

FUNERALS MARKET INVESTIGATION

Summary of the hearing with The London Cremation Company held on Friday 19 July 2019

Background

1. The London Cremation Company (LCC) told us that its parent company and majority shareholder is the Cremation Society of Great Britain (CSGB), a registered charity. The CSGB was established in 1874 in response to a shortage of burial space and environmental concerns regarding the burial of bodies. It opened Woking Crematorium in Surrey in 1885. In 1900 the CSGB formed the LCC, to build Golders Green Crematorium, opened in 1902. In 1933 the CSGB transferred Woking Crematorium to the LCC, receiving shares in the Company in return. In 1958 the LCC was sold to British American Tobacco but in 1962 the CSGB acquired its majority shareholding. Today the management structure comprises five non-executive directors and one executive director (the Managing Director). The LCC now operates six crematoria, following the acquisition of St Marylebone Crematorium in 1990 and the construction of three others between 1999 and 2017. Its crematoria have conducted around [redacted] cremations in the current financial year [redacted].
2. [redacted]. The LCC focused on consistency and the continued development of the service it provided by embracing modernity and new trends. LCC worked hard to recruit and retain good people, many who had a vocational outlook. Retention was successful which gave LCC stability and experience.

Entry

3. The CMA asked whether the planning regime, as it currently stood, was a problem for expansion. LCC said that those involved in crematorium development considered the planning regime a barrier to entry. An operator needed to satisfy more than just need in order to obtain planning permission due to the enormous pressure from groups which did not want a crematorium in their locality. In addition, the length of time it took from identifying the necessary plot of land to opening a facility was significant and could be, on average, [redacted] owing to the number of appeals. Land values and the presence of an existing facility also acted as barriers.

4. LCC had not been subject to appeals from other crematoria operators [X]. In terms of development, it had built just three new crematoria since 1999. However, LCC has seen that other crematoria operators had been subject to appeals from competitors.
5. LCC did a great deal of work when establishing whether there was a need for a crematorium in a local community. A facility could not be built in a town but needed to have a close enough drive time. [X].
6. In LCC's view, planners took a responsible approach when granting planning permission and were unlikely to grant planning consent for a crematorium if an existing facility was not operating at capacity. As a result, crematoria were normally quite distant from each other.

The market

7. It had often been said by funeral directors and others that crematoria were generally operating at full capacity around the country, but that was misleading as there was plenty of capacity around the country outside the core hours of 11am to 3pm. These core hours were publicised as consumers wanted a funeral between these times but LCC also said it was driven by funeral directors who were the crematoria's clients.
8. LCC's crematoria, for example, operated at [X] per cent of its capacity utilisation (ie from 9am to 5pm, Monday to Friday). LCC's crematoria were open seven days a week but it found that funeral directors did not wish to conduct funerals at the weekend, confining their weekend work to the collection of bodies from hospitals. LCC said it would welcome funeral directors arranging services at its crematoria at the weekends and noted this was getting better. There was great demand in London for weekend services largely due to the diversity of the community. A large number of weekend cremations (Jewish and Hindu) were held at its crematorium in Golders Green. LCC believed that holding services at the weekend could relieve a lot of the pressure on the bereaved who worked Monday to Friday. LCC told us that its crematoria had available slots every day of the week and that the only impediment to holding a service within a day was the completion of the necessary paperwork.
9. Local authority (LA) and private crematoria operators had traditionally constructed large crematoria but there was evidence that new builds were getting smaller. [X]. LCC considered that the industry and the planning authorities would need to adopt a collaborative approach in the future to avoid the potential for over capacity. For example, planning authorities may not allow a facility that can cater for 3,000 cremations per year, but there might be

scope for an 800 to 900 facility. LCC had not heard of any risk in the market of there being an overcapacity issue.

10. The CMA asked LCC what their perspective was on direct cremation and whether this was a significant new feature of the market or not. LCC said that direct cremation was a term which covered five or six different types of funeral as it meant different things to different people. A direct cremation to LCC was when a coffin arrived for cremation and there was no service. Direct cremations were not necessarily being used by the needy, but often by people who did not want a fuss, or who viewed it as a means to save money. LCC said that its volume of direct cremations was growing. [§]. LCC had recently conducted an analysis of the effect that direct cremation had had on its business and this indicated. [§]. People did not approach LCC asking for cheaper funerals but did request better facilities. LCC scheduled direct cremations during the less busy times of the day to ensure that it could afford to maintain this service.
11. LCC told us that its local managers were encouraged to hold forums and meetings with local funeral directors from time to time, for the main purpose of understanding how LCC could improve the service for them. For years funeral directors had been repeatedly asking LCC to stop half hour slots and increase its slot times. Now it felt as though funeral directors were not managing their diaries and determining when a funeral would be to suit them.
12. The work of funeral directors was specialised and generally they were very good at what they did. However, funeral directors were not regulated and so there were no set standards regarding what they needed to provide in terms of services: anyone could set up as a funeral director. Funeral directors could only do so many funerals per week, only have so many cars for example. A number did not own vehicles, hiring them from larger organisations, which took time to organise.
13. It was not uncommon for crematoria operators to be complimented on the service they had provided but at the same time to be told by the bereaved that they could not get the day they wanted because the crematorium was full. When LCC looked into that, they found out that the day was chosen to suit the funeral director's diary, but the funeral director had told the family the crematoria was full. In a survey by government the industry had been asked why it took so long for funerals to take place, at that point it was averaging three weeks, and funeral directors had indicated that this was because the crematoria were running at capacity. This was not true, and the delays were due to the funeral directors scheduling the services to suit their needs.

14. There were codes of practice and guidance stipulating when a cremation should take place but no regulations. LCC had elected to become a member of the Federation of Burial and Cremation Authorities (FBCA). FBCA's guidance stated that crematoria should cremate bodies within 24 hours while the Institute of Cemetery and Crematorium Management (ICCM) guidance indicated that this should take place within 72 hours. There was a process referred to as 'holding over' within the cremation sector (ie waiting until the next day) but LCC chose to conduct cremations the same day.
15. LCC subscribed to the FBCA because it was the only major organisation that did inspections. The FBCA reported into the Ministry of Justice (MoJ). The FBCA had a crematoria technical committee which was obliged to report anything they were not happy with to government. LCC was also subject to inspections by the Department for Environment, Food & Rural Affairs to ensure it was complying with emissions, but noted that such inspections were inconsistent across its facilities. The MoJ was obliged to report any concerns arising from an inspection to government, could issue warnings if necessary and crematoria could have their permit withdrawn. Around 80 per cent of the crematoria in the UK were members of the FBCA. More frequent inspections would be taking place in future as a result of a recent review by the FBCA.
16. LCC said the cost of maintaining older facilities was immense. LCC, for example, had had to pay [£]. The cost to crematoria operators of installing mercury abatement equipment could vary, as older facilities which might also be listed buildings might have size restrictions, thereby requiring an extension, subject to planning permission.
17. Funeral directors were willing to provide their customers with LCC's price lists and material relating to memorials but they were not going to work as an agent for LCC as such. But LCC noted that more and more ashes were being taken away from crematoria. Whereas, traditionally, consumers would come back to the crematorium for the memorialisation to occur. The national statistic was that 75 per cent of ashes were taken away from crematoria and at LCC's Banbury facility this was [£] per cent. There was evidence that funeral directors were offering to collect ashes. This was becoming more common. At a recent conference an exhibitor specialising in memorials told LCC that it had hundreds of funeral directors as its clients. LCC also noted that a number of funeral directors had also purchased land called 'Ashes Memorial Grounds', to add that on as part of their business. LCC recognised that such practice was fair game for memorials business, but it was not sure about funeral directors offering to collect the ashes from the crematoria for a client, and then later sell a memorial.

Quality

18. The CMA asked how the LCC would say a good quality crematorium is different to a less good quality one. LCC said that there were a number of factors in determining the quality of a crematorium, it was important to consider whether the facilities it provided were appropriate and fit for purpose and specifically whether adequate car parking, waiting rooms and bathroom facilities existed, and whether the chapel had sufficient seats and was equipped for today's needs. There was great demand for digitisation and modern screening facilities so LCC had invested in equipment so that it could offer livestream funerals. The facilities a crematorium provided were crucial. LCC used shorthand to describe its crematorium as three new and three old, and noted that it could be difficult to adapt its older facilities to meet current expectations. While it was relatively simple to bring in screens and modern music facilities to its older facilities, car parking was another matter.
19. The CMA asked whether customers preferred its new crematoria over its old crematoria, and LCC said it was difficult to say because of the importance of distance for consumers, and also families tended to select a crematorium (or cemetery) they had traditionally used. However, one of LCC's facilities outside Gravesend in Kent attracted families coming from further distances which LCC had not anticipated. It was not part of the need that was put forward. The CMA asked why that crematorium was attracting those consumers. LCC said that it had heard from local funeral directors that the funeral directors were avoiding the old crematorium up the road, as the facilities were much better at the new facility. [X].
20. The majority of LA crematoria had been built in the 1950s and some in the 1960s, and because of their age, did not cater for the amount of traffic using them today. They also suffered from a lack of care. At the time these facilities were constructed people viewed the funeral experience differently and services tended to be shorter. Traditionally services were half an hour, but this only allowed the bereaved 20 minutes in the chapel.
21. LCC had introduced a one-hour slot at its crematoria [X] which improved the quality of the service. It also provided the staff more time to prepare for the next arrival.
22. When LCC opened its Gravesend crematorium it set the pricing structure at the facility in line with its existing crematorium at Sittingbourne [X]. LCC noted that it understood that the Bluebell Hill crematorium was losing business to LCC's Gravesend crematorium on the basis of quality. However, the LA had set about reinvesting in this crematorium (by means of a new chapel) in response to public demand in terms of the levels of service. LCC

sympathised with a local community if a crematorium was struggling because this meant they were not receiving the service they deserved.

Price

23. The CMA asked LCC whether LCC set its prices in relation to its competitors. LCC said [redacted]. LCC did not consider that LAs or private crematoria operators set their prices with reference to LCC's prices either. LCC had tried to incentivise people into using off-peak times and had trialled making a reduction to the price of the 9am service (for a 30-minute slot) at its Golders Green crematorium. Initially this strategy appeared to be quite successful, but this offering had been largely superseded by direct cremations. LCC also discovered that funeral directors had been offering these slots as 'cheap funerals' which was not what LCC intended. LCC found that people were not prepared to trade price for their preferred time of day (generally within the core hours). If necessary, they were prepared to select another day in order to obtain their preferred time slot.

24. LCC did not think that the customers of funeral directors were aware that LCC's prices were lower than comparable crematoria. It did not affect a funeral director's business if one crematorium was more expensive than another because the funeral director simply passed these costs on to the customer. The choice of funeral director was still driven by family connections and most used the local cemetery or crematorium. The CMA asked whether some crematoria operators had the opportunity to raise prices because customers were not questioning the price being charged. LCC recognised that consumers were certainly vulnerable and that it was not able to speak for other organisations about their mentality on that issue. However, in LCC's experience, the Hindu community was more price sensitive because their cultural beliefs placed importance on what happened after the cremation, and so were less concerned about the quality features of a crematorium at the time of the service.

Acquisitions and profitability

25. LCC separated its cremation revenue and its associated costs from the rest of the business. LCC said for earnings before interest and tax (EBIT) it usually allowed for [redacted] per cent. [redacted].

26. The LCC was perhaps not as profit motivated as others. The LCC has strived to maintain the values set down by the Cremation Society all those years ago and it is fair to say the challenge grows stronger every year. The public and government demands for service excellence is present and rightly so. The

LCC's focus is on consistency and continuity; Consistency in the continued development to the service it provides by embracing modernity and new trends.

27. It does offer and provide, in this context, a number of reduced fee options and does not charge at all for under-18s, and the funeral director will not receive an invoice from LCC for that cremation but they do not know how funeral directors present that to the client. Even when it opened new facilities, at huge cost, it maintained its values. Its fees had risen by less than [redacted] per cent, on average, over the last 20 years which was broadly in line with inflation. For some years LCC has not put up prices at all. LCC did set some cash aside for contingencies but could not receive specific estimates from the manufacturers in the sector for the additional requirements and costs ([redacted]) required by the Mercury Abatement Plan.

28. [redacted].

Remedies

29. LCC said that transparency was essential. LCC was very transparent with its own fees and the make-up of its fees. LCC said that they billed their fee as an all-inclusive cremation fee, which included a number of component parts. Whereas others did not always do this which made it hard to compare one provider with another. Crematoria were generally transparent, whereas some funeral directors were less so. Generally, there was a reluctance to use marketing tools to disseminate information to the public because it was considered distasteful and the sector was mindful of dealing with vulnerable people who should not be pressurised. As a result, there were still a lot of urban myths surrounding what happened at a crematorium. [redacted]. By way of example, LCC did not charge for services for under 18s [redacted].

30. [redacted].

31. LCC made modest profits and so a price cap would put it under increasing pressure to the detriment of its service quality. The investment LCC made in quality (eg staff training) contributed to the success of its business, helped it maintain and improve its reputation and ensured it did not suffer any adverse publicity. LCC suggested that new entry on a smaller scale might act as a constraint on others who might be charging more, and this might negate the need for potential pricing remedies. However, a price cap might affect entry in areas such as north London where space and land was at a premium. If the CMA introduced a price cap it would need to consider quality based competition. [redacted].

32. Lessening planning constraints could improve the potential for entry and this would be a means of exerting downward price pressure on incumbents. However, LCC had not seen incidences of price reductions in areas in which it had opened new crematoria.
33. LCC also thought that the CMA would need to consider the emergence of 'one-stop shops', where a funeral director owned a cemetery and a crematorium. In such a situation, that company might be able to offer more attractive pricing, and drive prices down. But LCC noted that, in its experience, Dignity's funeral directors did not always take all of their business to Dignity owned crematoria.
34. The CMA asked what cost could be incurred for a business if a licensing and inspection regime was introduced for quality issues. The LCC raised the FBCA relaunch of its inspection regime but said that the scheme was not going to cost members any more money. LCC also said that crematoria had to comply with emissions regulation. LCC said it would not be concerned if a regulatory regime was put in place to measure quality and/or to ensure the permit regulations were being adhered to because LCC had nothing to hide and always did its best. The Ministry of Justice had a relationship with the industry at the moment that worked well.