

Funeral directors and crematoria services market investigation

Dignity plc response to the CMA's working papers on cremation services of 30 January 2020

1. Dignity plc ("**Dignity**") welcomes the opportunity to comment on the CMA's working papers as part of its market investigation. This submission addresses the four working papers published on 30 January 2020 that cover cremation services specifically.¹ Dignity notes that it will have further comments on these working papers once the CMA has disclosed the underlying market data and econometric analyses. Dignity's ability to comment fully on the analyses in these working papers is substantially constrained by the number of confidentiality redactions and the lack of access to the underlying data.
2. Dignity has provided separate responses to the CMA's working papers of 30 January 2020 covering funeral director services and proposed remedies, and will comment separately on the CMA's working papers that were published on 20 and 21 February 2020.
3. Dignity agrees with the CMA's findings that:
 - (i) Private crematoria have played an important role in satisfying the growing demand for cremation funerals, with 44 new private cremation facilities opening between 2008 and 2018, as UK cremation volumes rose by 14%.² The take-up of alternative cremation options (direct cremations, water cremations, chapel-only facilities) has also increased in recent years, meaning that customers have greater choice than ever before.
 - (ii) Private crematoria typically outperform local authority crematoria in terms of quality,³ and that there are material differences in average slot length between private and local authority crematoria.⁴ The Trajectory data from 2019 that Dignity has submitted to the CMA shows that private providers compare favourably to local authorities on slot length.⁵
 - (iii) The impact of new entry does have a significant and immediate impact on an incumbent crematorium, decreasing volumes for at least two to three years.⁶ This is a material threat to the incumbent. Dignity considers that removing the 'local need' constraint on planning applications could help to increase market pressure in this regard;

¹ Namely, (i) "Crematoria: background and market structure"; (ii) "Crematoria: evidence of competition between crematoria"; (iii) "Crematoria Appendix: evidence on competition between crematoria"; and (iv) "Crematoria: outcomes".

² "Crematoria: background and market structure", paragraphs 6 and 7.

³ "Crematoria: outcomes", paragraph 106.

⁴ "Crematoria: outcomes", paragraph 60.

⁵ Annex B-41.1 of the RFI dated 30 August 2019, slide 17.

⁶ "Crematoria: evidence of competition between crematoria", Figure 11.

- (iv) Funeral directors do not have undue influence in steering customers towards a particular crematorium;⁷ and
 - (v) Most crematoria offer a range of cremation fee options during the day, and almost all have available capacity. For example, on the same day customers have the option to use non-peak slots for attended services at fees substantially less than at the peak slot.⁸ Customers, therefore, have a choice of slots and prices even within the same crematorium.
4. However, Dignity has a number of concerns about the validity of certain of the CMA's findings in these working papers. In particular:
- (i) The "Crematoria: outcomes" working paper examines trends in EBITDA margins.⁹ Dignity considers that these margins are not the correct basis on which to measure performance, as simple 'unadjusted' margin comparison is not appropriate in a capital-intensive industry. Moreover, the CMA has not compared like with like: Westerleigh's margins do not include allocations of central costs, whereas Dignity's include exceptional items and cemetery costs, for example.
 - (ii) Dignity is concerned with the CMA's analysis of capacity constraints:¹⁰
 - (a) The CMA's definition of capacity constraint is based on the availability of 'front of house' chapel slots, which is a separable part of the service offering from the core service offered by a crematorium (i.e. cremation of the deceased). The CMA does not consider that capacity constraints exist in the 'back of house' services.¹¹ In practice, customers are not prevented from using a crematorium when its chapel availability is limited, as the funeral ceremony can be conducted elsewhere.¹² There are no planning constraints on setting up these alternative sites to hold a ceremony.

⁷ "Crematoria: evidence of competition between crematoria", paragraphs 16-18.

⁸ "Crematoria: outcomes", paragraph 24.

⁹ Paragraphs 40 to 49. Dignity also notes in relation to these paragraphs that the CMA's working paper of July 2019, "Approach to profitability and financial analysis", states that the CMA has targeted a sample of 22 crematoria (paragraph 144), but in this working paper the CMA appears to have data on a smaller sample of just 17 crematoria, which accounts for less than 8% of the population of local authority crematoria.

¹⁰ "Crematoria: background and market structure", paragraphs 48 to 56.

¹¹ "Crematoria: background and market structure", paragraph 50.

¹² For example, Kemnal Park Cemetery and Ceremonial Park offers a chapel-only cremation service, after which the deceased is transported to a crematorium at another location for an unattended cremation: <https://kemnalpark.org/cremation/>. Other funeral service providers offer the choice to customers of alternative venues to the crematorium's chapel. Other examples include Poetic Endings (<https://www.poetic-endings.com/>), Natural Endings Funeral Services (<https://naturalendings.co.uk/alternative-funerals/>), and The Coffin Company (<https://coffincompany.co.uk/alternative-funerals>).

- (b) The CMA's survey of 272 crematoria found that, on average, 54% of available slots were used,¹³ meaning that nearly half of crematoria slots are not used. There are crematoria operating at higher levels of utilisation, at particular points in the year and at peak times. However, only 12 out of 272 crematoria had more than 80% of their available slots used. Therefore, Dignity does not consider that competitive constraints are weakened by capacity constraints in the sector. Crematoria compete actively in offering lower prices and higher quality to fill capacity.
- (iii) The CMA concludes that a price-per-minute metric is not informative of the price competitiveness between crematoria, on the basis that a customer does not have a choice of slot length at a particular crematorium.¹⁴ However, the CMA does not explore how often customers at local authority crematoria buy an additional time/slot increment or incur an overrun charge when going beyond their slot. Further, the CMA's analysis only applies to customers that do not have crematoria options and do not compare them. In fact, a customer's preference for a particular crematorium over another crematorium might be driven by its price relative to the slot length offered. The CMA also does not assess to what extent crematoria offer good value for money; price-per-minute being a meaningful metric of this.
- (iv) The CMA's analysis of quality has focussed on the availability of audio-visual facilities and slot length to assess the extent to which these might explain the variation in fees.¹⁵ Although measurable, the availability of audio-visual facilities and slot length are only some of the many quality factors that may affect a customer's choice or experience of a crematorium. The CMA does not identify other quality aspects, such as the aesthetic of the facilities and surrounding grounds (for example, the CMA could analyse the maintenance cost of the grounds) or the training and professionalism of staff (for example, the CMA could analyse the staff costs).

Dignity considers that an informative proxy of the quality of experience / aesthetic of the crematorium would be the proportion of customers that choose to place a memorial at that site. Customers always have the choice to collect the ashes and take them away. However, the quality of Dignity's facilities means that many customers – often weeks later – choose to return to have the memorial to their loved one placed in the Dignity memorial gardens. These are carefully considered purchases, with customers having a wide range of alternative choices (including free options). The fact that so many customers choose to place memorials for their loved ones in Dignity memorial gardens reflects the quality that Dignity provides – a place families are happy to return to. The CMA comments that Dignity is an outlier in terms of memorials, *"we note that Dignity appears to have a significant proportion of revenue from memorials"*,¹⁶ and we

¹³ "Crematoria: background and market structure", paragraph 54.

¹⁴ "Crematoria: outcomes", paragraph 19.

¹⁵ "Crematoria: outcomes", paragraph 108.

¹⁶ "Crematoria: background and market structure", paragraph 10.

consider that this reflects the high quality of the Dignity facilities, both in capital invested in the grounds and rigorous ongoing maintenance of the grounds.

- (v) In the "*Crematoria: evidence of competition between crematoria*" working paper, the CMA has not explored the extent to which 'resident' fees offered by local authority crematoria affect competition (for example, by making it more difficult for private crematoria to attract out-of-area customers). Dignity submits that the CMA could investigate the extent to which these fees (which can be in excess of £200) are common among local authorities when analysing competition dynamics. Dignity considers that the CMA should also collect evidence from local authorities on how often they impose penalties on customers who overrun their allotted slot times, even if by only a small increment.
5. Dignity also has a number of concerns with the treatment of data in certain of the cremation services working papers, in particular:
- (i) Dignity has concerns about the accuracy and comparability of the Cremation Society data on fees, which are a foundation of the CMA analyses. Dignity has submitted evidence (e.g. market survey information from Trajectory) showing that many local authorities appear to under-report their fees to the Cremation Society. Dignity notes that the CMA has stated that it is using the Cremation Society data, despite its potential inaccuracies, on the basis that it is available over historic time periods.¹⁷ Dignity submits that if the data is known to be incorrect, the CMA should validate it with each crematorium, which appears to be the approach taken by the CMA in order to validate the Cremation Society data on slot length. Dignity has provided additional evidence on the inaccuracy of the Cremation Society data in Annex 1 to this response.
 - (ii) Dignity is concerned that too much weight appears to be given to the CMA survey results, which had small sample sizes. For example, in its analysis on the extent to which crematoria are able to attract customers who have a closer alternative, the CMA appears to attach the same or greater value to the survey (which had just 378 responses) as it does to an analysis of travel patterns from all customers using Dignity, Memoria and Westerleigh in 2018.¹⁸ The survey results were not validated by any empirical analysis (for example, the CMA did not collect information on the crematorium chosen and the deceased's address and calculate the distance between them).
 - (iii) The CMA has assessed the quality differential between private crematoria and nearby local authority crematoria.¹⁹ Dignity notes that the CMA's analysis is

¹⁷ "Crematoria: outcomes", paragraph 13.

¹⁸ "Crematoria: evidence of competition between crematoria", paragraph 54. On an analysis of transaction data, Dignity found that around a third of customers attending a specific Dignity crematorium were, in fact, located closer to another crematorium. This is consistent with Dignity's view that customers are willing to travel further for a variety of reasons, such as making an active choice with regard to better quality (in terms of longer slot length or better grounds and chapel facilities); better transport links; where the deceased previously resided; or where majority of the mourners are located, etc. (see Dignity's response to Question 20 of the Crematoria Market Questionnaire).

¹⁹ "Crematoria: outcomes", paragraph 63.

restricted to 41 private crematoria facing a local authority crematorium as the closest rival within a 30-minutes cortege drive time. This introduces a measurement bias which distorts the results of the analysis in favour of local authority crematoria, specifically:

- (a) There are areas where the same local authority crematorium is the closest to two or more different private crematoria within a 30-minutes cortege drive time. This suggests that the same local authority crematorium might be counted multiple times in the CMA sample; and
- (b) A local authority crematorium that is closest to multiple private crematoria also faces stronger competition compared to a local authority crematorium that is closest to only one private crematorium, thereby making it more likely that it will offer better facilities.

Therefore, the CMA sample of areas is likely to be over-represented by a number of local authority crematoria offering above-average quality standards.

- (iv) Dignity notes that the CMA has analysed data on fees and quality up to 2018.²⁰ The CMA may wish to consider extending its analysis to include 2019 data, given that the market is undergoing a period of change. For example, in 2019 Dignity has upgraded its audio/visual capabilities at all sites and has made changes to slot length at certain sites, which would have an effect on the CMA's findings.

6. Annex 3 sets out Dignity's more detailed comments on these working papers.

²⁰ For example, "Crematoria: outcomes", paragraph 3.

Annex 1

CMA use of Cremation Society data

1. Dignity welcomes the CMA's comparison of the cremation fees reported in the Cremation Society data against those reported in the Trajectory market research.
2. At paragraph 13 of the "Crematoria: outcomes" working paper, the CMA noted that *"in some instances, when we compare private and local authority fees for standard fee services, the local authority fee may be an under-estimate (where the Trajectory market research is more accurate)"*.
3. Dignity has provided three examples of fees that were misreported in the Cremation Society data, but the CMA corrected only one of these and did so for one of the ten years of data analysed noting that *"it is not clear whether the difference between the Cremation Society fee and the Trajectory fee and/or the current fee quoted on the local authority website was due to subsequent fee increases or the wrong fee being quoted to the Cremation Society and/or Trajectory"*.²¹
4. Dignity is still concerned that the instances of local authority fees being misreported are more common than the CMA acknowledges.
5. Dignity has investigated the fees reported in the Directory of Crematoria further and in this Annex provides a list of additional examples of cases in which the cremation fees appear to be misreported. Dignity submits that if the data is known to be incorrect, the CMA should validate it with each crematorium, which Dignity understands is the approach the CMA has taken in order to validate the Cremation Society data on slot length.

List of potential misreported fees by the Cremation Society

6. The Cremation Society reports two cremation fees:
 - (i) Basic cremation fees, which *"comprise cremation fee plus Medical referee's fee and environmental surcharge, if applicable"*.
 - (ii) Total Crematorium charges *"comprise Medical Referee's fee and environmental surcharge if applicable, plus music (recorded or organ), scattering/strewing of ashes"*.
7. In the CMA's *Funerals Market Study: Final Report*, the CMA explains why it uses the basic cremation fees in its analyses.²² We understand that the CMA has also used the basic cremation fees for the analyses presented in the Crematoria working papers.

²¹ See paragraph 12 of the Crematoria: outcomes working paper.

²² See paragraph 3 of CMA Funerals Market Study: Final Report, Appendix E.

8. Dignity's comparison of Trajectory against Cremation Society data was based on the total crematorium charge for 2018; this found that 78% of local authority fees were under-reported in the Cremation Society data.
9. Dignity then compared the basic cremation fees reported the Directory of Crematoria against those collected by Trajectory in its research and still found discrepancies. During this exercise, Dignity found the following instances of errors:
 - (i) Examples of cremation fees being reported with omitted essential charges (i.e. use of chapel, doctor fees and environmental surcharges);
 - (ii) Examples of off-peak cremation fees (e.g. early morning fees) being reported as peak fees; and
 - (iii) Examples of resident fees being reported as standard fees.
10. Dignity also analysed the trend of basis cremation fees reported by the Cremation Society for each crematorium for the period 2003 to 2019 and found that many crematoria experienced year-on-year price increases of 20% or more, which are more likely to be driven by misreporting issues and therefore require further validation by the CMA.

Examples of cremation fees with omitted essential charges

11. Dignity found examples of essential charges being omitted from the Cremation Society's data. For example, the Harbour View crematorium is reported to offer cremations at £538 in 2018 and 2019 according to the Cremation Society. However, as shown in Figure 1 below, this fee excludes the use of a ceremony hall, which is an add-on with price ranging from £200 to £470. The fee for Harbour View crematorium in the Cremation Society data is therefore not presented on a like-for-like basis with the other crematoria in the CMA analyses.

Figure 1: Current cremation fees at Harbour View

Some ancillary charges
<p>A guide to other charges at Harbour View</p> <ul style="list-style-type: none"> • Catering, from £4.50 + VAT per head • Purchase of a grave for 'full' (body) burial, from £720 • Purchase of a small grave suitable for cremated remains, from £275 • Memorial trees with a plaque, from £5 per month • Memorial plaques, from £2 per month • Memorial stones, from £325 + inscription and VAT • Cremation fee (including Medical Referee but excluding use of a ceremony hall) £538 • Burial fee (for coffined deceased – gravedigging etc) £830 • Harbour Lodge Ceremony Hall (for hosting a funeral service with minimum of 90 minutes separation between funerals) £200 • The Barn Ceremony Hall (for hosting a funeral service with minimum of 90 minutes separation between funerals) £290 • Long Barrow Ceremony Hall (for hosting a funeral service with minimum of 90 minutes separation between funerals) £470 <p>Note: the above is a guide only and minimum charges may apply for some supplies</p>

Source: <https://www.tapperfuneralservice.co.uk/harbour-view/price-list/>; last accessed 24 February 2020.

12. Cardiff Crematorium had a basic cremation fee of £540 as of January 2018, according to the Cremation Society. In 2019, this is reported to be £560. When looking at Cardiff's current fees available online (see Figure 2), it appears that the Cremation Society omits '*Fees to doctors for cremation certificate*', which included would bring the total fee to £804. This omission might have also occurred in previous years.

Figure 2: Current cremation fees at Cardiff Crematorium

The cremation service includes:	Cost
Funeral arrangements provided by White Rose Funerals	£980
Cremation fee including use of either Wenallt or Briwnant chapel (music system available) and the unattended scatter of the cremated remains in one of the gardens of remembrance	£640
Fees to doctors for cremation certificate (estimated)	£164
Estimated Cost	£1784

These estimated costs do not include floral tributes, clergy and church fees and obituary notices.

Source: <https://cardiffbereavement.co.uk/cardiff-council-funeral-service/>; last accessed on 24 February 2020.

13. Dignity also found examples of environmental surcharges being omitted from the Cremation Society's data. For example, Truro Crematorium, which according to the Cremation Society had a basic cremation fee of £630 and £764, as of January 2018 and January 2019 respectively. As shown in Figure 3, the current fee advertised online is £784 (£729 plus an environmental levy of £55). While the standard fee for 2019 reported by the Cremation Society is likely to include the environmental levy, this is unlikely in 2018. This omission might have also been made in previous years.

Figure 3: Current cremation fees at Truro Crematorium

Please note the cremation fee includes a cremation certificate, the Medical Referee fee, use of Organ and Obitus Music System, the supply of a container (except for the removal of baby remains) and scattering remains in the grounds.

- **Natural burial fees**
- **Memorial fees**

Service fees	Price	Additional information
Cremation of an Adult	£729.00	
Direct Funeral	£606.00	
NVF, stillborn and children up to and including 17 years of age	No charge	* Please note - Funeral times for NVF's, babies and very young children are only available at 09:00 in Trelawny or 09:30 in Kernow, Monday to Friday.
* Saturday morning cremation - service to be concluded by 12 noon	£976.00	* Please note - Saturday and Sunday cremation fees apply to all adult cremations. The standard weekday adult cremation fee applies for all Saturday and Sunday cremations for babies and children.
* Saturday afternoon cremation - service to be concluded by 4 p.m.	£1137.00	
* Sunday cremation - service to be concluded by 12 noon	£1297.00	
Additional chapel time of 60 minutes	£146.00	
Environmental Levy (not charged up to and including 17 years)	£55.00	Stricter legislation has required crematoria to fit additional equipment to further clean the emissions to air generated by the cremation process. With the approval of DEFRA crematoria have been advised to levy a fee on all adult cremations. This fee is for the purpose of covering the capital costs of the initial installation of equipment, its subsequent renewal and the additional running costs associated with the abatement equipment.

Source: <https://www.cornwall.gov.uk/advice-and-benefits/deaths-funerals-and-cremations/penmount-crematorium/funeral-services/scale-of-charges/>; last accessed: 24 February 2020.

- Similarly, looking online at the current cremation fees of Manchester (Blackley) Crematorium (see Figure 4), it appears likely that the Cremation Society figures may not include the environmental surcharge. There is also the additional complication that this site offers two separate fees for usage of different chapels. The current fees are either £704 (i.e. £649 plus £55) or £838 (i.e. £783 plus £55), depending on the choice of the chapel.
- As of January 2018, the fee was £645 according to the Cremation Society. In 2019, this is £674. It is likely that the environmental fee was not included in previous years and it is more likely that the Cremation Society reports the standard fee for cremation in the Side Chapel, which can accommodate up to 60 guests, while the more expensive Centre Chapel can accommodate up to 300 guests.²³

²³ https://www.manchester.gov.uk/info/200032/deaths_funerals_and_cemeteries/5099/manchester_cemeteries_and_crematorium.

Figure 4: Current cremation fees at Manchester (Blackley) Crematorium

Cremations and interment / burial of cremated remains

Cremations		
Product		Price
ELM: Cremation and service with Side Chapel	Adult	£649
YEW: Cremation and service with Centre Chapel	Adult	£783
Environmental surcharge (mercury abatement)	Adult	£55
Cremation for babies and children (up to 19yrs)		£0

Source: https://secure.manchester.gov.uk/downloads/download/4343/fees_and_charges;
last accessed: 24 February 2020.

Examples of off-peak cremation fees being reported as peak fees

16. There are also examples where the Cremation Society appears to report information on off-peak slots instead of peak slots.
17. The basic cremation fee of Haycombe Cemetery and Crematorium located in Bath is £795 as of January 2018 according to the Cremation Society. The CMA investigated this example further and concluded that this discrepancy was likely to be driven by a price change. In 2019, the Cremation Society reported a cremation fee equal to £915. If this was due to a price change, this would imply a price increase of 15%.
18. Currently, there are two fees quoted online for this crematorium:
 - (i) one for a 20-minute early morning service (£776); and
 - (ii) one for a 30-minute service (£934).
19. It is likely that the cremation fee reported by the Cremation Society is the early morning option (with 20-minute service) in 2018 and the 30-minute service in 2019.
20. Please also note that customers of the Bath crematorium face late arrival and overrun of time slot penalties from £77.

Figure 5: Current cremation fees of Haycombe Cemetery and Crematorium (Bath)

	Up to and including age 16 years	17+ years
Cremation		
Unattended Direct Cremation (the deceased to be brought into our care through the chapel without anyone attending other than the funeral director). This service is limited to one deceased per day at 8.45am only	£0.00	£500.00
20 minute service duration from: 9am, 9.30am	£0.00	£776.00
30 minute service duration from: 10am, 10.45am, 11.30am, 12.15pm, 1.00pm, 1.45pm, 2.30pm, 3.15pm, 4.00pm.	£184.00	£934.00
45 minute service duration (inclusive of 1 x DVD recording of the service - only provided with the relevant authorisation form signed by the applicant for cremation). from: 4.45pm	n/a	£1,180.00
The cremation fee includes:- <ul style="list-style-type: none"> a) Medical referees fee. b) Certificate of cremation. c) Provision of organ (not organist) d) Provision of Wesley System e) Burial of remains in a communal shrubbery (unwitnessed). or scattering on communal area (unwitnessed) f) Recycling of metals through a national scheme with profits going to charity. g) Abatement and re-cycling of mercury from emissions. h) Facility to accept large coffins. i) Provision of biodegradable container as required. 		
Cremation Extras		
Extra use of Crematorium Chapel per time slot		£184.00
Saturday supplement (on the proviso staff are available)		£184.00
Storage of remains (six months free of charge - remains held longer than this period will incur a monthly charge)		£46.00
Postage of remains to address in UK*	from	£67.00
Late arrival and over run of time slot penalty		£77.00
Web Cast*		£57.00
DVD (first copy £57 thereafter £20 per extra copy)*		£57.00
CD (first copy £41 thereafter £20 per extra copy)*		£41.00
Photo Presentation*		£36.00
Use of Top Chapel per ½ hour slot		£128.00

Source: https://www.bathnes.gov.uk/sites/default/files/fd_bereavement_services_prices_1st_april_2019_-_31st_march_2020.pdf; last accessed 24 February 2020.

Examples of resident fees being reported as standard fees

21. Dignity found additional examples of crematoria that offer both resident and non-resident fees.
22. In the Cremation Society data for 2018 and 2019, the basic cremation fee of Belfast Crematorium is reported to be £364. It is also reported to be unchanged since 2016. As shown in Figure 6, the Cremation Society reports the resident fee, not the standard fee for all customers. Currently, the resident fee is £392, while the non-resident fee is £642.

Figure 6: Current cremation fees at Belfast Crematorium

Price list for cremations

Type	Belfast residents	Non-Belfast residents
Stillborn child or child aged one or under	No charge	No charge
Child (aged 17 or under)	No charge	No charge
Adult (aged 18 or above)	£392	£642
Hospital cremations	£108	£209
Saturday and public and council holiday levy (adult aged 18 or above)	£183	£183
Saturday and public and council holiday levy (child aged 17 or under)	No charge	No charge
Duplicate/additional cremation certificate or copy documentation requested	£17	£17

Source: <http://www.belfastcity.gov.uk/community/births-deaths-marriages-civil-part/burialcremationfees.aspx>; last accessed 24 February 2020.

23. The Cremation Society reports the basic cremation fee of Nottingham Crematorium to be £635 in 2018. In 2019, this is reported to be £667. As shown in Figure 7, this is a resident fee which excludes witnessing of the cremation.

Figure 7: Current cremation fees at Nottingham Crematorium

Cremations and associated fees		
The fees for a cremation includes a service in either chapel with use of the Wesley music system, chapel attendance throughout the service, a Bio Box and a cremation certificate.		
Adult cremation fees (18 years and over)	City Resident	Non City Resident
Adult service and cremation (Monday - Friday 08:30 – 16:00)	£680	£759
Adult service including witness cremation (Monday - Friday 09:00, 10:00, 11:00, 12:00 and 13:00 Main chapel only). To be completed in the one hour service time unless the subsequent service time is booked as an extra. Please see appropriate chapel extra service time for price.	£827	£942
Direct cremation (No family attendance, see guidance note 11 for service times)	£495	
Adult cremation fee (Saturday) service only Subject to availability	£967	£1074
Adult cremation fee (Saturday) Service including witness cremation 09:00, 10:00 or 11:00am. Subject to availability	£1,114	£1,221

Source: <https://www.nottinghamcity.gov.uk/information-for-residents/births-deaths-marriages/deaths-and-stillbirths/cemeteries-crematorium-burial-grounds/>; last accessed 24 February 2020.

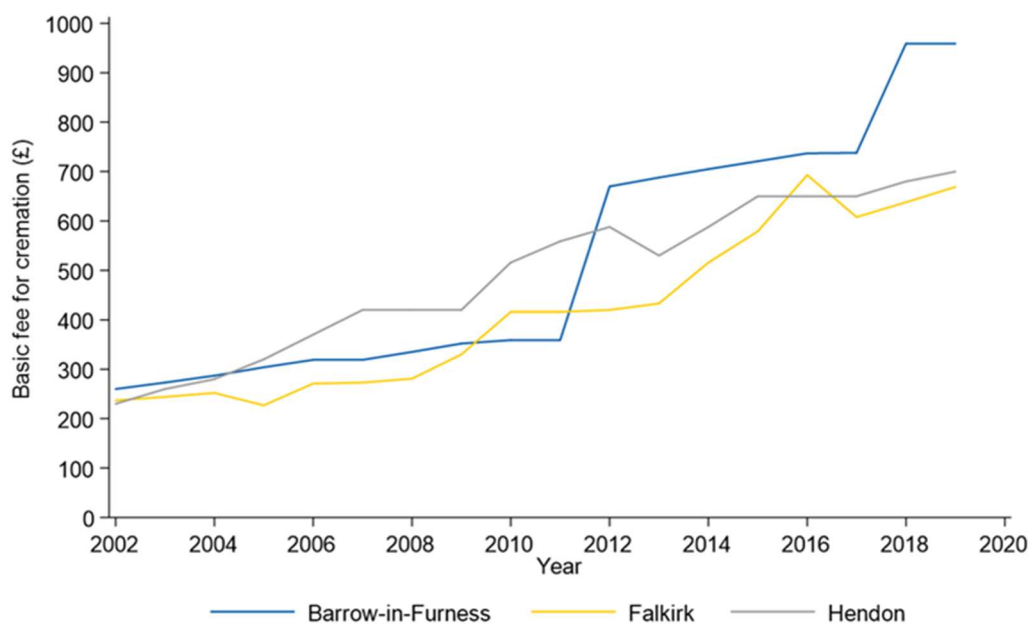
Examples of cremation fees inconsistently reported across the years

24. Dignity also analysed the historical Cremation Society data for large year-on-year increases and found that in the period between 2003 and 2019, 89 crematoria (i.e. 30% of all crematoria) have at some point experienced a year-on-year price increase of 20% or more. Of these 89, 78 (i.e. 88%) were local authority crematoria.
25. It seems unlikely that these reflect true price increases. This points to inconsistencies in the data collected by the Cremation Society from local authorities over time.

26. Figure 8 shows the price trends of three crematoria. For example:

- (i) When plotting the cremation fees at Barrow-in-Furness, two significant price changes are notable: (a) the cremation fee increased from £359 in 2011 to £670 in 2012; (b) the fee increased from £738 in 2017 to £959 in 2018. In 2019, the fee is still reported to be £959. According to the crematorium website, the cremation fee has been £906 from October 2019.²⁴
- (ii) According to the Cremation Society, the basic cremation fee at Falkirk crematorium was £579 in 2015; it increased to £693 in 2016; then decreased to £608 the following year; increased back to £638 in 2018; and was reported to be £669 in 2019. Falkirk currently presents its prices as 'with organist' and 'without organist' (see Figure 9). It is likely that the 2016 fee was with an organist included but the other years was not.
- (iii) In 2012, Hendon crematorium was reportedly charging £588, which decreased to £530 in 2013, and then increased back to £588 in 2014. It was then stable (£650) for the period between 2015 and 2017, to finally increase to £700 in 2019.

Figure 8: Cremation fees over time - Barrow-in-Furness, Falkirk, and Hendon



Source: Cremation Society

²⁴ <https://www.barrowbc.gov.uk/residents/see-more/cemeteries-crematorium-and-burials/fees/>

Figure 9: Current cremation fees at Falkirk Crematorium

Falkirk Crematorium

Cremations

Cremations take place Monday to Saturday (including on public holidays):

Day	Time
Monday to Friday	9:00am - 3:30pm
Saturday	9:00am - 11:30am

Cremations (VAT exempt)	With organist	No organist
Adult (18 years+) Monday to Friday	£779.00	£689.00
Adult (18 years+) Saturday or public holiday	£936.00	£846.00
Adult (18 years+) Cremation only - no service or music. Monday to Saturday (limited availability)	-	£385.00
Child (0 to 17 years) Monday to Saturday	no charge	no charge
Stillborn child (Monday to Saturday)	no charge	no charge

Source: <https://www.falkirk.gov.uk/services/births-deaths-marriages/deaths/fees-charges.aspx>; last accessed 24 February 2020.

Annex 2

Dignity comments on the CMA's use of a fixed effects model in the working paper "Crematoria: evidence of competition between crematoria"²⁵

1. The CMA develops a fixed-effects econometric model to test the impact of entry. Dignity is unable to comment effectively on this model without access to the underlying data and modelling scripts. However, the following preliminary observations can be made.
2. As acknowledged by the CMA, a fixed-effect model has strengths and limitations. Dignity considers that the CMA's specifications (i.e. PCA based on volumes, fees and slot lengths) have the following limitations:
 - (i) Entry is assumed to be exogenous although the performance of existing nearby crematoria also affects entry considerations. The planning regime requires a developer to demonstrate the need for a new crematorium and to make an assessment of the number of cremations the new site is expected to deliver, based on local population size and death rate projections. The length and duration of a customer's journey, slot length and the application of higher non-resident cremation fees at existing neighbouring crematoria are all taken into account in the assessment. However, whilst the CMA's model accounts for constant or crematorium-specific factors relating to entry, it does not account for factors that vary over time and correlate to both local competition and performance. In particular, and as acknowledged by the CMA, it does not account for expected increases in local demand (an attractive feature to prospective developers) driven by death rates, demographics, income levels or existing crematoria reacting to entry by investing in quality. These omitted factors are likely to bias the estimates reported by the CMA.
 - (ii) The CMA does not substantiate its reasoning for using travel time bands of 0-10, 10-20, 20-30, and 30+ minutes in the empirical analysis. Based on the econometric model, the CMA appears to view the market for crematoria services to have a national scope, as all competitors throughout the UK will be included in the 30+ minutes drive time band. As acknowledged by the CMA, there are only two cases of entries within a 10-minute drive time while most new entrants are located more than 30+ minutes apart. As such, this "catch-all" may include firms that are not in direct competition with crematorium *i*. In this specification, a crematorium in London will have the same competitive effect on a crematorium in Liverpool as a competitor in Manchester has. Moreover, the CMA computes standard errors that are clustered at the crematorium-level. This approach fails to account for the fact that the "local" crematoria markets overlap which causes the error terms to be correlated across space.
 - (iii) Although the CMA's analysis at Figure 11 of the "Crematoria: evidence on competition between crematoria" working paper found that entry affects existing crematoria's performance for at least three years after entry, the CMA's fixed-effect "loads" the entire effect of an additional entrant on the observations in the

²⁵ Paragraphs 89 to 92.

year of entry. As a result, the econometric model is not able to capture the competitive effects of new entrants in the years following entry. Hence, the CMA's analysis will not be able to capture the full effect of new competitors on incumbents over time.

3. On the performance measures used, Dignity notes that:
 - (i) The model using fees as a performance measure will only capture the effect of entry on the standard fees but does not assess the effect on the other fees offered at each crematorium (i.e. reduced fees and direct cremation fees). Moreover, Dignity has already raised its concerns on the use of the Cremation Society basic fees, which do not appear to be accurate over time.
 - (ii) The model using slot lengths as performance measure might be affected by lack of variations in the data. While fees and volumes vary every year at each crematorium, slot length are not reviewed every year. Moreover, as acknowledged by the CMA, due to data limitations, this specification is informed by fewer cases of entry (i.e. c.34 cases of entry which took place between 2012 and 2018 instead of 46 cases which took place between 2008 and 2018). As such, even after correcting for the biases listed above, Dignity believes that this specification will give unreliable estimates.
4. Dignity suggests that the CMA could improve its fixed-effect models based on fees and volumes in the following ways:
 - (i) By including crematorium-specific time effects (to account for changes at each crematorium which are time-variable).
 - (ii) By considering a different range of drive time bands, e.g. 0 – 15, 15 – 30, 30 – 45 and 45 – 60 minutes.
 - (iii) By controlling for changes in quality (e.g. using a dummy equal to 1 where a significant investment has been made).
 - (iv) By adjusting for clustered standard errors at the crematorium-level.

Annex 3

Dignity detailed comments on the working papers

Para.	Extract	Dignity comment
Crematoria: background and market structure		
9	<i>This graph shows that, for existing crematoria across any given provider category (ie those crematoria that opened during or before 2008), the average number of cremations at each crematorium has either increased slightly for Westerleigh, smaller private providers and the London Cremation Company (LCC) or remained relatively stable for the other providers. This suggests that newer crematoria have delivered additional capacity to help meet growing demand (as opposed to reducing average volumes at existing crematoria).</i>	Dignity suggests that this is taken into consideration when interpreting the results of the CMA's analysis presented in Figure 11 of the "Crematoria: evidence on competition between crematoria" working paper, in which incumbent crematoria were found to lose volumes upon the entry of a competitor but to recoup them three years after entry. In that analysis, the CMA did not empirically assess the level of customer switching but concluded that the results suggest that there is an initial migration of customers on entry and that customers will switch back to the incumbent crematoria after three years. In Figure 11, the CMA did not take into account death rates and increase in local demand.
10	<i>[...] Dignity appears to have a significant proportion of revenue from memorials</i>	Dignity considers that its high revenue from memorials reflects the attractiveness of its crematoria sites when compared with other providers.
Figure 4		Dignity notes that Figure 4 provides only partial detail as it does not include local authority crematoria. The revenue mix may be different when taking local authority crematoria revenue into account and the CMA should therefore consider collecting data for other providers. Dignity also suggests that the CMA include a volume mix chart, as revenue shift will be muted by the fact that non-standard cremations are cheaper than standard cremations.

Para.	Extract	Dignity comment
12	<i>In addition to revenue) from cremation fees (which are generated by providing time in the chapel for a service and the cremation itself), crematoria may also generate revenue from the sale of additional optional services related to the cremation service, such as bearers, organists and hospitality services.</i>	Dignity notes that the CMA has not assessed the extent to which local authority crematoria generate additional revenue from charging additional fees, such as late arrival and overrun of time slot penalties, administration fees to process late cremation paperwork, and fees for storage of remains. Dignity considers that data should be collected on the scale and prevalence of these fees. This has been an ongoing source of public concern (see for example https://www.grimsbytelegraph.co.uk/news/grimsby-news/funeral-service-penalty-charges-council-2705076) and affects the comparison between price-per-minute at local authority and private provider crematoria.
Figure 7		As noted above with regards to the fixed-effect model, Dignity suggests that the CMA investigate the frequency of crematoria that have a closest rival within 30 – 45 and 45 – 60 minute drive times bands as there is no distinction made in a 30+ minute band for crematoria that are far away.
30	<i>We have been told by Dignity, Westerleigh and Memoria that they work with families and funeral directors to try to accommodate these services, for example, by offering extended time slots and displaying the service on screens outside the chapel.</i>	Dignity notes that it is unclear whether local authority crematoria provide the same level of flexibility to accommodate service requirements, as described for private crematoria.
37	<i>We applied the average catchment area to all crematoria to understand the proportion of crematoria that have no, one, two or three or more rivals within the average 80% catchment area. The results are summarised in Table 2. This shows that nearly three-quarters of crematoria have only one or no rival within 33-minutes at cortege speeds (the average 80% catchment area). Only 13% of crematoria have three or more rivals within the average 80% catchment area.</i>	The proportion of crematoria with no rival fascia calculated on the basis of the average catchment area size across the sample of 93 crematoria (33 minutes) is 42%, whereas that same proportion calculated on the basis of an average catchment area of 30-minute cortege time applied to all crematoria is 50% (i.e. 150/303 from Figure 7). This suggests that the CMA's identification of rival fascia is sensitive to small changes in the size of the average catchment area (from 33 to 30 minutes in this case). In particular, if the CMA had applied 33 minutes as the standard catchment area size across all crematoria, it would find that there are fewer cases of crematoria with no rival fascia.
42	<i>These results suggest that, in those instances where there is at least one rival fascia located within a crematorium's catchment area, the nearest rival fascia is, on average, located towards the boundary of the catchment area.</i>	Dignity notes that that this result appears to be aligned with the requirements of the planning regime. If the planning regime was changed, entry would be possible closer to incumbents, further increasing the contestability of markets.

Para.	Extract	Dignity comment
45	<i>We found that the average measure of how close the nearest rival fascia is to the catchment boundary, across those crematoria that have no rival fascia within their catchment, is around 1.5. This means that the rival outside the catchment is on average half as far away again, ie not close to the catchment boundary. We found the maximum to be 3 and the minimum to be 1.</i>	According to the CMA's measure of closeness of a rival fascia located outside a crematorium's catchment area, a value of 1 would imply that the fascia is located exactly at the edge of a crematorium's catchment area. Footnote 38 explains that "33 crematoria had a degree of overlap of between 1 and 1.5". This suggests that there are a number of crematoria (between 1 and 33) located close to the edge of the catchment area of other crematoria. Therefore, a marginal expansion of the average catchment area size would lead to a sizeable number of crematoria being identified as additional rival fascia. This is consistent with Dignity's comment on paragraph 37 of this paper, that marginally expanding the average catchment area size from 30 to 33 minutes results in the proportion of crematoria facing no rival fascia to drop from 50% to 42%.
46	<i>Crematoria that are not geographically close may still compete over a common population centre and pose a constraint on one another. We have considered the evidence which indicates the extent to which this may be the case. We have heard that, in the context of new crematoria opening, where a population is served by two crematoria, people will tend to choose the closest (with customers gravitating towards the closest one).</i>	The CMA has not tested empirically the assumption that crematoria that are not geographically close do not pose a competitive constraint on one another because their customers generally gravitate towards the closest crematorium. This assumption is at odds with Dignity's experience that a significant portion of its customers (32%) are closer to another crematorium but choose a Dignity crematorium that is further away from them, indicating that customers located closer to the edge of a crematorium's catchment area could be drawn to a crematorium located outside the catchment area.
61(c)	<i>private providers have argued that local authority planning departments may have an incentive to prevent entry by private providers to protect their own crematoria. However, we note that if this were to occur, it could likely be challenged or resolved through the appeals process.</i>	Dignity notes that the availability of an appeal process does not remove the barrier to entry posed by this incentive on local authority planning departments, as the process of going through the appeal adds significant increased costs and time to a planning application for private providers.
65	<i>We note that the planning regime is not focussed on competition but serves a purpose to ensure that wider societal needs are met (for example, considering the possible impact new build crematoria may have both on the local environment and residents living within a local area).</i>	Dignity considers that the planning regime should nonetheless be taken into account as an important factor affecting the level of competition in the market. The planning process and the historical failures of private operators to secure planning permission directly affect their future site search and selection criteria employed.

Para.	Extract	Dignity comment
Crematoria: evidence of competition between crematoria		
16	<i>Overall, 29% of customers who arranged a cremation with a funeral director received advice from the funeral director about which crematorium to use (although this did not necessarily change their initial plans).</i>	The Market Investigation consumer survey also found that, “ <i>in two-thirds of cases overall (66%), the funeral director did not suggest or recommend an alternative when the consumer already had an idea of which crematorium they wanted to use</i> ” (see para 83 of the Market Investigation consumer survey). Dignity notes that customers may have often visited a crematorium on previous occasions, as mourners, and will have formed a view in advance of a particular crematorium.
23	<i>Responses to the Market Investigation consumer survey show that very few customers shop around - only 7% of customers compared two or more crematoria. A further 31% of customers have a choice of crematorium but did not compare. The remaining respondents did not feel they had a choice of crematorium (see paragraphs 13 and 14).</i>	According to the Market Investigation consumer survey, 58% of customers did not compare two or more crematoria because they did not have a choice (i.e. 47% had no option and 10% could not because the deceased made wishes known). Of those that could have compared crematoria (150), more than 20% did shop around (see Table 308 – C1/C2 of the Market Investigation consumer survey).
28	<i>Of those customers who do compare crematoria (see paragraph 23), some seem to compare them on the basis of price and quality. In particular, similar numbers compare on the basis of the quality of the crematorium building and grounds as compare on the basis of location/proximity.</i>	Dignity notes that the CMA appears to underestimate the results of the consumer survey on the importance of quality when comparing crematoria. Combined together, the points of comparison most frequently mentioned by customers are all quality-related.
29(c)	<i>In an internal document Westerleigh noted that, for one of its crematoria, a [●]% price increase (from £[●] to £[●], after a major upgrade programme) did not have an adverse effect in terms of ‘swaying’ families to less expensive crematoria.</i>	Dignity notes that this could also show that consumers were influenced by the increased quality of the facility from the upgrade programme, which could mean that the price increase did not have an impact on volumes.
35	<i>Dignity told us that it aims to meet revenue targets and sets price increases around a revenue target, although it will make exceptions to this where local conditions prevent such an increase from being feasible.</i>	Dignity would also consider movements in volumes when setting price increases.

Para.	Extract	Dignity comment
35	<i>We have looked at the extent to which Dignity was able to impose these fee increases. During 2016-2017, [...]60-70]% of Dignity crematoria made a fee increase of [●]% or greater, whilst [30-40]% of their crematoria had a smaller fee increase ([0-10]% were able to make a fee increase of between 5% and [●]%, whilst the remaining [20-30]% made fee increases of less than 5%)</i>	Dignity requests disclosure of the confidential version of this extract, which was not part of the put-back process.
41	<i>The Market Investigation consumer survey shows that very few customers compare between crematoria and, for those who do, nearly half compare crematoria on the attractiveness of the grounds and buildings. Very few respondents compared crematoria on the basis of the range and quality of facilities.</i>	<p>Dignity considers that this sentence is misleading, as attractiveness of grounds and buildings is one of the main quality metrics for crematoria. If quality of facilities excludes the ground and buildings, the CMA should clarify that is the case.</p> <p>Dignity notes that many mourners will have attended services at a crematorium in the past and will therefore have a view on a crematorium in advance of need. Dignity considers that this previous experience is a critical factor driving customer choice, combined with the quality and integration of the facilities.</p>
47	<i>As the table shows, quality-related reasons (ie unattractive buildings/grounds, quality of facilities, limited range of facilities) were reported by a small number of customers as reasons for not using the closest crematorium. Instead, the most commonly stated reason for not using the closest crematorium was that it was not the “family crematorium” (n=21/53), and the second most commonly stated reason was slot availability (mentioned by n=5/53). The most commonly stated quality-related reason for not using the closest crematorium was “unattractive building/grounds” (n=4/53).</i>	<p>Dignity considers that the CMA has not given sufficient weight in its analysis to the role of quality as the driver of consumer choice in opting for a crematorium which is not the closest. First, the reason provided by most respondents that the closest crematorium is not the “family crematorium” is not necessarily inconsistent with the fact that the driver of choice is quality-related; the “family crematorium” might have initially been chosen because of quality reasons.</p> <p>Second, the CMA does not consider the fact that slot availability is a quality indicator, i.e. crematoria offering longer slot length are less likely to be available than crematoria offering shorter slot length. Slot length is considered a quality indicator in the CMA's analysis presented at Figure 5.</p> <p>Finally, a significant proportion of customers did not select the closest crematorium because of other quality-related factors captured in Table 1 (e.g. quality of facilities, not big enough, limited range of facilities), which together add up to a higher proportion of responses than highlighted by the CMA.</p>

Para.	Extract	Dignity comment
55	<i>As set out in the working paper Crematoria: background and market structure, a high proportion of crematoria have no rival fascia within their catchment area and most of them have only a limited number of alternative fascia. If only a few customers choose between alternative crematoria (based on quality) and the number of alternatives available to customers in a given area is limited, competition (over quality) may in any event be weak (and insufficient).</i>	The CMA found that 54% of local authority crematoria have no rival within the 80% catchment area. This proportion is 39% for private crematoria. The CMA is assuming that because only few customers were found to compare crematoria and a high proportion of crematoria, most of which are local authority crematoria, have no rival fascia within their catchment area then competition over quality in a given area may be weak. As mentioned in Dignity's response to Q13 of the Crematoria Financial Questionnaire, 72% of Dignity's crematoria have another crematorium within 20km (as the crow flies), and 48% have two other crematoria within 20km. Only four Dignity crematoria do not have a rival within 30km (Moray, Houndwood, Grantham and Bodmin). However, these have a significant proportion of out-of-area customers: [X]%, [X]%, [X]%, and [X]% of all customers respectively.
61	<i>Westerleigh told us that its Barham site had seen an increase in customers from [●], indicating that families are deciding to drive [●]. Westerleigh told us that they attribute this to the higher quality offered at their sites and the relatively poor quality of the Hawkinge site. However, Dignity's Hawkinge crematorium attracts [●]% of its customers from out-of-area. Figure 3 shows that some of these customers come from [●]. This means that despite Hawkinge crematorium's alleged poor quality, it still attracts a proportion of its customers from [●].</i>	<p>The CMA appears to suggest that crematoria attract out-of-area customers irrespective of the quality of their facilities. The CMA appears to draw its conclusions from two examples, Dignity's crematoria at Hawkinge (this paragraph) and Enfield (paragraph 63), which are alleged to be of poor quality. Although it is clear that out-of-area customers reflects volumes from 2018, the CMA does not specify at which point in time Westerleigh assessed the quality of these crematoria and found it to be poor (the CMA did not attempt to assess the quality of these crematoria itself).</p> <p>Hawkinge offers a 60-minute slot, while Dignity understands that its neighbouring crematoria offer 40-minute slots. Hawkinge is competitive in terms of availability and audio-visual facilities. Hawkinge has a small chapel which can accommodate 63 guests, which is not necessarily a meaningful indicator of quality, as customers might value the size of the chapel differently.</p> <p>Enfield crematorium offers a 60-minute slot and it is competitive in terms of availability and audio-visual facilities. Enfield has two chapels which can accommodate 84 guests each. Since Dignity took over the management of Enfield site from Haringey Council, Dignity has completely refurbished the two chapels on its site, invested in full mercury-abating cremators and made significant improvements to the grounds and gardens of remembrance.</p>

Para.	Extract	Dignity comment
66-69	<i>[...] If customers were willing to travel further to buy a cheaper cremation, we would expect there to be a negative relationship: if the crematorium is cheaper than its neighbours (ie the price ratio is lower than 1), we would expect it to have a higher proportion of customers from out-of-area.</i>	Prices might be more expensive in one crematorium because of quality differentials - such as longer slot length - and price ratio will not account for these differences. Further, Dignity suggests that the weak correlation could be due, at least in part, to the CMA's sample only including crematoria that were more expensive than their competitors. A stronger negative relationship between price and out-of-area customers might be found if the sample included only crematoria with lower prices than their closest rivals as it is much more likely that consumers who switch to more expensive crematoria are doing so for reasons other than price.
Figure 4		Dignity requests that the CMA provide the source of the price data used in Figure 4.
69	<i>As Figure 5 shows, the line of best fit indicates that there is a weak positive relationship. However, Figure 5 shows a high degree of variation in the proportion of out-of-area customers for the same slot length differential (for example, those crematoria with a slot length 30-minutes longer than their closest alternative range from around 10% out-of-area customers to over 50%).</i>	The weak positive relationship found by the CMA can be explained by the low variation in the differences in slot length. Dignity's crematoria, which have all 45 or 60-minute slots, are likely to be close to other private crematoria with a similar slot time length. Moreover, the CMA has not excluded alternatives that are operated by the same firm, which will also reduce variation in the data.
Figure 5		Dignity requests that the CMA specify the source of the slot length data used in Figure 5.

Para.	Extract	Dignity comment
Figure 6		<p>Dignity considers that the CMA's analysis in Figure 6 is undermined by the lack of variability in the data on customer satisfaction levels. In particular, Figure 6 indicates that the customer satisfaction levels of Memoria and Westerleigh crematoria used in the CMA sample all exceed 90%. On average, 96% of reviews rated Memoria crematoria as "excellent" or "good" and 99% of reviews rated Westerleigh crematoria as "good" or "excellent". The analysis is based on a small number of observations (39).</p> <p>Furthermore, the CMA's analysis does not compare the satisfaction scores of the sample crematoria and the quality/customer satisfaction scores of the nearest competitors to the sample crematoria, i.e. the analysis does not take account of competition.</p> <p>The negative relationship identified in Figure 6 could suggest that in areas where the sample crematoria have lower customer satisfaction, their nearest competitors have poor quality/customer service – i.e. that crematoria adjust their quality/customer service levels in response to the quality of service of their nearest rivals.</p>
78	<i>[...] crematoria attracting high proportions of customers from out-of-area may be located such that they have a large number of potential customers just outside their core catchment area and these customers will only travel a small additional distance relative to their closest crematorium to reach the alternative crematorium</i>	Dignity notes that the CMA should have the data to test this theory empirically.
92	<i>If there were a significant quality differential between private and local authority crematoria, and customers were willing to travel for a higher quality service, we might expect entry to affect volumes more strongly for local authority incumbents where the quality differential with a private new entrant may be greater compared to the impact on volumes at a private incumbent where any differential with a new entrant may be smaller. This does not appear to be the case.</i>	Dignity would not necessarily expect this to be the case if local authority prices are lower due to inferior quality, or if current customers are using the local authority crematorium for other reasons such as it had been previously been used by the family.

Para.	Extract	Dignity comment
97	<i>[...] three years after entry, volumes restart growing year on year at rates similar to those before entry [...]</i>	Dignity notes that this could be due to an increase in the number of people being cremated (given both the increase in death rates since 2011 and increases in cremation rates). Dignity suggests that the CMA analyses changes in volume at new entrant crematoria (i.e. whether new entrants might serve unmet demand and/or attract customers from neighbouring crematoria).
Figure 11		<p>Dignity notes that losing volumes for two to three years is a significant competitive threat, to which the incumbent is likely to respond by improving its service. For example, Dignity has provided evidence that each of its 12 crematoria that had experienced entry by a competitor responded by improving aspects of quality.</p> <p>Dignity considers that the results reflected in Figure 11 might be biased for several reasons:</p> <ul style="list-style-type: none"> a) The annual average volume changes are calculated on the basis of different sample sizes: 27 crematoria in year -2; 28 crematoria in year -1; 28 crematoria in year 0; 24 crematoria in year 1; 15 crematoria in year 2; 9 crematoria in year 3; and 8 crematoria in year 4. Therefore, the average changes in volume are not directly comparable across years. b) The analysis does not account for movements in the death rates which could partially explain changes in volumes year-on-year before and after entry. c) The volume change at year 0 might be underestimated by cases of entrants that started operating mid-way through the year/at the end of the year. d) The CMA's analysis also assumes that entrants within a 20-minute drive time will equally affect incumbent's volumes. However, the incumbent nearest to the new entrant might be more heavily affected by the entry and those further away affected less.
100-104	<i>[...] there is no statistically significant relationship between fees and entry for local authority incumbents.</i>	Dignity considers that a positive relationship between entry and price could be driven by omitted variable bias such as increases in local demand.

Para.	Extract	Dignity comment
Crematoria: outcomes		
9	<i>Unattended fee services are cremations without a service (also referred to as direct cremations).</i>	Dignity notes that it also offers an attended direct cremation option (at 09:00) under the Simplicity brand. It is also important to acknowledge that direct cremation provides a platform for alternative venues to compete for cremation services. For example, Kemnal Park Cemetery and Ceremonial Park offers a chapel-only cremation service, after which the deceased is transported to a crematorium at another location for an unattended cremation: https://kemnalpark.org/cremation/ . Dignity understands that Kemnal Park conducts over 800 cremation services per year, despite not having any cremators on-site.
11	<i>In total, 25 crematoria charge for a container for removing ashes [...]</i>	Dignity notes that 28 crematoria have not answered this question and that an additional 11 crematoria do not offer this service at all.
18	<i>Figure 2 shows that Dignity and Westerleigh have an average standard fee per minute which is not materially different to the average standard fee per minute fee of local authority crematoria.</i>	Dignity notes that the Cremation Society data is likely to underestimate the fees of local authorities – see Annex 1.
Figure 3 and Figure 4		As acknowledged by the CMA, the comparison presented in Figure 3 is not like-for-like. The CMA has calculated the average effective prices of slots of at least 45 minutes, including prices charged for 60-minute slots. When comparing the results in Figure 3 and Figure 4, it is unclear how the CMA treated Dignity crematoria in the two scenarios. As clarified by the CMA at paragraph 22, when comparing crematoria on a 60-minute slot basis Dignity's average fee is £948. This £948 figure appears to be similar to the average fee across all Dignity crematoria (i.e. crematoria with 60-minute <u>and</u> 45-minute slots) and is aligned with the average standard fee for Dignity crematoria offering 45-minute and 60-minute slots as presented by the CMA in Table 4. Dignity would like to access this analysis in order to provide further comments.
24 and Figure 5	<i>for Dignity crematoria,¹⁶ the average reduced and unattended cremation fees are £832 and £498 respectively</i>	The CMA has based this analysis on 37 of Dignity's crematoria. In fact, Dignity offers reduced fees at all of its crematoria. The average reduced fee across all of Dignity's crematoria is £798.

Para.	Extract	Dignity comment
25	<i>Variation in reduced fees and standard fees across provider and across areas suggests that pricing for these services is potentially determined, in part, by the local competitive conditions that a crematorium faces.</i>	Dignity notes that the CMA has not set out in this working paper any analysis showing variations in reduced and standard fees across <u>areas</u> .
39	<i>Private providers with two rivals within 30 minutes charge, on average £788, and this falls by less than £10 to £784 when there are three or more rivals within 30 minutes.</i>	Dignity notes that the CMA has stated in the working paper “Crematoria: background and market structure” that four or more suppliers represents a competitive market (paragraph 77), which appears to be inconsistent with this finding.
Figure 15		Dignity notes that the CMA presented the EBITDA of 17 local authorities in Table 1 of this paper, but has used data from 21 local authorities to assess the correlation between EBITDA margins and volumes. It is unclear why there is a difference.
54	<i>We have considered the extent to which slot length should be considered a measure of quality. The Funerals Market Study report noted that slot length appeared to be driven by supplier considerations (notably capacity) as opposed to customer needs or demands. Furthermore, the Funerals Market Study report noted that other aspects of quality appeared to be more important to customers when choosing a crematorium. The Market Investigation consumer survey found that only 1% of customers (n=4) considered that the appropriate/right/ideal slot length was important in their choice of crematorium although none said that it was the most important factor in their choice of crematorium.</i>	<p>Dignity notes that the CMA’s claim that slot length appears to be driven by supplier considerations as opposed to customer needs or demands contradicts the evidence of local authority crematoria increasing the length of their slots to meet customer demand (paragraphs 20(b) and 55).</p> <p>In addition, Dignity notes that question C7A and C7B of the consumer survey around the factors driving the crematorium choice were asked to very few Hindu, Jewish, Muslim, or Sikh customers (all combined only 10 out of 339 customers). These are customers more likely to value slot length. The “Government Response to the Crematoria Provision and Facilities review” found that 64% of those belonging to these faith groups have experienced problems with booking the time or length of cremation services to meet the needs of their faith (for further details, please see Dignity’s response to the RFI dated 10 October 2019).</p> <p>Dignity also notes the findings of the Trajectory 2018 customer research that found that appropriate time and privacy to mourn are extremely important to customers: “<i>more than one in three (36%) described their cremation service as feeling like they were ‘on a conveyor belt’ (a phrase that was often used spontaneously in the focus groups). Essentially, this means that a third of cremation services customers are unhappy with their experienc.</i>” (“Cost, Quality, Seclusion and Time: What do UK customers want from a cremation funeral”, page 13).</p>

Para.	Extract	Dignity comment
62	<i>We have compared the average spend on investments (excluding investments in new crematoria) in the last five years by private and local authority crematoria.</i>	The CMA has acknowledged in the working paper “Crematoria: evidence on competition between crematoria” that investments may not be directly comparable between private and local authority providers, because of “ <i>the different ways in which private and local authority providers record and categorise their investments</i> ” (paragraph 107) and because “ <i>local authority crematoria may not be subject to normal commercial pressures and decisions may be taken for other reasons</i> ” (paragraph 108).
65	<i>We have also compared the level of investment, over the last five years, that the crematoria included in these pairings undertake.</i>	Dignity notes that the CMA appears to have defined areas differently in this analysis compared to the analysis based on number of facilities. In particular, the focus on private crematoria that have a rival local authority facility within 30 minutes suggests that the pairing of private and local authority crematoria covers more areas than those where private crematoria have a rival local authority facility as their nearest competitor within a 30-minute cortege drive time.
70	<i>As of May 2018, HM Inspector of Crematoria for Scotland, Robert Swanson, had inspected all 30 crematoria that are operational in Scotland. Of those crematoria inspected, 14 are operated by a local authority, with the remaining 16 being operated by private providers (ie Dignity, Westerleigh and small private providers).</i>	Dignity notes that the sample of 30 crematoria covered by the Scottish Inspector of Crematoria represents less than 10% of all UK crematoria. More specifically, only 8% (14) of local authority crematoria and 14% (16) of private crematoria are represented in that sample. Therefore, conclusions drawn from that inspection are not representative of the whole population of UK crematoria.
72	<i>We looked at the individual reports for each crematorium. These reports give a view on the overall running of a crematorium with particular reference to its staff (and back of house quality).</i>	Dignity notes that the Scottish Inspector of Crematoria’s report, which focuses mostly on back-of-house facilities, does not inform on any front-of-house quality differentials between private and local authority crematoria.

Para.	Extract	Dignity comment
73	<i>We have assessed scores from the ICCM's Charter for the Bereaved to understand the extent to which there is a quality differential between crematoria. The ICCM asks its members questions around a number of measures such as the extent to which basic procedural criteria are met (such as the safe handling of cremated remains), the service features that are provided (such as a minimum slot length of 30 minutes and availability of facilities) and how regulatory standards are met (such as environmental abatement targets).</i>	<p>Dignity notes that a number of these factors are primarily back-of-house aspects of quality, not front-of-house, which is the focus of this analysis.</p> <p>Dignity notes that the ICCM survey covers less than 30% of all UK crematoria and under 5% of private crematoria. Therefore, no reliable inference can be made about the relative quality of front-of-house crematoria between private and local authority crematoria. Furthermore, as the CMA notes at footnote 51 of the working paper, ICCM quality ratings are concerned primarily with <u>changes</u> in quality levels, and therefore do not represent absolute and comparative quality.</p>
78	<i>We also observe that there is less data for local authority crematoria. This is partly because we have been told that it is "difficult undertaking customer satisfaction surveys in this type of industry" where "it isn't always appropriate at the time when a family...has had a loss."</i>	Dignity notes that this does not explain why there is less data for local authority crematoria than for private crematoria.
90	<i>The table shows that, when looking at crematoria which offer similar slot lengths, there is a wide variation in the average standard cremation fee charged across providers, with Dignity charging on average the highest fee for each (applicable) slot length and local authorities charging the lowest average fee.</i>	Dignity notes that higher fees could be reflective of higher demand in a particular area.
93	<i>This figure shows that average fees do not vary depending on whether or not crematoria offer particular facilities. For example, the average local authority fee and average private crematorium fee do not vary (for each type of provider) between those crematoria offering visual tributes and those that do not.</i>	Dignity notes that this finding is consistent with the fact that Dignity and other private operators do not charge for the use of these facilities.

Para.	Extract	Dignity comment
98	<i>We have received the following comments from independent funeral directors that a number of the most expensive Dignity crematoria (all currently charging more than £900 for a cremation) do not offer a particularly high level of quality.</i>	In order to be in a position to comment meaningfully on these statements, Dignity requests that the CMA discloses the Dignity crematoria to which these statements refer.
99	<i>We note these comments are consistent with a document from a third party [...] Dignity has told us that the document does not in any way reflect the true investment and commercial operations of Dignity sites.</i>	Dignity emphasises that this document reflects commercial bias (it is an unsolicited Memoria document) and does not reflect the true investment and commercial operations of Dignity sites. Dignity has submitted to the CMA details on the investment made at the Enfield site, which was secured through a rigorous competitive tender process with investment plans included for Haringey Council.