



## NOTICE OF MEETING

# PROJECTS SPECIAL COMMITTEE

I hereby give notice that an Ordinary Meeting of the Projects Special Committee will be held on:-

**DATE:**            **Wednesday, 6 November 2002**                    **TIME:**                    **9.30 am**

**VENUE:**        **Civic Centre, 6 Waipareira Avenue, Lincoln, Waitakere City**

to consider the business as set out herein and to take any necessary action connected therewith.

1 November 2002

Audrey Chan  
**COMMITTEE SECRETARY**

Telephone (09) 836 8000 extn 8603

### **MEMBERSHIP:**

Councillors	RP	Dallow, QPM, JP (Chairperson)
	JP	Lawley (Deputy Chairperson)
	DQ	Battersby, JP
	BA	Brady, JP
	JM	Clews, QSO, JP
	AC	Fenton
	GW	Russell

Mayor, Bob Harvey, QSO, JP (ex officio)  
Deputy Mayor, CA Stone (ex officio)

(Quorum 4 members)

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(The reports and recommendations contained in all agendas are reports and recommendations only and are not to be construed, in any way, as Council policy until adopted).

**AGENDA FOR AN ORDINARY MEETING OF THE PROJECTS SPECIAL COMMITTEE  
TO BE HELD IN THE CIVIC CENTRE, 6 WAIPAREIRA AVENUE, LINCOLN,  
WAITAKERE CITY, ON WEDNESDAY, 6 NOVEMBER 2002  
COMMENCING AT 9.30 AM.**

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**1 APOLOGIES**



**2 URGENT BUSINESS**

Section 46A(7) and (7A) of the Local Government Official Information Act and Meetings Act 1987 provides that where an item of business is not on the agenda, it may only be dealt with at the meeting if:

- (i) the item is a minor matter; and
- (ii) the Chairperson has explained at the beginning of the meeting (when open to the public) that the item will be raised for discussion, why the item is not on the agenda, and why it cannot be delayed until a subsequent meeting; and
- (iii) the Committee resolves to deal with the item.

No resolution, decision, or recommendation may be made in respect of the item except to refer the item to a subsequent meeting for further discussion.

**NOTE:** Urgent Business need not be dealt with now and may be delayed until later in the meeting.



**3 CONFIRMATION OF MINUTES**

Ordinary - Wednesday, 2 October 2002

**RECOMMENDATION**

That the minutes of the Ordinary Meeting of the Projects Special Committee held on Wednesday, 2 October 2002, as circulated, be taken as read and now be confirmed.



4 **PRESENTATIONS**

(A) **Waitakere Sports Complex**

A presentation to update the Projects Special Committee on the progress thus far on the Waitakere Sports Complex will be made by Suresh Nagaiya in his capacity as the Waitakere Sports Complex Development Board Projects Manager.

(B) **Aquatic Centre Upgrade**

A presentation to update the Projects Special Committee on the Aquatic Centre Upgrade will be made by Simon Guillemain, Business Manager, Consultancy Services.



5 **SERVICES UPDATE - CREMATIONS OPERATIONS AT WAIKUMETE CEMETERY**

**INTRODUCTION**

The purpose of this report is to update the Projects Special Committee in regard to the operation of cremation services at Waikumete Cemetery. This update is timely given Council's pending decisions relating to the replacement of the current cremators, which are reaching the end of their useful lives.

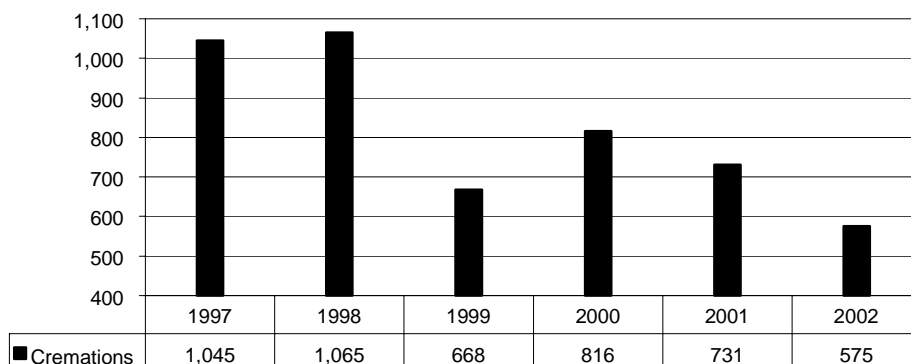
A process for advancing Council's decision is provided later in this report.

**BACKGROUND**

The Crematorium complex was completed at Waikumete in 1952 and three cremators were installed at that time. In their original form they were fuelled by diesel oil, but were converted to operate on natural gas in the mid 1980s.

Only two of the units are now operational, with the third being used for parts. This has not created a capacity issue, as it has coincided with the recent entry into the local market of a private operator, which - as indicated in the following graph - significantly reduced the volume of cremations at Waikumete (note: the low 1999 result was the consequence of initial Funeral Director resistance against price increases for Waikumete services in that year):

**Cremations Conducted at Waikumete 1997 - 2002**



The wider Auckland “market” is currently served by the following major crematoria:

Operated in Waitakere City

Waikumete  
Morrison Funeral Services

Other Auckland Region Crematoria

Purewa  
North Shore  
Manukau  
Mangere

Waikumete’s share of the cremations market was estimated to be 16% in 2000. With the entry of Morrison’s into the market (previously a major Waikumete customer), Waikumete’s share is estimated to have decreased to 11%. Morrison’s do continue to use Waikumete for requirements in excess of their capacity or for where Waikumete is specified by the deceased or their family.

Collectively, Purewa, North Shore and Manukau are estimated to command 70%+ of the market.

It is generally understood that the wider Auckland market has substantial capacity in excess of current demand. There are few “barriers to entry” into the market (it is essentially a capital investment), although resource consent is required. This constrains the price that can be charged for cremation services.

The most recent information sourced from Statistics New Zealand (April 2001) provides the following indication of the forecast pattern of deaths:

	<b>1997-2001 Actual</b>	<b>2002-2006 Projected</b>	<b>2007-2011 Projected</b>	<b>2012-2016 Projected</b>	<b>2017-2021 Projected</b>
Waitakere	4,210	4,560	5,030	5,650	6,360
% Increase		8.3%	10.3%	12.3%	12.6%
Auckland Region	36,230	37,190	39,240	42,410	46,630
% Increase		2.6%	5.5%	8.1%	10.0%
National	137,415	136,845	141,450	149,495	159,860
% Increase		-0.4%	3.4%	5.7%	6.9%

Each figure represents the total projected number of deaths for each five-year block (that is, to get the average per annum figure, divide the given figure by 5). The Waitakere statistics reflect the rapid growth in the City’s population compared to the rest of the country.

**STRATEGIC CONTEXT**

The primary reference document for the Waikumete Cemetery is the Conservation and Reserve Management Plan (adopted in May 2001, resolution 1009/2001). A history of the cremation service is provided in Part 1 (pages 7 and 8) of the Plan.

Part 7 of the Plan (Conservation and Management Policies) states the following (page 75):

### **Burials and Cremations**

#### General Policy

*Waikumete is to continue to provide for burials and cremations until such time as no more land is available for expansion. The operation of the Cemetery is working to a planning horizon of at least another 30 years of burials.*

#### Implementation (excerpt)

- *Continue to provide for cremations and the range of different types of burials that are currently provided as long as they do not adversely affect the cultural and heritage values of the Cemetery.*

While not a definitive statement of strategic intention in regard to the offering of cremation services, the Plan has been extensively consulted on and no arguments posed to the contrary.

#### Funding Policy

The current Funding Policy notes (Objective 7: Protection from Nuisances and Hazards):

*Most of the benefits of the function are private benefits which accrue to the relatives and friends of the deceased. Expenditure from this function also yields three types of public benefits:*

- *Benefits derived from enabling cultural values to be upheld and health standards to be met.*
- *Benefits from the maintenance of heritage buildings (e.g. the chapel).*
- *Benefits from the parks aspects of the cemetery.*

*The outcome of the analysis suggests that most of the costs of this function should be allocated to private users with a small share allocated to the community overall.*

*The principle of intergenerational equity suggests that the capital expenditure should be allocated to private users, over the life of the asset.*

*Council considers that there are two issues of equity and fairness that need to be taken into account:*

- Ability to pay - this does not warrant any modification to [the above] because Social Welfare provides grants for families that cannot afford the service;
- Recognition of the contribution of Returned Servicemen. Council believes that it is important to provide services free of charge and for this reason has decided to allocate the costs associated with these services provided to the community as a whole. The impact of this is a slight shift of the allocation of costs from private users to the community.

#### The Funding Policy concludes:

*The allocation of costs arrived at [above] can be best met by user charges for burial and cremation services and rates funding for heritage and parks aspects of the function and for the subsidy to Returned Servicemen.*

## Statutory Requirements

While distinct in nature, there are interrelationships between the burial and cremations aspects of the Waikumete operation. Council has statutory obligation to ensure that a cemetery exists within the district (section 4(1) of the Burial and Cremation Act 1964); however, there is no equivalent requirement to ensure the availability of crematoria.

## FINANCIAL PERFORMANCE

Burials account for about 40% of volumes at present and cremations about 60% (cremations at Waikumete are slightly lower given Waitakere's Polynesian population). The bias towards cremations reflects particularly the significant price difference between the two options, although there are certain cultures that will only permit burials.

Given the bias, pricing reflects a proportionate allocation of administrative overhead. While this is appropriate for the current operation, not all the costs allocated are "avoidable" (that is, should Council opt out of cremations, some costs currently associated with the service would still remain – the cost of maintaining the main building being an example).

## Current Financial Performance

Current operational financial performance, based on the 2001/2002 financial year, is as follows (excludes works funded from the Waikumete Memorial Park Fund):

<b>Revenues</b>		
Cemetery		
Revenues	713,690	<i>Burial Fees and Plot Sales</i>
Crematorium		
Revenue	238,763	<i>Cremations, Ash Lawn Plots, Buy a Tree</i>
Discounts Allowed	(12,833)	<i>Discounts for Prompt Payment</i>
Subsidies	8,924	<i>War Veterans area subsidy</i>
<b>Total Revenues</b>	<b>948,544</b>	
<b>Expenditure</b>		
Payroll	337,085	<i>Management, Administration and Labour</i>
Maintenance		
Contract	267,117	<i>Grounds maintenance, contracted to Techscope</i>
Cremator Gas	34,042	<i>Gas used by the current cremators</i>
Property Costs	136,782	<i>Cleaning, Rates, Occupancy Charges</i>
Indirect Costs	43,809	<i>Equipment Depreciation, Corporate Charges</i>
Other Direct Costs	154,524	<i>Consumables, Vehicle Charges, misc</i>
<b>Total Expenditure</b>	<b>973,359</b>	
<b>Operating Result</b>	<b>\$24,815</b>	<i>Rates Funded Component</i>

The operating result represents an approximation of the public good element. It is noted that the team are "cross-trained" so that they are able to operate the cremators as well as prepare burials.

## Future Financial Performance

Basic financial modelling of the future operation of the unit "with upgraded cremations" and "without cremations" indicates that, even including the additional depreciation and interest cost to Council of installing new cremators, Council yields a financial benefit if current cremations revenue is maintained.

Under the financial modelling, continuing to run a cremations service is viable (against the Without Cremations option) with a “breakeven” point of 400 cremations per annum, and assuming a proportionate level of other associated sales (ash internments, ash lawn plots, services conducted, etc).

Council has presently budgeted for \$525,000 to upgrade the existing cremators. Assuming little or no scrap value from the existing cremators and that current financial performance is maintained, it will take 6.5 years to repay this amount (against the “Without Cremations” baseline). Any diminishing of returns will stretch out the payback period.

Once the investment is made, the costs become primarily fixed and Council takes on the risks associated with being in a competitive market for at least the forecast payback period of 6.5 years, and possibly longer. If any of the core assumptions change (especially the revenue expectations), Council has “past the point of no return” and will be committed to riding out the effects.

### **ISSUES RELATING TO THE REPLACEMENT OF CREMATORS**

The following issues relate to Council’s decisions regarding the replacement of the cremators.

#### **Remaining Useful Life**

It is difficult to make a reasonable assessment of the remaining useful life of the current cremators. Essentially, patch-work maintenance can continue until such time as the metal encased brick flues collapse.

However, all things being equal, management do not expect the current cremators to completely fail within the next three years. This does not include minor failures (such as the failures of the hearths), which may result in short-term loss of service.

#### **Impact of Auckland Regional Council’s Air Land Water Plan**

The Auckland Regional Council’s Air Land Water Plan is currently notified, but not yet operative. The Plan in its current form - and associated Technical Publication 152 - will make the current cremators redundant by virtue of the requirement to reach temperatures of 850° celsius (refer section 6.3.3 of TP152) in order to break down emissions. This standard is based on an operating Australian standard, and is attainable by modern cremator units.

Existing cremators have existing use style rights until such time as the Auckland Regional Council Plan becomes operative (which is understood to be 2004 at the earliest). Compliance at that point would be compulsory, although Council may wish to consider earlier adoption to reinforce its stated “Sustainable Energy and Clean Air” strategic intention (as expressed in Council’s draft Strategic Plan Working Document).

#### **Service Performance**

The current cremators are:

- more expensive to operate and maintain than modern cremators, with the estimated cost of gas per cremation of \$39 compare with \$15 to \$20 per cremation for modern equipment; and
- excessively noisy to operate, with the resulting customer issues (the noise can be heard in the adjoining Chapel area). Staff are currently required to wear hearing protection when operating these units.

Balanced against this is the cost of installing new cremators, which is estimated to cost \$525,000 (the base purchase costs, associated installation works and commensurate financial costings are currently being updated).

### **Service Delivery and Joint Venture Options**

In a review of the service at this point, consideration of various service delivery options is appropriate. Options for review include:

1. Continue the current operation, replacing the cremators in sufficient time to comply with air discharge regulations (or such earlier time as Council directs).
2. Enter into a joint venture with the industry to share the cost of replacement, and consequential operation / financial return.
3. Council exits and allows the market to address any resulting additional capacity requirement.

Preliminary discussions with industry participants do not indicate any substantive interest in a joint venture operation. Further contact with the industry could take place should the Projects Special Committee determine that this is warranted.

### **NEXT STEPS**

The following process for the review of replacement of the Waikumete cremators is proposed:

1. Seek the Projects Special Committee's general direction regarding this issue, including guidance on what additional work is required to support the presentation of the case for the replacement of the Waikumete cremators.
2. Development of full project costings for Council's consideration during the 2003/2004 Annual Plan and LTFS process.

The Projects Special Committee's general direction will allow officers to identify and pursue only those options that warrant development and ensure that the issues of concern are addressed.

### **CONCLUSION**

The purpose of this report has been to update the Projects Special Committee of the issues pertaining to cremations services at Waikumete, in advance of the decisions required relating to the replacement of the current cremators, which are nearing the end of their useful lives.

The Projects Special Committee's general direction is sought in regards to this project, and any guidance on what additional work is expected to prior to presenting the case for the replacement of the Waikumete cremators.

### **RECOMMENDATIONS**

1. That the information be received.
2. That the process outlined in the report for the review of the replacement of the Waikumete cremators be adopted.

Report prepared by: Graham Resnick, Manager: Waikumete Cemetery & Crematorium and Scott Burden, Manager: Group Performance & Business Delivery.

