



**MINISTER FOR LOCAL GOVERNMENT AND REGIONAL
DEVELOPMENT; HERITAGE; THE KIMBERLEY, PILBARA
AND GASCOYNE; GOLDFIELDS-ESPERANCE**

Our Ref: 1-11378

PUBLIC



Tom Stephens MLC
*Member for the Mining and Pastoral Region;
Deputy Leader of the Government
in the Legislative Council*

Hon Barry House MLC
Chairman
Standing Committee on Public Administration
and Finance
Parliament House
PERTH WA 6000

16 OCT 2003

Dear Mr House

On 23 September 2003 you wrote inviting me to provide a written submission to the inquiry into the Transfer of Management of the Fremantle Cemetery to the Metropolitan Cemeteries Board, referred to the Standing Committee on Public Administration and Finance by the Legislative Council on 17 September 2003.

Thank you for this invitation. This letter and the attached documentation is my submission addressing the matters referred to in the motion passed by the Legislative Council. I am advised that both the Department of Local Government and Regional Development and the Metropolitan Cemeteries Board concur with the attached submission.

I have also enclosed the Metropolitan Cemeteries Board's separate submission for your information.

I would like to draw to the Standing Committee member's attention to the Gallop Government's commitment to prioritise government spending on the provision of services to the community rather than the provision of excessive machinery of government. Reductions in expenditure on any unnecessary machinery of government by any of the departments or agencies of the state government are important aspects of the Gallop Government's commitment to sound financial management.

It is very important to recognise that borrowings made by statutory authorities impact on the Government's ability to borrow for other pressing needs, like new police stations, schools and hospitals. The Fremantle Cemetery Board was intending to borrow a significant amount (approximately \$5 million) for the construction of the new mausoleum at Fremantle. Due to the amalgamation of the Fremantle Cemeteries Board and the Metropolitan Cemeteries Board it is now likely that no or limited borrowings will be required to complete this important project.

11th Floor, Dumas House, 2 Havelock Street, WEST PERTH WA 6005
Telephone: (08) 9213 6500 • Facsimile: (08) 9213 6501
Email: tom-stephens@dpc.wa.gov.au • Freecall: 1800 255 299



This has significant benefits for the Government as it strives to maintain a balance between meeting government priorities in the areas of the environment, education, health and community safety whilst still maintaining its AAA rating.

The amalgamation of these two Boards has reduced the cost of the machinery of government to the WA community. This is but one in a myriad of machinery of government changes which the government has endorsed in order to ensure that duplication is eliminated and resources are spent where the public wants them spent.

This Government has reduced the number of Government Departments from 46 to 21.

We have reduced the number of Government Statutory Authorities from 180 to 105.

The community of WA does not want to see Government money spent on the delivery of services – they want it spent on the services. This decision is enabling that to occur.

I commend this decision to the members of the Standing Committee as one of many that the Government has made and will make in pursuit of the best way of using limited government resources to achieve the maximum amount of benefit for the people of Western Australia.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Tom Stephens', with a long horizontal flourish extending to the right.

Tom Stephens MLC
MINISTER FOR LOCAL GOVERNMENT AND REGIONAL
DEVELOPMENT; HERITAGE; THE KIMBERLEY, PILBARA AND
GASCOYNE; GOLDFIELDS-ESPERANCE

att

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**

**Submitted by the Minister for Local Government and Regional Development;
Heritage; The Kimberley, Pilbara and Gascoyne; Goldfields-Esperance**

16 October 2003

The following is submitted against the matters referred to in the terms of reference for the above inquiry.

HISTORY OF FREMANTLE CEMETERY BOARD (FCB)

The existence of two cemetery boards in the metropolitan area was inefficient and wasteful of resources.

It was anomalous considering that the Metropolitan Cemeteries Board's (MCB's) sphere of activity under charter is strategic planning of metropolitan cemeteries. This activity 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 management of East Rockingham Cemetery). Clearly, there was no geographical justification for the existence of a separate board for Fremantle Cemetery.

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

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 but, following representations from local government and others in the Fremantle region, left the Fremantle Cemetery under separate management.

The respective financial positions of each authority at the time of the decision to transfer management of the Fremantle Cemetery

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	
	2002/03	2001/02	2002/03	2001/02
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 as an SES organisation.

The process of consultation and decision making that gave rise to the decision

Both the MCB and the FCB 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.

Similarly, a submission from the Australian Funeral Directors' Association (WA Division) was considered through the Machinery of Government review process.

Testing the claims of improved efficiency and elimination of duplication asserted by the Minister for Local Government in support of the decision to transfer management of the Fremantle Cemetery to the Metropolitan Cemeteries Board against counterclaims of reduced competition and increased costs

IMPROVED EFFICIENCY AND ELIMINATION OF DUPLICATION

Since assuming management of Fremantle Cemetery on 1 July 2003, savings in excess of \$400,000 have been realised and the saving of interest by not borrowing for the mausoleum will realise an additional \$200,000 per annum.

The MCB has rationalised staffing to save \$200,000 per annum at Fremantle. This was achieved through natural attrition and voluntary severance. An ongoing review will achieve further savings in this area.

The 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.

It is estimated that \$47,000 per annum will be saved on board expenses in terms of a single board.

The MCB has reviewed the proposed Fremantle Mausoleum project and the revised design will achieve over 1500 crypt spaces within the building envelope proposed for 600 crypts by the previous board. The first stage of the mausoleum project will achieve a unit cost saving of \$3,000 per crypt space against the previous design. Importantly, the design revised by MCB better provides for lower socio-economic circumstances while still providing a broad range of options.

Transition to a single website has almost been completed and this will result in reduced hosting fees and development costs. The board will employ a single information technology consultant with a saving in duplicated costs still to be quantified.

There will be reduced security costs through a common contract and the more sophisticated risk management processes of the MCB.

The café and catering operations have been operated in-house at Fremantle Cemetery at a loss and these services will be taken over by professional catering contractors with a share of turnover paid to the board.

There will be a reduction in motor vehicles and in fleet management costs. Significantly improved management accounting reports and early integration of Fremantle accounts into the MCB Sun accounting system will ensure greater efficiencies; annual audit fees will be reduced.

In record keeping, the Fremantle human resources records are being taken up into the Concept HR management information system (under payments and other shortcomings have been noted). Fremantle sales data will be migrated to the MCB electronic records system to obtain operational efficiencies.

It is significant that, with respect to the core service of cremation, at 30 June 2003, one of the three cremators at Fremantle was inoperable and a second is in danger of collapse. Whilst there was provision for repairs to the non-operating cremator in the

2003/04 budget, the MCB is faced with a \$120,000 outlay to render the second cremator safe and efficient.

REDUCED COMPETITION

There was no real competition previously in view of the vastly greater responsibilities of the MCB. Whilst maintaining and managing five cemeteries (with shared responsibilities for a sixth) totalling 330 hectares, the Fremantle Board was maintaining a single site of 46 hectares.

The additional responsibilities of the MCB included undertaking the planning, coordination and development role envisaged when the Board was created. This is including the allocation of significant resources for:

- 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, the under developed 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;
- an ongoing involvement with Government planning authorities to adequately plan and provide for future cemeteries;
- 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; and
- assisting cemeteries throughout the State, including Fremantle, with advice and resources.

This list is not conclusive but demonstrates that to achieve all of this, whilst at the same time significantly improving customer services and maintaining fees well below Australian median levels, is most commendable.

With all of these additional responsibilities, the MCB has been able to contain fees for core burial and cremation services as follows:

Burial interment fee - \$710 (Fremantle \$680)
Cremation fee - \$612-\$729 (Fremantle \$620-\$710)

With regard to the future, the 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.

INCREASED COSTS

Much was made of the collection of ashes charged by MCB and not FCB. This fee was abolished at Fremantle on 1 July 2000 with the revenue foregone simply being added to the cost of all memorials at Fremantle. A side effect of this is that families have not been encouraged to memorialise and this will be regretted by future generations.

At Fremantle, the conversion rate of cremations to memorials is a little over 30% compared to 52% at MCB.

The MCB has, in the current financial year, abolished the collection of ashes fee in the interests of uniformity but for all cemeteries, including Fremantle, will provide the bereaved with information regarding memorial options to assist in decision-making.

Another benefit accruing is that the MCB has adopted 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.

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

The impacts upon the community served by the Fremantle Cemetery if the transfer of management proceeds

There will be numerous benefits to the community.

The name of the cemetery will not change. The style, character and community needs of the region will be respected.

The same dedicated people will staff the cemetery and it is noteworthy that the Chief Executive Officer, Executive Director and Technical Services Manager at the MCB are all residents of the City of Melville where the Fremantle Cemetery is located.

It is proposed to install funeral webcasting in the Fremantle West Chapel, a service warmly embraced by bereaved families at other MCB operations.

Fremantle now has access to an enlarged memorial range for bereaved families, including virtual memorials under the MCB Memories e-ternal initiative.

The telephone system at Fremantle Cemetery is being significantly upgraded to provide a vastly improved and more complete community service and convenience.

There is a very strong Fremantle presence on the seven (7) member Metropolitan Cemeteries Board from 1 July 2003:

There is a very strong Fremantle presence on the seven (7) member Metropolitan Cemeteries Board from 1 July 2003:

- the Chairman is Fremantle identity, Ross Bowe;
- 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.

Former FCB staff are excited about the prospects of structured training programs and the opportunities to broaden knowledge in the larger organisation, including 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.

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.