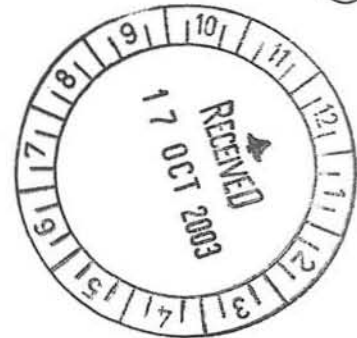


Our Ref: 03 0039
**METROPOLITAN
CEMETERIES BOARD**



PUBLIC

14 October 2003

The Hon Barry House MLC
Chairman
Standing Committee on Public Administration and Finance
Legislative Council
Parliament House
Perth WA 6000

Dear Sir

**Standing Committee on Public Administration and Finance
Inquiry into the Transfer of Management of the Fremantle Cemetery to the
Metropolitan Cemeteries Board**

In order to assist the Committee in its important deliberations on the recent incorporation of the activities of the Fremantle Cemetery into those of the Metropolitan Cemeteries Board, I have had prepared the attached submission which addresses the major issues involved.

As the Committee may be aware, and following the WA government's policy decision to rationalise the activities of the two organisations, the Minister has changed the composition of the Metropolitan Cemeteries Board to include two board representatives from the Fremantle Cemetery Board – Mrs Jean Hobson, the outgoing Chairperson and Mr Donald Whittington, a previous board member.

I hope the attached material will be useful.

Yours faithfully


Ross Rowe
Chairman

SUBMISSION

**To the Standing Committee
On Public Administration and Finance**

**Inquiry into the Transfer of Management
of the Fremantle Cemetery to the
Metropolitan Cemeteries Board**



**METROPOLITAN
CEMETERIES BOARD**

Submitted by the Metropolitan Cemeteries Board

16 October 2003

INTRODUCTION

On 1 July 2003, in line with recommendations from the Functional Review Taskforce, the management of Fremantle Cemetery was transferred to the Metropolitan Cemeteries Board (MCB).

The new single management arrangements have occurred smoothly and MCB has made considerable progress toward developing a new organisational structure that will provide a more consistent approach to cemetery and funeral service delivery across the metropolitan area.

In the three and a half months since the amalgamation, MCB has worked quickly to implement a number of programs aimed to reduce costs, achieve greater efficiencies and expand existing services and infrastructure to Fremantle Cemetery. These initiatives have included:

- rationalisation of staffing to save \$200,000 per annum;
- affect a saving of \$140,000 in the 2003/2004 financial year by allowing Fremantle Cemetery to access the MCB's newly developed Cemetery Records System;
- Savings of \$47,000 in Fremantle Board membership fees;
- Savings of \$40,000 in Fremantle Marketing Consultant fees;
- integration of the Fremantle Cemetery website into the newly redeveloped MCB website;
- installation of a state-of-the-art digital telephone system at Fremantle Cemetery;
- review of the existing design for the future Fremantle Mausoleum to increase the number of crypts and achieve a unit cost saving of \$3000 per crypt space;
- new management arrangements for the Fremantle café and catering operations, which have been operating at a loss. The new arrangements will involve the appointment of a professional catering company with a share of turnover paid to MCB;
- replacement of all old desktop PC's with new Pentium 4, 2.4 GHZ, 15" LCD screens operating on Windows 2000;
- local area network (lan) connected to the MCB wide area network(wan) via a 2mb fibre optic high speed network connection;
- integration with MCB accounting, HR and Intranet systems; and
- additional savings will accrue over time as a result of economies of scale
- rationalisation of pre need fees and administration charges across all metropolitan cemeteries.

These early achievements foreshadow many future initiatives that will deliver a more robust, integrated and efficient cemetery management system for Perth, as envisioned by the Cemetery Working Party convened in 1987. That Working Party, after conducting a detailed review and after much deliberation, recommended a single cemetery board for the entire metropolitan region. With foresight, the Working Party saw a need for future cemetery land development

and considered that a single management structure would provide the most cohesive and holistic approach to future scenario planning, land acquisition and development.

From a financial viewpoint, MCB produces a return of 4.3% on net assets and has a debt equity ratio of 0.03%. The former Fremantle Cemetery Board produced a return of 3.33% on net assets with a debt equity ratio of 31.64%. MCB has identified, and has begun to implement, a number of strategies aimed at reducing the debt levels of Fremantle Cemetery and its levels of borrowing from Government for capital works.

As stated above, the concept of a single cemetery board is not a new one. It has been the subject of many years of deliberation over several successive State Governments. The Machinery of Government review process, and subsequently the Functional Review Taskforce process, provided an opportunity for MCB and FCB to make submissions and consult with independent business consultants.

Any concerns that the amalgamation will reduce competition or increase costs are unfounded. With five existing cemeteries to manage and maintain, and the new Rockingham Regional Memorial Park now under development, MCB has far greater costs and responsibilities to carry than most cemeteries in Australia. However, it has traditionally maintained its prices to a level comparable with those charged by Fremantle Cemetery as the figures below demonstrate:

	Cremation Fees	Interment Fees
MCB	\$612-\$729	\$710
Fremantle	\$620-\$710	\$680

MCB has given an undertaking to obtain comparative costs for these and other funeral services from similar-sized cemetery operators around Australia each year and to maintain its fees within an industry median average.

Since the amalgamation became effective on 1 July 2003, there has been no interruption to or diminution of services to the public at Fremantle Cemetery. MCB has received no complaints from the general public or clients about the transfer of management.

In this submission, MCB will address separately each of the terms of reference of the Standing Committee's inquiry. With the management transfer already completed and new systems and processes now in place, there is early evidence of the many advantages to be gained from a single cemetery management structure for the Perth metropolitan region.

THE HISTORY OF THE FREMANTLE CEMETERY BOARD

In 1986, following a review of Western Australia's original Cemeteries Act, a new Act was adopted to replace the original legislation of 1897.

The legislation provided, amongst other things, that the Governor may establish a cemetery board to manage a cemetery or more than one cemetery. The old Act did not provide for the management of several cemeteries by one board.

Shortly after the new Act was introduced, the government of the day appointed a Cemeteries Working Party which included representatives from Karrakatta, Fremantle and the Australian Funeral Directors Association to consider the need, location, administration, coordination and funding of present and future cemetery and crematorium facilities in the Perth metropolitan area.

The Cemeteries Working Party presented the government with 18 recommendations including ***"That a metropolitan cemeteries board be commissioned to administer all cemetery and cremation facilities and to take responsibility for planning and coordinating the development of new cemetery facilities in the metropolitan region."***

In 1988 the government adopted the report's recommendations for a metropolitan cemeteries board, bringing under one management Karrakatta Cemetery, Pinnaroo Valley Memorial Park, Midland Cemetery and Guildford Cemetery. As the result of representations from local government and others in the Fremantle region, Fremantle Cemetery was left under separate management.

Over time it has been increasingly evident that the existence of two cemetery boards in the metropolitan area was inefficient and wasteful of resources. The two-board structure was anomalous considering that MCB's sphere of activity under charter included the strategic planning of metropolitan cemeteries.

MCB's geographical ambit extends well beyond Fremantle Cemetery into the southern corridor (as developer and manager of the new Rockingham Regional Memorial Park at Baldivis and part owner and consultant to the City of Rockingham on the management of East Rockingham Cemetery). Clearly, there was no geographical justification for the existence of a separate board for Fremantle Cemetery.

THE RESPECTIVE FINANCIAL POSITIONS OF EACH AUTHORITY

The decision to bring Fremantle Cemetery under the management of MCB was announced by Local Government Minister Tom Stephens on 13 May 2003.

The following are the major macro financial measures of the respective boards as at 30 June 2003 and 30 June 2002 and allow easy comparison of the respective financial positions.

Measure	FCB		MCB	
	2002/3 *	2001/2	2002/3	2001/2
Total Income	3,042,734	2,853,673	9,165,431	8,518,024
Total Expenses	2,697,841	2,380,761	8,247,046	7,820,073
Net Profit	344,893	472,912	918,385	697,951

Total Current Assets	2,774,957	2,004,756	9,925,194	9,175,247
Total Non-current Assets	15,008,393	14,835,787	22,358,672	21,466,302
Total Current Liabilities	465,279	466,569	1,513,553	1,335,116
Total Non-current Liabilities	3,449,850	3,375,646	3,617,017	3,142,650

Other Reserves	855,766	864,392	6,466,683	6,395,556
Unappropriated Profits	7,261,694	6,908,175	20,686,613	19,768,228

Loan Borrowings WATC	2,050,724	2,229,933	0	0
-----------------------------	-----------	-----------	---	---

Note * The FCB figures are unaudited

The superior position of the MCB has been achieved despite the vastly broader charter that includes development of future cemeteries and increased whole of Government obligations.

THE PROCESSES OF CONSULTATION

The initial concept of a single cemetery board was first proposed after an extensive review and consultation by the Cemetery Working Party formed in 1987. The Working Party's terms of reference were to examine and report on:

- the need for and location of additional cemetery and crematorium facilities in the Perth Metropolitan area;
- the administration and co-ordination of crematorium and cemetery facilities in the Perth Metropolitan area; and
- the funding of crematorium and cemetery facilities.

The Working Party comprised a range of officers from State agencies and Local Government Authorities with representation from the funeral director industry. They conducted their consultation via:

- advertisements in *The West Australian* calling for public submissions;
- questionnaire to all cemetery boards and authorities responsible for the administration of cemeteries in capital cities in other states;
- client surveys conducted through funeral directors; and
- consultation with the then general manager of the Necropolis Cemetery and Crematorium in Springvale, Victoria.

This consultation led to a recommendation, amongst others, that a single cemetery board would best address the management and development of cemeteries and crematoria across the Metropolitan region. Over the years this view has been reiterated under subsequent Governments by a range of stakeholders in various forums.

More recently, the Gallop Government's Machinery of Government Taskforce provided an opportunity to revisit the two cemetery board situation, particularly in the context of the Premier's Open Letter of 11 July 2002:

"Bringing together the various government bodies involved in similar functions will improve the free flow of information and the sharing of service delivery."

The Machinery of Government Taskforce, followed by the Functional Review Taskforce, provided ample opportunity for Government and the community to submit their views on the structure of Government. MCB and FCB both made submissions through the Machinery of Government review process and both organisations were consulted by independent business consultants during that process. These submissions were taken into account during the Functional Review Taskforce process.

The Australian Funeral Directors Association (WA Division) also lodged a submission.

IMPROVED EFFICIENCY AND ELIMINATION OF DUPLICATION

In its submissions to the Machinery of Government and Functional Review Taskforce, MCB outlined many potential areas for gaining greater efficiencies and reducing duplication in the provision of cemetery and funeral services across the metropolitan area. MCB had considered these opportunities carefully and was well prepared to commence implementation of new processes and shared infrastructure immediately upon assuming management of Fremantle Cemetery.

In just three and a half months, the gains have been considerable. They include:

- rationalisation of staffing to save \$200,000 per annum initially with an ongoing review to identify potential for further payroll savings;
- reduction in Fremantle Cemetery debt levels. MCB will, in all probability, pay out the outstanding debt on Fremantle Crematorium and not draw down on the \$4 million proposed borrowings for the Fremantle Mausoleum. It is estimated that net interest savings of \$200,000 per annum will be achieved;
- savings of \$47,000 per annum on board expenses by dissolving one board;
- refinements to the design of the proposed Fremantle Mausoleum project to achieve:
 - A greater number of crypt spaces – i.e. the previous design had incorporated 600 crypts within the building envelope. The new design will accommodate 1500 crypt spaces
 - A unit cost saving of \$3,000 per crypt space in the first stage of Fremantle Mausoleum
 - A greater range of prices to cater for people from lower to higher socio-economic circumstances
- transition to a single web site, resulting in reduced hosting fees and development costs;
- engagement of a single information technology consultant;
- engagement of a single marketing and communications consultant;
- reduced security costs through a common security contract and application of more sophisticated risk management processes of the Metropolitan Cemeteries Board;
- provision for more cost-effective café and catering operations. Previously these have been operated at a loss and will be taken over by professional catering contractors with a share of turnover paid to the board;
- reduction in motor vehicles and fleet management costs;
- significantly improved management accounting reports and early integration of Fremantle accounts into the MCB Sun accounting system;
- significant improvement in the response time for the submission of whole of government financial data;
- integration of Fremantle human resources records into the Concept HR information management system;
- migration of Fremantle sales data to the MCB electronic records system, saving \$140,000 previously budgeted by FCB for a new Cemetery Records System;

- increased range of memorials for bereaved families, including online memorials under the MCB Memories e-ternal initiative;
- upgrading of the telephone system at Fremantle Cemetery;
- integration of Intranet and email systems across all cemetery offices including Fremantle.

There will be other improvements and cost savings to be achieved and advised in due course.

Competition Issues

MCB is one of the few cemetery managers in Australia to have responsibility for the maintenance, management and development of multiple cemeteries, namely existing sites at Karrakatta, Pinnaroo, Guildford and Midland and the new Rockingham Regional Memorial Park under development.

Collectively these sites total 330 hectares, while the Fremantle Cemetery Board was maintaining a single site of 46 hectares.

MCB's additional responsibilities have also included an ongoing engagement with government planning authorities to adequately plan and provide for future cemeteries.

MCB has also taken the initiative to develop Australia's first computerised Cemetery Records System, Memories e-ternal online memorial service and Funeral Webcasting.

MCB has developed Western Australia's first mausoleum at Karrakatta and is also developing new mausoleums at Guildford and Midland Cemeteries.

These initiatives are all enormously capital-intensive, but nonetheless MCB has been able to contain fees for core burial and cremation services to levels comparable to those charged at Fremantle, as per the following table:

	Cremation Fees	Interment Fees
MCB	\$612-\$729	\$710
Fremantle	\$620-\$710	\$680

With regard to the future, MCB will obtain comparative costs on an annual basis with similar sized cemeteries around Australia to produce an industry median average. It will be a key performance indicator that fees are contained below that average even though the board will continue to have greater responsibilities than most comparative operations in the eastern states.

Cost Issues

The issue of increased costs is addressed in the previous point. MCB reiterates that the single management structure will not lead to increased costs for the public.

Fremantle had previously abolished its ashes collection fee in 2000. However, the cost of abolishing the fee was recouped by increasing the cost of memorials at Fremantle Cemetery, thus providing a disincentive for families to establish memorials in the cemetery.

In the interests of providing uniformity MCB has, in the current financial year, abolished the collection of ashes fee but has not added this lost revenue to the cost of memorials. MCB will continue its practice of providing the bereaved with information regarding memorial options approximately six weeks after the funeral. MCB's memorial catalogue is a highly pictorial, informative publication that is updated every financial year with current prices. MCB is currently producing a similar interim memorial brochure for Fremantle Cemetery and will integrate Fremantle memorials into the 2004-05 catalogue.

At Fremantle the conversion rate of cremations to memorials is a little over 30% compared to 52% at MCB. By applying similar awareness and marketing strategies at Fremantle, it is anticipated that memorial sales will increase over time.

Funeral directors and monumental masons have been beneficiaries and will only pay one licence fee to the amalgamated board.

IMPACTS ON THE COMMUNITY SERVED BY FREMANTLE CEMETERY

The transition to the single management structure has been "seamless" to the Fremantle public. The name of Fremantle Cemetery has not changed and by and large the staff are the same. It is noteworthy that the CEO, Executive Director and Technical Services Manager at the MCB are all residents of the City of Melville where the Fremantle Cemetery is located.

There is a very strong Fremantle presence on the seven-member Metropolitan Cemeteries Board. The Chairman is Ross Bowe, who has a lifetime association with the Fremantle area. The Deputy Chair is the former FCB Chairperson Jean Hobson, former FCB member and Fremantle businessman Don Whittington is a board member and funeral industry representative Joe O'Dea Jnr is Fremantle's largest funeral director by service volume.

The community will benefit from a standard burial and cremation fee for pre-need funeral arrangements which will be transferable over all cemeteries. In the past an agreement purchased at Fremantle could only be honoured at that cemetery and an MCB agreement could not be used at Fremantle.

Former FCB staff have expressed enthusiasm about the prospects of structured training programs and the opportunities to broaden their knowledge in the larger organisation, including work placement and development opportunities at other sites.

There should be no appreciable effect on local industry as both MCB and FCB use the same major suppliers and common sense dictates local servicing of Fremantle Cemetery needs.

It should be noted that the Crematorium at Fremantle is a regional, not a local facility. Over 50% of the cremations received at Fremantle are from outside the normal catchment for which the cemetery services burials. Many of these cremations are from the Peel region where resources are needed to develop the new memorial park. A good number also come from the south-east metropolitan corridor and regular requests are being received for the development of a crematorium and memorial park facilities in that region.

In subsequent years the Metropolitan Cemeteries Board (MCB) has, apart from providing quality funeral services across metropolitan cemeteries, undertaken the planning, coordination and development role envisaged when the Board was created. This is including the allocation of significant resources to:

- developing and achieving operating self-sufficiency at the then new Pinnaroo Valley Memorial Park in Padbury;
- entering into a Memorandum of Arrangement and acquiring land to enable the City of Rockingham to continue operating East Rockingham Cemetery whilst a new memorial park is being developed;

- developing from scratch the new Rockingham Regional Memorial Park scheduled to open in 2007;
- accepting responsibility for, and then improving development of the Guildford and Midland cemeteries;
- acquiring three parcels of additional land to prolong the life of Guildford Cemetery;
- undertaking Australia's most advanced plan for cemetery renewal at Karrakatta ensuring land availability and continued operation at Perth's major and central cemetery;
- committing hundreds of hours to the search for new cemetery land and negotiating satisfactory outcomes through the Bushplan process at three of the cemeteries;
- became the first cemetery in Australia to introduce virtual memorials and funeral service webcasting;
- assisting cemeteries throughout the State, including Fremantle, with advice and resources.

The list is not exhaustive, but demonstrates the challenges and responsibilities that MCB has had to address. At the same time, there have been significant improvements in customer service and fees have been held well below Australian median levels.

In conclusion, respect will be paid to the local character and identity of the Fremantle Cemetery and MCB will, as in other locations, work in close liaison with local government and other community organisations to reflect local needs whilst at the same time providing a consistently high standard of customer service. The inclusion of Fremantle Cemetery under MCB's management recognises the need to provide equitable, accessible and consistent cemeteries to the whole metropolitan community.