

LCC: - Response to CMA Interim Report

1. Introduction and Objectives

The prime aims of this response are to register our overall comments and concerns in respect of this report and to provide information on the key elements of those factors which are likely to affect the comparative competitive effectiveness of crematoria while also explaining how these matters are approached by the London Cremation Company plc, hereinafter referred to as LCC, where appropriate to do so.

2. Background to the London Cremation Company

The LCC is Great Britain's oldest cremation authority with its origins in the earliest years of the 20th Century. It was incorporated as a public limited company in 1958. It currently owns and operates six crematoria, three of which are 'older' sites, including Woking – Britain's oldest crematorium established in 1885, Golders Green (1902) and St. Marylebone (1937) as well as three modern facilities namely Banbury (1999), The Garden of England Crematorium, near Sittingbourne (2003) and Thames View Crematorium at Gravesend (2017).

The Company therefore has considerable experience of developing and operating a diverse range of buildings and associated facilities, ensuring that they are adapted, as far as is practicably possible, to cater for the current needs and perceived future requirements of the bereaved.

3. General Comments and Concerns arising from the Interim Report

a) The Exclusion of Cemeteries and Burial Costs from a Market Investigation

We are somewhat surprised that cemetery and burial costs, despite several calls for inclusion, will still be excluded from any full market investigation. This is particularly unexpected as the cross-subsidy situation whereby local authorities use revenues from cremation to partially cover cemetery maintenance costs and on occasion to help fund other services is well recognised within your interim report. Surely this prompts the ethically based question of why should those who choose to be cremated subsidise those who choose to be buried?

The challenges of bringing workable solutions into effect are recognised but in the interests of total objectivity more quantification of the issue would seem to be beneficial, if any further report is to be regarded as comprehensively reflecting the competition issues throughout the sector as a whole.

There is a point here too, that you may not be comparing like with like i.e. you should be comparing, on the one hand, costs of Funeral Directors plus the cost of cremation with, on the other hand, costs of Funeral Directors plus the cost of burial.

Therefore, even at this late stage we would hope that this matter could be looked at again.

b) The Intricacies of Existing Pricing Mechanisms

Acknowledging your concerns about private operators pricing practices, it is very important that equal weight be given to local authority pricing policies, particularly with regard to their adherence to the requirement to just recover cremation costs and their approach in respect of burials to the issues clearly set out in Clauses 1.9 and 1.10 of your Interim Report.

c) The Current and Potential Impact of Direct Cremation

Any assessment of the range of costs of cremation is incomplete if it does not take account of Direct Cremation – the term used to indicate a low-cost option without a chapel based service, which many cremation authorities now offer as part of their efforts to make cremation affordable.

At present, there is a practice of third parties operating a Direct Funeral option, i.e. collecting the deceased and taking them to a contracted crematorium. This is not evenly distributed throughout the UK, with Funeral Directors in certain areas not experiencing the practice at all or only infrequently.

While accepting that Direct Cremation does not have a substantial statistical influence on total cremation figures at the present time, nationally, its likely future impact should not be underestimated. One multiple private operator has estimated that it will occupy some 25% of the market within the next 5 to 10 years. It seems essential that detailed data be collected and submitted by all crematoria which reasonably facilitate the practice, whether they are operated by local authorities or private companies, for the foreseeable future.

There are now some new sites primarily designed to carry out Direct Cremations only, albeit under strict planning conditions, such as the new crematorium at Andover. At the outset, their business was to facilitate a cremation without a funeral service, typically to conclude a pre-paid funeral plan, where the deceased has agreed in life that the final destination for cremation be left to the plan managers. In the event, they were forced to rethink this, as I understand it, and now offer a wider range of ‘Direct Cremation’ services. Their business will be a contributing source and indicator of Direct Cremation statistics going forward. Those Funeral Directors involved in the practice, perhaps through their trade associations, should be encouraged to collect and report such data that is available to them.

The overriding reason for keeping such a close watch on the situation would logically appear to be the potential for Direct Cremation to impact on both the design and the viable level of investment available to build new cremation facilities.

d) Accommodating the Changing and Expanding Requirements of the Bereaved

While accepting that the bereaved can be very vulnerable, it should be pointed out that there is considerable evidence that the funeral and burial/cremation sectors have listened and responded to many of the more negative pre-conceptions of the rigidity of funeral practices. For example, compared with 25 years ago such items as choice and variety of floral tributes, funeral transport and music have expanded enormously, giving those left behind the opportunity to celebrate a life in a far more relevant and personal manner than previously was the case. Similarly, in terms of religious beliefs, a far higher proportion of services are now held at the crematorium and the majority of these are led by civil celebrants and humanist practitioners and there are also far more facilities available for those who wish to strictly adhere to their religious beliefs and customs such as witnessing the charging of the coffin.

As far as crematoria are concerned perhaps the most significant change is the development of ‘designer’ landscaped gardens and a much wider choice of memorials and memorialisation. It is not felt that currently the efforts, investment and associated maintenance costs absorbed by the sector are entirely recognised and represented within your report.

4. Service Provision and Staffing Establishment

It is reasonable to ask the question; what does it take, in terms of staff establishment and associated skills to reach and maintain the highest practicable standards of service delivery? LCC carried out 7923 cremations in the calendar year 2017 and 8910 cremations in 2018 across their six crematoria. The Company employed an average of 63 people during these periods, excluding directors, some 25 of whom provided administration and support services, plus 38 who were responsible for the crematorium/chapel and maintenance of the memorial gardens and the overall upkeep of the sites, incurring a salary cost in the 2017/18 financial year of £[]. (Including company pension contributions).

It is the Company's policy to ensure that members of staff are available to guide and answer any questions from visitors to the site in accordance with the daily programme and that the reception desk is both clearly signed and attended throughout working hours. In addition the Company's website clearly describes the particular facilities and services available at each individual site, while also clearly setting out details of the fee structure at each location.

While accepting that many local authorities do provide a good range of products and a high standard of service, we do believe, partly through keeping in touch with the activities of our 'competition' whilst continually reviewing and developing our own product and service offering, that we offer excellent value to the bereaved. Our prime aim is to be as accessible as possible to our public and fellow professional service providers in all respects whether it be in relation to access to staff, particular services or indeed to the crematorium site itself. For example, in relation to 'slot length'*, which is not a term we find particularly attractive, as it could be interpreted as implying a conveyor belt culture, we have extended 'service duration' (a better term perhaps?*) times, both to avoid mourners at different services coming into contact with one another and to allow a longer time for them to express their thanks for and to celebrate a life. Service duration times have become longer throughout the sector as reference to the figures produced by the Cremation Society of Great Britain show. However, the market has polarised to a significant extent in recent years with some consumers opting for the simplest, most economic form of dignified disposal while others want more time to deliver eulogies, play the deceased's favourite music and for quiet reflection.

5. Buildings and Site Amenities

In terms of the relative importance of the buildings and gardens to bereaved families when choosing a crematorium there seems to be a contradiction in the weight given to this aspect within your report but this may in part be due to the precise context of individual sub-clauses. For example, Clauses 5.25 and 5.30 appear to imply that buildings and gardens play little part in selecting a crematorium, whereas Clause 5.58 states "that quality (particularly in terms of buildings/gardens) does appear to be a relatively more important factor than price in the decision of which crematorium to use". This sentiment is repeated in Clause 5.64.

In respect of our own sites, we have learned that mourners make more positive comments about our newer facilities, because the buildings and the gardens do not equate to or compare with their previous perceptions of crematoria, e.g. their more open design, ease of access, lighter and more tranquil surroundings. The majority of new crematoria built since 1985 are set in rural or semi-rural locations primarily for reasons of long term viability as noted below within Section 7 – Planning for New Facilities.

We believe, derived from external and internal evidence, that newer more accessible facilities can cause consumers to 'migrate' from an older and more traditional crematorium. The area around

Ipswich in Suffolk is a good example where the Seven Hills Crematorium at Nacton, opened in 2010, carried out 1,874 cremations in 2017 compared with 893 cremations at Ipswich Crematorium, which was opened in 1928. Our newest facility, Thames View Crematorium (Gravesend), which opened in

early 2017, carried out 1,054 cremations in that calendar year and 1,615 in 2018. While its location and accessibility certainly contributed to this early success, we are receiving an ever growing number of compliments in relation to both the building and the site facilities as a whole, some of which have come from people who were originally opposed to the development. A recent inspection of Thames View Crematorium (Gravesend), carried out by the Federation of Burial and Cremation Authorities (FBCA), concluded with a glowing report on facilities and service.

However, we should make it clear also that we receive many very positive comments in respect of the standards of service provided, including management/administration, chapel attendants and in relation to the maintenance of the memorial gardens at our older and more traditional crematoria.

6. Pricing Policies and Cost Containment

a) Price Trends

We note the comments made in Clauses 6.55 to 6.62 and thank you for recognising in Clause 6.57 that LCC have introduced "...relatively smaller price increases over the period 2007 to 2017" and in Clause 6.59 under Table 4 for registering that LCC had a lower aggregate basic cremation fee at £726 in 2017 than the average national basic fee of £737.

LCC take a number of factors into account when reviewing fee levels, including the fees charged by other 'local crematoria', operating costs and the facilities available at each site. For example, our lowest current fee of £610 is for St. Marylebone Crematorium, which does not have convenient car parking facilities. Wherever possible we try to apply a consistent net margin, weighted as necessary, across all the services we offer. Such an approach would appear to be in contrast to many Local Authorities who, as you state, openly admit that revenues from cremation are used to subsidise the cost of maintaining cemeteries and burial grounds - a practice which we believe not to be morally acceptable.

While every effort is made to contain costs, it needs to be recognised that the continual expansion of the products and services we offer together with a very progressive investment in technology products and technological equipment, including the requirement to install mercury abatement plant, involves substantial costs, certainly initially and not all of which are recoverable. Costs are also compounded by an inability to recover VAT. Again, by contrast, it is unclear whether Local Authorities are required to pay business rates, which private sector organisations must do. This is certainly a perceived disadvantage within the private sector and may be true.

We would take issue with your seemingly overall view that quality of service delivery makes a limited impact on the bereaved. It is certainly the case that if service delivery is poor, mourners make it known expeditiously, whilst the opposite does not necessarily apply. However, it could be true to an extent, regarding quality of service delivery at the time of the funeral service, as understandably mourners' thoughts are largely occupied by the event itself. This is not, though, in the main the case on subsequent visits to the Book of Remembrance or the memorial gardens, when, quite rightly, the highest achievable standards are expected. Therefore, our investment in training and development continues to grow on an annual basis to ensure that such standards are maintained and reflect mourner's feedback.

b) Inelasticity of Demand

While accepting that overall demand is inelastic, we do not accept the contention that the rate of growth in the choice of cremation has levelled out, which is certainly not the case in relation to England and Wales as reference to the statistics published by the Cremation Society of Great Britain shows. Between 1997 and 2007, the proportion of people being cremated rose from 73.27%

to 75.00% but the provisional figures for 2017 show a rise to 79.75%. The lower proportion of cremations in Scotland - 67.77% and 21.03% for Northern Ireland being the provisional figures for 2017, result in the overall figure of 77.05% for the United Kingdom.

7. Planning for New Facilities

a) Scarcity of Existing Suppliers

It is in the main accepted that the stated barriers to entry will mean that the market as a whole is unlikely to become more competitive due to an increase in the number of entrants/new developments. However, we do not entirely accept the contention from one private provider that on average only one new cremation facility will open each year. LCC believe that there are and will be going forward, opportunities for new crematoria particularly in areas where in comparative terms demographics are changing relatively quickly due primarily to older residents disposing of high value properties in major conurbations and moving to smaller homes in provincial towns and their often semi-rural and rural surrounds. Also there are likely to be openings where access to existing facilities in densely populated urban areas is becoming increasingly difficult, certainly in relation to the limits of acceptable cortege travelling times.

What is more in doubt is the form, in terms of design and buildings such new developments will adopt and what facilities they will offer. Again we are somewhat disappointed that you do not intend to include 'Direct Cremation' within any further investigation and subsequent report as it is seen by many as an increasing trend. The question of what constitutes 'No Service' needs to be clearly defined. Increasingly, Funeral Directors are making facilities available to families to assemble to remember the deceased and this may be carried out relatively informally prior to the Funeral Director delivering the coffin to the crematorium for a reduced fee cremation. In line with our comments on the exclusion of cemeteries and burial sites we would ask that the position be re-assessed as otherwise we fear that any further investigation will not properly reflect the funeral market and its current trends in their entirety.

b) Viability of Potential New Sites

Local Authority development plans for towns do not seemingly recognise that land annexed for sale to include a potential new crematorium may not be viable when, as happens, the site in question is also made available for either residential and/or commercial development. The land subsequently attracts a premium price because of this approach and will almost certainly make establishing a new crematorium non-viable.

c) Inconsistent Application of Planning Regulations

A review of planning applications and subsequent appeals for all new crematoria constructed since 1985, which is when the development of more modern facilities really commenced - some 60 new facilities in total to date - reveals a wide variety of reasons for refusal some of which can only really be regarded as effectively spurious and/or politically motivated. Such inconsistencies were highlighted to the then Department of Communities and Local Government (DCLG) when they were carrying out their review of 'Crematoria Provision and Facilities' in 2016 for which the final report is still awaited. There appeared to be a degree of acceptance of the challenges developers face in this regard but to date no specific initiatives or actions have been forthcoming, despite representatives from the sector following the issue up.

The overriding requirement is for the development of comprehensive guidelines which clearly establish the principles and processes for assessing planning applications and deciding appeals for new crematoria to be followed by local authority planning departments and the planning inspectorate.

8. In Conclusion

While fully accepting that the focus of your work is on the level of price increases within a relative short time span we do hope that the following will be taken into account and be fully evaluated during a market investigation and be fully reflected in any final report:

- As stated above, much as we understand the complexities and challenges of investigating burial and cemetery costs, we very much trust that at least an objective assessment of the current position is made, even if recommended changes cannot be implemented, certainly in the short term.
- Also, we think that as much data and associated information as possible should be assembled on Direct Cremation, which needs to be far more precisely defined in the first place, in order to distinguish it from basic/economic funerals. Its increasing popularity should surely be assessed to ensure that all practices within the sector are reflected in any further report.
- Finally, we would ask that greater emphasis be placed on evaluating the quality and range of the products and services available at a representative sample of crematoria, together with the real costs of their provision.