines establish a whole-of-government framework thereby ensuring that cost-recovery arrangements in Victoria are transparent, efficient, effective and consistent with legislative requirements and government policy.

The proposed fees are therefore calculated to fully recover SMCT's costs including the maintenance of the crypts, graves and cremation memorial products into perpetuity. They can be categorised as below;

- i. Direct / capital costs – costs of infrastructure in setting up gardens and products for burials, both below and above ground as well as memorialisation of cremated remains.
- ii. Annual and perpetual maintenance costs – costs of maintenance of gardens (below ground interments), mausoleum (above ground interments) and surrounding infrastructure (i.e. roads, public amenities).
- iii. Cemetery administration and operating costs – relating to sales and administration.
- iv. Cross subsidisation – to continue to maintain cemeteries that are in the perpetual stage of the cemetery life with minimal or no cash inflows.

## 6.5 Cost structure at SMCT

Each year, the Victorian Government automatically indexes fees above \$50.00 for inflation, so that the real values of those fees are maintained. The indexation of fees ensures that the user, rather than the general taxpayer, pays the cost of a service provided.

All costs are captured by specific sites managed by the Trust. Costs that do not specifically relate to one site such as the costs of computer systems, accounting and finance, human resources, and general management are captured on to a 'corporate cost centre' and allocated out to sites based on staff numbers (for computer systems and human resources) and revenue generated by each site (for accounting and finance and general management). Costs at each site are further identified by the specific service or product streams which are detailed into direct costs, allocated costs and pooled costs.

Noted below is a summary of these costs;

### I. Direct Costs

- a) Land costs - Land area includes areas used for grave/cremation memorial and surrounding areas of paths, water feature areas, temple areas etc.
- b) Costs of construction (i.e. foundations, beams) - Material costs of foundations, beams, wall niches, trees etc. For above ground interments such as mausoleum cost of construction of the mausoleum.
- c) Labour costs incurred for construction - Labour costs directly associated with delivering services such as grave digging costs, cremator operating costs.
- d) Purchase costs for items purchased from third parties (i.e. plaques).
- e) Other costs such as cremator gas for cremations.

### II. Allocatable Costs

- a) Infrastructure development surrounding graves and cremation memorials such as access ways to graves/memorials, religious monuments, water features, irrigation and drainage.
- b) Selling and administration costs;
  - a. Salaries and wages and related administration costs.
  - b. Sales promotions and marketing costs.
- c) Maintenance costs/ utilities / depreciation;
  - a. Includes costs of maintenance, utilities and depreciation relating to a particular product or service.
- d) Cemetery grounds maintenance costs
  - a. Maintenance/horticulture costs relating to cemetery grave and cremation memorial areas including salaries and wages, fertiliser etc.

### III. Pooled Costs

General grounds (non-burial and non-memorial) costs and maintenance costs of infrastructure;

- a. These are costs which relate to the overall grounds (which cannot be identified specifically to graves, cremation memorials and mausoleum) roads, pathways and fence maintenance.
- b. Overall grounds infrastructure maintenance costs and related depreciation for areas such as administration office, and other public areas.

Site administration costs include;

- c. Site maintenance costs such as cleaning, printing, stationary, communication, security etc.
- d. Depreciation relating to office building, equipment and IT systems.

### IV. Head Office Costs

Head office costs are costs which do not relate to a specific site but are overall SMCT wide costs which include costs such as management team costs, branding and marketing costs, human resources, finance, IT, infrastructure planning and development costs.

### V. Perpetual Maintenance Costs

These are on-going costs which need to be funded by the margins earned by products to ensure sites are maintained and made safe in perpetuity. This includes on-going maintenance of sites as well as the maintenance of sites that are close to the end of the cemetery sales life and do not generate positive cash flows. Rights of Interment fees include a component for perpetual maintenance, which can be used for this purpose across sites managed by SMCT. The dollar component included in each Right of Interment product will vary depending on the type of grave or cremation memorial product sold. Some products will contribute a lower value whilst other products may contribute a higher value to ensure funds are available for the upkeep of the sites including general ongoing maintenance as well as capital costs.

### VI. Cemetery Levy

As per section 18 of the *Cemeteries and Crematoria Act 2003*, for the purposes of assisting in the administering the Act, making improvements in cemetery trust governance and administration and the provision of services to the community, each Class A cemetery trust pays an annual levy of 3% of its revenue to the Department of Health & Human Services.

## 6.6 Cost Allocations

The below table provides an overview of the costs and their basis of allocation across products and services. Within the table below ROI refers to Right of Interment.

Type of Cost		Basis of allocation to product/service	Applicable product/service
Direct Costs (1)	Land costs (a)	Land area used per ROI	Product (right of interment)
	Costs of construction (b)	Number constructed	Product (right of interment)
	Labour costs (c)	Number of services performed	Service (interments, chapel services, cremations)
	Purchase costs (d)	Number purchased	Product (memorialisation)
	Other costs (i.e Cremator gas) (e)	Number of services performed	Service (interment, cremations)
Allocatable Costs (2)	Infrastructure costs (a)	Allocated to based on area used	Product (right of interment)
	Selling and administration relating to selling (b)	Number of ROI sold/Number of services performed /delivered	Product (right of interment), Memorialisation Service (chapel services, interment, cremations)
	Maintenance costs/ utilities costs/depreciation (c)	Number of ROI sold /Number of services performed /delivered	Product (right of interment), Service (chapel services, interment, cremations)
	Grounds maintenance costs (d)	Land area used per ROI	Product (right of interment)
Pooled Costs (3)	General grounds and infrastructure maintenance costs (a)	Allocated to service stream based on weightage factor, and allocated based Number of products/services performed/delivered	Product (right of interment) Service (chapel services, interment, cremations)
	Site administration costs (b)	Number of products/services performed/delivered and weightage factor	Product (right of interment), Memorialisation Service (chapel services, interment, cremations)
Headoffice Costs (4)	Administration costs (a)	Revenue, Headcount	Product (right of interment), Memorialisation Service (chapel services, interment, cremations)
Perpetual Maintenance Costs (5)	Ground maintenance (a)	Land area used per ROI	Product (right of interment)

Table 5 – Cost Allocation Methodology

The below example illustrates the allocation methodology adapted by SMCT in setting fees.

### Example 1 – Cremation Memorial Fee

Reference to Above Cost Allocation Table	Low Niche Walls	
1 (a)	Land cost apportionment	\$1
1 (b), (c), 2 (a)	Costs of construction	\$28
2 (b), (c), (d)	Selling and maintenance costs	\$510
3 (a), (b), 4 (a)	Administration costs	\$952
5 (a)	Perpetual maintenance	\$1,420
	Cemetery levy	\$89
	Fee	\$3,000

Table 6 – Illustration of Cost allocation Methodology

Note: Cost categories 1 (d), (e) are not applicable for this product type

*Example 2 – Right of Interment – Saint Mary of the Cross – Above Ground – East Gallery – Single – Child – Level B*

Reference to Above Cost Allocation Table	<i>Right of Interment – Saint Mary of the Cross – Above Ground – East Gallery – Single – Child – Level F</i>	
1 (a)	Land cost apportionment	\$36
1 (b), (c), 2 (a)	Costs of construction	\$5,319
2 (b), (c), (d)	Selling and maintenance costs	\$545
3 (a), (b), 4 (a)	Administration costs	\$1,830
5 (a)	Perpetual maintenance	\$4,822
	Cemetery levy	\$388
	Fee	\$12,940

Table 7 – Illustration of Cost allocation Methodology

*Example 3 – Hire of Body Holding Facility*

Reference to Above Cost Allocation Table	Hire of Body Holding Facility	
1 (c)	Other costs (Facility fitout costs)	\$10
2 (b), (c)	Selling and maintenance costs	\$20
3 (a), (b), 4 (a)	Administration costs	\$23
	Cemetery levy	\$2
	Fee	\$55

Table 8 – Illustration of Cost allocation Methodology

*Example 4 – Large Chapel / Reflection Space only*

Reference to Above Cost Allocation Table	Large Chapel / Reflection Space only	
1 (c)	Labour costs	\$60
2 (b), (c)	Selling and maintenance costs	\$131
3 (a), (b), 4 (a)	Administration costs	\$310
	Cemetery levy	\$14
	Fee	\$515

Table 9 – Illustration of Cost allocation Methodology

## 7. FEES

Right of interment products include grave, cremation memorial products and mausoleum products. These include various burial options, such as lawn graves, monumental graves and headstone in lawn graves. Some of the popular cremation memorials are niches, rose shrubs, trees and shrubs.

A range of grave products are available based on preference of the family/community. Similarly, families can select from a range of products for memorialisation of cremated remains. These range from jewellery to trees/shrubs as mentioned above.

A complete list of the fees currently charged by SMCT is available at <http://remote.health.vic.gov.au/cemeteries/>. Fees/charges or scales of fees/charges are approved and gazetted by the Secretary (Department Head of the Department of Health & Human Services) under section 40 of the *Cemeteries and Crematoria Act 2003*. Annually, any cemetery trust fee which is \$50.00 or more would be increased on 1 July, in line with Consumer Price Index (CPI) (if CPI of the December quarter of the financial year is more than the CPI of the for the previous December quarter), and rounded to the nearest \$5.00, as declared by the Secretary, in accordance with section 43 of the *Cemeteries and Crematoria Act 2003*. In accordance with the Act, the Trust is required to submit the fee list to the Department of Health & Human Services for approval. In line with the CPI movement, the Department of Health & Human Services will advise revised fees which would be gazetted and effective annually on 1 July.

Fees included in this document are outside the annual CPI increase as these fees relate to new product offerings.

### a) New Cremation Memorial Fees (refer Table 1, Page 5)

These are new cremation memorial products that provide the community with additional options when memorialising.

- The Low Niche Wall is a new type of niche wall set throughout our peaceful, landscaped gardens and offers a simple way to hold ashes and form a memorial.
- The Shrub Promenade offers a commemorative position alongside pathways and caters for the placement of a unique plaque.
- The Single Granite/Stone Seat Position offer a single position of a memorial seat dedicated to loved ones and family. There are also adjacent positions allowing communities to memorialise a generation or the whole family.

### **b) New Mausoleum Fee (refer Table 2, Page 5)**

These are proposed fees for a section of the Melbourne General Cemetery Saint Marys of the Cross Mausoleum Crypts which are more suitable for child interments as a result of smaller interment space than adjacent crypts. Fees for crypts vary based on the type of crypt, and the proximity of the crypts to visitors. Level A crypts are 'ground' level crypts and level F being the highest level. Levels reflect proximity of reach for the visitors with levels B and C priced highest and include a location premium uplift that contributes to the perpetual maintenance fund that will maintain the mausoleum into perpetuity. Levels B and C crypts are generally considered to be in the best proximity to visitors.

### **c) New Service Fees (refer Table 3, Page 6)**

These are new services that will provide the community with options to use the Shared Funeral Service Centre.

- The Hire of Viewing rooms fee will allow the community to view the body and give family and friends privacy to say their goodbyes. This is a very personal time and the rooms at Bunurong Memorial Park will reflect this, creating an atmosphere of comfort and support.
- Hire of Body Holding Facility fee provides a refrigerated space for the temporary storage of bodies.

### **d) New Chapel / Reflection Spaces at Bunurong Memorial Park and Springvale Botanical Cemetery (refer Table 4 and 6, Page 6)**

The fees introduced at BMP and SBC will offer families more options for a beautiful setting in which to come together and honour their loved ones. These fees will be introduced to cater for the chapel / reflection space which are currently being constructed. These fees have been proposed to ensure consistency across SBC and BMP.



## 8. ASSESSMENT OF OPTIONS

The community has a range of products to select from at varying price points for Right of Interment products.

When considering the recovery of costs for particular products and services, two feasible options were considered:

- Fees to be at their existing levels which allows annual adjustment for indexation (annual CPI increase) or
- Regulating with the fees set to achieve full cost recovery.

The benefits and costs associated with each of these options are identified and assessed.

### a) Option 1 - Retaining Fees at Existing Levels

This option would involve remaking the existing regulations without amendment.

The efficiency impacts of this option are:

- not introducing new products and fees (Table 1, 2, 3 and 4) means that the community will not be able to purchase products and services from SMCT that best meet their preferences – for example, the new fees for cremation memorials cannot be introduced and made available to the community.
- Using existing fees unchanged for new product offerings would mean that there would be no move to charge fees to reflect full cost recovery for fees specified. Thus, the purchasers of most these products or services will not bear the full costs of their decisions to choose a specific option. An example is shown below.

#### *Example 1 – Shrub Promenade cost recovery using fees at existing levels*

Table / Item	Description	Fees at existing levels	Current costs	Costs not recovered
Table 1 / 1.2	Shrub Promenade	\$1,620	\$2,430	\$810

Table 10 – Illustration of Cost recovery using existing fees

The equity effects of this option in respect of introducing new products but leaving existing fees unchanged means that SMCT would need to either (i) under recover its costs, which would particularly affect the funding of perpetual maintenance costs, or (ii) increase fees for other products and services above the full cost recovery level, which would be inequitable as non-users of services will also bear costs which are not relevant.

## **b) Option 2 – Set fees at Full Cost Recovery**

This option proposes that all fees would be set to enable SMCT to recover the full cost of providing these services. Importantly, the principles used to calculate the cost of providing these services would remain the same under this option, with adjustment made to reflect the full cost.

The fee structure for the grave and cremation memorial products factors in the allocation of costs based on the usage of the area. In addition, fee structure considers the special features that are in close proximity to the grave and cremation memorial products. This improves efficiency by better aligning prices with underlying costs across a broader range of products and thus enabling the community to choose the products and services that best meet their needs based on the full cost. This also improves equity by ensuring that those who benefit from the purchase of a specific product or service bear the full cost.

The fee structure also allows for funding of the graves and cremation memorials in perpetuity and for the cross subsidisation of maintenance across other SMCT sites that are close to end of life to ensure the ongoing financial sustainability of SMCT operations.

### **Estimate of expected revenue and costs:**

Gross revenue from the proposed products and services at Bunurong, Springvale and Melbourne General Cemetery over 10 years is estimated to be \$3.1m(\$0.9m net of directly related costs), and will be used to fund other costs borne by SMCT to support its long term viability and fiscal sustainability. This revenue estimate is based on the volumes expected to be sold over this period adjusted by the annual CPI related increase in fees. Costs are based on annual maintenance costs relating to these products adjusted by annual inflation. For more information, see Appendix A.

## 9. EVALUATION STRATEGY

Fees for products and services are reviewed on an on-going basis to ensure that;

- Fees reflect the most current costs of delivering products and services,
- Allocation of indirect costs are appropriate and reflects the related activities,
- Products and services are relevant to the community and
- Fees allow for the on-going maintenance of sites.

The evaluation strategy is an on-going strategy, where monthly management and operational reports as well as ad-hoc management reports provide information, analysis and the decision making process to ensure that the above mentioned objectives are met.

## 10. COMPETITION ASSESSMENT

SMCT's view is that the proposed fees do not restrict competition or would have a significant impact on other cemeteries. Minimal or no impact is expected to the offering of other cemeteries by the introduction of the proposed fees.

## 11. IMPLEMENTATION

All new fees/fee revisions will be published in the Government Gazette and on the SMCT website. The new fees can be readily implemented by SMCT as 'business as usual' and there are no other implementation issues.

## 12. CONSULTATION

In preparing this RIS, SMCT has undertaken preliminary consultation. Through SMCT's community engagement consultation program the Trust has engaged with community groups which represent our key customer segments across our locations and include the Italian, Asian, Islamic, Aboriginal and Torres Strait Islander, African, Hindu and Sikh communities. In accordance with the consultation processes throughout the year, SMCT gathered information via surveys, 1:1 meetings and community forums which provided valuable insights and consumer preferences in relation to key product and services that were most desirable to their culture and/or personal preference.

Additionally, the valuable knowledge gained from our Community Advisory Committee assist the Trust to align with community needs and in providing new products and services.

The Subordinate Legislation Act 1994 requires that the public be given at least 28 days to provide comments or submissions regarding the proposed fees. Given the nature of the fees, the consultation period for this RIS will be 28 days, with written comments required by no later than 5pm on November 13, 2015.

## APPENDIX A

### Estimated Revenue and Costs

	FY2015/16	FY2016/17	FY2017/18	FY2018/19	FY2019/20	FY2020/21	FY2021/22	FY2022/23	FY2023/24	FY2024/25
<b>Revenue from Right of Interment Products</b>										
Cremation Memorial Revenue (Table 1)	\$ 196,638	\$ 201,554	\$ 206,593	\$ 211,758	\$ 217,052	\$ 222,478	\$ 228,040	\$ 233,741	\$ 239,584	\$ 245,574
Mausoleum Revenue (Table 2)	\$ 40,770	\$ 37,530	\$ 29,115							
<b>Gross Revenue</b>	<b>\$ 237,408</b>	<b>\$ 239,084</b>	<b>\$ 235,708</b>	<b>\$ 211,758</b>	<b>\$ 217,052</b>	<b>\$ 222,478</b>	<b>\$ 228,040</b>	<b>\$ 233,741</b>	<b>\$ 239,584</b>	<b>\$ 245,574</b>
Allocatable, Pooled, Head Office and Cemetery Levy Costs	\$ 158,821	\$ 158,532	\$ 153,142	\$ 127,128	\$ 130,306	\$ 133,564	\$ 136,903	\$ 140,325	\$ 143,833	\$ 147,429
<b>Net Revenue</b>	<b>\$ 78,587</b>	<b>\$ 80,552</b>	<b>\$ 82,566</b>	<b>\$ 84,630</b>	<b>\$ 86,746</b>	<b>\$ 88,914</b>	<b>\$ 91,137</b>	<b>\$ 93,416</b>	<b>\$ 95,751</b>	<b>\$ 98,145</b>
Amount allocated to Perpetual Maintenance	\$ 78,587	\$ 80,552	\$ 82,566	\$ 84,630	\$ 86,746	\$ 88,914	\$ 91,137	\$ 93,416	\$ 95,751	\$ 98,145
<b>Revenue from Services</b>										
Service Fees (Table 3)	\$ 16,560	\$ 17,370	\$ 18,209	\$ 19,075	\$ 19,972	\$ 20,898	\$ 21,857	\$ 22,848	\$ 23,886	\$ 24,960
Chapel / Reflection space Fees (Table 4)	\$ 50,000	\$ 51,250	\$ 52,531	\$ 53,845	\$ 55,191	\$ 56,570	\$ 57,985	\$ 59,434	\$ 60,920	\$ 62,443
<b>Gross Revenue</b>	<b>\$ 66,560</b>	<b>\$ 68,620</b>	<b>\$ 70,740</b>	<b>\$ 72,920</b>	<b>\$ 75,162</b>	<b>\$ 77,469</b>	<b>\$ 79,841</b>	<b>\$ 82,282</b>	<b>\$ 84,806</b>	<b>\$ 87,403</b>
Allocatable, Pooled, Head Office and Cemetery Levy Costs	\$ 66,560	\$ 68,620	\$ 70,740	\$ 72,920	\$ 75,162	\$ 77,469	\$ 79,841	\$ 82,282	\$ 84,806	\$ 87,403