University of South Australia

National Community Transport Pricing Model (NCTPM) Pilot

Final Report

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EXECUTIVE SUMMARY

Aims and objectives

The National Community Transport Pricing Model (NCTPM) Pilot was initiated to address the critical financial sustainability challenges facing Australia's community transport (CT) sector. The Pilot was undertaken by the Australian Community Transport Association (ACTA), with research conducted by the University of South Australia and funded through the iMOVE Cooperative Research Centre. The Pilot aimed to design a new pricing model that better reflects the true cost of delivering CHSP-funded CT services.

Current CHSP subsidy arrangements offer a flat per-trip rate, irrespective of the actual cost of service delivery. This approach has led to chronic underfunding, particularly for operators serving remote areas or participants with specialised support needs. In many cases, delivery costs have outstripped subsidy levels, rendering operations financially unsustainable and jeopardising the availability of vital transport services to vulnerable Australians.

Methods

The Pilot involved 31 CT operators across metropolitan, regional, rural and remote Australia. Data were collected through three complementary streams:

- **Organisational financial and operational data** were gathered using a survey instrument. This included granular reporting on labour, capital, and overhead costs specific to CHSP-funded community transport services, with robust apportionment rules applied to isolate CHSP service costs from broader organisational expenses.

- **Trip-level operational data** were extracted from operators' Transport Management Systems (TMS), covering distance, participant needs, and geography. Significant effort was made to ensure data quality, including close coordination with TMS providers, onboarding operators into new or upgraded systems, driver and staff training, and monthly trip summary reports that were validated by operators.

- **Qualitative interviews and stakeholder workshops** were conducted with participating operators throughout the Pilot. Three rounds of in-depth interviews (at baseline, mid-point, and trial completion) captured evolving perspectives, operational challenges, and feedback on preliminary model designs. In addition, two in-person and eight online stakeholder workshops provided ongoing opportunities for collective engagement, co-design, and iterative model refinement.

These integrated data streams provided a robust empirical foundation for estimating the true costs of CT service delivery, and for understanding how these costs vary across different participant groups, geographic settings, and operating models.

Recommended pricing reform

The Pilot produced a rich evidence base to inform the development of a new pricing model—the **National Variable Pricing Formula (NVPF)**, shown in **Figure 1**. The NVPF links subsidy levels to observable, verifiable cost drivers: trip distance, participant needs, and geography. It features a two-part structure:

- A fixed base fare component that varies by participant need and regionality; and
- A distance-based component that adjusts subsidy levels according to trip length.

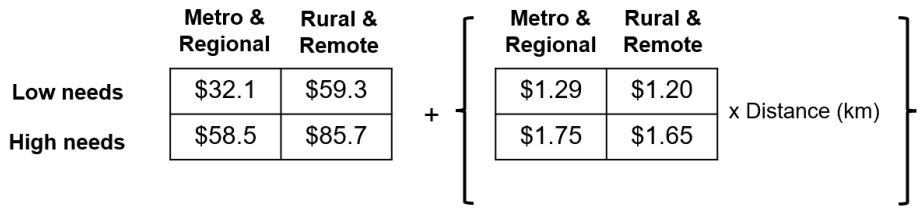


Figure 1: The National Variable Pricing Formula (NVPF)

The NVPF captures important service delivery differences that were historically overlooked under the flat-rate funding model. In particular, it recognises that trips involving participants with higher support needs, whether due to individual characteristics or geographic context, incur greater costs, and adjusts funding accordingly. Four key categories of support needs are formally defined within the model:

- **Physical support needs**: including sensory or speech impairments, physical restrictions, or acquired brain injuries.
- **Psychological support needs**: including intellectual disabilities and psychosocial conditions.
- **Language support needs**: for participants who do not speak English at home and may require communication assistance.
- **Geographic support needs**: for trips in rural and remote areas, where service delivery is more resource-intensive.

Under the NVPF, participants with physical, psychological or language support needs are classified as “high needs”, and receive a different base fare and distance rate. Similarly, trips served in rural and remote areas also receive a different base fare and distance rate. This acknowledges the additional resources associated with serving these groups.

Importantly, the NVPF does not capture all possible sources of cost variation. While our quantitative data did not allow us to identify statistically significant cost differences based on other participant characteristics, such as indigeneity or sexual orientation, our qualitative interviews with operators indicated that serving participants from diverse backgrounds may sometimes incur additional costs, for example, through the need for culturally appropriate service practices, greater communication support, or enhanced safeguarding measures. Relying on a default assumption that such participants are “low-needs” may risk underfunding services for groups that do, in fact, require additional support. A more inclusive approach may be to treat these groups as potentially having higher support needs until better evidence becomes available.

Key findings

Key findings from the Pilot include:

- The average cost of delivering a CHSP-funded CT trip is approximately $68, nearly double the current flat subsidy rate of $35 given to service providers that hold a CHSP contract with the Commonwealth Department of Health and Aged Care (DoHAC).

- The NVPF substantially improves funding adequacy, lifting the proportion of operators achieving at least 80% cost recovery from 16% under the current system to over 80% under the NVPF.

- Future enhancements to the formula should seek to capture additional cost differentials associated with extreme remoteness and highly specialised participant groups, as more detailed data becomes available.

Challenges

The Pilot also highlighted critical workforce and capital challenges facing the sector. Labour accounts for approximately 60% of service delivery costs, and volunteer engagement remains crucial but increasingly difficult to sustain. Capital renewal needs, especially fleet replacement, are often underfunded, threatening long-term service viability. In addition, many operators face barriers to adopting fit-for-purpose technology systems that could improve service coordination, reporting, and data quality. Addressing these issues will require complementary strategies beyond pricing reform, including targeted workforce initiatives, capital investment programs, and support for digital system implementation.

Implementation

The NCTPM Pilot recommends that funding continue through block funding arrangements rather than fee-for-service models, preserving cashflow stability and allowing for participant-centred service flexibility. This approach also promotes equitable access by ensuring that services remain viable even in thin markets or for participants with complex needs. Implementation of the NVPF should be supported by targeted TMS implementation, training, and broader change management assistance for operators, and should be accompanied by annual indexation linked to sector-specific cost drivers (wages, transport costs, CPI).

Recommendations

The findings of the NCTPM Pilot support the following recommended actions:

1. **Adopt the NVPF as the new basis for funding CHSP-funded community transport**, with adjustments based on trip distance, participant needs, and remoteness to better reflect the true cost of service delivery.

2. **Implement a performance-adjusted block funding model**, which balances funding certainty for providers with incentives for efficient service delivery.

3. **Introduce systematic data collection protocols** to capture under-recorded participant characteristics and enable future refinement of cost differentials.

4. **Monitor and align with the Commonwealth's emerging unified participant assessment framework**, to ensure support need classifications reflect functional requirements rather than static demographic labels.

5. **Strengthen compliance and auditing mechanisms** to safeguard against potential misuse of "high needs" classifications under the new pricing model.

6. **Support further research and data collection** to strengthen the evidence base for policy and funding decisions.

7. **Maintain flexibility for future reforms**, including potential shifts toward participant-directed or individualised funding models in line with broader aged care and disability sector reforms.

Conclusions

The Pilot's findings demonstrate that with careful design, sector engagement, and implementation support, a transparent, equitable, and sustainable pricing model for community transport is achievable. The NCTPM provides a robust, evidence-based foundation for reform, ensuring that vulnerable Australians can continue to access safe, trusted, high-quality, equitable and person-centred community transport services into the future.

1 INTRODUCTION

Community transport (CT) is a general term used to describe many different transport services targeted at customers and markets that are underserved by traditional mass public transport services. These may include, among others, older adults, individuals with disabilities, residents in regional and remote areas, and other individuals at risk of transport disadvantage. The nature of CT services can vary significantly, depending on the context. CT services may comprise community car services, community bus services, or some combination of both. Some CT services are only offered to individuals who meet specific eligibility criteria in terms of demographic characteristics such as age, income, disability and indigeneity. Some CT services even offer non-emergency patient transport for eligible customers.

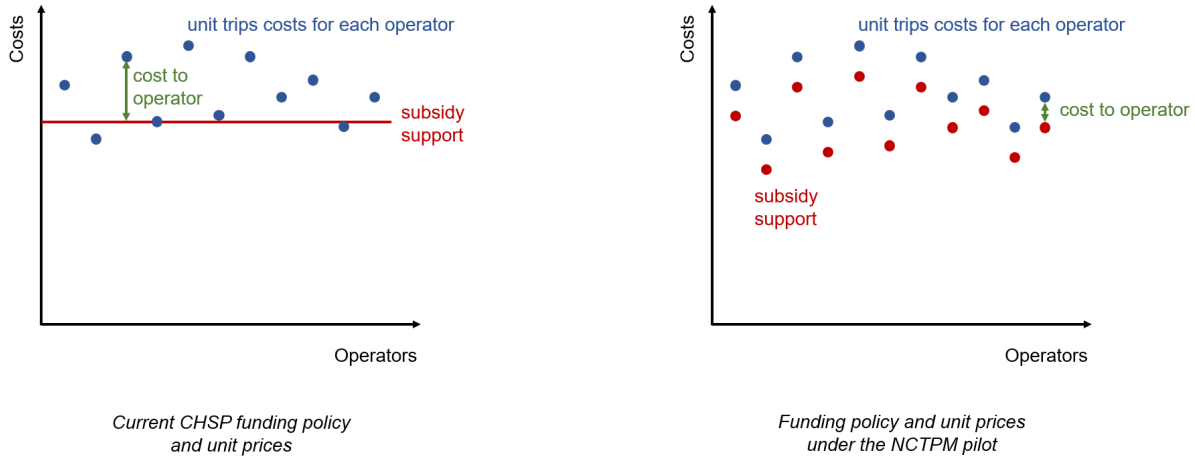
CT services are usually funded through a patchwork of local, state and federal government grants and subsidies. This study specifically examines CT services funded by the Commonwealth Home Support Programme (CHSP). Under current CHSP arrangements, funding is offered as a flat per-trip subsidy, regardless of the actual cost of service delivery, as shown in the left frame of **Figure 1**. This uniform approach fails to account for important differences in geography, diverse participant needs, staffing models, and service configurations, and often leaves providers underfunded—especially those operating in remote areas or serving high-needs populations. In some cases, the cost of service delivery may exceed the level of subsidy support on offer, forcing the CT operator to bear these costs in the short-term. While some operators are able to temporarily cross-subsidise transport services through other parts of their organisation, this approach is often unsustainable, ultimately rendering the delivery of these services financially unviable in the long-term.

To address these challenges, the Australian Community Transport Association (ACTA), in partnership with the iMOVE Cooperative Research Centre and the University of South Australia, launched the **National Community Transport Pricing Model (NCTPM) Pilot**. The goal of the pilot is to develop, test, and evaluate a more equitable and sustainable pricing model, referred to as the National Variable Pricing Formula (NVPF) from here onward, that links subsidy levels to observable and verifiable cost drivers, such as trip distance, participant needs, and geography, such that the level of subsidy support varies commensurately with the costs of service delivery across different service contexts, and CT operators do not have to bear any service delivery costs, as shown in the right frame of **Figure 1**. These aims may be summarised as follows:

1. To develop and test a more accurate method of estimating the cost of CHSP-funded CT trips across different service contexts; and

2. To develop and test alternative funding models and policy settings that promote financial sustainability without compromising service quality or fairness.

This report presents the final findings from the NCTPM Pilot. It draws on a rich body of evidence, including detailed financial and operational data from 31 CT operators across Australia, comprehensive trip-level data extracted from participating operators' IT systems, and in-depth qualitative interviews with senior managers. **Table 1** summarises the structure of the remainder of the report.



Current CHSP funding policy and unit prices

Funding policy and unit prices under the NCTPM pilot

Figure 2: Level of subsidy support and unit trip costs across different CT operators under the current CHSP funding policy and the proposed funding policy under the NCTPM pilot

Table 1: Report structure

#	Chapter	Description
2	Background & context	Provides background and contextual information on the role of community transport and the challenges facing the sector
3	Methodology	Outlines the methodology used to collect, analyse, and integrate the quantitative and qualitative data
4	Descriptive analysis of quantitative data	Presents a descriptive analysis of the quantitative data collected from operators and trip-level systems, identifying key cost drivers and patterns across different service contexts
5	Pricing formula estimation	Present the core modelling work: estimating unit costs and developing the proposed pricing formula, with adjustments to reflect regional variation and sensitivity testing
6	Pricing formula adjustments	
7	Opportunities for efficiency gains	Explores opportunities for improving efficiency and reducing costs through better labour and capital utilisation and sustained volunteer engagement
8	Findings from the qualitative interviews	Presents findings from the qualitative interviews to provide a more grounded understanding of organisational challenges, sector resilience, and operator perspectives on reform
9	Synthesis and conclusions	Synthesises key findings from different stages of our analysis

2 BACKGROUND AND CONTEXT

Community transport (CT) is an umbrella term for a range of localised transport services aimed at people who cannot access mainstream transport options due to age, disability, financial constraints, or geographic isolation. In the context of the CHSP, these services are designed to help older Australians remain independent in their homes and connected to their communities by providing transport to essential destinations such as medical appointments, shops, social activities, and community centres.

The CHSP funds a significant share of CT services across Australia. However, the flat-rate funding model currently in place fails to reflect cost realities. Providers operating in regional and remote areas face longer travel distances, greater vehicle wear and tear, and more complex logistics. Providers serving participants with higher physical, cognitive or language support needs require longer loading times, additional staff training, and purpose-fitted vehicles. Yet these service-specific cost pressures are not recognised in the current subsidy structure, creating widespread inequities in funding and delivery.

Not all transport services funded under CHSP are the same. The sector typically distinguishes between *direct* and *indirect* services. Direct services are those delivered by community transport (CT) operators themselves, using their own vehicles, drivers, and coordination systems, while indirect services are subcontracted to external providers such as taxi companies or other CT operators. A second distinction is often made between *basic* and *full-service* models. Basic services provide point-to-point transport only, whereas full-service models incorporate a wider range of social supports: welfare checks, assistance with mobility, language support, ongoing participant monitoring, and emotional connection, as part of door-to-door or chair-to-chair service models.

In general, we expect a fundamental trade-off between the financial sustainability of CT service offerings, and the quality of service they provide, as shown in **Figure 2**. High quality CT services are more likely to incur greater costs, and therefore less likely to be financially sustainable in the long-term, and vice versa. The new pricing model tested under the NCTPM pilot is expected to increase cost recovery and, depending on the policy settings, it may or may not incur a loss in quality. For example, in theory, per **Figure 2**, any new pricing model could move a CT operator along the existing production frontier to increase sustainability at the expense of quality (case 1), and/or it might move the production frontier through efficiency gains such that there is no loss in quality (case 2).

The NCTPM Pilot is explicitly focused on estimating the true cost of delivering **direct, full-service** community transport, not on reducing that cost through service scaling or simplification. The goal is not to push providers toward leaner or more basic models, but rather to develop a funding model that recognises and supports the comprehensive care embedded within the full-service approach. We do not assume, nor advocate for, reductions in service quality as a means of improving financial sustainability. Instead, we argue that sustainability can and should be achieved through a recalibration of subsidy settings, better aligning government funding with the actual costs incurred by operators who provide holistic, relationship-based, and high-trust services. In this sense, the NCTPM model is a vehicle for securing the long-term viability of full-service community transport, not compromising it.

While the NCTPM Pilot does not promote service reduction or leaner operational models, it does recognise that efficiency gains can play an important role in enhancing long-term financial sustainability—not by lowering service standards, but by helping operators deliver the same quality of care with fewer resource inputs over time. As explored in Chapter 7,

improvements in labour and vehicle utilisation, smarter trip matching, and better use of

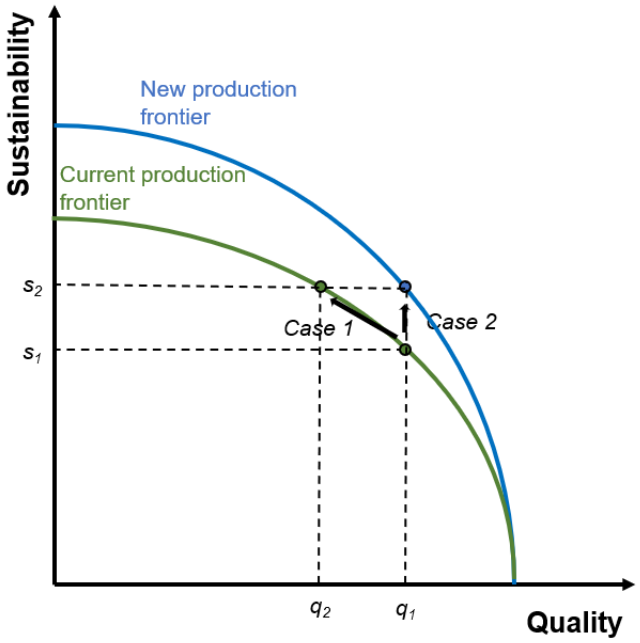


Figure 3: Theoretical framework for assessing impacts of the new NCTPM pricing model on sustainability and quality of CT services

volunteer resources can help shift operators to a new production frontier, where costs are lower for a given level of service quality. These gains are not universally achievable and will depend on local context, but where possible, they represent a pathway to increased sustainability without compromising participant outcomes. In this way, the NCTPM model supports both a fairer funding system today and a more resilient sector into the future.

These distinctions in service type and delivery are important. While some participating operators subcontracted a small share of their trips, often to increase flexibility during peak periods or outside normal operating hours, such trips represented a small fraction of the overall data. All operators in our sample delivered their core CHSP services using a full-service model, in which drivers and support staff played a much broader role than simply providing transport. This is consistent with what we heard during our engagement with CT operators, who consistently described community transport as a “premium” or “holistic” service, which provides more than mobility. Drivers were seen as trusted figures, often the only regular point of contact for isolated participants, and were tasked with monitoring wellbeing, supporting those with dementia or mobility impairments, and reporting signs of deterioration to care coordinators. This door-to-door (and in many cases chair-to-chair) model of care stands in stark contrast to mainstream options like taxis or rideshare services, which lack the continuity, reliability, and duty-of-care responsibilities that define community transport.

While some larger metro providers saw a role for subcontracted services in extending reach or flexibility, there was near-unanimous agreement that these indirect models could not substitute for the safety, trust, and added value of full-service CT delivery. Concerns included inadequate driver training, language barriers, poor reliability, and a lack of safeguarding procedures. Several operators reported that while taxi-based services were

cheaper to deliver, they generated more complaints, offered less accountability, and did not meet the governance standards required by funding agreements.

For this reason, the NCTPM Pilot focuses squarely on the true cost of delivering full-service, direct community transport, recognising the high social value these services provide. Though more expensive to operate, operators argue that community transport reduces hospitalisation and residential aged care admissions by enabling people to live independently for longer, remain socially connected, and access preventive healthcare. In this sense, community transport is not only a transport intervention, it is a health, aged care, and community development strategy, and one that deserves to be funded accordingly. Through a data-driven, co-designed approach, the pilot seeks to demonstrate how a variable pricing model, one that links subsidy payments to observable cost drivers, can improve funding adequacy, reduce inefficiencies, and maintain equitable access to high-quality community transport services across Australia.

3 LITERATURE REVIEW

This chapter reviews the existing literature to provide context for the design and implementation of the National Community Transport Pricing Model (NCTPM). It is organised into four sections. The first section examines the concept of transport disadvantage and the critical role that community transport plays in addressing mobility inequities among older Australians, people with disabilities, and those living in regional and remote areas. The second section reviews current pricing approaches within community transport, including how costs are typically estimated, the use of flat-rate subsidies, and emerging efforts to better align funding with service complexity. The third section broadens the lens to explore funding models in aged and disability care more generally, including the relative merits of block funding, fee-for-service, and hybrid approaches. The final section reflects on the implications of this body of literature for policy and practice, identifying key principles to guide the development of more equitable, sustainable, and transparent funding models in community transport.

The review draws on both academic literature and grey literature, including government reports, consultant analyses, and sector publications. It includes both national and international sources. While the international literature reviewed is not intended to be comprehensive, we have included examples where they offer insights applicable to the Australian context. Our aim was to strike a balance between rigour and relevance, drawing on diverse sources that illuminate the challenges, innovations, and trade-offs associated with funding community transport and related care services.

3.1 Transport disadvantage and the role of community transport

Transport disadvantage is widely recognized as both a cause and consequence of social exclusion (Currie and Delbosc, 2010, 2011). A lack of accessible and affordable transport can limit individuals' access to employment, services, and social activities, thereby lowering quality of life and exacerbating social exclusion (Delbosc and Currie, 2011a, 2011c). Research in Australia and internationally has identified groups most vulnerable to transport disadvantage, including older adults, people with disabilities, low-income households, and those living in car-dependent or remote areas (Ravensbergen and Schwanen, 2023; Stanley et al., 2022; Delbosc and Currie, 2011a). For example, outer-suburban and rural communities often have scarce public transport and long travel distances, leaving those without private cars with few mobility options. Such mobility gaps can translate into reduced social participation and well-being. Delbosc and Currie (2011a) found that while links between transport disadvantage and social exclusion can be complex, they are strongest in regional contexts where limited transport options significantly impact subjective well-being. These findings echo the UK Social Exclusion Unit's landmark report (SEU, 2003) and subsequent studies (e.g. Lucas, 2004), which conceptualize transport as a key enabler of inclusion or, if lacking, a contributor to "transport poverty."

Community transport has emerged as a vital response to transport disadvantage, especially for those whom mainstream transport fails to serve. Community transport (CT) refers to local, not-for-profit, and primarily volunteer-driven services, such as dial-a-ride shuttles, community buses, and volunteer car schemes, that provide flexible, door-to-door transport for people with limited mobility options. Importantly, CT often steps in to meet mobility needs in areas or populations where public transit is absent, insufficient, or not accessible to people with special needs. For instance, in the United Kingdom, nationwide cuts to rural bus services left many older, disabled, or low-income individuals stranded, and community transport schemes expanded to fill the gap (Ravensbergen and Schwanen, 2023). In Australia, a similar role is played by community transport providers under programs like the

Commonwealth Home Support Programme (CHSP), ensuring older people and people with disabilities can attend medical appointments, go shopping, or engage in community life despite not driving or lacking public transport. Community transport thus functions as an essential safety net against mobility-related social exclusion.

Beyond its practical mobility function, the literature highlights the *social* role of community transport. Many community transport schemes explicitly strive to reduce social isolation and support independent living for vulnerable groups. Providers and volunteers often emphasize that they see themselves "not so much as a transport company, but as a social service". Ravensbergen and Schwanen (2024) describe community transport as having a dual identity: it is both a transportation service and a form of social care, delivered with an ethic of care and community ethos. Their interviews with UK community transport volunteers reveal that CT services are holistic; volunteers don't "just drop people off" but frequently assist participants with getting into clinics, carrying groceries, or even helping them prepare for outings. In this way, community transport addresses not only the travel need but also the relational and caregiving aspects that enable older and disabled passengers to use transport meaningfully. The concept of *relational mobility* is useful here, describing how mobility is embedded in social relationships. Community transport fosters relational mobility by providing more than movement; it creates opportunities for social interaction (with drivers and other passengers), trust-building, and caring support that regular transit or taxis typically do not offer. This reinforces findings by social inclusion researchers that mobility and social well-being are interlinked (Stanley et al., 2011; Schwanen et al., 2015).

A related framework in the literature is the social exclusion theory of mobility, which posits that being unable to travel leads to exclusion from key life domains. Currie and colleagues have applied this framework in Australia, developing indicators for transport disadvantage and unmet mobility needs (Currie, 2011). These studies underscore how certain demographics – for example, unemployed youth, single parents, or the very old – are especially at risk of compounding disadvantage if transport services are unavailable (Delbosc and Currie, 2011). Community transport directly targets many of these groups, acting as an inclusion mechanism. By providing low-cost or free rides to those who cannot drive or easily use public transit, community transport helps people access health care, grocery stores, social events and more, thereby mitigating some aspects of social exclusion (Delbosc & Currie, 2011b). Notably, this mobility support can have downstream benefits: maintaining older adults' mobility has been linked to better health and delaying entry into residential care. Indeed, community transport operators often argue that their services reduce hospitalizations and aged-care admissions by enabling participants to live independently and remain socially connected. In sum, community transport occupies a critical niche in the transport ecosystem – it is a form of mobility justice in action, aiming to ensure that those most at risk of transport disadvantage are not left behind.

However, the literature also points to the challenges and under-recognition of community transport. Ravensbergen and Schwanen (2023) characterize the sector as undervalued and often invisible in policy. Because community transport is frequently volunteer-run and non-commercial, its labour and social contributions tend to be overlooked in transport planning and funding allocations. This "undervaluing" manifests in chronic underfunding and fragile finances for many providers, even as they deliver essential care-driven services. In the UK context, community transport has been described as an informal transport sector that is non-entrepreneurial and care-driven, reliant on volunteers who effectively subsidize the service through donated labour and even personal expenses. The notion of *phronesis* – practical wisdom in responding to community needs – has been used to explain how community transport persists despite structural neglect (Ravensbergen & Schwanen, 2023, 2024). In Australia, similar patterns have been observed: community transport organizations, often

small charities, stretch modest government grants with volunteer help to meet rising demand. The importance of supporting and properly valuing community transport, given its dual transport and social care role, is a recurring theme in the literature. This sets the stage for examining how pricing and funding models can better sustain the sector while preserving equitable access for users.

3.2 Funding and pricing models in community transport

Community transport services around the world operate under diverse pricing and funding models, reflecting differences in national policy frameworks, governance arrangements, and community needs. At their core, these models seek to reconcile two often competing objectives: ensuring affordability and accessibility for transport-disadvantaged users, while maintaining financial viability for service providers. To achieve this, most systems combine multiple sources of revenue, such as participant co-payments, government subsidies, philanthropic donations, and in-kind volunteer contributions.

This section reviews the international evidence on how pricing and funding arrangements are structured across three key dimensions: (i) the nature and scale of participant contributions; (ii) the level of government responsible for providing support (local, regional, or national); and (iii) the funding model used, i.e. whether services are supported through block grants, per-trip subsidies, or hybrid arrangements.

3.2.1 Participant contributions and user charging models

Community transport pricing models have historically been shaped by the sector's not-for-profit, socially-oriented nature. Unlike commercial transport operators, community transport providers prioritize affordability for their participants, many of whom live on age pensions or disability benefits. As a result, fares and fees charged to users tend to be minimal, often just a token contribution, and sometimes free for those who cannot pay, and the majority of the costs are funded through government support.

For example, in the United States, the model for paratransit mandated under the Americans with Disability Act (ADA) requires that fares for demand-responsive services not exceed twice the fare of equivalent fixed-route services. This regulatory framework ensures a baseline of affordability, but creates a persistent funding gap: fare revenues cover only a fraction of operating costs, with the remainder typically funded through federal and local government sources (Gupta et al., 2010). The ADA framework also mandates non-discriminatory access and prohibits prioritization by trip purpose, which further drives up costs due to the need for universal coverage. Switzerland presents a contrasting model, with a highly decentralized system in which the 26 cantons are responsible for service delivery and cost-sharing arrangements. Federal disability insurance programs may subsidize trips for specific activities such as medical or vocational appointments, but non-covered trips rely on cantonal funding. This creates substantial inter-regional variation in fare levels, user contributions, and eligibility requirements (Egger et al., 2024). In some cantons, users pay only nominal contributions, while others impose full-cost recovery for certain services.

Many community transport services operate under hybrid funding schemes that combine partial user fares with government or charitable subsidies. In the United Kingdom, flexible transport services often rely on means-tested co-payments alongside local authority funding and grants. Fare structures vary widely by distance travelled, frequency of use, or user eligibility criteria such as age or disability (Mulley & Nelson, 2014). Some community minibuses operating under special permits accept national concessionary bus passes, allowing eligible older adults and people with disabilities to ride free while operators are

reimbursed by local councils. Other schemes use low-cost annual membership fees (e.g., £0–£60 per year) to cover basic administrative costs, offering unlimited access to services for qualifying users. Rural English contexts may see voluntary donations or flat-rate charges designed to simplify access while maintaining affordability. In the Netherlands, users typically pay a modest per-kilometre fee capped at a low maximum, with municipalities subsidising the balance; eligibility is tied to mobility needs rather than income (Ravensbergen & Schwanen, 2023). In Australia, the shift from state-administered models to individualised funding under the Commonwealth Home Support Programme (CHSP) and National Disability Insurance Scheme (NDIS) has increased pricing complexity. While providers must align fees with unit price ranges and co-payment guidelines set by funding bodies (Australian Government, 2024; IHACPA & EY, 2024), they are also expected to waive or adjust fees for participants unable to pay, in accordance with principles of equity. Many providers adopt suggested donations or nominal per-trip contributions—often just a few dollars—to minimise barriers to access while still encouraging user buy-in (ACTA, 2021).

3.2.2 Government roles and levels of support

In several countries, community transport funding and administration are predominantly the responsibility of local or regional governments. In the United Kingdom, local councils play a central role in planning, funding, and contracting community transport services, often in partnership with the voluntary sector (Butcher, 2015). National programs, such as the Bus Service Operators Grant or concession fare reimbursements, may offer supplementary support, but service design and delivery remain localised. As mentioned previously, Switzerland follows a similar model, with each of the 26 cantons determining service coverage, eligibility, and co-funding arrangements (Egger et al., 2024). Federal disability insurance may subsidise certain medically related trips, but broader service access and fare policies vary substantially by region. In Japan, community transport initiatives such as "Fureai Kippu" and volunteer-based minibuses are typically funded and coordinated by municipal governments, often in collaboration with cooperatives or local welfare organisations. These services are highly responsive to local demographic and geographic conditions, with pricing and funding arrangements tailored to the needs of ageing populations in rural and suburban areas.

Other countries adopt hybrid models in which national or federal governments provide substantial funding or mandate service provision, while local agencies retain responsibility for implementation. In the United States, programs such as Medicaid’s Non-Emergency Medical Transport (NEMT) and the Federal Transit Administration’s Section 5310 grants channel federal resources into community and paratransit services (NADTC, n.d.). The Americans with Disabilities Act (ADA) imposes nationwide service obligations, but state and local agencies determine how services are contracted, delivered, and priced, often supplementing federal support with local programs like taxi voucher schemes (Gupta et al., 2010). The Netherlands also combines national policy direction with municipal-level delivery. At the local level, under the Social Support Act (Wet Maatschappelijke Ondersteuning, WMO), municipalities are responsible for ensuring transport for residents who cannot use ordinary public transit. Many regions operate a Regiotaxi service – a shared door-to-door taxi/shuttle that serves both the general public and WMO-eligible users. Municipalities collaboratively fund Regiotaxi operations, effectively as a public service to fill mobility gaps. For longer-distance travel, the Dutch national government provides an additional layer of support via the Valys program, a door-to-door transport scheme for people with disabilities or mobility limitations who need to travel *between* regions. In Australia, community transport was historically managed at the state level, but national schemes like the Commonwealth Home Support Programme (CHSP) and National Disability Insurance Scheme (NDIS) now provide much of the funding. However, state and local governments still influence service

provision through planning frameworks, co-investment, and integration with regional mobility strategies.

3.2.3 Funding structures: Block grants vs per-trip subsidies

Governments around the world use a range of mechanisms to fund community transport services, reflecting differing priorities around access, efficiency, and accountability. Some jurisdictions prioritise provider certainty and equity of access by offering block funding to service operators. Others focus on linking funding directly to usage through per-trip or per-kilometre subsidies, which scale with demand and support monitoring. A third group adopts hybrid models that combine base operational funding with targeted top-ups. These approaches are often shaped by broader policy objectives, such as supporting ageing in place, reducing social isolation, or ensuring equitable access to healthcare and employment, and vary by country, region, and service type.

Block funding is a common approach in Australia, the UK, Japan, and parts of the US and Europe. In Australia, programs such as the Commonwealth Home Support Programme (CHSP) and state-level Community Transport Programs provide upfront grants to operators, typically based on expected service volumes. Similarly, local authorities in the UK allocate grants or contracts to nonprofit community transport providers, occasionally supplemented by central government grants or fuel tax rebates (e.g. the Bus Service Operators Grant). Japanese municipalities fund community buses through annual budgets, often covering over 70% of costs due to very low farebox recovery. While block grants give providers flexibility, they often do not adjust for trip distance or cost, resulting in shortfalls for long or sparsely patronised journeys.

Per-trip funding models are used to varying degrees across jurisdictions. In the US, Medicaid's Non-Emergency Medical Transport (NEMT) program reimburses providers per eligible ride, with amounts determined by state contracts and trip characteristics. The Netherlands uses a similar approach through its Valys scheme, offering annual kilometre allowances to eligible users for long-distance travel, with co-payments calibrated to distance and user profile. In Switzerland, different government bodies or insurance schemes fund individual trips depending on purpose (e.g. medical vs. social), creating a form of per-trip subsidy that varies by trip type. These systems allow funding to scale with actual usage and align closely with policy goals, but often involve higher administrative complexity.

An illustrative example of a hybrid funding model comes from New South Wales, Australia, where the University of Wollongong's Health Services Research Institute developed a "Funding Model Proof of Concept" for community transport (Kobel et al., 2022). The proposed model combined two distinct funding streams: a fixed component based on organisational characteristics (e.g., size, regionality, and core operational needs) and a variable component linked to service delivery metrics such as trip types and participant profiles. The fixed stream was intended to provide financial stability, especially for providers operating in remote or high-need areas, by covering essential overheads and recognising structural cost differences. The variable stream, by contrast, introduced performance-based elements, allocating resources in proportion to service complexity, distance travelled, or participant needs. This dual approach was inspired by blended funding models in the health and aged care sectors, such as Australia's National Hospital and Aged Care Classification systems, which aim to balance equity, efficiency, and transparency. While developed in the context of NSW and broader aged care reforms, the model offers a compelling template for international efforts to align community transport funding with both structural needs and service responsiveness.

Across all systems, subsidy levels are frequently calibrated by user and context. People with higher levels of mobility impairment or lower incomes typically receive deeper subsidies or lower fares. Some systems vary support by trip purpose. For example, Switzerland provides more consistent funding for medical and work-related trips than for leisure. Others, like the Netherlands' Valys or parts of Australia's NDIS transport support, adjust by trip distance or region. These variations reflect an underlying consensus: that community transport is a vital public good, but must be tailored to match individual needs and systemic constraints.

3.2.4 Summary

Community transport pricing models are evolving from purely low-charge, volunteer-supplemented approaches towards more formalized funding formulas that aim to balance affordability, equity, and sustainability. The NCPTM Pilot reflects a search for a model that can keep services financially afloat without sacrificing the social mission of community transport. Internationally, examples like the UK's concessionary fare integration and membership models provide alternative ways to structure pricing. Any pricing model in this sector must grapple with a core tension highlighted in the literature: how to value the true cost of providing high-quality, personalized transport for those in need, while keeping it accessible to all who need it (Delbosc & Currie, 2011c; Nelson & Mulley, 2013). The next section situates these issues within broader funding models in aged and disability care, to draw out lessons and parallels

3.3 Broader funding models in aged and disability care

Funding models in aged and disability care sectors offer useful points of comparison for community transport services, especially in terms of balancing user choice, equity, and financial sustainability. These sectors have seen a shift away from block grants to more individualised funding approaches, often justified by the goals of empowering consumers, tailoring services, and improving provider accountability. However, this shift also raises administrative burdens and introduces pricing complexities, particularly for smaller, community-based providers.

In Australia, the National Disability Insurance Scheme (NDIS) and the Commonwealth Home Support Programme (CHSP) represent two dominant models of individualised support. Under the NDIS, eligible individuals receive personal budgets that can be allocated to a variety of supports, including transport. Pricing is regulated through an annually reviewed price guide, which specifies maximum billable rates for different services and participant contexts (NDIS, 2024). CHSP, in contrast, retains a block-funded structure for providers, but encourages user contributions through the Client Contribution Framework, which outlines principles for setting and waiving fees. Providers are expected to ensure affordability and transparency while maintaining some flexibility in applying means-tested charges.

Internationally, a variety of funding structures are in use. In the United Kingdom, much of aged care funding remains the responsibility of local authorities, who assess needs and allocate service budgets accordingly. There is an increasing move toward personal budgets and direct payments for eligible individuals, though uptake and implementation vary regionally. In Japan, aged care is funded primarily through long-term care insurance, a national program co-funded by premiums from those aged over 40 and general taxation. Services, including transport, are priced according to national fee schedules, with users typically contributing 10-30% of costs depending on income level (Tamiya et al., 2014). This model prioritises universality and standardisation while retaining user co-payments to encourage cost consciousness.

In some countries, aged care services are embedded within broader social care ecosystems, where transport, home care, and health support are coordinated under shared governance. For example, in Sweden and the Netherlands, municipalities are responsible for integrating service delivery across care domains. Funding is primarily public, but some services charge user fees based on household income, care intensity, or a flat rate cap. These systems tend to favour public administration and central oversight, supported by progressive taxation, and often embed community transport within the logic of health and welfare, rather than standalone transport policy.

While the aged and disability care sectors differ in their service types and user needs, they share with community transport the core challenge of reconciling user affordability with provider sustainability. Across jurisdictions, there is a growing recognition that individualised funding mechanisms must be balanced with safeguards for access and equity, especially for low-income or high-needs populations. In that regard, the transport sector may benefit from observing not just pricing strategies, but also institutional supports and payment infrastructures that enable flexible but fair service provision.

3.4 Implications for policy and practice

The literature and evidence reviewed above have several implications for policy and practice regarding community transport pricing models. They also shed light on how the proposed NCTPM Pilot aligns with or diverges from current thinking in research and policy. Overall, the findings point to a need for integrated, equitable, and sustainable funding strategies that recognize community transport's unique dual role as both transport infrastructure and care infrastructure (Ravensbergen and Schwanen, 2024).

A clear message from both academic and grey literature is that chronic underfunding of community transport is undermining its sustainability (Ravensbergen and Schwanen, 2023). The flat-rate subsidy model under CHSP, while administratively simple, left many providers unable to cover costs, especially when serving rural areas or participants with higher needs. This misalignment has effectively relied on volunteerism and goodwill to fill the gap, an unsustainable situation as demand grows. The proposed NCTPM directly addresses this by basing payments on observable cost drivers, which literature suggests is a more rational approach (funding follows the service effort required). In doing so, the NCTPM is consistent with the Productivity Commission's broader push for transparent pricing in care services (PC, 2011) and IHACPA's data-driven cost benchmarks. By raising the average subsidy per trip closer to the actual average cost (from $35 to around $65–$70), the model would substantially improve financial viability across the sector. This aligns with Ravensbergen and Schwanen's (2023) call to "re-valorize" community transport, effectively valuing the service at its true worth, rather than perpetuating its undervaluation. The literature therefore supports the direction of the NVPF: it reflects a realistic accounting of what quality community transport entails (e.g. longer loading times, assisted transport, travel in remote regions) and funds it accordingly. A potential divergence, however, is that while the model improves funding adequacy on average, it may still not perfectly fit every provider. Policy will need to incorporate flexibility for exceptional cases (such as isolated communities with extremely low trip volumes or entirely volunteer-dependent models). In essence, a formula can cover the majority fairly, but a safety net for the "edge cases" is prudent - an idea echoed in studies of human services markets (PC, 2017).

Equity is a twofold concern: equity across providers (which the NCTPM tackles by adjusting for different cost factors) and equity for service users. The literature on social inclusion emphasizes that community transport must remain affordable and accessible to those most in need, many of whom have limited incomes. There is alignment here between the

proposed model and policy frameworks: the CHSP Client Contribution Framework and PC (2011) principles both stress that fees should not be a barrier for the poor (IPPG, 2022). The NCTPM does not directly set user fares (that remains at providers' discretion or future policy), but by securing greater government subsidy per trip it implicitly reduces pressure to raise participant fees. In practice, if providers are reimbursed more adequately by government, they should be able to maintain low out-of-pocket charges for riders. This would uphold the social equity mission of community transport. A point of divergence to watch is if moving to a new funding model inadvertently encourages a more commercial mindset – for instance, could providers start differentiating service levels or charging extra for certain assistance? The literature (e.g. Nelson & Wright, 2018) cautions that introducing market mechanisms into community transport should be done carefully to not erode the access and trust that have been built. Policy guidelines will likely need to cap or standardize participant contributions if individual budgets come into play, to ensure consistency. Notably, the Productivity Commission (2011) recommended a unified co-contribution regime with fees based on ability to pay. In aged care reforms, this led to regulated fee caps for home care. For community transport, a similar approach could be to define a schedule of recommended participant fees (as the Department started to do with "reasonable contributions" ranges). Aligning the proposed pricing model with such a schedule will be important – effectively, government paying more per trip, but expecting providers to collect modest, means-tested fares where possible. The equity outcome should be that everyone who needs a community ride can get one, regardless of income, with subsidies filling the gap; the literature strongly supports this norm (e.g. Stanley et al., 2011).

A repeated theme in the policy literature (e.g. IPPG, 2022) is that community transport should not be seen as a silo or a "band-aid," but rather as an integral part of transport networks and care delivery. The policy implication is that pricing and funding models for community transport need to coordinate with other systems, such as public transport, health services, NDIS, etc. The proposed model, by focusing on CHSP-funded trips, aligns well with aged care funding reform, but there is a question of how it intersects with NDIS and mainstream transport funding. One implication is the opportunity for harmonization: if the NVPF proves successful, perhaps a similar approach could be adopted by NDIS for disability transport supports, ensuring younger people with disabilities receive equivalent access. Currently, as noted, NDIS transport funding is inconsistent and often inadequate . Aligning NDIS transport subsidies with a needs-based formula (e.g. considering distance and assistance level) would mirror the community transport model and could improve outcomes for participants (PC, 2017). Another integrative step is including community transport in broader transport planning. IPPG (2022) highlight that a growing share of transport customers have complex mobility needs, and planning should embed community transport from the start rather than treating it as a separate, last-resort option. In practice, this could mean joint funding initiatives between transport departments and social service agencies, or operational integration like including community transport in journey planning apps and regional transit schedules. For example, digital platforms (Mobility as a Service applications) could incorporate community transport options for those eligible, making these services more visible and easier to book. The literature points to technological and partnership opportunities, noting that better data integration and open data can allow matching of users to appropriate services, and partnerships can help share resources (like co-locating community transport with health shuttles or coordinating volunteer driver programs across agencies) (IPPG, 2022). Policy that fosters such collaboration, perhaps through pilot programs, innovation grants, or data-sharing agreements, will enhance the effectiveness of any new pricing model. In short, *alignment with the broader system* is crucial: the NCTPM's success will be greater if it is accompanied by initiatives to integrate community transport into mainstream transport strategy (as an equal partner addressing

mobility needs) and into the continuum of aged and disability care supports (with smooth participant transitions between programs).

One somewhat intangible but critical implication drawn from the literature is the need to support the volunteer base and community ethos that underpin community transport. Pricing reforms and increased funding are necessary for sustainability, but they should not come at the cost of what Ravensbergen and Schwanen (2024) call the *"care-driven" nature* of these services. Volunteers provide not just economic value (labour) but also social value - companionship, local knowledge, empathy - which is at the heart of why community transport is effective for those who use it. Policy-makers should thus consider complementary measures such as volunteer recruitment and retention programs, training and recognition for drivers, and possibly stipends or reimbursements to ease volunteers' burden. The ethics of care framework from the literature suggests community transport thrives when it is empowered to be flexible, personal, and rooted in community responsibility (Ravensbergen and Schwanen, 2024). Over-bureaucratizing the service or imposing overly rigid pricing structures could inadvertently weaken this. The proposed model seems to respect this by not dictating how services are delivered, only funding them more adequately. In fact, by alleviating financial stress, it could free providers to focus more on service quality and innovation (rather than constant fundraising or cost-cutting). Still, policy should ensure that in implementing a national formula, the local autonomy of providers is preserved – they should have the ability to allocate resources in ways that best meet their community's needs (for example, deciding to run an extra social outing even if not the most cost-efficient, because it yields social benefit). This ties into the idea of *phronesis* noted by Ravensbergen and Schwanen (2024): frontline providers often know what is best for their users, and funding models should enable rather than constrain that wisdom. A related practice implication is measuring the right outcomes. Beyond cost and trip counts, evaluations should capture social outcomes (reduced isolation, improved well-being, delayed entry into higher care). If the value of these outcomes is recognized, it could justify multi-source funding (e.g. health budgets contributing), and it would ensure the pricing model does not inadvertently prioritize throughput over personal touch. Developing outcome metrics in tandem with the pricing reform could help maintain focus on community transport's ultimate goals.

Finally, the literature urges a forward-looking view: with an ageing population and increasing prevalence of disability, demand for community transport is expected to grow significantly (Nelson et al., 2019; Currie & Delbosc, 2010). A pricing model like the NCTPM can put the sector on firmer financial footing, but long-term sustainability will also require scalable funding commitments from government. The Pilot findings that an average $68 subsidy is needed per trip, roughly double the old rate, implies substantial additional funding will be needed if all trips are funded at this level. Policymakers must grapple with this budgetary impact. However, framing community transport funding as an investment that yields savings elsewhere (as operators argue, in health and aged care costs) could strengthen the case. The alignment between literature and the proposed model is evident here: both emphasize that community transport is not just a cost center, but a value generator – it keeps people active, healthy, and engaged, which likely offsets more expensive acute care. Therefore, a divergent view that sometimes arises, that such transport is a peripheral service and a target for cuts. is increasingly seen as short-sighted. Instead, the trend in policy (supported by evidence) is to incorporate community transport in strategic transport plans (e.g. NSW's Future Transport strategy references accessible and on-demand services for inclusion) and to protect its funding even as systems are overhauled. The Productivity Commission's various reports (PC, 2003, 2011, 2017, 2022) have consistently noted that addressing transport disadvantage is part of creating an inclusive society and that government intervention is justified when markets alone won't cater to equity. The proposed pricing model is a form of such intervention - a calibrated subsidy scheme to correct a market failure

(the inability of vulnerable individuals to secure needed mobility through ordinary market means). As practice, once implemented, it will be important to periodically review and index the pricing formula (to wage inflation, fuel costs, etc.) so that gains in cost coverage are not eroded over time. This aligns with IHACPA's role in annually assessing costs. Additionally, continuous improvement through pilots and research-practice partnerships can keep the model responsive to changing needs (for example, if autonomous vehicles or new tech alter cost structures in the future, pricing can adapt).

In conclusion, the convergence of academic and grey literature underscores the need to modernise community transport funding in ways that reflect both the unique cost structures and the dual role of these services as mobility and care infrastructure. Across jurisdictions, successful models strike a balance between affordability for users and sustainability for providers through a blend of government subsidies, user contributions, and differentiated pricing mechanisms. The evidence supports a move away from one-size-fits-all funding toward more flexible and equitable approaches that recognise variation in participant needs, trip characteristics, and service contexts. These insights directly inform the rationale for piloting the National Community Transport Pricing Model (NCTPM). By testing a variable pricing framework that reflects underlying cost drivers and prioritises fairness, the pilot seeks to operationalise the principles identified in this review, i.e. aligning funding with service realities while safeguarding access and local responsiveness. The next set of chapters outline the design and implementation of the NCTPM Pilot, translating these ideas into a real-world application.

4 METHODOLOGY

This chapter outlines the methodological framework used to design, implement, and evaluate the National Community Transport Pricing Model (NCTPM) Pilot. The evaluation focuses on understanding the true cost of delivering CHSP-funded community transport services and assessing whether a variable pricing model can improve financial sustainability, fairness, and transparency across the sector.

4.1 Selection of participating operators

Thirty-one operators took part in the NCTPM Pilot, selected to reflect the diversity of service delivery models, geographic settings, and participant profiles found across the CHSP community transport sector. **Table 1** and **Table 2** summarise the sample across different operating characteristics. The sample includes a mix of large metropolitan operators delivering over 100,000 trips per year, and smaller rural or remote operators delivering fewer than 2,000 trips. The number of CHSP-funded trips served in FY2022–23 ranged from 664 to over 140,000, illustrating the wide variation in scale and capacity across the sector.

The sample offers good geographic representation, with 12 operators (approximately 40%) serving rural or remote areas (Modified Monash Model levels 5–7). These operators typically report higher average quoted trip distances, often exceeding 50 km per trip, compared to their metropolitan and regional counterparts, where trips are often under 15 km. This inclusion of remote and high-cost operators is critical for testing the feasibility of a pricing model that accounts for geographic variation in service delivery costs.

In terms of participant characteristics, the sample reflects substantial diversity across different support needs. While the majority of participants across the sector are older women, several operators serve populations with high proportions of culturally and linguistically diverse (CALD) participants (e.g., over 90% for some providers), Aboriginal and Torres Strait Islander participants (up to 79%), and participants with complex physical or psychological support needs. The proportion of participants under the age of 75 also varies widely, ranging from below 10% to over 80%, suggesting differences in participant independence and support intensity. Such variation allows for a nuanced understanding of how participant needs affect operational cost structures.

While the sample is broadly representative, there are a few limitations. A small number of operators serving highly specialised participant groups (e.g., those with 100% psychological support needs) may not reflect typical sector dynamics. Conversely, there is limited representation from operators who deliver primarily low-volume, high-intensity trips in remote and very remote areas. These limitations are acknowledged in the interpretation of findings and are partially addressed through our modelling in later chapters.

It is also worth noting that two additional operators, both servicing primarily Indigenous participants in remote and very remote areas, initially participated in the Pilot but were forced to withdraw midway due to financial insolvency under current CHSP funding arrangements. Their experience underscores both the urgent need for pricing reform more generally, and the particular challenges faced by operators serving highly remote communities—challenges that future revisions to the National Variable Pricing Formula (NVPF) must seek to capture more fully.

Table 2: Summary of operating characteristics across participating operators

#	Number of CHSP trips served in FY22-23	Average quoted CHSP trip distance (km)	Proportion of CHSP trips (%)								
			In regional or remote areas (MMM levels 5-7)	Female	Language spoken at home is not English	Indigenous	Physical support needs	Psychological support needs	Below 75 years	Above 90 years	High-needs[1]
1	664	41.6	21%	42%	0%	0%	0%	0%	22%	6%	0%
2	714	128.9	76%	81%	0%	0%	100%	0%	29%	10%	100%
3	1,545	67.3	93%	63%	0%	1%	1%	0%	40%	2%	1%
4	2,300	13.9	10%	35%	11%	5%	0%	100%	16%	1%	16%
5	3,775	5.5	100%	40%	38%	79%	1%	0%	75%	11%	75%
6	6,149	8.7	0%	72%	66%	0%	94%	0%	5%	18%	100%
7	7,758	12.3	0%	65%	2%	4%	22%	0%	17%	14%	23%
8	8,753	52.7	98%	65%	0%	5%	0%	0%	25%	1%	0%
9	9,586	8	4%	81%	7%	0%	0%	0%	13%	20%	7%
10	9,775	46.9	99%	68%	0%	7%	0%	0%	64%	0%	0%
11	11,972	121.4	96%	66%	0%	5%	2%	1%	34%	6%	3%
12	12,505	12.3	0%	72%	90%	0%	95%	0%	9%	24%	99%
13	12,675	5.4	0%	54%	25%	0%	17%	0%	29%	0%	42%
14	12,846	56.1	97%	77%	0%	4%	2%	0%	23%	2%	2%
15	13,443	8.4	0%	75%	56%	0%	0%	0%	19%	7%	56%
16	13,691	9	0%	45%	5%	0%	0%	0%	12%	15%	5%

[1] High-needs participants include those with physical, psychological or language support needs

Table 3: Summary of operating characteristics across participating operators (contd.)

#	Number of CHSP trips served in FY22-23	Average quoted CHSP trip distance (km)	Proportion of CHSP trips (%)								
			In regional or remote areas (MMM levels 5-7)	Female	Language spoken at home is not English	Indigenous	Physical support needs	Psychological support needs	Below 75 years	Above 90 years	High-needs[1]
17	15,369	9.4	2%	74%	9%	0%	19%	14%	20%	11%	20%
18	18,828	13.3	5%	69%	3%	3%	1%	0%	23%	12%	4%
19	19,774	5.3	0%	80%	93%	0%	3%	0%	11%	11%	97%
20	20,287	13.3	27%	72%	10%	2%	4%	0%	21%	13%	11%
21	40,264	35.4	25%	70%	5%	1%	1%	0%	25%	13%	5%
22	41,014	33.4	19%	72%	12%	2%	5%	0%	27%	10%	16%
23	42,300	14.2	0%	73%	2%	0%	64%	0%	17%	18%	65%
24	49,356	11.5	0%	75%	29%	1%	0%	0%	19%	13%	29%
25	53,635	14.6	0%	77%	6%	0%	3%	0%	29%	12%	8%
26	54,411	19.8	2%	78%	25%	1%	6%	2%	26%	8%	32%
27	59,831	34.8	78%	73%	0%	2%	0%	0%	22%	9%	1%
28	74,046	18.8	1%	81%	11%	3%	1%	0%	26%	8%	12%
29	96,942	30.6	37%	68%	1%	4%	4%	0%	28%	9%	5%
30	106,100	13.1	4%	83%	2%	1%	53%	0%	10%	15%	54%
31	142,940	4.6	1%	76%	31%	44%	52%	0%	87%	0%	84%

[1] High-needs participants include those with physical, psychological or language support needs

4.2 General framework of assessment

At the core of the NCTPM Pilot is an empirical assessment of how unit trip costs vary across operators and service contexts. This assessment is guided by six overarching questions:

- What does it cost to deliver a CHSP-funded CT trip under different service conditions?
- How do these costs vary across different participant support needs?
- Can a pricing formula be designed to reflect these cost variations accurately and transparently?
- Will such a formula improve financial sustainability for most operators without placing an unreasonable burden on government?
- Can future policy settings support dynamic adjustments to maintain fairness and sustainability over time?
- Can the pricing formula be implemented in a way that is simple, transparent, and low in administrative burden—using readily verifiable inputs and minimising additional reporting requirements?

To answer these questions, we use a combination of quantitative and qualitative methods. The evaluation follows an iterative approach, in which pricing formula parameters are adjusted over time based on new evidence from operators and stakeholders.

As part of the pilot's design phase, we worked closely with participating operators and government stakeholders to develop a comprehensive evaluation framework to guide data collection, analysis, and policy interpretation. This framework identified different core research domains—including distance and geography, participant needs, labour and capital inputs, and implementation—and assessed their relationship to different policy parameters. Each domain was further broken down into targeted research questions designed to evaluate how a variable pricing model could affect cost efficiency, equity, transparency, and long-term viability across the sector.

While the full framework included a detailed formula of aims, inputs, outcome indicators, and evaluation questions, not all elements were used as formal reporting tools. Rather, the framework served as a planning tool to ensure the evaluation design was rigorous, well-scoped, and aligned with the needs of both government and sector stakeholders. It also helped shape the structure and content of the data collection instruments and ensured that both quantitative and qualitative evidence could be systematically incorporated into the final assessment.

4.3 Data collection streams

We collected three streams of data from the 31 CT operators participating in the Pilot:

1. **Operator-level information from CEOs/CFOs**

   We designed an online survey to collect high-level financial and operational information from each participating CT operator relating to the costs of providing CHSP-funded CT services over FY22-23. In particular, the survey requests each

operator to report costs relating to capital (e.g. vehicle ownership and maintenance), labour (e.g. employee and volunteer costs) and overheads (e.g. office and depot rental, staff training), as shown in **Figure 3**.

To examine the impacts of inflation on cost structures, we repeated this data collection for FY23-24 for a subset of 10 operators.

2. **Trip-level information from back-end IT system**

For each CHSP-funded trip provided by a participating CT operator, we collected detailed information about the trip (please see **Table 1** and **Table 2** for a full list of all the variables that will be recorded for each trip). Data collection commenced in July 2024, and concluded in Dec 2024. The operator and trip-level data were used to estimate unit trip costs across different CT operators, examine how these costs vary across different service contexts, develop and adjust the new NCTPM pricing model parameters to minimise cost to operators, and assess impacts on financial sustainability and quality of service under different conditions.

Significant effort and resources were invested in ensuring the quality and completeness of the trip-level data. This included coordinating closely with Transport Management Systems (TMS) providers to enable the recording of required variables, onboarding operators into new or upgraded systems, training drivers and staff to accurately capture the necessary information, and producing monthly trip summary reports for each operator. These reports were vetted by the operators themselves to identify and correct any discrepancies, helping to ensure that the final dataset reflected operational realities as closely as possible.

3. **Qualitative information through interviews and workshops**

We conducted additional qualitative interviews with each participating CT operator to better understand their service context, operating costs and experiences with the NCTPM pilot. There were three rounds of interviews with each participating CT operator - before the commencement of the trial, at the midway point, and near the conclusion of the trial. The first round of interviews took place in May and June 2024, and were focused on understanding the service context unique to each operator, and their financial and operational challenges. The second round of interviews took place in January and February 2025, and sought primarily to elicit feedback on preliminary versions of the pricing formula. The final round took place in May 2025, and provided feedback to the operators on how they are likely to be impacted by the proposed pricing formula, and suggested potential areas for improvement in their operating model.

We also used monthly stakeholder workshops to present detailed evidence to participating operators relating to specific policy priority areas and to seek their feedback. Across the Pilot, we conducted two major in-person workshops, where most of the 31 participating operators were brought together in the same room for collective discussion and input, alongside eight additional online workshops. These included a series of workshops led by ACTA to assess sector readiness, pricing and policy arrangements, and the national rollout of the pricing model. The level of engagement was consistently very high, with operators providing extensive feedback, raising critical issues, and engaging in robust discussion.

Findings from the qualitative interviews and workshops provided valuable insights on how and why operating costs vary across different service contexts, and were used to inform adjustments to the NCTPM pricing model parameters, as necessary. This process of active stakeholder engagement was a key pillar of the Pilot, ensuring that operator perspectives were not only heard but directly informed the ongoing development and adjustment of the NCTPM pricing model parameters. It reflected our commitment to co-design principles and helped maintain strong sector buy-in for the Pilot's findings and recommendations.

Together, these three complementary data streams - operator-level cost data, trip-level operational data, and qualitative insights - form the empirical foundation of the NCTPM Pilot. They enable a detailed understanding of how community transport services are delivered and funded across diverse settings, and how costs vary with geography, participant needs, and service models. The integrated use of quantitative and qualitative evidence ensures that the proposed pricing formula is not only data-driven, but also grounded in the lived experience of operators. Crucially, this work was conducted within a co-design framework, with ongoing collaboration between researchers, peak bodies, and service providers. This approach strengthens both technical design and policy relevance of the NCTPM model and supports its practical implementation by ensuring that solutions are informed by both evidence and sector expertise.

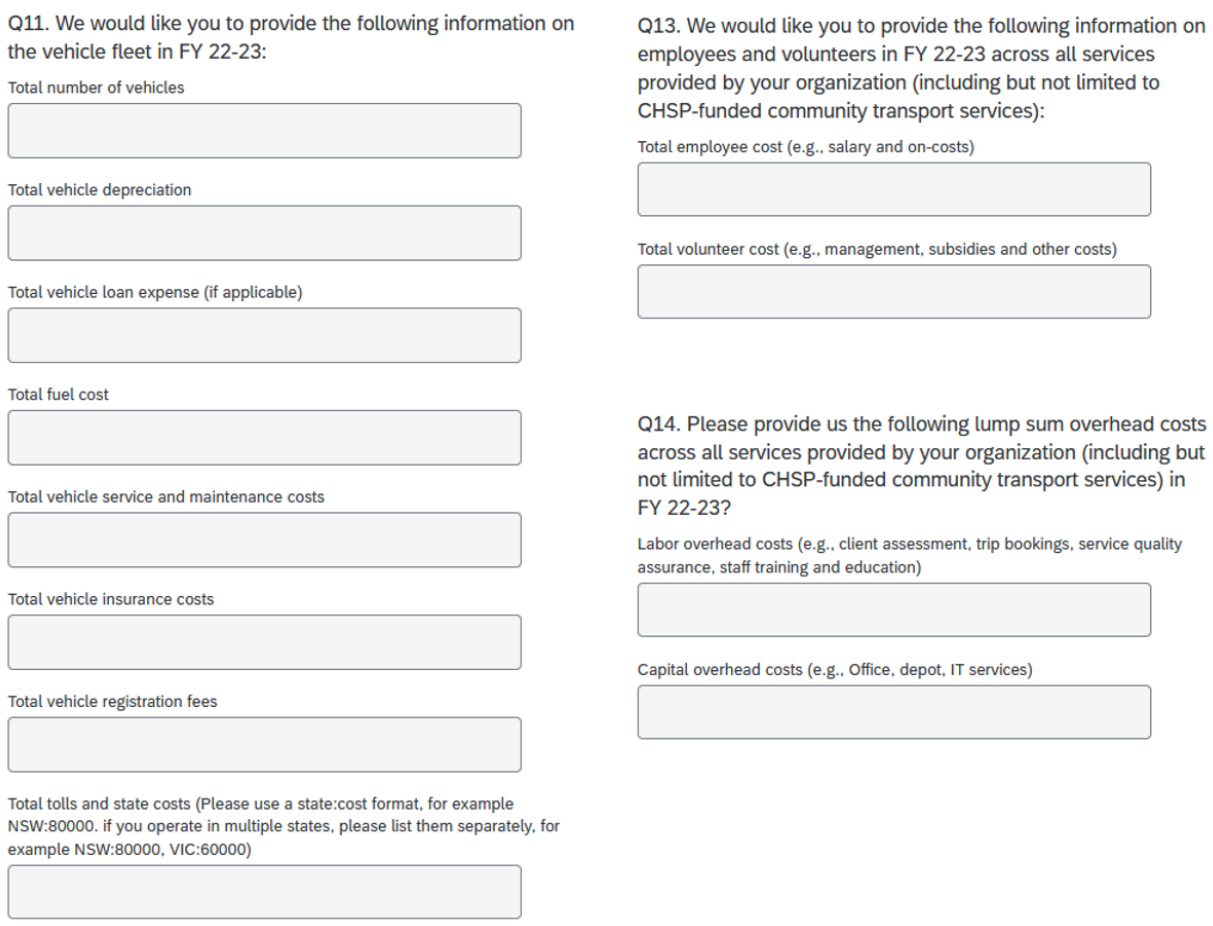


Figure 4: Screenshot of online survey questions requesting CT operators to report different cost components relating to the provision of CHSP-funded CT services

Table 4: Specification of detailed trip-level data to be extracted from ticketing systems

Data category	Item	Units	Description
Trip details	Trip origin postcode	postcode	Postcode where passenger was picked up
	Trip destination postcode	postcode	Postcode where passenger was dropped off
	Trip distance (Quoted)	kms	Distance between the trip start and end points, and is the distance measure used to calculate the price/subsidy
	Trip distance (Planned)	kms	This may differ from the quoted distance in cases where multiple trips are being served on the same run, and other passengers need to be picked up and/or dropped off
	Trip distance (Actual)	kms	This is the actual distance travelled on the day, which may differ from planned distance due to daily conditions
	Booking time	timestamp	Timestamp when the trip booking was made
	Trip start time	timestamp	Timestamp when the vehicle departs with the passenger from pick-up point
	Trip end time	timestamp	Timestamp when the passenger has been unloaded at drop-off point
	Trip time component (Empty run)	seconds	Time spent driving from depot to pick-up point, and/or driving back to depot after drop-off, or the waiting time between the drop-off and the pick-up of the next trip
	Trip time component (Loading time)	seconds	Time spent loading the passenger at pick-up point (the recorded value)
	Trip time component (Trip time)	seconds	Time spent driving from pick-up point to drop-off point
	Trip time component (Unloading time)	seconds	Time spent unloading the passenger at drop-off point (the recorded value)
	Funding source		1 = CHSP 2 = NDIS 3 = Other
	Service delivery		1 = Self 2 = Taxi 3 = Brokerage 4 = Other

Table 5: Specification of detailed trip-level data to be extracted from ticketing systems (contd)

Data category	Item	Description
Vehicle details	Vehicle ID	The unique vehicle ID within the organization
	Ownership	1 - Owned/leased by operator 2 - Owned/leased by volunteer/employee 3 - Other
Passenger details	Language spoken at home	1 - English 2 - Other
	Indigeneity	1 = Aboriginal 2 = Torres Strait Islander 3 = Both 4 = Neither
	Age	1 = 0-18 years 2 = 19-24 years 3 = 25-29 years 4 = 30-34 years 5 = 35-39 years 6 = 40-44 years 7 = 45-49 years 8 = 50-54 years 9 = 55-59 years 10 = 60-64 years 11 = 65-69 years 12 = 70-74 years 13 = 75-79 years 14 = 80-84 years 15 = 85-89 years 16 = 90 years or older
	Gender	1 = Male 2 = Female 3 = Other
	Disability type	1 = Sensory and speech (e.g. loss of sight, difficulty with hearing and/or speech) 2 = Intellectual (difficulty learning or understanding things) 3 = Physical restriction (pain, discomfort, disfigurement or deformity that restricts everyday activities) 4 = Psychosocial (nervous, emotional, mental or behavioural condition that restricts everyday activities) 5 = Head injury, stroke or acquired brain injury (ABI), 6 = Other
Driver details	Driver ID	The unique driver ID within the organization
	Volunteer status	1 = Volunteer 2 = Paid worker 3 = Other

5 DESCRIPTIVE ANALYSIS OF QUANTITATIVE DATA

This chapter provides a descriptive analysis of the quantitative data, including both the operator-level information collected by the CEO/CFO survey and the trip-level data collected through the back-end Transport Management Systems (TMS).

Section 5.1 describes how the CEO/CFO survey data is processed to infer costs associated with the provision of CHSP-funded CT services. Section 5.2 summarises unit trip cost across the CT operators in our sample, and their constituent components in terms of labour, capital and overheads. Finally, Section 5.3 undertakes a correlational analysis to examine how these unit costs vary as a function of the service context, where the latter is characterized using trip-level data collected through the back-end IT systems.

5.1 Data analysis methodology

For each operator, we wish to estimate total unit trip costs, and we wish to break down these costs further in terms of costs associated with capital, labour and overheads.

The information collected from each CT operator is organised in terms of the fields shown in **Table 1**. The table also summarises the mean, median and range of values across operators in our sample across each field.

Note that most participating operators offer services other than CHSP-funded community transport services. For our purposes, we are only interested in understanding the costs of providing CHSP-funded community transport services.

We estimate these costs following the rules enumerated in **Table 2**. For example, the proportion of total employee costs allocated to CHSP-funded CT trips is equal to the proportion of employees in terms of FTE that worked on CHSP-funded CT trips:

$$\mathrm{empCost}_{\mathrm{CHSP}} = \left(\frac{\mathrm{empFTE}_{\mathrm{total}}}{\mathrm{empFTE}_{\mathrm{CHSP}}}\right)\mathrm{empCost}_{\mathrm{total}}$$

, where $empCost_{total}$ denotes employee-related costs for the total business, including the provision of CHSP-funded community transport services; $\mathrm{empCost}_{\mathrm{CHSP}}$ denotes employee-related costs associated exclusively with the provision of CHSP-funded community transport services; $\mathrm{empFTE}_{\mathrm{total}}$ denotes the number of employees in FTE that worked across the entire business; and $\mathrm{empFTE}_{\mathrm{CHSP}}$ denotes the number of employees in FTE that worked solely on the provision of CHSP-funded community transport services.

Similarly, the proportion of total capital overhead costs allocated to CHSP-funded CT trips is equal to the proportion of total revenue that was generated by CHSP-funded CT trips:

$$\mathrm{capOverhead}_{\mathrm{CHSP}} = \left(\frac{\mathrm{revenue}_{\mathrm{total}}}{\mathrm{revenue}_{\mathrm{CHSP}}}\right)\mathrm{capOverhead}_{\mathrm{total}}$$

, where $\mathrm{capOverhead}_{\mathrm{total}}$ denotes capital overhead costs for the full business; $\mathrm{capOverhead}_{\mathrm{CHSP}}$ denotes capital overhead costs associated exclusively with the provision of CHSP-funded community transport services; $\mathrm{revenue}_{\mathrm{total}}$ denotes the revenue from the entire business; and $\mathrm{revenue}_{\mathrm{CHSP}}$ denotes revenue from the provision of CHSP-funded community transport services.

Table 6: Summary of information received from CT operators

Information type	Information field	Mean	Median	Minimum	Maximum
Operational	Employee (FTE)	159.07	36.63	3.50	1,799
	Volunteer (FTE)	60.77	13.00	0	803
	CHSP employee (FTE)	14.61	8.36	0	57
	CHSP volunteer (FTE)	15.58	5.00	0	112
	Total trips	47,590	17,310	967	269,885
	Total trips (CHSP)	30,762	13,567	664	142,940
	Total trip distance	810,133	325,161	37,276	4,458,388
	Total trip distance (CHSP)	551,651	193,003	20,000	2,692,028
Fleet	Vehicles	32	16	4	274
	Total depreciation	130,643	79,338	0	634,738
	Total loan/lease expense	35,184	3,886	0	374,492
	Total fuel cost	129,752	56,353	7,880	747,825
	Total service and maintenance fees	87,380	24,341	0	756,139
	Total insurance costs	40,792	19,016	0	278,305
	Total registration fees	15,031	8,444	0	67,526
	Total tolls and state charges	5,825	0	0	53,231
	Total other costs	87,171	6,930	0	880,000
Financial	Total revenue	16,161,042	5,469,159	293,946	116,804,403
	Total revenue (CHSP)	1,688,366	651,534	62,026	6,666,104
	Total employee costs	11,038,796	2,644,656	39,270	91,026,629
	Total volunteer costs	120,689	22,601	0	2,067,229
	Total labour overhead	907,591	230,979	0	6,203,611
	Total capital overhead	815,539	278,034	0	7,179,000
	Total other overhead	170,996	10,099	0	1,904,610

Table 7: CHSP trip cost split rules

Cost item	**Rules**
Employee cost	Proportional to **employee FTE** or **trip numbers,** in the order of data availability
Volunteer cost	Proportional to **volunteer FTE** or **trip numbers,** in the order of data availability
Vehicle cost	Proportional to **trip distance** or **trip numbers** or **revenue**, in the order of data availability.
Labor overhead	Proportional to **total FTE** (including both employees and volunteers) or **trip numbers,** in the order of data availability
Capital overhead	Proportional to **revenue**
Other overhead	Proportional to **revenue**

5.2 Descriptive analysis of different cost components

This section provides findings based on analysis of the data collected from the 31 participating operators.

Table 3 and **Table 4** summarise unit trip costs across these 31 operators, and how they vary in terms of the constituent components. Most operators have total unit trip costs between $50 and $70, with some outliers above $250, caused potentially by high employee or vehicle costs. Most operators have employee-related unit trip costs between $27 and $45, and vehicle-related unit trip costs around $10 (e.g. fuel, insurance, registration, depreciation, etc.). The labour and capital overheads show more variation than employee and vehicle costs, given operational differences across operators in our sample.

Figure 2 reports the trip-number weighted average cost across all operators in our sample, and the breakdown of these costs across different input factors. On average, the total cost to provide a CHSP-funded CT trip is about $62. Labor costs account for about $38, followed by vehicle costs, labor overheads and capital overheads, accounting for $12, $4 and $6, respectively.

This distribution of costs—where labour significantly outweighs capital—is consistent with cost structures observed across transport services in other developed countries. In high-income contexts, wage rates tend to be the dominant driver of operating expenses, particularly in labour-intensive services like community transport where staff play both operational and support roles. By contrast, vehicle-related costs such as fuel, maintenance, and depreciation, while still important, typically represent a smaller share of total expenditure. This broader pattern reinforces the importance of focusing on labour-related cost dynamics when designing sustainable funding models for the sector.

Table 8: Summary of unit trip costs across different operators, and their constituent components

#	No. of CHSP CT trips	Unit trip costs ($)					
		Labour	Vehicle	Labour overheads	Capital overheads	Other overheads	Total
1	42,300	7.94	20.38	-	0.07	-	28.39
2	13,443	16.23	8.82	0.04	1.64	0.09	26.81
3	54,411	56.89	8.83	0.34	3.28	3.03	72.37
4	18,828	30.85	3.95	1.49	13.92	-	50.21
5	74,046	57.54	8.91	7.16	4.96	0.71	79.29
6	106,100	32.89	7.28	6.53	17.10	-	63.80
7	8,753	48.56	28.15	1.35	4.15	1.02	83.22
8	96,942	29.11	11.59	0.93	5.15	2.69	49.47
9	11,972	35.63	14.00	0.80	2.99	17.87	71.28
10	9,586	47.35	22.18	0.25	0.43	-	70.21
11	59,831	25.83	34.27	5.58	0.23	-	65.91
12	19,774	43.98	11.29	1.23	0.69	-	57.18
13	142,940	29.72	10.55	2.69	7.33	0.65	50.94
14	12,675	28.12	6.40	0.25	0.03	1.18	35.97
15	3,775	40.01	10.49	0.41	7.00	-	57.91

Table 9: Summary of unit trip costs across different operators, and their constituent components (contd.)

#	No. of CHSP CT trips	Unit trip costs ($)					
		Labour	Vehicle	Labour overheads	Capital overheads	Other overheads	Total
16	2,165	27.25	15.93	2.64	0.52	-	46.35
17	664	99.32	103.07	21.47	29.46	11.29	264.61
18	9,775	39.72	13.22	1.91	8.34	2.27	65.47
19	6,149	42.25	10.01	7.20	3.64	-	63.09
20	49,356	42.21	7.12	4.83	3.34	5.25	62.75
21	20,287	46.07	7.65	4.27	4.03	-	62.02
22	7,758	43.12	7.52	0.13	5.17	-	55.93
23	53,635	11.21	7.98	4.11	2.66	0.35	26.31
24	13,691	25.70	11.54	1.92	6.39	5.29	50.85
25	12,505	286.94	13.97	10.68	2.51	3.97	318.06
26	41,014	21.62	2.04	9.32	3.24	-	36.23
27	714	42.31	70.61	-	-	-	112.92
28	1,545	65.21	74.00	12.21	11.37	-	162.79
29	12,846	70.95	1.32	16.16	8.56	-	97.00
30	15,369	65.18	7.63	37.68	10.13	7.50	128.12
31	40,264	47.31	146.01	0.01	13.63	-	206.97

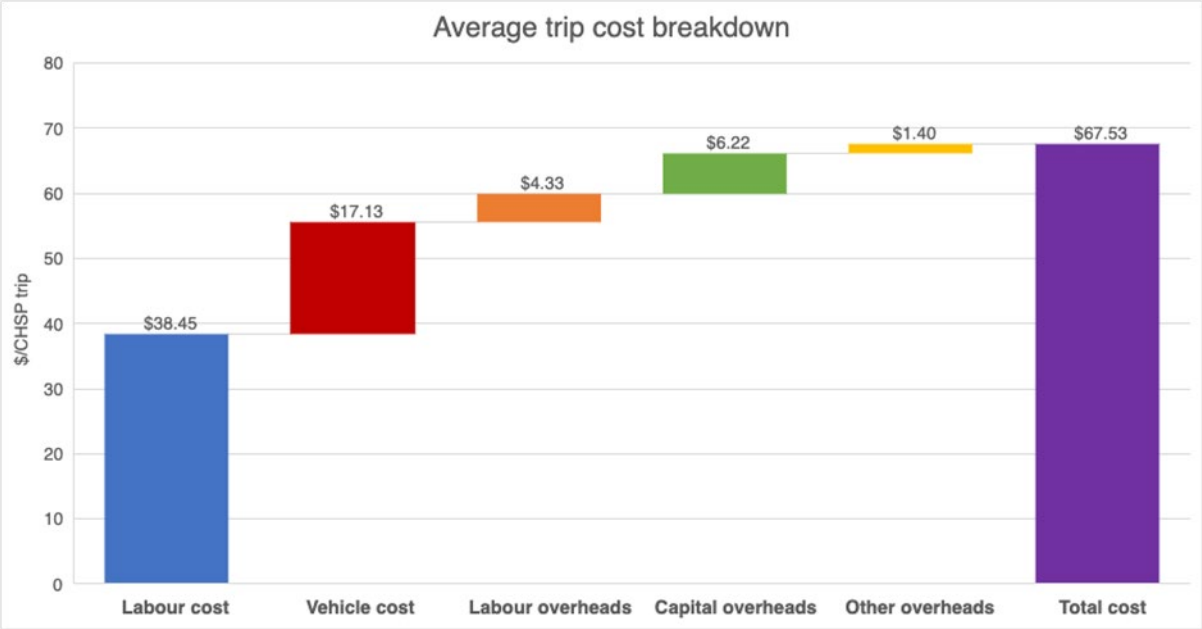


Figure 5: Average CHSP trip cost breakdown

5.3 Correlation analysis between costs and other operating characteristics

We use the detailed trip-level information to derive the following summary operational characteristics for each operator in our sample:

- Average quoted Distance
- The ratio of participants who needs physical support
- The ratio of participants who needs psychological support
- The ratio of female participants
- The ratio of non-English speaking participants
- The ratio of indigenous participants
- The ratio of participants with ages below 75 years
- The ratio of participants with ages above 90 years
- The ratio of remote trip

We examine how costs vary with each of these characteristics. In particular, we calculate the correlation coefficient between different unit trip cost measures on one hand (unit trip total costs, labour costs and capital costs), and each of the operating characteristics listed above. The results are summarised in **Figure 5**.

Correlation coefficients measure the strength and direction of the linear relationship between two variables. Values range from -1 to 1: a positive number (closer to 1) means they tend to increase or decrease together, a negative number (closer to -1) means one goes up while the other goes down, and a number near 0 means there's no clear pattern of relationship between them.

Please note that correlation coefficients only measure the strength and direction of a relationship between two variables, but don't account for the influence of other factors, known as confounding variables, that might influence both. For example, we find that unit trip costs are positively correlated with the ratio of participants with ages above 90 years. However, we also note that the correlation between the ratio of participants with ages above 90 years and the ratio of participants with a physical disability is very high (0.50), as is the correlation between trip costs and the ratio of participants with a physical disability (0.19), suggesting that the real cause for higher costs is physical disability, and not age per se. Because correlation doesn't imply causation, it's essential to interpret these coefficients carefully and consider whether other variables might be at play.

In terms of the pairwise relationship between operational features and per trip costs, we observe the following relationships:

- Longer average quoted trip distances, higher ratios of trips served in remote areas, and higher ratios of non-English speaking participants, participants with physical or psychological support needs, or participants above 90 years old, are all associated with higher unit trip costs.
- Higher ratios of participants that are female, indigenous or below 75 years old are associated with lower unit trip costs.

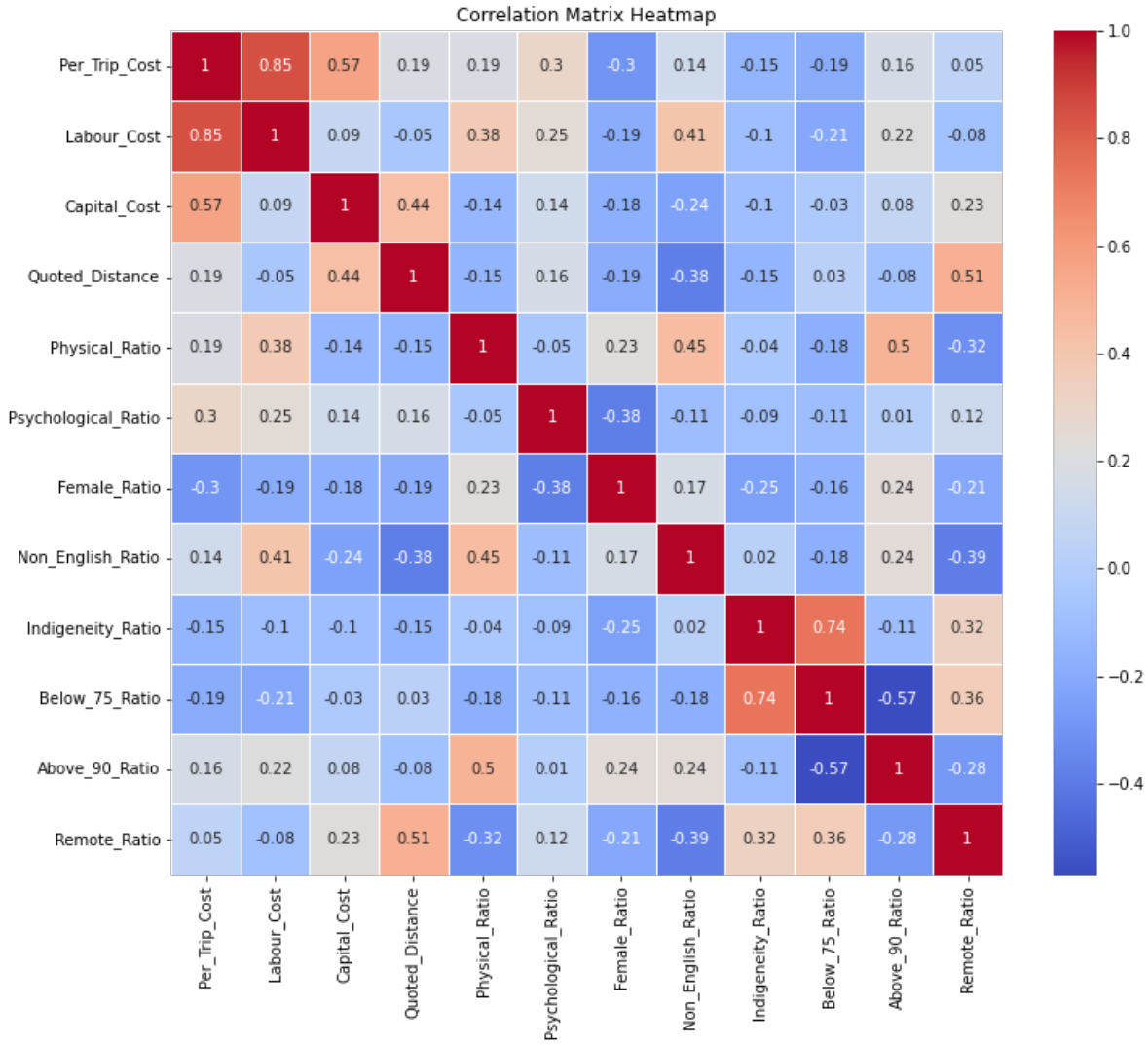


Figure 6: Pairwise correlations between different cost unit trip cost measures and different operating characteristics

Most pairwise relationships appear reasonable, but some relationships will require further investigation during the modelling process. For example, the correlation formula suggests that a higher ratio of Indigenous participants is associated with a lower per-trip cost. This is likely due to a strong positive correlation between the ratio of Indigenous participants and participants under 75 years old, as a higher ratio of participants under 75 is associated with lower per-trip costs.

This observation highlights that many operational features are strongly correlated with each other, either positively or negatively. For example, we observe that remote trip ratios are positively correlated with average trip distance, implying that trips served in remote areas tend to have higher average distances. Similarly, we observe that female participant ratios are negatively correlated with the ratio of participants requiring psychological support, implying that female participants on average require less psychological support.

Understanding the overlapping information among these operational features helps us focus on the most critical cost-driving factors, enabling the development of a simpler, more practical pricing formula. These insights have been incorporated into the subsequent pricing formula estimation process.

5.4 Summary and implications

This chapter has outlined the approach used to collect and analyse cost data from participating community transport operators. Drawing on detailed financial and operational data for FY2022–23, we estimated average per-trip costs across the sector and identified key cost components—particularly the dominant role of labour, followed by vehicle-related expenses and overheads. We also observed significant variation in cost structures across operators, driven by differences in service scale, geography, staffing models, and participant needs.

These findings provide a robust empirical foundation for the development of a distance- and needs-based pricing formula, introduced in the next chapter. By quantifying cost drivers at both the operator and trip levels, we are able to construct a subsidy model that better aligns with actual delivery costs, while remaining administratively feasible and transparent.

6 PRICING FORMULA ESTIMATION

This chapter uses the quantitative data collected to date to estimate how unit trip costs vary as a function of different operating characteristics. Section 6.1 describes the three-stage theoretical framework that we use to achieve these objectives. First, in Section 6.2, we estimate how trip travel times vary with different operating characteristics. Second, in Section 6.3, we estimate how operator costs vary with different operating characteristics. Third, in Section 6.4, we combine findings from the preceding two sections to estimate a simplified pricing formula that can be adopted in practice.

6.1 Theoretical framework

Production costs (i.e. the costs to CT operators to provide and service trips for CHSP participants) can broadly be separated into fixed costs and variable costs. Fixed costs are expenses that remain constant regardless of production or activity levels (i.e. number of trips served), such as office rent and vehicle leases. Variable costs, on the other hand, change with the level of production or service delivery, such as labour and fuel costs tied to output. Together, these components determine total costs, with fixed costs providing a baseline and variable costs scaling as operations expand or contract.

Unit costs can be estimated using two main approaches: average costs and marginal costs. Average costs are calculated by dividing total costs by the total number of units produced, providing a per-unit cost that reflects an overall view of production expenses. This is a top-down approach, where all costs—both fixed and variable—are spread across the total output. It is straightforward to compute and gives a general sense of what each unit costs to produce, making it a useful tool for high-level budgeting and pricing strategies.

In contrast, marginal costs focus on the incremental cost of producing one additional unit. This is a bottom-up framework, where specific inputs—like additional labor, materials, or energy—are costed based on their contribution to producing the next unit. Marginal costs provide a more dynamic picture of production, highlighting how costs change as production scales up or down. This approach is particularly valuable for identifying opportunities to optimize efficiency or assess the feasibility of expanding production.

From the perspective of identifying actual unit costs to the producer, both approaches have strengths and weaknesses. Average costs are easier to calculate and provide a clear, overall picture of production expenses, but they can mask the variability in costs at different levels of production. For example, average costs might overlook economies of scale or fail to reflect sudden spikes in variable costs. Marginal costs, on the other hand, offer a precise view of cost changes at the unit level, but they require detailed data and can be complex to calculate, especially in cases where fixed costs dominate or production involves interdependent processes.

When determining an appropriate level of subsidy for producers whose revenue does not cover full costs, the choice of approach has significant implications. Subsidies based on average costs ensure that fixed costs are covered proportionally, providing stability for producers. However, this may lead to over-subsidization if average costs are inflated due to inefficiencies. Subsidizing marginal costs, in contrast, aligns subsidies more closely with actual incremental costs, encouraging efficiency and discouraging overproduction. Yet, this approach might underfund essential fixed costs, threatening the long-term viability of the operation.

A balanced strategy often involves using both approaches in combination, tailoring subsidies to reflect both fixed and variable costs while ensuring fairness and sustainability for producers. For example, for public transportation systems, subsidies often cover fixed infrastructure costs (like maintenance of buses or railways) based on average costs, while marginal costs (like fuel and additional staffing for peak hours) are subsidized dynamically. This ensures the service remains affordable while incentivizing operators to optimize variable costs. Similarly, electricity pricing often employs a hybrid model: the base tier reflects average costs to cover fixed infrastructure, such as power plants and distribution networks, while higher usage tiers are priced closer to marginal costs to account for the increased expense of peak demand.

We use a similar hybrid framework that separates total production costs into fixed and variable costs:

$$TC_p = FC_p + VC_p \quad (1)$$

, where TC_p, FC_p and VC_p denote the total costs, fixed costs and variable costs for CT operator p in our sample, respectively. Fixed costs are expected to vary as a function of both geography (or degree of remoteness, denoted R_p) and participant needs (denoted CN_p):

$$FC_p = f(R_p, CN_p) \quad (2)$$

For example, office rents are likely to be higher in metropolitan areas. Similarly, vehicle procurement and/or leasing costs are likely to be higher for operators that service a high proportion of participants with wheelchairs.

Variable costs are assumed to be a function of the total trip travel time and trip distance, denoted TT_p and TD_p, respectively, and geography and participant needs are expected to moderate these relationships:

$$VC_p = f(TT_p, TD_p, R_p, CN_p) \quad (3)$$

For example, labour costs are expected to vary with travel times, while fuel costs are likely to vary with trip distances. Wage and fuel rates themselves may vary between metropolitan, regional and remote areas. Vehicle depreciation costs may also vary, such that lower quality roads in rural Australia incur higher costs. Travel times might also vary with participant needs. For example, pick-up and drop-off times are expected to be higher for participants with high needs.

Substituting (2) and (3) in (1), we are able to specify total production costs as some function of total trip travel time incurred, total trip distance served, geography of service context, and nature of participant needs:

$$TC_p = f(TT_p, TD_p, R_p, CN_p) \quad (4)$$

Furthermore, we argue that trip travel times themselves can be expressed as a function of trip distance, geography and participant needs:

$$TT_p = f(TD_p, R_p, CN_p) \quad (5)$$

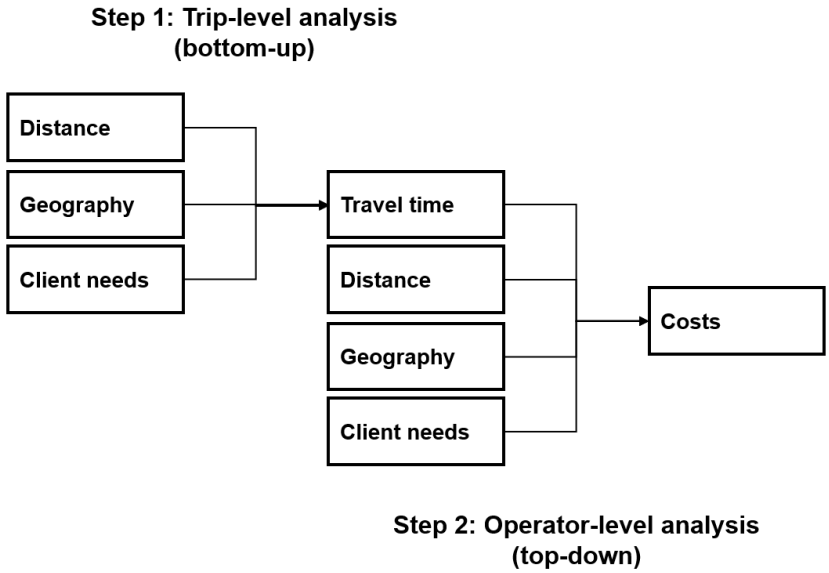


Figure 7: Modelling framework

For example, average speeds in metropolitan areas are likely to be lower than in rural and remote areas. Similarly, drivers might driver at slower speeds when serving participants with higher support needs. Substituting (5) into (4), we can specify total costs as a function of total trip distance served, geography of service context, and nature of participant needs:

$$TC_p = f\left(TD_p, R_p, CN_p\right) \quad (6)$$

The framework is operationalised in three steps per the schematic shown in **Figure 6**. First, we estimate the relationship between trip travel time and other operational characteristics given by equation (5) using trip-level data. Second, we estimate the relationship between total production costs and different operational characteristics, including travel time, given by equation (4), using operator-level data. Third, we combine results from the first and second step to derive the reduced form relationship between trip costs and different operational characteristics, excluding travel time, as given by equation (6). This final step allows us to develop a simplified subsidy scheme based purely on quoted trip distance, geography and participant needs.

6.2 Trip-level analysis of travel times

In the first step of our analysis, we examine how trip travel times vary as a function of different operating characteristics, in particular distance, geography and participant needs.

We use trip level data collected by 31 CT providers from July 2024 to September 2024. Note that the dependent variable, i.e. trip travel time, is recorded manually by drivers while serving the trip, and is subject to greater measurement error. We control for potential issues with data quality by filtering trips with unreasonable speeds. As trip distances are automatically recorded by GPS loggers, and are subject to little error, any issues in trip speeds are likely due to inaccurate logging of trip start and/or end times. For each trip in our sample, we calculate the average travel speed, and remove trip with average speeds below 15 km/h or above 100 km/h (these filtering criteria will be re-visited after more trip level data has been collected). After the filtering process, roughly 175,000 trips are used in the estimation process.

The full list of explanatory variables is listed in **Table 7**. Please note that we have combined non-English speaking, physical support needs and psychological support needs into a single variable, called “High Needs”. The rationale for combining physical and psychological needs is that the number of participants who need psychological support tend to be much fewer in general and they are mainly served by a handful of providers, this leads to less reliable cost estimation associated with participants with psychological needs. Therefore, combining those two participant needs into a single “Support Needs” variable gives us more reliable cost estimation associated to providing CT services to participants with physical or psychological support needs. The rationale for combining the “Support Needs” variable and the “non-English speaking” variable is that there is no statistically significant difference in the estimated extra costs for catering those needs. Therefore, combining them into a single “High Needs” variable allows us to have a simpler form of pricing formula without compromising the modelling quality.

We estimate a linear regression where each of these variables is included as a main effect, and we include interactions between distance and each of the other variables to capture variations in trip speeds as a function of geography and participant needs. The estimation results are reported in **Table 8** under the full model specification panel.

Table 10: List of variables used to explain variations in trip travel times

Variable	Description
Distance	Actual door-to-door trip distance (in km)
Remote Tag	In this modelling practice, the remoteness of a trip is defined as the higher remoteness level between the trip origin and destination postcodes. Then, under the Modified Monash Model for remoteness, if the trip's remoteness level is between 1 and 4, the remote dummy variable equals 0, otherwise if the trip's remoteness level is between 5 and 7, the remote dummy variable equals 1.
Female	1 if the participant is female, otherwise 0.
Indigenous	1 if the participant is either aboriginal or a Torres Strait Islander, 0 otherwise.
Physical Needs	1 if the participant has physical support needs due to disability or other health issues (sensory and speech; physical restrictions; head injury, stroke or acquired brain injury), 0 otherwise.
Psychological Needs	1 if the participant has psychological support needs due to disability or other health issues (intellectual or psychosocial disabilities), 0 otherwise.
Non-English	1 if the participant does not speak English at home, 0 otherwise.
High needs	1 if the participant has physical or psychological support needs due to disability or other health issues, and/or does not speak English at home; 0 otherwise.
Below 75	1 if the participant's age is below 75 years, 0 otherwise.
Above 90	1 if the participant's age is above 90 years, 0 otherwise.

Table 11: Estimation results for linear regression with trip travel time (in minutes) as the dependent variable

Variable	Full model specification					Reduced form model specification				
	Coeff	**Std Err**	**T-stat**	**P-val**	**Average speed (km/h)**	**Coeff**	**Std Err**	**T-stat**	**P-val**	**Average speed (km/h)**
Constant	13.041	0.18	72.538	0.000	-	16.22	0.098	165.853	0.00	
Main effects										
Remote	-1.219	0.24	-5.07	0.000	-	-	-	-	-	-
Female	-0.645	0.18	-3.576	0.000	-	-	-	-	-	-
Indigenous	-2.228	0.56	-3.976	0.000	-	-	-	-	-	-
Below 75	0.222	0.196	1.13	0.258	-	-	-	-	-	-
Above 90	-2.191	0.257	-8.536	0.000	-	-	-	-	-	-
High needs	-1.163	0.196	-5.943	0.000	-	-	-	-	-	-
Speed effects										
Distance (km)	1.049	0.005	228.322	0.000	57.2	0.953	0.004	246.005	0.000	
Distance * Remote	-0.189	0.004	-44.069	0.000	+12.3	-0.074	0.004	-17.643	0.000	
Distance * Female	0.095	0.004	23.380	0.000	-4.7	-	-	-	-	-
Distance * Indigenous	0.070	0.013	5.484	0.000	-3.6	-	-	-	-	-
Distance * Below 75	-0.031	0.004	-7.303	0.000	+1.9	-	-	-	-	-
Distance * Above 90	0.061	0.009	6.911	0.000	-3.0	-	-	-	-	-
Distance * High needs	0.137	0.007	19.345	0.000	-7.1	0.334	0.007	51.178	0.000	
Summary statistics										
Number of observations	175,000					175,000				
Adjusted R^2	0.728									

The constant implicitly captures the average trip loading and unloading time, estimated to be 13 minutes. The main effects capture the impact of geography and participant needs on these loading and unloading times. For example, we find that, all else being equal, a trip served in a rural or remote area incurs 1.3 minutes less in loading and unloading times. In general, we find that geography and participant needs have very small effects on loading and unloading times.

The coefficient corresponding to distance implicitly measures the average trip speed. In particular, we estimate that on average, a 1 km increment on the actual trip distance is expected to increase the trip time by 1.05 minutes, implying an average speed of 57.2 km/h. The interactions effects capture the impacts of operating characteristics on trip speeds. For example, all else being equal, each extra km in trip distance adds 1.05 minutes in travel time for a trip served in metropolitan areas, but only adds 1.049 – 0.189 = 0.86 minutes for a trip served in remote areas (i.e., we estimate the average speeds in remote areas to be 69.5 km/h, or 12.3 km/h higher than the baseline). Similarly, for a high needs participant, a 1 km increment to the trip distance is expected to increase the trip time by 1.049 + 0.137 = 1.186 minutes (i.e., we estimate the average speeds for high needs participants to be 50.1 km/h, or 7.1 km/h lower than the baseline). Note that other variables, such as gender, age and indigeneity, have small effects on trip speeds.

Based on our findings from the full model specification, we estimate a reduced form specification, only including variables that were found to have meaningful and statistically significant impacts on travel times. The estimation results for the reduced form model are also included in **Table 8** in the second panel on the right. In our subsequent analysis in step 3, we use this reduced form model specification to derive the pricing formula.

6.3 Operator-level analysis of costs

In the second step of our analysis, we examine how operator costs vary as a function of different operating characteristics, in particular total trip travel times and distances, as well as the number of trips served in different geographies and with different participant types.

Please note that we exclude operators whose estimated average unit trip costs are above $200 from our analysis, as these costs are much higher than corresponding costs for the average operator in our sample, which vary between $50 and $70. Therefore, we treat these operators as outliers at this stage, and we will revisit their data after the second round of qualitative interviews, when we have more information about their operating characteristics, and potential reasons for significantly higher costs.

Total annual operator costs and total number of trips served (denoted M_p) are obtained directly from the CEO/CFO survey. The trip-level data is used to derive average travel times, trip distances, and the proportions of trips served in different geographies and with different participant types. These are then rescaled by M_p to derive the total trip travel time, total trip distance, and the total number of trips served in different geographies and with different participant types.

We estimate a linear regression with total annual operator costs as the dependent variable, and total trip travel time, total trip distance, and the total number of trips served in different geographies and with different participant types as the explanatory variables. The estimation results are reported in **Table 9** under the full model specification panel.

Table 12: Estimation results for linear regression with total operator costs ($) as the dependent variable

Variable	Full model specification					Reduced form model specification			
	Coeff	**Std Err**	**T-stat**	**P-val**		**Coeff**	**Std Err**	**T-stat**	**P-val**
Constant	9.63E+04	1.46E+05	0.660	0.518		-	-	-	-
Trip characteristics									
Total predicted quoted travel time	-0.564	0.461	-1.224	0.239		1.357	0.123	11.041	0.000
Total quoted trip distance	1.123	0.559	2.010	0.062		-	-	-	-
Number of trips served									
Physical needs	7.55	20.796	0.363	0.721		36.44	6.871	5.304	0.000
Psychological needs	630.427	197.297	3.195	0.006		36.44	6.871	5.304	0.000
Female	180.916	28.032	6.456	0.000		-	-	-	-
Non-English speaking	-3.208	24.913	-0.129	0.899		36.44	6.871	5.304	0.000
Indigenous	129.53	107.551	1.204	0.246		-	-	-	-
Below 75 years	-174.014	48.921	-3.557	0.003		-	-	-	-
Above 90 years	-448.716	116.323	-3.857	0.001		-	-	-	-
Rural or remote areas	12.153	14.656	0.829	0.419		-	-	-	-
Summary statistics									
Number of observations	27					27			
Adjusted R^2	0.955					0.920			

The full model specification explains about 95 per cent of the variation in operators' total costs. However, because of the multicollinearity issue amongst explanatory variables, the estimation on key variables (time and support needs) are statistically insignificant. Also, the estimated coefficient for some other variables tends to be unreasonable (e.g., all else equal, we estimate that a trip serving a participant who is 90 years or older costs $450 *less* than a trip serving a participant between 75 and 90 years old).

After an iterative model configuration process, we landed on the reduced form model specification shown in the right panel in **Table 9**. The reduced form model gives us statistically significant and behaviourally reasonable estimates. We estimate that a 1-minute increase in trip times increases total cost by $1.31, and all else being equal, trips that serve participants with physical needs, psychological needs and/or non-English speaking cost $36 more. In our subsequent analysis in step 3, we use this reduced form model specification to derive the pricing formula.

6.4 Estimation of unit trip costs and recommended pricing formula

Based on findings from step 1 of our analysis, we can specify trip travel times as the following function of trip distance, geography and participant needs:

$$t_i = 16.22 + \Big(\big(0.95 - (0.07 \times r_i) + (0.33 \times h_i)\big) \times d_i\Big) \quad (7)$$

, where t_i denotes the travel time for trip i; d_i denotes the trip distance; r_i equals 1 if the trip is served in a rural or remote area, and 0 otherwise; and h_i equals 1 if the participant for the trip has physical needs, psychological needs and/or does not speak English.

Based on findings from step 2 of our analysis, we can specify unit trip costs as the following function of trip travel time and participant needs:

$$c_i = (1.36 \times t_i) + (36.44 \times h_i) \quad (8)$$

, where c_i denotes the unit cost for serving trip i. Substituting equation (8) in (7), we get the following relationship between unit costs, distance, geography and participant needs:

$$c_i = 22.06 + (36.44 \times h_i) + \Big(\big(1.29 - (0.09 \times r_i) + (0.46 \times h_i)\big) \times d_i\Big) \quad (9)$$

Equation (9) can be represented as the cost/pricing formula shown in **Figure 7**, comprising a fixed cost component on the left, and a distance-based variable cost component on the right.

There are a number of insights and considerations that are worth pointing out based on the pricing formula. First, the recommended pricing formula can be easily deployed in practice as providers can get the quoted distance using Google Maps (as most of them are doing now), determine whether the participant is a high-need participant based on their registered information, and determine if the trip is a remote trip based on the origin and destination postcodes, based on the Modified Monash Model for region remoteness.

Second, we recommend determining the trip subsidy based on the actual quoted trip distance, instead of using a range-based method. This is because as the distance-incremental cost suggests, the quoted distance exerts material impact on the trip cost and the typical trip distance could vary significantly among different CT providers. Therefore, as long as we want to put trip distance into a reasonable number of distance brackets (e.g., 5 in

Figure 8: Estimated pricing formula

the ACTA draft formula), some providers could be advantaged (if their typical distance is below the middle value of the distance bracket) and others could be disadvantaged (if their typical distance is above the middle value of the distance bracket). Also, because the amount of subsidy will jump to a next level once the distance goes into to the next distance range, it could encourage providers to behave less honestly to push up the quoted distance, such as deliberately choose the route with longer distance and report it as the quoted distance when using Google Maps to schedule a trip.

Third, and related to the point above, we do not include travel time explicitly as a variable in the recommended formula, and the impacts of travel times are captured indirectly by allowing the distance factors to vary across geography and participant needs. As noted above, quoted trip distances are easier to measure and harder to manipulate. A time-based pricing formula might create perverse incentives for operators to use longer and/or more time-consuming routes in order to receive higher subsidies.

Fourth, as we can see there is a $22.1 fixed cost to provide a trip for low-need participants, and a $58.5 fixed cost for high-need participants, which we can treat analogously to the flag-fall fare when taking a taxi. While our estimate is based on hundreds of thousand trips, once it is deployed, it could potentially encourage shorter trips. As a result, overtime, the distribution of trip distance could shift and we would recommend calibrating the model parameters regularly (e.g., calibrate the model every couple of years) to make sure the pricing formula matches the evolving cost pattern.

Fifth, as mentioned previously, we removed operators from our analysis whose estimated per trip cost is above $200. As a result, the recommended pricing formula may not fit their situation very well. For each of the 31 participating operators, **Table 10** compares their unit trip costs estimated using the CEO/CFO survey with the unit trip subsidies that they would receive under the recommended pricing formula. For 11 of the 31 operators, the recommended pricing formula covers costs fully, and many of these operators could even make a profit! However, it is also worth noting that there are 6 operators who would recover less than 50 per cent of their costs (in most cases, due to significantly lower labour and vehicle utilization rates).

Table 13: Distribution of average trip costs and average trip subsidy under the recommended pricing formula for the 31 operators participating in the pilot

Operator	No. of trips	Labour Cost	Vehicle Cost	Overheads	Total Cost (Survey)	Total Cost (Pricing Matrix)	Cost Recovery Ratio
1	12,505	286.94	13.97	17.16	318.06	77.58	24%
2	664	99.32	103.07	62.22	264.61	74.02	28%
4	40,264	47.32	146.01	13.64	206.97	62.07	30%
6	15,369	65.17	7.63	55.31	128.12	47.53	37%
3	2,300	145.16	17.38	49.44	211.98	81.56	38%
13	9,586	47.35	22.18	0.68	70.21	34.32	49%
20	3,775	40.01	10.49	7.41	57.91	34.49	68%
24	13,691	25.7	11.54	13.6	50.85	54.59	69%
19	20,287	46.07	7.65	8.3	62.02	47.54	76%
5	1,545	65.21	74	23.58	162.79	41.7	67%
10	74,046	57.55	8.91	12.83	79.29	38.1	76%
25	18,828	30.85	3.95	15.41	50.21	46.18	83%
18	49,356	42.22	7.12	13.42	62.75	57.53	79%
14	59,831	25.83	34.27	5.81	65.91	106.11	65%
11	54,411	56.89	8.83	6.65	72.37	59.17	93%
8	12,846	70.95	1.32	24.72	97	52.35	103%
22	7,758	43.12	7.52	5.3	55.93	37.97	66%
9	8,753	48.56	28.15	6.52	83.22	65.43	114%
16	106,100	32.89	7.28	23.63	63.8	73.08	116%
23	142,940	29.72	10.55	10.67	50.94	78.47	81%
15	9,775	39.72	13.22	12.52	65.47	43.1	120%
28	12,675	28.12	6.4	1.46	35.97	54.09	82%
21	19,774	43.99	11.29	1.92	57.18	76.01	91%
26	96,942	29.11	11.59	8.77	49.47	57.52	116%
17	6,149	42.25	10.01	10.84	63.09	73.4	112%
7	714	42.31	70.61	0	112.92	160.64	142%
31	53,635	11.2	7.98	7.12	26.31	41.85	159%
27	41,014	21.62	2.04	12.56	36.23	59.25	164%
30	13,443	16.23	8.82	1.77	26.81	55.37	207%
29	42,300	7.94	20.38	0.07	28.39	67.01	236%
12	11,972	35.63	14	21.66	71.28	175.28	246%

6.5 Summary and implications

This chapter introduced the modelling framework used to estimate unit trip costs and derive the recommended pricing formula. By combining trip-level and operator-level data, we developed a simplified, yet robust, model that captures the key drivers of cost—trip distance, geography, and participant needs. The resulting formula is designed to be **operationally feasible, transparent, and fair**, with subsidies indexed to observable trip characteristics rather than opaque internal cost structures.

Importantly, the formula avoids reliance on potentially manipulable inputs like travel time and instead uses quoted trip distances, which are easier to verify and standardise. It also distinguishes between low- and high-needs participants, as well as metropolitan/regional versus rural/remote trips, thereby acknowledging legitimate cost differentials across service contexts. While the model fits the majority of operators well, five outliers with exceptionally high costs remain. These edge cases highlight the need for further refinement—an issue taken up in the next chapter, which explores targeted adjustments to improve fairness and sustainability.

7 PRICING FORMULA ADJUSTMENTS

This chapter outlines the evolution from the preliminary pricing formula developed in Chapter 4 to a revised, more sustainable model. The revised formula retains the analytical structure of the original model but explicitly centres operator financial sustainability. Our goal is to identify a pricing formula that allows the majority of operators to achieve a target Cost Recovery Ratio (CRR), while keeping the overall subsidy burden within reasonable bounds.

We begin by refining the formula to account for fixed cost differences in rural and remote contexts. We then test the sensitivity of outcomes to various pricing parameter adjustments and identify a “sweet spot” formula that strikes a balance between cost recovery and subsidy feasibility. Finally, we assess how cost conditions have evolved in the year following the original survey, and propose a hybrid indexation framework to ensure the pricing formula remains responsive to inflationary pressures over time.

7.1 Adjusting for rural and remote costs

In our initial regression analyses presented in Chapter 4, we modelled total provider costs as a function of trip distance, geography, and participant needs. These models did not reveal any significant cost differences between metropolitan/regional and rural/remote service contexts. However, this finding stood in contrast to the feedback we received through qualitative interviews and ongoing stakeholder engagement, where providers consistently highlighted contextual differences—particularly in access to labour, vehicle wear and tear, and associated capital costs.

To reconcile this discrepancy between our quantitative and qualitative findings, we undertook a more granular analysis. Specifically, we disaggregated provider costs into their major components—labour and capital—and re-estimated our cost models separately for each. This allowed us to investigate whether, while total costs appeared similar, underlying cost structures varied systematically across geographies.

To carry out this disaggregated analysis, we estimated separate regression models for total labour costs (**Table 11**) and total capital costs (**Table 12**). For each, we began with a full specification that included all explanatory variables of interest, such as total predicted travel time, participant needs, and geography. We then iteratively refined these models by removing variables with low statistical significance, implausible signs or magnitudes, or high multicollinearity. The final reduced-form specifications retained only those variables that were both statistically significant and behaviourally sensible, providing a clearer picture of how labour and capital costs vary across different service contexts.

The disaggregated cost models reveal two key effects: labour costs for remote trips tend to be around $35 lower per trip, while capital costs are approximately $27 higher, relative to trips in metropolitan areas. When combined, these opposing effects largely cancel each other out, which helps explain why our initial analysis of total costs did not identify any significant cost differentials between geographic contexts. However, by unpacking the cost components separately, we uncover important structural variations that have implications for the pricing formula design.

In principle, labour costs should not vary significantly across geographies, as CHSP-funded providers are expected to pay uniform wage rates under the SCHADS Award. The observed differences may reflect that rural and remote providers are more likely to rely on volunteers or operate with leaner staffing levels, potentially due to workforce shortages or

Table 14: Estimation results for linear regression with total operator *labour* costs ($) as the dependent variable

Variable	Coeff	Std Err	T-stat	P-val
Constant	8.81E+04	1.73E+05	0.509	0.616
Trip characteristics				
Total predicted quoted travel time	1.0298	0.177	5.822	0.000
Number of trips served				
High needs	13.374	6.275	2.131	0.044
Rural or remote areas	-35.143	15.99	-2.198	0.038
Summary statistics				
Number of observations				27
Adjusted R^2				0.762

Table 15: Estimation results for linear regression with total operator *capital* costs ($) as the dependent variable

Variable	Coeff	Std Err	T-stat	P-val
Constant	1.06E+04	6.50E+04	0.164	0.871
Trip characteristics				
Total predicted quoted travel time	0.090	0.066	1.357	0.188
Number of trips served				
High needs	10.477	2.355	4.449	0.000
Rural or remote areas	27.176	6.001	4.530	0.000
Summary statistics				
Number of observations				27
Adjusted R^2				0.775

Figure 9: Adjusted pricing formula to account for fixed cost differentials between metro/regional and rural/remote contexts

constrained resources. While this results in lower reported labour costs, it likely reflects under-resourcing rather than genuine cost efficiencies. Incorporating such differences into the subsidy structure would risk embedding systemic inequities. For this reason, we do not recommend adjusting the pricing formula to account for these labour cost differentials.

In contrast, the higher capital costs observed in rural and remote settings are consistent with qualitative feedback from providers and reflect genuine differences in service conditions. These costs are likely driven by greater vehicle depreciation, increased wear and tear from longer travel distances and lower road quality, and higher servicing and maintenance requirements. As such, these are legitimate and persistent cost pressures that should be recognised in the subsidy framework. Accordingly, we introduce a $27 fixed cost supplement for remote trips in the revised pricing formula to better reflect these structural capital cost differentials.

To assess the implications of the revised pricing formula, we examined how cost recovery rates (CRRs) change across all 31 participating operators (see **Table 13**). Under the current CHSP flat rate of $35 per trip, the sector-wide CRR is just 52%, with only 5 operators recovering at least 80% of their costs and just 3 operators achieving full cost recovery. The baseline formula —developed from our average cost model—substantially improves these figures, increasing the sector CRR to 84% and enabling 17 providers to exceed the 80% threshold, including 12 who fully recover their costs. When we incorporate the $27 supplement for rural and remote trips, the sector CRR improves further to 91%, and the average provider CRR reaches 108%. Under this adjusted formula, 20 operators achieve at least 80% cost recovery, and 16 recover their full costs or more. These results demonstrate that the revised formula substantially improves financial sustainability for the majority of providers while remaining broadly aligned with actual cost structures.

7.2 Sensitivity analysis to enhance flexibility and fairness

While the adjusted pricing formula with the rural and remote supplement significantly improves cost recovery across the sector, it does not fully resolve disparities in financial outcomes. Some operators are projected to recover well over 100% of their costs—effectively generating a surplus—while others may continue to struggle to meet even an 80% CRR. These imbalances raise important questions about fairness and efficiency: should a universal pricing formula result in such uneven outcomes across providers offering similar services? To address this, we conducted a sensitivity analysis to explore whether small, targeted adjustments to the formula could help achieve a more equitable distribution of subsidies, with provider payments more closely aligned to their actual cost structures.

Table 16: Impact of pricing formula adjustments on cost recovery rates across 31 CHSP transport providers participating in the NCTPM pilot

Item	Current CHSP settings ($35 flat rate)	Baseline formula	Extra fixed costs for rural & remote trips
Per trip subsidy	$ 35	$ 56.79	$ 61.35
Sector CRR	52%	84%	91%
Average provider CRR	57%	98%	108%
No. of providers better off		29	30
No. of providers CRR >= 80%	5	17	20
No. of providers CRR >= 85%	5	14	17
No. of providers CRR >= 90%	5	14	17
No. of providers CRR >= 95%	5	12	16
No. of providers CRR >= 100%	3	12	16
No. of providers CRR >= 105%	3	11	15
No. of providers CRR >= 110%	3	11	14

In particular, we conducted a sensitivity analysis by systematically adjusting two key parameters:

- the base fare, and
- the surcharge for high-needs participants.

Both parameters were varied within a realistic operational range—each adjusted from $10 below to $30 above their respective baseline values. The goal was to examine how these variations affect the overall subsidy burden and the number of providers able to achieve various Cost Recovery Ratio (CRR) thresholds. This type of scenario testing helps assess the trade-offs between increased financial sustainability for providers and the fiscal feasibility of broader implementation.

A key constraint in this exercise is the presence of five providers whose estimated average cost per trip exceeds $200. Even under the most generous adjustments to both the base fare and high-needs surcharges (i.e., +$30), these providers are unable to reach the 80% CRR threshold. Bringing them to parity through uniform adjustments would raise the sector-wide average subsidy per trip above $100, which is unlikely to be acceptable from a policy and budgetary standpoint. We therefore recommend treating these five providers as outliers and addressing their funding needs through targeted, case-by-case support, such as ad-hoc grants, rather than embedding them into the general pricing formula.

It is also possible, however, that the current pricing formula does not adequately capture the cost drivers unique to these outlier contexts, due to limitations in the available data. Future work could aim to expand the sample of participating operators, with a particular focus on including more providers with high-cost profiles, to determine whether systematic cost differentials exist and can be reliably incorporated into a more nuanced, generalised pricing framework. We return to this issue in greater detail in Chapter 7.

Accordingly, the sensitivity analysis focuses on the remaining 26 providers and examines how many of them can achieve CRR thresholds ranging from 80% to 110%, under different pricing configurations. The results are presented in **Table 14** and **Figure 9**. As expected, higher subsidy levels enable a greater number of providers to meet or exceed their target CRR, but at an increasing cost to the system. These findings help identify the combinations of parameters that deliver the greatest financial sustainability for the sector, within a given subsidy envelope.

7.3 Identifying a “sweet spot” in the pricing formula

The sensitivity analysis clearly demonstrates that the average per-trip subsidy required increases as we raise the CRR threshold or expand the number of providers meeting that threshold. While this is expected, it introduces an important constraint: the total subsidy outlay should not exceed the total cost of delivering the service. Based on our cost analysis, the sector-wide average cost per CHSP-funded trip is approximately $67.50, which provides a natural upper limit for what government should reasonably subsidise on a per-trip basis. Subsidies above this level would imply overcompensation and raise concerns around efficiency and fiscal sustainability. The challenge, then, is to adjust the pricing formula parameters in a way that distributes this available subsidy pool as fairly as possible, in line with actual cost differences across operators and service contexts.

Table 17: Estimated average trip subsidy amount required to meet cost recovery thresholds for varying numbers of the 31 operators participating in the NCTPM pilot

		Cost recovery rate (CRR) threshold						
		80	**85**	**90**	**95**	**100**	**105**	**110**
Number of operators that pass CRR threshold	**17**	52.0	54.1	56.2	58.2	60.9	64.9	68.5
	18	57.9	61.9	64.6	66.9	69.6	71.9	74.9
	19	58.9	61.9	64.6	67.3	70.3	72.9	75.9
	20	59.3	62.9	65.9	69.3	72.6	75.9	78.9
	21	59.9	64.9	68.6	71.9	74.9	77.9	79.9
	22	61.3	65.9	69.9	72.9	75.6	79.3	82.6
	23	63.6	66.9	69.9	72.9	76.3	79.3	82.9
	24	64.9	67.9	73.9	79.9	83.9	87.9	98.6
	25	67.9	71.9	75.9	81.9			
	26	79.9	83.3	86.9	98.2			

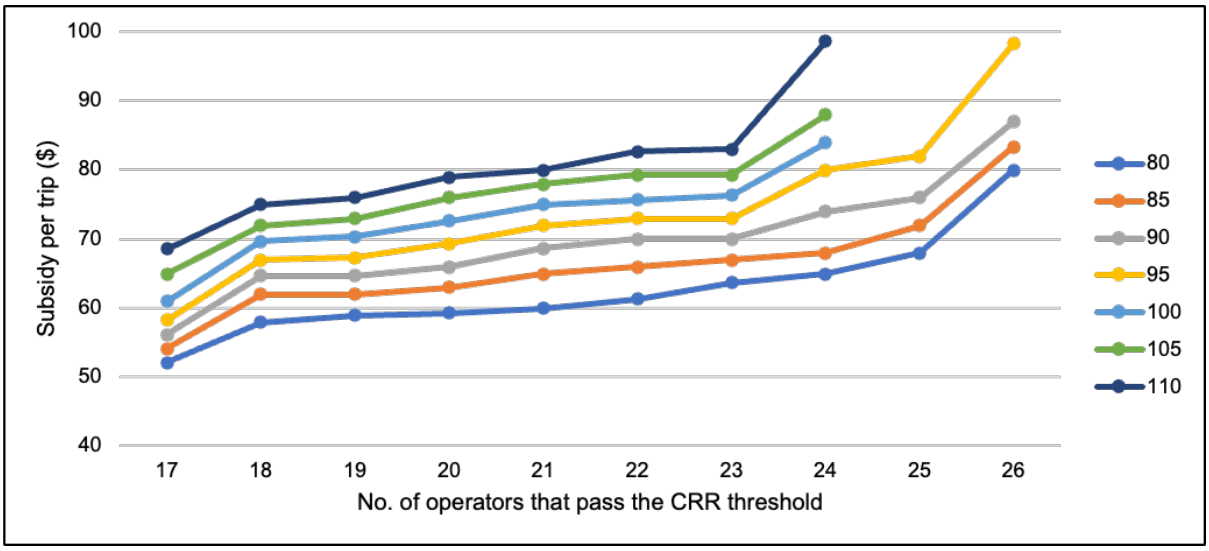


Figure 10: Estimated average trip subsidy amount required to meet cost recovery thresholds for varying numbers of the 31 operators participating in the NCTPM pilot

Figure 11: Final and recommended pricing formula

The analysis also reveals a sharp increase in the required average subsidy when we move from covering 25 to 26 providers at a given CRR threshold. This inflection point corresponds to the inclusion of the same high-cost outliers identified earlier—those with exceptionally high average unit trip costs exceeding $200. As previously discussed, these providers face cost structures that are not well captured by the general pricing model, and including them would raise the average subsidy requirement to fiscally unsustainable levels. For this reason, we recommend maintaining a focused objective of maximising cost recovery for the 25 remaining providers, who represent the majority of the sector and whose costs fall within a more typical range. This approach assumes that the pricing formula is sufficiently generalisable to accommodate most other providers not included in this pilot, while allowing exceptional cases to be addressed through separate, targeted funding mechanisms.

Given these constraints, we focus on a more pragmatic objective: maximising cost recovery for as many providers as possible within a sustainable sector-wide subsidy envelope. This leads us to a potential “sweet spot” configuration, shown in **Figure 9**, that supports 25 out of 31 providers in reaching at least 80% CRR, while keeping the average subsidy per trip at $67.92—just above the sector cost benchmark.

Table 15 compares key performance metrics across the current CHSP flat rate, the preliminary baseline formula, the adjusted formula with the rural and remote cost supplement, and the final and recommended pricing formula. Under the final formula, all providers are better off than under the current CHSP arrangement, 25 providers meet or exceed the 80% CRR threshold, and 17 fully recover their costs or operate at a surplus. The average provider CRR rises to 119%, indicating strong system-wide sustainability.

These results suggest that the final pricing formula offers a strong balance between financial viability for most providers and fiscal prudence for government. Moreover, if operators can improve their efficiency—particularly through better labour and vehicle utilisation—many are likely to increase their CRRs even further under this scheme. We explore this issue in more detail in the next chapter.

Table 18: Comparison of cost recovery rates (CRRs) across 31 CHSP transport providers participating in the NCTPM pilot under different pricing formulae

Item	Current CHSP settings ($35 flat rate)	Preliminary formula	Extra fixed costs for rural & remote trips	Final formula
Per trip subsidy	$ 35	$ 56.79	$ 61.35	$67.92
Sector CRR	52%	84%	91%	100%
Average provider CRR	57%	98%	108%	119%
No. of providers better off	-	29	30	31
No. of providers CRR >= 80%	5	17	20	25
No. of providers CRR >= 85%	5	14	17	24
No. of providers CRR >= 90%	5	14	17	20
No. of providers CRR >= 95%	5	12	16	19
No. of providers CRR >= 100%	3	12	16	17
No. of providers CRR >= 105%	3	11	15	16
No. of providers CRR >= 110%	3	11	14	15

7.4 Inflation analysis and indexation

While our primary cost estimates and pricing formula were calibrated using data from FY2022–23, a recurring theme in our qualitative interviews was the impact of rising costs, particularly in relation to wages and insurance premiums. Many operators reported acute increases in labour expenses over the past 12 months, raising concerns about whether our modelling still reflects current cost conditions. To explore this, we collected updated cost data from a subset of 10 operators for FY2023–24 and compared their results to the prior year.

The findings are summarised in **Table 19** below. Notably, average per-trip costs remained largely unchanged, rising only slightly from $59.26 in FY2022–23 to $60.00 in FY2023–24. This stability masks more substantial underlying cost shifts, especially in labour-related expenses. The average employee FTE rate rose sharply by 42%, from approximately $61,400 to $87,500—an increase consistent with both broader labour market conditions and the qualitative reports provided by operators.

However, the impact of rising wages was partially offset by improved labour utilisation. The number of CHSP kilometres delivered per FTE increased from 14,005 to 15,150—an 8% gain—suggesting operators have already begun responding to cost pressures by increasing productivity. As a result, the net increase in per-trip labour costs was more modest, rising from $28.37 to $33.05. Vehicle costs, interestingly, declined slightly, which may reflect greater vehicle utilisation (up 13%) or the deferral of capital investment and maintenance expenditures. Volunteer ratios remained broadly consistent.

Taken together, these results suggest that labour inflation is real and significant, but has not yet translated into higher unit trip costs, thanks to concurrent improvements in utilisation. Therefore, in the immediate, we do not adjust our pricing formula any further. However, this dynamic may not be sustainable over the long term—especially if efficiency gains plateau. While the pricing formula remains valid as a snapshot of FY2022–23 cost structures, periodic recalibration will be critical to ensure it keeps pace with changing cost conditions, particularly in relation to wages.

Given the potential for cost drivers—particularly labour costs—to increase over time, it will be important to establish a systematic and transparent mechanism for indexing the pricing formula. This ensures that subsidy levels remain aligned with actual cost conditions and operators are not gradually pushed into financial unsustainability as prices rise.

We propose a hybrid indexation approach that reflects the underlying cost structure of community transport services. As established in Chapter 3, labour accounts for approximately 60% of total costs, vehicle costs for 25%, and overheads for the remainder. Indexation should therefore be weighted accordingly across the three primary cost categories:

- **Labour-linked component (~60%):** Indexed to the Wage Price Index (WPI) published by the Australian Bureau of Statistics, which best reflects changes in wages and employee-related expenses for the sector.
- **Transport-linked component (~25%):** Indexed to a transport-specific price index, namely the ABS motor vehicle costs index within the broader consumer price index (CPI), including the costs of spare parts and machinery, fuel, maintenance and repair, and other services such as registration and insurance, to reflect changes in vehicle expenses.

Table 19: Summary of financial and operating characteristics across financial years

Trip-weighted average	**FY22-23**	**FY23-24**
Per Trip Cost	59.26	60.00
Employee Cost	28.37	33.05
Vehicle Cost	14.43	11.55
Volunteer Ratio	0.62	0.64
Vehicle Utilisation	15,133.59	17,038.43
Labour Utilisation	14,004.57	15,149.71
Employee FTE Rate	61,397.63	87,498.08
Insurance Cost per Trip	1.02	1.09
Insurance Cost per Vehicle	1,005.16	1,178.44

- **Catch-all component (~15%):** Indexed to the Consumer Price Index (CPI), which serves as a general proxy for cost changes in administrative overheads, compliance costs, and other miscellaneous inputs.

This approach strikes a balance between economic precision and administrative simplicity. It ensures that subsidy levels evolve in line with the cost structure of the sector while avoiding the pitfalls of relying on a single index that may misrepresent inflationary pressures in specific cost components. Indexation should ideally occur annually, and any major recalibrations to the pricing formula itself (e.g., to reflect structural cost shifts or new service models) could be undertaken on a multi-year cycle, informed by refreshed survey data and operator engagement.

7.5 Summary and implications

This chapter examined how the baseline pricing formula could be adjusted to better reflect structural cost differences, enhance fairness across operators, and align with long-term sustainability goals. Through disaggregated cost analysis, we introduced a $27 supplement for rural and remote trips to account for higher capital costs in these contexts. We also tested various parameter adjustments to assess their impact on cost recovery across the sector. The analysis culminated in the identification of a “sweet spot” configuration that enables 25 out of 31 operators to achieve at least 80% cost recovery at an average per-trip subsidy of $67.92—roughly equal to the estimated sector-wide average cost. This version of the pricing formula offers a balanced, evidence-based solution that maximises operator sustainability while containing costs for government. Importantly, it acknowledges that not all operators can be accommodated within a universal formula. The remaining outliers—those with per-trip costs exceeding $200—will likely require targeted support outside the pricing framework.

To ensure the pricing formula remains aligned with real-world cost conditions over time, we recommend a hybrid indexation approach that reflects the sector’s cost structure: approximately 60% linked to the Wage Price Index (WPI), 25% to the ABS Motor Vehicle Operating Costs Index (MVOCI), and 15% to the Consumer Price Index (CPI). While average per-trip costs remained stable between FY2022–23 and FY2023–24, this masked a sharp increase in wage rates—partially offset by improved labour efficiency. Without indexation, such volatility could erode the financial sustainability of operators. A mixed-index model provides a balanced and transparent way to adjust subsidy levels annually, while allowing for full recalibration over longer planning cycles.

While the adjusted formula is a significant improvement over the status quo, it is calibrated to current operating conditions. The next chapter considers whether cost structures themselves could change over time, particularly through improvements in labour and capital efficiency.

8 OPPORTUNITIES FOR EFFICIENCY GAINS

While the final pricing formula offers a fairer and more sustainable funding model for most operators based on current cost structures, its long-term viability depends not only on accurate cost estimation but also on improving operational efficiency across the sector. In this chapter, we explore how key drivers of labour and capital efficiency—namely, labour utilisation rates, vehicle utilisation rates, and volunteer ratios—affect the overall cost of service delivery. By simulating counterfactual scenarios in which these efficiency metrics are improved across operators, we assess the potential to reduce average unit costs over time.

The motivation behind these counterfactual scenarios is two-fold: to improve operator sustainability and to reduce the overall subsidy burden in the longer term. The pricing formula proposed in the previous chapter is calibrated to reflect current cost conditions as fairly as possible. However, if operators are supported to improve their labour and capital efficiency over time, this could lead to lower unit costs—and with them, the possibility of scaling back subsidy levels without compromising service quality or financial sustainability.

8.1 Impacts of labour and vehicle utilisation rates

Labour and vehicle utilisation rates are key indicators of operational efficiency in community transport services. We define labour utilisation as the number of kilometres of CHSP-funded trips delivered per full-time equivalent (FTE) staff member dedicated to CHSP services. Vehicle utilisation refers to the total number of kilometres travelled across all trips per vehicle in an operator's fleet. **Figure 11** plots these metrics across the 31 participating operators, with each circle representing an operator and its size proportional to the number of CHSP trips delivered. This provides a snapshot of the operational diversity within the sector.

The variation is substantial. Labour utilisation across the sample ranges from less than 5,000 km per CHSP FTE to over 30,000 km, while vehicle utilisation spans from around 10,000 km per vehicle to over 40,000 km. Some of these differences are undoubtedly driven by legitimate contextual factors, such as trip density, participant mix, regional coverage, and staffing constraints. However, the scale of variation suggests that not all differences are structural, and there may be opportunities for some operators to improve efficiency through better trip planning, resource allocation, or scheduling systems.

For example, our analysis indicates that operators with higher labour and vehicle utilisation rates typically have more effective trip matching. While some of this is attributable to scale advantages - larger operators with denser demand are better positioned to consolidate trips - there is also scope for improvement among smaller operators through better scheduling practices and the use of technology. Importantly, the proposed pricing formula assumes single-participant trips as the baseline. This design choice creates a built-in incentive for operators to outperform the baseline by creating shared trips wherever feasible, thereby improving labour and vehicle utilisation and ultimately reducing average costs over time.

This potential for improvement is explored further through the counterfactual scenarios presented in following sections.

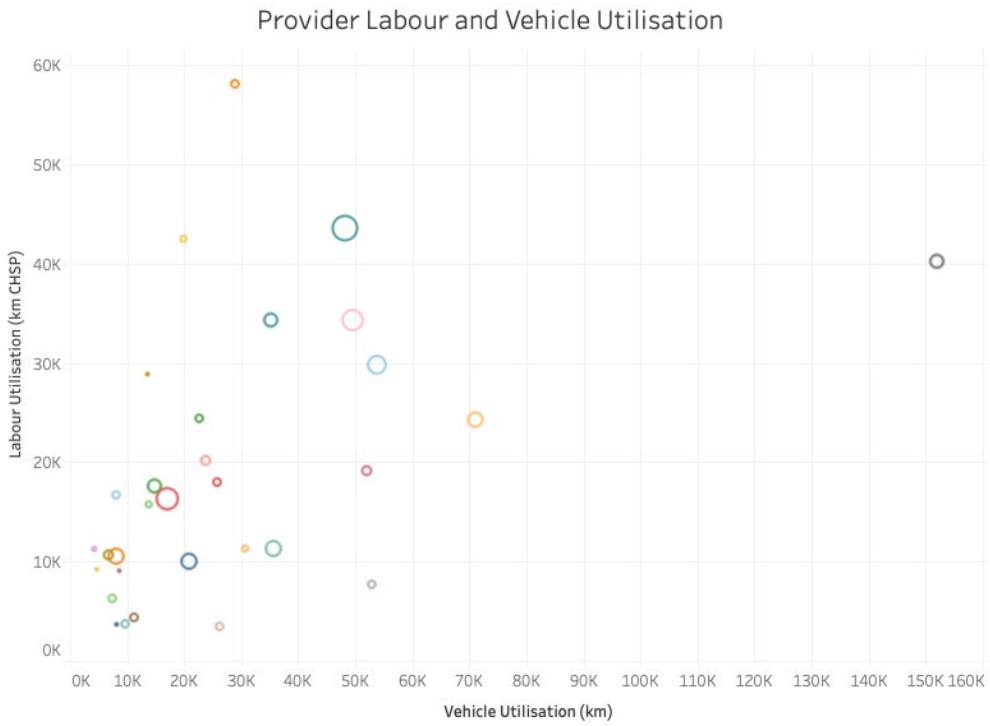


Figure 12: Labour and vehicle utilisation rates across participating operators

Scenario 1: Targeted efficiency gains among lower-performing operators

The first scenario examines the potential cost savings that could be achieved if less efficient operators improved their labour and vehicle utilisation to match the sector average. The modelling proceeds as follows:

1. For each operator, labour and vehicle utilisation metrics are calculated and compared to the provider-level average.

2. If an operator's utilisation falls below the average, it is adjusted upward to meet the average benchmark.

3. Counterfactual labour costs are then recalculated, holding other inputs constant.

4. Finally, we compute the new sector-level average cost per trip.

Under this improved efficiency scenario, the sector average cost per trip falls to $50.50, compared to $67.50 in the baseline. The provider-level average also drops, from $90 to $57.22. These findings highlight the potential for substantial cost savings if lower-performing operators can be supported to reach benchmark efficiency levels.

It's worth noting that if all operators—regardless of current performance—were brought down to the *average* utilisation rate (as opposed to only improving those below average), the sector average cost would stay unchanged at roughly $68. This is because high-volume operators tend to have significantly better utilisation, and dragging them down to the average would distort the overall picture. For this reason, the most relevant scenario remains one focused on lifting the performance of the least efficient operators.

Scenario 2: Uniform efficiency gains across all operators

In a second modelling stream, we simulate the combined effects of applying uniform volunteer ratios, labour utilisation rates, and vehicle utilisation rates across all operators. This helps illustrate the interplay between these variables and their combined impact on system-wide costs.

In the first instance, we assume volunteer ratios are fixed at 36% (the 2022–23 sector average), and we examine how average trip costs vary as a function of different average labour and vehicle utilisation rates. **Figure 12** plots the results. The x-axis represents the vehicle utilisation rate; each line represents a different assumed labour utilisation rate; and the y-axis shows the resulting average cost per trip. The red dot indicates current sector-wide performance, with labour utilisation at 18,400 km per CHSP FTE and vehicle utilisation at 29,132 km per vehicle.

The chart presents a three-dimensional view of how average trip costs vary with changes in labour and vehicle utilisation rates, assuming the current sector-wide volunteer ratio of 36%. As expected, average costs decline as utilisation rates improve. However, the magnitude of this decline differs substantially between the two efficiency measures: increased labour utilisation has a far greater impact on cost reduction than increased vehicle utilisation. This finding aligns with the underlying cost structure of CHSP trips— labour accounts for approximately 60% of total costs, while vehicle-related costs contribute around 25%. As a result, even large gains in vehicle efficiency lead to only modest cost savings, whereas labour efficiency is a far more significant lever for improving financial sustainability.

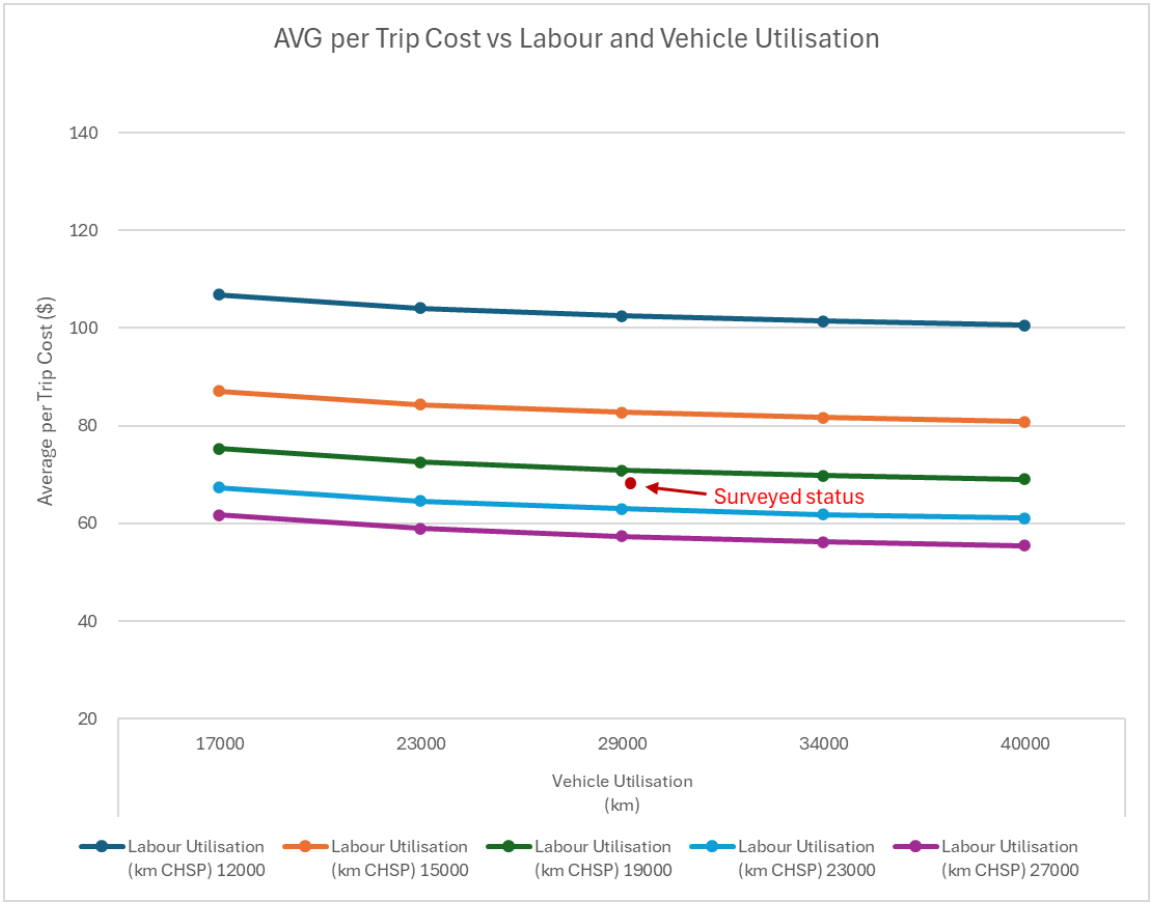


Figure 13: Average trip costs as a function of different labour and capital utilisation rates, assuming current volunteer ratios of 36 per cent

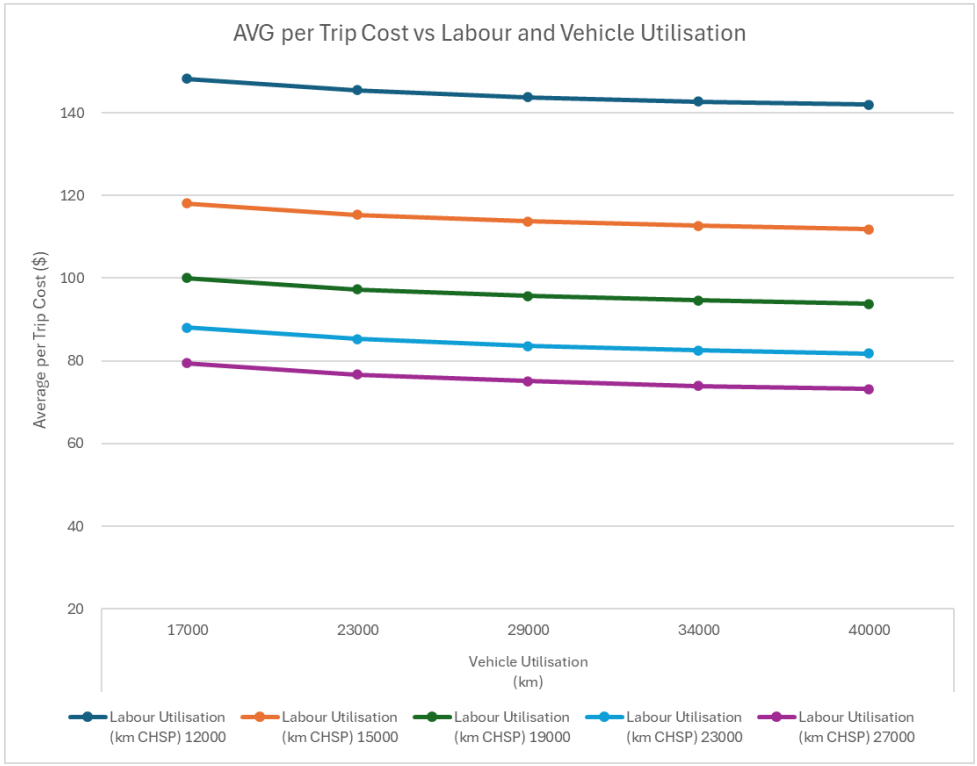


Figure 14: Average trip costs as a function of different labour and capital utilisation rates, assuming all staff are paid

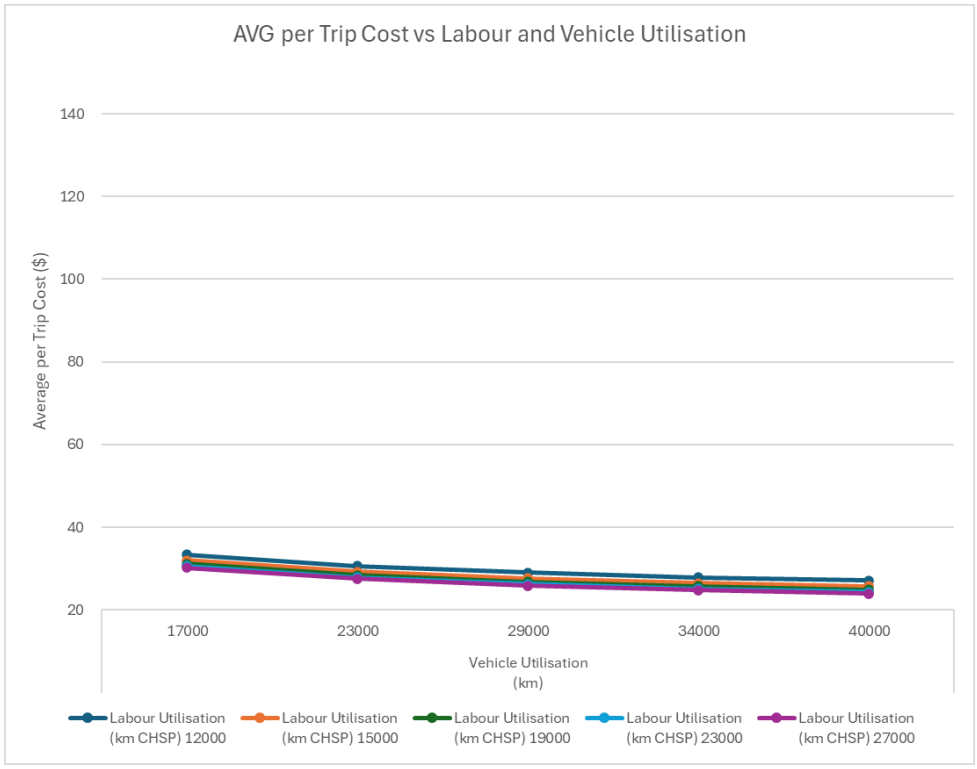


Figure 15: Average trip costs as a function of different labour and capital utilisation rates, assuming all staff are volunteers

In terms of potential impact, the model suggests that under current volunteer ratios, sector-wide average trip costs could fall below $60 if labour were utilised more efficiently across the board. However, the rate of improvement required to achieve these savings is substantial. Even a 50% increase in labour efficiency only reduces average costs to about $59 per trip. Insights from our qualitative interviews provide a grounded view of what might actually be achievable: two-thirds of operators believed little to no improvement (< 10%) in labour utilisation was possible given their service model, while the remaining third estimated modest gains of 10-25% might be achievable. Not a single operator anticipated improvements of over 25%, underscoring the real-world limits to labour efficiency gains in this sector. Given these constraints, the most effective pathway to lowering costs is likely through increased use of volunteers. We explore this in further detail in the next section.

8.2 Impacts of volunteer ratios on unit costs

Volunteer labour plays a critical role in the delivery of CHSP-funded community transport services, and the proportion of trips delivered by volunteers—referred to here as the *volunteer ratio*—has a significant bearing on total labour costs. In this section, we assess how variations in the sector-wide volunteer ratio could influence the average cost per trip, using counterfactual modelling based on FY2022–23 data.

The analysis proceeds in three steps:

1. For each operator, we first estimate the average per-FTE cost of both paid employees and volunteers.

2. Holding total labour input (FTEs) constant, we then simulate alternative labour cost scenarios by varying the proportion of volunteers. Vehicle and other overhead costs (unrelated to labour) are assumed to remain unchanged. For operators who reported zero volunteers in FY2022–23, we impute volunteer costs using the average cost reported by other operators—$4,773 per volunteer FTE.

3. Finally, we calculate the resulting sector-level average cost per trip by weighting each operator's counterfactual costs by the number of CHSP trips delivered.

We replicate the counterfactual analysis in Section 6.1, simulating changes in labour and capital utilisation rates, but under two extreme assumptions: (1) a 0% volunteer ratio, where all staff are paid; and (2) a 100% volunteer ratio, where all staff are volunteers. These scenarios illustrate the bounds of what is theoretically possible. The results are shown in **Figure 13** and **Figure 14**. In the fully paid staff model, average costs rise sharply to approximately $95 per trip, while in the fully volunteer-run model, costs fall dramatically to roughly $30 per trip, assuming no other changes. While neither scenario is realistic, they powerfully demonstrate the critical role that volunteers play in making community transport services financially viable and accessible.

Next, we hold capital and labour utilisation rates fixed to their current values, and we focus our attention solely on the impacts of volunteer ratios. **Figure 15** demonstrates a clear relationship: as the volunteer ratio increases, the sector's average cost per trip declines. The *Sector AVG* point (green dot) reflects the current system-wide estimate—about 36% of CHSP trips were delivered by volunteers in FY2022–23, with an average trip cost of approximately $67.50. The *Provider AVG* point (blue dot) shows that when costs are averaged across operators rather than weighted by volume, the implied volunteer ratio is slightly higher (39%) and the average cost per trip rises to around $90, due to lower efficiency among some smaller operators.

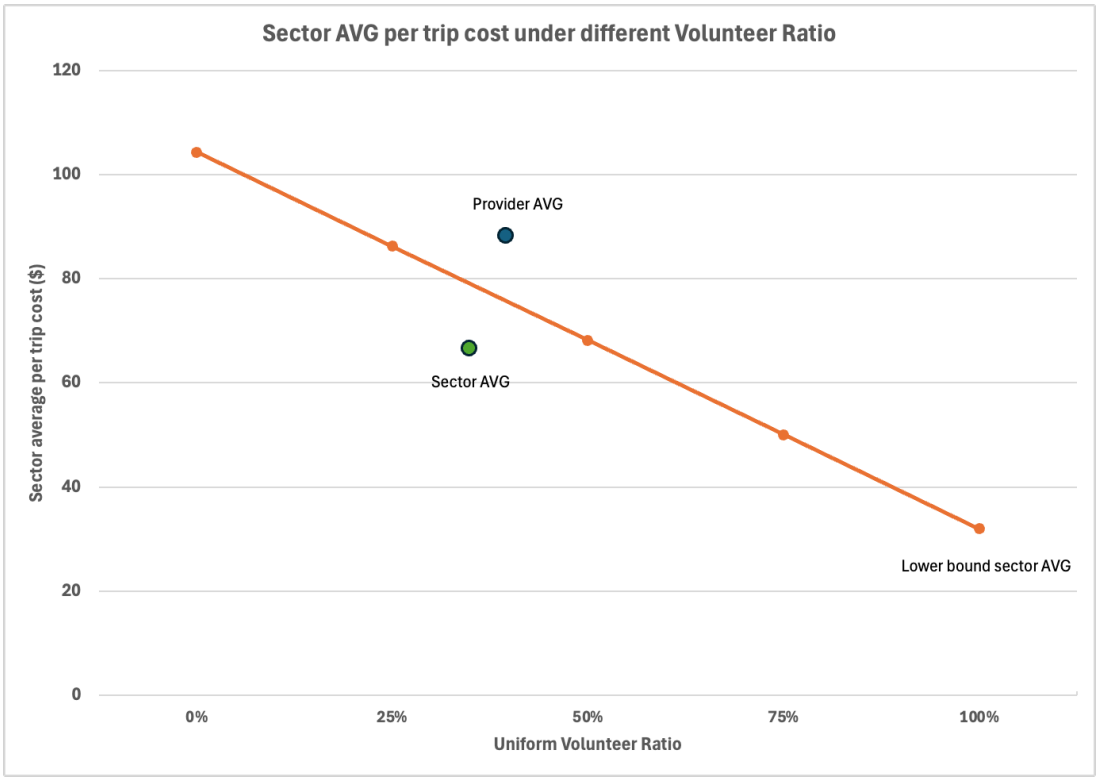


Figure 16: Impact of sector-wide volunteer ratios on average cost per trip

As a theoretical lower bound, we estimate that if 100% of CHSP trips were delivered by volunteers—an unrealistic but illustrative scenario—the average cost per trip would fall to roughly $30, consistent with our previous analysis. While full volunteer delivery is not feasible, this scenario underscores the substantial cost savings associated with volunteer involvement and highlights the value of supporting recruitment, training, and retention of volunteers as a strategic priority.

While this analysis highlights the potential cost savings associated with higher volunteer ratios, it is important to interpret these findings with caution. Recruiting and retaining volunteers has become increasingly challenging, particularly in the wake of the COVID-19 pandemic and amid broader shifts in work-life patterns. Many operators reported difficulties maintaining volunteer numbers, especially in regional and remote areas, and emphasised the growing reliance on paid staff to ensure consistent, reliable service delivery. Moreover, it may not be realistic—or fair—to design a funding model that implicitly assumes high levels of volunteer labour. Community transport workers provide essential care and mobility support to vulnerable populations and deserve to be appropriately compensated for their work. These concerns were raised repeatedly in our qualitative interviews, and we return to them in greater detail in the following chapter, where we present key themes from the operator interviews.

8.3 Summary and implications

This chapter has demonstrated that efficiency improvements offer a viable path to long-term cost containment in community transport services. While the current pricing formula is calibrated to fairly reflect existing cost structures, modelling shows that improved labour and capital utilisation, combined with sustained volunteer involvement, could reduce average unit costs across the sector over time. These gains would, in turn, support a gradual reduction in subsidy requirements without compromising the financial viability of operators.

Among the three efficiency levers examined—labour utilisation, vehicle utilisation, and volunteer ratios—the analysis suggests that labour efficiency offers the greatest potential for cost reduction, due to its outsized contribution to total costs. However, feedback from operators suggests that only modest improvements (up to 25%) are realistically achievable for most. Vehicle efficiency improvements offer more limited savings, and are likely to be constrained by geography and service complexity. In contrast, volunteer engagement remains a major determinant of cost efficiency, with even moderate increases in volunteer ratios resulting in meaningful reductions in average trip costs.

The analysis also highlights that efficiency gains are not solely a function of scale—they can also be driven by smarter scheduling, better trip matching, and more strategic deployment of staff and fleet resources. Technology and digital scheduling platforms may play an increasingly important role here, especially for smaller operators without the inherent scale to consolidate trips organically.

Ultimately, the scope for efficiency improvements is unevenly distributed and highly context-dependent. As such, any attempt to reduce subsidies in line with hypothetical efficiency gains must proceed with caution. These findings are best viewed as strategic guideposts, offering insight into where investments, incentives, or targeted support might help operators transition to more sustainable operating models. The practical constraints and ethical implications of these scenarios—particularly around workforce sustainability and reliance on volunteers—are explored in greater detail in the following chapter, drawing on findings from our qualitative interviews.

9. FINDINGS FROM THE QUALITATIVE INTERVIEWS

We conducted in-depth qualitative interviews with participating community transport operators to provide a richer, more grounded understanding of sector challenges, resilience strategies, and perspectives on reform. Each operator was interviewed twice over the course of the pilot, generating a detailed body of evidence on how service delivery, financial pressures, workforce dynamics, and participant needs interact in practice. Interview data was transcribed, coded, and independently analysed for themes by two researchers. This chapter presents key themes emerging from the qualitative analysis, with a particular focus on five critical areas: the defining characteristics and broader social value of community transport; workforce challenges; capital input and asset management issues; the impact of participant needs on service delivery; and the effects of distance and geography on operating models. These insights provide an essential complement to the quantitative findings, helping to inform both the design of the National Variable Pricing Formula (NVPF) and broader recommendations for sector reform.

9.1 Defining the value of community transport

The qualitative interviews confirmed that community transport operators provide much more than basic point-to-point mobility. Across metropolitan, regional, and remote contexts, operators consistently described their services as critical enablers of ageing in place, social connection, health access, and community inclusion. This section synthesises operators' reflections on the unique value proposition of community transport and its role within the broader human services ecosystem.

Participants often referred to their service as 'premium' or 'value added' in the sense that it offered a great deal more than a simple transport service. The context community transport operates in is important to these providers; they emphasised the value they added to their communities, especially in relation to participant voice and choice, social value, trust, and reliability.

> *There's a huge social value that comes with what you do, and it's certainly a whole lot more than transport.*
>
> *I guess the whole point of community transport is that it has to function differently to Uber and taxis, doesn't it?*
>
> *Trust is a big part of our service, along with comfort.*
>
> *You're getting someone who's going to have a chat and who's going to turn up and is going to knock on your door, and is going to wait until you get in the car, not just drive off because you're not ready.*
>
> *It's not just driving people around. It's really looking after them as well.*

While providers recognised the value of offering both direct and indirect services to their participants, many emphasised that a full-service model was a holistic service model that went beyond merely moving participants from point A to point B. In addition to transport, a full-service model includes things such as: helping participants with mobility; conducting welfare checks; providing language support; connecting participants with other services; offering companionship and connection; monitoring health and wellbeing; and supporting participants with dementia and other psychological needs. Drivers play a pivotal role in this service, and participants noted the importance of the relationship between driver and

participant. As such, drivers play an essential role in identifying changes in participants' wellbeing, including observing signs of health deterioration or linking them to additional services.

> *[Full service] is critical. Sometimes we find them fallen on the floor.*
>
> *We ring our clients the day before and just confirm their trip, which is again that checking in point. And look, if we are worried about a client, we'll ring them.*
>
> *We have staff who speak other languages, about every one of the staff who are on the phones are from a different cultural background and have language skills…a specialised service not just a cab pulling up outside.*
>
> *The drivers report back to us signs of deterioration.*
>
> *We try and schedule the same drivers on the same trip every week, and so they get to know the people that they're transporting. And many times, the drivers has contacted us and said, "I am really worried about 'Pam'. She is actually not walking as well as she was last week, or she seems a bit confused, or she told me that someone ran into her fence, or she seemed a bit upset." So, then they'll contact us, and then we will do things to support them.*
>
> *We turn up and its door-to-door not curb-to-curb. We have carers and drivers are careworkers, so able to transport and support. We don't just do transport. Drivers provide observations and report/identify issues to the care teams who can look at additional supports or reassess.*

Large providers in metro areas were more open to using indirect services, as they increased their service offering to participants, for example, allowing them to provide transport out of their operating hours. However, many expressed concern that taxi and Uber drivers showed a lack of care for the participants, were not able to offer important additional services such as language support or assist with mobility issues. Some cited issues like unreliability and complaints about drivers overcharging or taking indirect routes. Despite these drawbacks, taxis still fulfill a role for specific situations, such as early or late appointments.

> *The biggest feedback we got was that clients hated taxis...unreliable, not taking the most direct route so getting ripped off and most couldn't speak English. Some were taking money from the client, holding them hostage etc.*
>
> *Taxis have a role to play but full service for those in a wheelchair, chair to chair service, which helps with social interaction, groceries and when a person doesn't answer the door to a booked service and the driver finds the person has fallen and injured. An extra few dollars, lives can be saved.*
>
> *We actually make more money if we use a taxi…but our complaints would go through the roof.*
>
> *How does that cab driver meet everything that's in this four-page or eight-page contract that we signed with you? Cab driver doesn't do any of it. So, you're willing to change to something highly risky…not meeting a whole bunch of governance.*

We have to look at the welfare of our clients. We were a big advocate for not allowing Uber, Uber aged care, into the mix, because they don't have the processes we have in place.

Providers recognised that providing a full-service community transport model was expensive and were divided on whether it was the responsibility of participants or the government to pay for the service. However, there was broad agreement that community transport, while expensive to deliver, kept community members in their own homes longer, increased independent and health for longer, which in turn saved costs elsewhere in terms of aged care housing, hospitalisation and other supports.

Government should pay for full service…the demographic of people that need welfare checks and financial hardship go hand in hand.

Client contribution is going to be a key into some of that space.

We enable people to stay at home, in their own home longer. We enable them to stay out of hospital, if we're driving them to the fracture clinic or the hospital every day.

We've got more and more nursing homes that are shutting down, and older people that want to remain in their homes that are deteriorating. If we just stop transporting they'll just deteriorate more, and we'd have more health concerns and more people isolated.

My understanding is that addressing loneliness and isolation are protective factors for people's health, so that they don't increase levels of anxiety, loneliness and depression. So, in that sense, we are saving the system a bomb.

9.2 Workforce challenges

Interview participants across both the first and second round of interviews consistently spoke of workforce challenges; these concerns were identified as the most common issue for all providers. Discussions around human resources included both paid workers/drivers and volunteers, and were often very positive. Drivers (both paid and volunteers) were seen as a real asset for the business and were often described as the first line of service delivery – providing not only a quality transport service but also an opportunity to socialise and chat, a welfare check, and acting as a provider of information. While all providers acknowledged the importance of their workforce, many also identified that maintaining a strong, consistent and reliable workforce was seen as a challenge.

Workforce is huge. It's a huge issue for us.

Prominent themes in relation to the labour force included: recruitment and retention of volunteers; training, accreditation and compliance; award rates and costs associated with paid staff; and managing staff across dead runs, particularly when long distances were involved in the regions.

9.2.1 Recruitment and retention of volunteers

For the majority of participant organisations, volunteers are seen as essential to business operation due to the significant financial benefit of volunteer labour, but also the additional value that volunteers bring to the organisation, participants and the broader community.

> *Social connection and…it's the quality of staff to interact with clients as well, build relationships, connect….you know have meaningful conversations in the vehicles.*
>
> *I think the connection with our customers…our drivers do a really great job and I think for the vast majority of time they're excellent with customers, especially with the elderly customers, I think they're fantastic. I think they go out of their way to help them.*

Volunteer labour was seen to be highly skilled work that involved client care, specialist referrals, social support, and community building.

> *We try to train volunteers in a certain level of psychosocial support as being able to identify when somebody needs extra assistance and if you're a regular with us you end up with a regular driver rather than a random driver.*

Participants noted that the work was of value to the volunteers themselves as it increased their social engagement, feelings of contributing to their community, and personal wellbeing.

> *Using a mainly volunteer workforce in a regional area means the volunteers themselves are often older and may need CHSP in the future or the actual volunteer work results in them not needing the service, participating in social interaction and improving the mental health therefore saving dollars in health and welfare costs.*
>
> *The volunteering aspect of the service is just as powerful and important as the service that we're delivering to our very vulnerable clients…I kind of call it our anti-loneliness program for both drivers and clients, and also just the relationships that are built up between the drivers and the clients are lifelong, actually, and kind of go beyond, beyond the program.*

Operators noted that it was becoming increasingly difficult to maintain volunteers at the numbers required. This was attributed to the ongoing impact of the COVID-19 pandemic, changing attitudes about volunteerism, but also the cost-of-living crisis which was keeping more people in paid work, or playing supportive roles within their own families, rather than moving into retirement and volunteering. Some organisations reported having no issues finding volunteers and others cited real challenges with volunteer numbers. Some organisations that cover multiple areas talked about having plenty of volunteers at one location but not being able to recruit any at another location.

> *Volunteerism is becoming more tricky to secure.*
>
> *It is incredibly tricky to find volunteers at the moment. I think it was coming in well before COVID. A lot of people that would normally have volunteered a potentially now looking after grandkids, cause of cost of living and changing circumstances. So therefore, they're not available for as much, and the next generation, slightly younger than that, really don't want to.*
>
> *When we're looking at a cost of living crisis, where people are screaming for jobs and people want reliable jobs and things like that, it's like, yeah, it's hard to recruit volunteers.*

While there were many advantages to the volunteer workforce, there were some difficulties, too. We discuss costs associated with training and compliance in detail below, but participants also noted that volunteers were not always willing or able to undertake all

aspects that the role required. Significant numbers of volunteers are retirees who may be reluctant to engage in training and compliance, and may have physical limitations that prevent them from some aspects of the role, for example manual handling.

> *Most of our volunteers are, you know, retired people in their, you know, 70s for example….You know, they're getting their own chronic health issues.*

If volunteer labour needed to be replaced with a paid workforce, several operators noted that this would make their operation financially precarious or even unviable. Some participants noted that operations would never be secure unless they received full funding for paid drivers.

> *If we needed to pay our drivers and employ drivers, then any additional cost or revenue we get per trip [from the pilot] would gobble that up.*

> *Yeah, it's getting more and more a reliance on a volunteer workforce, it's just becoming impossible to even consider paying drivers because it's just not an option.*

> *Until we can be funded that we can use paid staff, not volunteers, that the actual cost of the vehicles is included and the actual cost of insurance, then we'll be lucky to survive.*

9.2.2 Training and compliance

While volunteer workforces are perceived to be largely financially effective, they are not without costs. In addition to costs such as meal allowances and uniforms, a significant cost burden exists for training and compliance. Operators took different approaches to training and compliance, with some adhering to legislative requirements under the Aged Care Act, and others investing significant resources in this area. In addition to basic training such as first aid and CPR, operators train their volunteers in: risk assessment, participant care, contacting next of kin, serious incident reporting, aged care compliance and training, manual handling, dementia training, technology training (for example, in the data platform and other office IT systems). This was viewed as a requirement against legislation, an investment in the workforce and participant wellbeing, but also a significant cost burden.

> *If you can't meet the Aged Care Act you don't deliver a service to a client who's funded by the government.*

> *Biggest challenge is definitely getting more volunteers on board, but it's also the operating cost of compliance, making sure all our drivers have police checks, first aid, CPR, dementia training and manual handling.*

Additionally, it was noted that volunteers create greater overheads in terms of time management and training costs because they work part-time and therefore several volunteers were needed to equate to a full-time equivalent employee.

> *I think my volunteers work out at one full time person per annum. If I look at the hours...1 person...wouldn't that be nice? Rather than dealing with 28 different people! I mean, I do love all my volunteers don't get me wrong. But yeah....there's this implication that volunteers are so cheap and they are, but they're not.*

We were told we have to deliver everyone with first aid training. There was no increase in funds. Now it cost me, I think it's $300.00 a head for a first aid course….it's all of those things that add up.

9.2.3 Award rates and costs of paid staff

While volunteers were highly valued, not all operators had access to a volunteer workforce, and all had some paid roles within their organisation. Paid roles were often office-based, but also included drivers. A paid workforce was seen to be expensive due to wages, but more consistent and able to work longer shifts.

So, recently we have upped our [paid] drivers. I'm not covering our costs for that. It's a loss.

Staffing is an issue and if we were able to get a good, strong paid for workforce that would enable greater consistency in terms of the services that we did.

Award rates were discussed. While working as a community transport driver was seen as not particularly well paid (compared to other employment opportunities), the number of hours available was also seen by some as a disincentive for people to take up the role. Many drivers are working 25-30 hours a week, which is not considered viable full-time employment for many people. While paid drivers may be difficult to find, nearly all providers acknowledged that labour costs were enormous and one of the biggest impacts on organisational viability.

Our staff are employed under the SCHADS award...so they're not necessarily seen as direct care providers. But the costs have gone up, right. And now there's been another wage increase. So, you're going to have to absorb that soon too.

Driver shortages due to the wages...passenger transport award $34 per hour and cannot compete under the funding we have.

Labour costs are enormous. And that's the I think the biggest challenge with Community transport is you want to maintain a modern fleet.

It's getting more and more a reliance on a volunteer workforce, it's just becoming impossible to even consider paying drivers because it's just not an option.

9.2.4 Business model – paid versus volunteer staff

There was a strong thread of discussion around volunteers versus paid drivers, with many operators arguing that a business should not need to be reliant on volunteers to be viable. While volunteers were considered an incredible asset to most organisations, it was felt that fair payment for services should also cover the costs of the driver.

[We] cannot deliver community transport solely on a volunteer model…you just can't…we have volunteers delivering some transport support for us. There's no way we could deliver a contract with only them.

We are trying very hard to be able to work off all paid drivers...it's not that we don't want volunteers, but the business needs to be sustainable with paid drivers.

And then there's an ethical question for the government, in that using volunteers to effectively subsidised poor government funding is a moral question.

9.2.5 Dead runs

While dead runs are seen as a normal part of business operations, they also represent a cost and labour burden. Interviewees had invested time and resources into creative solutions for minimising dead runs, but acknowledged that, in many cases, there was very little that could be done to reduce their impact. Dead runs are a significant problem because they tie up physical assets (vehicles), increase fuel costs, and impact labour costs and availability. Dead runs are especially burdensome in regional areas where the distance travelled for a dead run may be hundreds of kilometres, or up to 12 hours on a round trip. In addition to dead runs, regional participants noted that due to the distances travelled, drivers were often required to wait at the participant's destination for hours rather than drive back to the depo. This, again, represented a drain on vehicle and labour resources, and in some cases, was a deterrent for volunteers who might be required to sit and wait at a destination for hours, extending their shift to unwanted lengths.

Remote town with 150 people living in it…50 kilometres drive with empty car to pick a person up, drive 80 kilometres for dialysis three times per week which is 50 kilometres per trip unfunded. No other way of getting that person to medical treatment.

We've started using an app for our drivers to navigate their journeys...improved workflow...scheduling game changer reducing dead run times.

Despite these difficulties with dead runs in regional areas, it was noted that these are precisely the places where this service is most needed.

The proximity of other towns and border towns…no one's going to go with a bus from those…dead runs an issue as not getting paid and some of these towns not getting serviced. Taxis even struggle in these towns. We're not there for the profit.

9.3 Capital inputs: Fleet, technology, infrastructure

Participants in the study reflected on the impacts of capital expenses which were seen to be particularly problematic because there were often no funding mechanisms to deal with these large outlays. Major themes in this area were: difficulty in replacing an ageing, fully depreciated fleet and a funding model that does not account for capital expenses; concerns regarding the green transition of fleets; and costs and problems associated with data platforms.

9.3.1 Fleet replacement

Issues with ageing fleet stock was a major topic of discussion across both the first and second round of interviews. Many operators were running very leanly, meaning additional investment in new fleet stock was limited. Managing with existing fleet stock was seen as a short-term solution to delaying an unaffordable outlay, but many providers worried about the long-term sustainability of a model in which investing in new fleet stock was an impossibility. Many providers reported that their vehicles were fully depreciated, and in some cases had been for several years. This led to high maintenance costs on the old vehicles.

We've got an ageing fleet and so does a lot of the rest of the industry.

The cost of maintaining ageing fleet is an ever-increasing problem.

We haven't been able to afford to replace the fleet, which is becoming an issue because we're really getting an aging fleet now.

With the uncertainty of support at home, uncertainty and pricing, we're not willing to commit to a new fleet, upgrading the fleet, so we're basically running into the ground at the moment, which means the costs are going up.

We are fully depreciated but not enough revenue to replace 48 vehicles.

We'll go through the pain the next few years and know it's going to cost us close to a million dollars…those funds are not coming out of that transport model and other areas of the business. The transport model is fine until you need to replace the vehicles and you can't run the business without them.

Many operators commented on the difficulty of securing appropriate fleet stock, even when the funding was available. In some cases, the required vehicle types were not available in the market, in other cases the time and cost to order a vehicle and have it fitted out were prohibitive.

Lead times are so long for vehicles now. We use a lot of Toyota commuter vans that come into Australia as work vans with no seats, so you have to get them fitted out, which delays them.

*The challenge is, the one I'm getting next month, I ordered 15 months ago! 15 months! I don't even have a date on [*some ordered cars*]. I've had two write offs and I can't replace my fleet.*

18 months out preparing to get a wheelchair accessible vehicle.

We're looking to upgrade them, because they're really small, because we didn't have much choice when we bought them.

We're looking at replacing our fleet and a lot of this is trying to find vehicles that fit 3 walkers and frames.

Yeah, we got $50,000 to buy this hybrid car, but it took two years, and then by the time we got it, we lost our funding because we didn't use it in time.

Views on leasing vehicles were mixed. For some providers, it did not make sense to lease a vehicle as they believed a fleet was a primary asset for a transportation operator. Some felt they had no option but look at leasing, even if that is not what they wanted to do. For others, leasing was seen as a solution.

We're leasing cars and then re-leasing them and then re-leasing them because you know the cost of being able to, you know, get some new vehicles in your fleet is just it's beyond what we can do.

It's easier to lease vehicles, but harder on the expenses, but they are more expensive as monthly management fee.

Our accountant doesn't like leasing.

Leasing doesn't work.

We lease a couple of vehicles because we have to. Leasing is ridiculously expensive, the most inefficient use of my time and energy, and I haven't yet found a leasing company that I trust.

Providers were investigating creative and innovative solutions for problems with maintaining their fleet. Some providers were looking around their communities for under-utilised resources (e.g. local government vehicles) that could be co-opted through a shared service system, or approaching others in the community who might donate fleet resources.

Most of our vehicles are purchased outright, some leased and the council contribute annually which helps.

We own our cars and share cars with the health/hospital sector. We cover 35,000 square kilometres and no amount of cars that would cover the area. Having access to the extra cars is the only way we can expand our fleet. We seek grants to replace the cars and got $100,000 and bought two hybrids to extend our fleet.

Previously gifted a second-hand vehicle from the Council and count the depreciation to build money to replace it.

Notably, there was a willingness to explore ways to improve access to and efficiency of resources. Providers understand they have a responsibility to operate effectively, and look for ways to innovate to become more efficient.

It would be handy to know what innovative models are being looked at especially when you see the numbers, good to see who is doing things differently. We all say we want more funding but we have a duty of care and obligation to not just have our hand out...I would be interested to explore some innovations. We could share assets with other providers and partner with communities like LGAs who have vehicles, [it's] all government money.

Regional providers noted specific issues related to their fleets. Long distances, poor roads and frequent incidences with animal collisions all exacerbated issues with vehicle costs and usage.

Asset maintenance is intensive, poor roads, and we have exceeded our 300,000 kilometre clause...just driving them into the ground.

We have had a large number of insurance claims due to hitting animals.

We also do very long distances, which means our cars age out very quickly. And when you add that with roos and wombats and everything else we have, we're having quite a few issues with like insurance and car write offs and things because the roads that we operate on.

Operators also commented on their reliance on community donations and support. These operators noted the generosity of local businesses and councils who contributed goods and services, but simultaneously argued that it was difficult to keep asking for this kind of support, and that it reflected poorly on the funding system that they were required to do this.

We have a depreciation schedule, but no replacement value built into that. We just have to find cash to buy a vehicle which requires efficiencies somewhere, donations or fundraising.

I'm sick of having to just hope people will give me things cheaper because I'm not funded properly. We've only got new uniforms for our volunteers because we won a competition and got $1,000 worth of volunteers of uniforms. There is no more efficiency. We're underpaid for the work. Yeah, we're all stretched.

Look, I just think it's we've gotten this far by being efficient, that we've milked everything. Honest to God. We moved into a new building. I went to Rotary pay for the kettle and, you know, that's ridiculous. I'm sick of begging. I'm sick of having to just hope people will give me things cheaper because I'm not funded properly.

9.3.2 Green transition of fleets

There was interest in transitioning fleets to green technology such as hybrid or fully electric vehicles, however operators noted particular challenges associated with this. While there is a willingness to go green, barriers such as the cost of investing in infrastructure needed to charge vehicles, and replacing the fleet, as well as concerns about distances electric vehicles could travel in regional areas were raised.

If we decided to go EV I would be looking around for funding, but as a model to replace the whole fleet it don't think it would work for us. Hybrids are working for us in the long run but short term, you paid more for the vehicle and they are quite old and need replace in the next couple of years.

Still issues on how far we could drive with an EV, and costs to put chargers in depots.

We're in a position where electric vehicles could be done but an obstacle of upgrading our building infrastructure to facilitate charging.

9.3.3 Data platforms – costs and problems

Providers in the trail were using a variety of platforms, such as Routemap, Trips, or Orcoda. A consistent message from providers in the trial was that the data platforms were a compromise. Most participants were unhappy with the platform they were using and believed them to be poorly developed, not fit for purpose, and often expensive. Most were either expressly unhappy with the platform they were using, or resigned to continue using it for lack of a better, or more affordable, option.

A common sentiment was that, although the platform was flawed, it was easier to stay with it than move to a different system, however some providers were actively looking for an alternative.

Better the devil you know…there's a real gap that needs to be addressed.

Not good at much at all and we will definitely be moving to another. I don't think any of them give me what I want.

A common complaint was the cost of the platforms, and the dissatisfaction with cost was exacerbated by the dissatisfaction with the performance of the platform.

I can't afford 50 grand worth of database. I'm doing 10,000 trips a year, so five bucks out of every trip goes to paying for the database.

Up until June 2024 our software was paid by Government. We now have a $55,000 a year expense that we never had...I will just have to wait a little while…until the product is a bit more mature before investing in it.

The theme that the platforms were poorly developed and difficult to use was common. Additionally, platforms required additional equipment (such as tablets in vehicles) that were barriers to use in the field.

The boss and I say it's made it a lot better but the workers hate it. I think when the trial finishes the staff will stop using if. Not everyone has literacy and struggle with it. Tick on a clipboard is a lot easier.

Why launch a product if you haven't finished developing the key components?

A lot of challenges with the software…security restrictions, lot of upgrades and data integrity issues. Sector has had to suffer with second rate software…immature market.

We had to have tablets installed in the in the vehicles, for example…A lot of technology costs went up because we had to buy mounts, had to buy tablets. So, yeah, we've got a lot of embedded costs now from that.

Regional operators noted that blackspots in certain areas meant that online systems were not fit for purpose, and that the systems weren't designed for their participant and trip types.

Staff finding it too hard to log in and out with blackspot so I am just manually entering the into the spreadsheet.

We came to the pilot and are seeking options but it's not designed for country areas or busses. None of the platforms seem to be sophisticated enough to do the things we need.

A significant problem with the data platforms was seen to be their incompatibility with other systems. Participants noted that their trip system did not integrate with their other systems, resulting in double entering of data, and problems with tracking participants and services.

We need a model that changes if the funding model changes...a model that is customer focused and a customer can log onto an app and make a booking…a system that can double our scale not our back admin.

We run so many other services from CHSP it wasn't feasible to change platforms. It didn't have the subsets or data sets that the pilot wanted it was all manual. It was about $9k to change it and no direct benefit to our bottom line or consumer.

We're still double entering, for example, because [platform name] doesn't allow us to capture, upload documents, or capture assessment and welfare checks, which is a really big part of our service, even though the funders don't ask for that data.

It was unusual to hear from a participant that they were very happy with the platform they were using, although some were. In these cases, participants cited improved efficiencies, in particular in relation to scheduling.

> *It does work for us. Works really well for us for scheduling it's like any software program, yep, but it's got problems, but it's working for us it's not perfect, but it's pretty good, good for scheduling.*

> *We're paying $3,000 per annum for the system and get everything from Raymond that we ask for, modifications, reports, grants, emergency food relief and CRM. I have zero intention of moving away from this until someone shows me a platform that does as much as this.*

> *We're using the [platform name] software, and we have been, we have been for probably two years now, which certainly has had a whole bunch of issues, but it has helped us to create efficiencies in the service, for example automated SMS reminders, automated phone calls.*

> *We loved seeing where the vehicle is.*

9.4 Passenger needs

By definition, community transport participants are often disadvantaged. This disadvantage can take several forms, for example, socioeconomic, geographic, language, psychosocial, and physical. Participants might also have multiple ‘high needs’ intersecting. When multiple needs are experienced together, the complexity of the participants’ needs increases, as do the costs associated with transporting them. Community transport passengers are distinctly different to the general population and are often described by providers as ‘vulnerable’.

Major themes that emerged in relation to participant needs include: low socioeconomic status; a range of physical and psychosocial needs; and language needs.

9.4.1 Socioeconomic status

Providers reported that people who were financially independent often had other choices in relation to their transport, such as access to other forms of paid transportation. And those who were well connected within their communities, either through family or other social connections, also had alternative transport options. However, those in low socioeconomic groups, and those who were socially isolated, were more dependent on community transport. Some providers reported that their participants were not able to afford the participant contribution, and that the provider absorbed this loss rather than deny the participant transport. Some noted that following up on unpaid participant contributions was financially prohibitive, so these losses were accepted as part of business operations.

> *The demographic of people that need welfare checks and financial hardship go hand in hand. Ideal world, family does this, but there are those that fall through cracks, vulnerable.*

> *Chasing up contributions and money people won’t pay involves a lot of resources. People would go without if they have to contribute more to longer trips.*

> *We have some of the lowest client contribution fees out of all of the providers, which was a very intentional direction for us. We can't really rely on client contribution fees*

to pay for those things, which I think is what the funder assumed would happen. We operate in a very low socio economic area.

9.4.2 Physical and psychosocial needs

The types of disadvantage experienced by community transport participants often include physical mobility needs or psychosocial conditions such as dementia and other forms of cognitive decline. Some providers noted that *all* their participants had mobility issues, which ranged from needing a walking stick or walker to being in a wheelchair. Others reported that the majority of participants needed mobility support of some kind, but on average providers reported about a fifth of their participants had mobility limitations. Limitations in physical mobility increase the time required to on-and-offboard participants during the trip.

Every single client of ours has physical needs, because otherwise they'd be driving.

You have to put the wheelchair lift down. You have to load him in. You have to buckle everything in, close the wheelchair lift, get in the car and drive.

A lot of wheelchairs in and out of the back of those lifters, and it's a lot of cost, because, just the time alone. You know, it's just amazing how long that takes.

Some providers reported that not having the appropriately skilled volunteers impacted their ability to provide transport to participants with mobility needs, while others noted that they did not have the modified vehicles that were required for participants with mobility limitations. One provider reported that community transport solutions for participants with significant mobility limitations meant that those individuals could stay at home, and out of residential care, for longer.

We don't have a modified vehicle. So, everyone has to have a level of mobility. It would be good to be able to provide a modified a vehicle. So the frailer people...can still come. So, when you're looking at the end-to-end, people staying at home longer, less reliance on residential care, those modified vehicles become more crucial.

We do lots of supported shopping, whether drivers or client assistant. We take some people's shopping into their homes, but been doing it for years so part of the service. We do hand-to-hand for people with dementia or cognitive issues.

Cognitive needs increase the time required to support the participant during the trip, and also during the booking process. Participants with dementia may require multiple phone calls and reminders and may not be ready to leave when the driver arrives, thereby disrupting schedules.

Extra steps needed for a person with dementia. We have a team that helps people with appointments, completes documentation.

If you've got a client who's cognitively declining, they actually take longer than anyone, because they go back into their house three times for their keys. And they've forgotten you're coming. So, when you knock on the door, they have to rush around. They're not waiting out the front.

Providers also mentioned the extra training requirements for working with people with physical and psychosocial needs. While generally volunteers could be trained to manage participants with high needs, there were limitations to what they can do. Some volunteers

were reluctant to invest time in training and compliance, while others had physical limitations themselves, or simply did not have the level of training required to support very complex participants.

> *We have dementia training, first aid training, phone family if an issue, helping them out the car. Interaction is significant and understanding what a vulnerable person is. Different from a taxi driver honking their horn.*

> *We always wanted to get to the point where we have paid qualified carers as drivers for high needs clients. They are people who need more support than a volunteer can give. We try and match ex-nurses for a little bit of knowledge, or bring a carer. We have ex-farmers volunteering their time; they can't help high needs clients. Providing additional support is a dream of mine.*

Safety was also an important issue; the regularity and reliability of community transport options, when compared to taxis and Ubers or public transport, gave participants a greater sense of safety and independence.

> *We're filling infrastructure gaps in public transport. We are making people feel safe who don't feel safe, even if they could afford to catch a taxi by themselves.*

9.4.3 Language needs

Some providers specifically target particular culturally and linguistically diverse (CALD) communities, while others have broad participant bases that include CALD participants. Other providers noted that their participants were all English-speaking, due to the demographic area they serviced.

There was a lack of clear definition of what 'language needs' or 'non-English speaking' meant; some defined this as a person whose first language was not English, others defined it as someone who had limited English skills, while others defined it as someone with no English language at all.

CALD status and language needs were not always recorded and reported accurately.

> *I would say it's a good 50 to 80 clients out of our 700 that are obviously fluent in English, but it's not their first language.*

> *We've got one service where we've got eight different languages that we run it in.*

> *[We are in] a growth corridor. This area has been attracting a lot of new migrants. So, it is extremely diverse community in terms of language and cultural background.*

Some providers employed staff members whose role was to support participants with language needs. In some cases, the provider employed interpreters for multiple language groups.

> *We have about 140 support workers, not all FTE, and three main languages to fit with the clients and match them. An additional layer of complexity.*

> *We engage interpreting services regularly to assist, usually with the assessment.*

> *We have a lot of clients who don't speak English...their children can speak English...we have a lot of different nationalities of staff and volunteers.*

CALD and language needs added complexity to managing participants. One difficulty that was reported was accessing and scheduling interpreters across the many language groups. Providers reported that there was 'no acknowledgement' of the extra coordination and management required to serve these diverse communities.

> *And it's worse for CALD communities. Because there is no acknowledgement or understanding what that means for organisations and the coordination.*

9.4.4 Social isolation

Providers were aware that their driver or booker 'might be the only person they [participants] talk to that day', or even that week. Social isolation was raised as a concern alongside geographical isolation, and community transport was seen as an important antidote to isolation and loneliness. Providers often encouraged their staff to spend more time chatting on the phone, even if it caused problems with time management, because they saw the value in maintaining social connections for their participants.

> *I said [to my staff members], they may not speak to anyone else today apart from you, because they might be living at home alone. I said, just humour [them].*

9.5 Distance and geography

Geography emerged as a major determinant of service delivery costs and operational challenges during the qualitative interviews. Operators highlighted that metropolitan, regional, and remote contexts each present distinct cost structures, workforce dynamics, and service delivery risks. This section synthesises operator insights into how distance, remoteness, and local infrastructure conditions shape the financial and operational sustainability of community transport, and how these realities informed the design of the National Variable Pricing Formula (NVPF).

9.5.1 Metro and regional

Challenges associated with distance and geography were markedly different between metro/regional and rural/remote operators. Metro and regional operators experienced challenges with road infrastructure in relation to traffic jams, lack of parking spaces, and road tolls. It was common for these operators to comment that the time taken to go from point A to point B was not always accurately reflected in the route planning software which might not pick up on traffic jams or other road obstructions in real time.

> *We've got a major intersection only about 200 metres down the road, and on the software you can get from A to B in 15 minutes. Yeah, it can sometimes take me 10 minutes to get that 200 metres, because there's always traffic turning right, and then someone parks where they shouldn't park.*

9.5.2 Rural and remote

However, for those in rural and remote areas, distance and geography were of greater concern. Some providers in these communities undertook a substantial number of long distance trips, often involving dead runs. At times, these conditions made it financially unviable for private services such as taxis and Uber to operate, and in several cases, there

were no such private, or public, transport services in the community. Providers were aware that they were often the only transport option for a participant in their region and that without community transport options, the participants would be unable to attend appointments and social engagements, or obtain access to basic services such as supermarkets.

> *No public transport, no taxis, and we are at the mercy of what our clients want us to do on any given day.*

The majority of concerns in relation to geography and distance for rural and remote operators were related to either the length of a run and the resultant dead run, or related to wait times when the distance travelled was too far to allow the driver to return to the depo in between runs.

> *What we need to do is look at the cost of having that car sitting there waiting for someone to get in it. Say it goes to Sydney three times a week. Say it has one client in it. And let's hope the client comes back each day. That car will never make ends meet unless I'm charging the clients $300 a trip. And it can't be used more efficiently because when it's in Sydney, it doesn't get to come home and do some more [trips].*

> *Lots of our trips are long distance…You have to have three hours off in the middle of the day while this person's at their appointment before you drive them home.*

Some operators noted that the time spent waiting for participants was not wasted. In these cases, the driver might wait with the participant, for example, in the doctor's waiting room, keeping them company and supporting them through administrative processes. However, this part of the driver's role is not funded, and while the drivers are providing a valuable additional social service, this time spent waiting with participants is nevertheless a drain on the bottom line.

> *Literally, that bus driver is then paid to sit there and provide social support…we're not getting paid to have a driver sit around for social support.*

While the Modified Monash Model was generally accepted as the best available method of determining whether a place was rural or remote, it was also recognised that the model was imperfect, and some providers felt it put them at a disadvantage. In these cases, the provider perceived that they were missing out on appropriate funding because the model did not work for their circumstances.

> *The Monash model is ridiculous. It's measured by your geographical location to infrastructure. Our hospital has maternity and emergency departments which is why we don't get funding for Triple M. We drive past it to take clients to a major hospital outside the area.*

9.6 Implementation

The qualitative interviews reveal several potential options for policy interventions.

9.6.1 Block funding versus fee for service

All participants recognised the importance of block funding. Block funding allowed providers to undertake strategic planning, and 'keep the doors open'. Without block funding, many operators commented that they would not be able to continue operating.

However, there was also a recognition that block funding had limitations. For example, it relied on an estimation of trips, which was not always accurate. In one case, a provider noted that block funding restricted their ability to expand their business. Several operators noted that a combination of block funding and fee for service might achieve the dual goals of financial security and providing the flexibility to expand services. That said, it was acknowledged that the complexity of administering a funding system that provided both block and fee for service funding might be prohibitive. In this case, the clear preference from providers was to continue to provide block funding.

It was also noted that operators have been waiting for funding reforms before making decisions about the future direction of their operation. This has caused frustration and stymied innovation and business development. As such, it is important for operators that decisions about the new funding model are made quickly and put into effect as soon as possible.

9.6.2 Reporting requirements

In order for providers to be funded appropriately under the proposed model, reporting must be accurate. Some providers are not currently recording all of the participant's needs, for example, and under the new model this will result in them missing out on subsidies. For providers to accurately collect and report on the information required for the proposed model, they will need support with:

- Implementing and maintaining the required IT
- Onboarding
- Training and compliance.

Further, reporting requirements should not create an additional administrative burden on providers; effort must be made to ensure recording and reporting is streamlined. In cases of emergencies such as natural disasters, systems need to be responsive to need.

9.6.3 Attraction and retention of the volunteer workforce

The volunteer workforce is both the backbone of many providers' service, and also the most complex and challenging part of their operation. The difficulties with attracting and retaining volunteers is causing some providers to move towards paid drivers, thus increasing the cost burden. While this report demonstrates the various cost points at different ratios of volunteers, it is important to note that some providers find it more difficult than others to attract and retain volunteers, and it may not be possible for all providers to attain the recommended ratio of volunteers.

It should also be noted that managing a volunteer workforce is burdensome, in terms of training and compliance, retention, and the sheer volume of individuals required to reach a full-time equivalent employee. Strategies that increase the attractiveness of volunteering may help in some cases, but in others, there is simply not a large enough community to attract and retain optimal volunteer numbers. Policy recommendations about volunteer ratios should acknowledge the costs and benefits, as well as limitations, of the volunteer workforce.

9.6.4 Reforms must consider passenger needs

Community transport is a complex, multifaceted service that provides broad-ranging benefits to vulnerable community members. Reforms must reflect that this is not an 'A to B and honk

the horn' service. While there is a role for basic transport services, such as those provided by taxis and rideshare operators, the key contribution of community transport is in providing a premium full service model to vulnerable people who may not have other transport options available to them. This service may keep them at home and independent for longer, thus reducing demand for more intensive aged care and disability services. For providers, it is important to ensure that any decision about funding models recognises that the value they bring to their communities goes beyond 'A to B' transport, but rather represents a comprehensive social service.

9.7 Summary and implications

The qualitative findings from the NCTPM Pilot provide vital context for understanding the financial, operational, and social dynamics underpinning community transport services across Australia. Interviews with participating operators reaffirmed that community transport plays a unique and irreplaceable role in enabling ageing in place, fostering social inclusion, and supporting access to health and community services—particularly for participants with complex needs. They also highlighted the escalating workforce and capital challenges facing the sector, the profound operational impacts of geography and remoteness, and the nuances of serving increasingly diverse participant populations.

These insights complement the quantitative analysis by highlighting both the strengths and vulnerabilities of current service models. They underscore the need for a funding framework that recognises not only observable trip attributes but also the broader structural and social factors influencing cost and service delivery sustainability. The National Variable Pricing Formula (NVPF) has been designed with these realities in mind, balancing fairness, simplicity, and operational feasibility while preserving the relational, high-trust model of community transport that operators and participants alike value so highly.

The findings of the qualitative interviews reinforce the central conclusion of the NCTPM Pilot: that a reformed, evidence-based funding model is critical to securing the future of community transport services, and that with the right support, the sector is well positioned to continue playing a transformative role in the lives of vulnerable Australians.

10. SYNTHESIS AND CONCLUSIONS

This chapter draws together the key findings from the National Community Transport Pricing Model (NCTPM) Pilot, synthesising insights from both the quantitative and qualitative streams of analysis. It presents an integrated view of how the proposed pricing model – the National Variable Pricing Formula (NVPF) – better aligns subsidy support with observable cost drivers, while supporting the long-term financial sustainability and social value of community transport services. The chapter is structured around six core areas: the structure and rationale of the pricing model; the role of distance and geography; the influence of participant needs; the significance of labour inputs; the implications of capital inputs; and considerations for practical implementation of the model across the sector.

10.1 The pricing model

The National Community Transport Pricing Model (NCTPM) proposes a new pricing model that links subsidy support to observable and verifiable trip attributes, replacing the current flat-rate funding arrangement under the CHSP. At the heart of the NCTPM is the National Variable Pricing Formula (NVPF), shown in **Figure 16**, which estimates unit trip costs as a function of three key factors: trip distance, participant needs, and service geography. The NVPF comprises two parts: (i) a **fixed cost component** (analogous to a "flagfall" fare) that varies based on participant characteristics and regionality, and (ii) a **distance-based variable cost component** that scales proportionally with the quoted trip distance. This structure ensures that funding more closely reflects the real costs incurred by operators, while maintaining administrative simplicity and transparency.

The NVPF captures important service delivery differences that were historically overlooked under the flat-rate funding model. In particular, it recognises that trips involving participants with higher support needs, whether due to individual characteristics or geographic context, incur greater costs, and adjusts funding accordingly. Four key categories of support needs are formally defined within the model:

- **Physical support needs**: Participants who have physical support needs due to disability or other health conditions, including sensory and speech impairments, physical restrictions, or acquired brain injuries such as head injury or stroke.
- **Psychological support needs**: Participants who have psychological support needs, encompassing intellectual disabilities and psychosocial conditions that restrict everyday activities.
- **Language support needs**: Participants who do not speak English at home, and who may require additional communication support or language services.
- **Geographic support needs**: Participants living in rural and remote areas, where trips involve increased vehicle wear and tear, higher insurance costs, and other service delivery challenges due to low population densities and dispersed demand.

Under the NVPF, participants with physical, psychological or language support needs are classified as “high needs”, and receive a different base fare and distance rate. Similarly, trips served in rural and remote areas also receive a different base fare and distance rate. This acknowledges the additional resources associated with serving these groups.

Figure 17: Final and recommended pricing formula

Importantly, the NVPF does not capture all possible sources of cost variation. It does not differentiate costs based on other participant characteristics, such as gender, age, indigeneity, or sexual orientation. Our qualitative interviews with operators indicated that serving participants from diverse backgrounds may sometimes incur additional costs, for example, through the need for culturally appropriate service practices, greater communication support, or enhanced safeguarding measures. However, our quantitative analysis did not detect statistically significant cost differences for some of these groups, and in other cases, necessary participant information was not systematically recorded across operators. The absence of observed cost differentials should not be interpreted as evidence that such differentials do not exist, only that we were unable to capture them within the scope of the pilot. Similarly, in relation to geography, the NVPF distinguishes between metropolitan/regional (Modified Monash Model Levels 1–4) and rural/remote (Levels 5–7) areas, but does not adopt a more disaggregated geographic schema due to sample limitations. Greater granularity may have been possible with a larger and more diverse operator pool. These issues are discussed further in the subsequent section on participant needs.

Beyond the four formally defined support needs, it is important to recognise that other sources of cost variation may exist that were not explicitly tested or identified in the model. In particular, the model does not currently incorporate separate adjustments for participants who identify as Aboriginal or Torres Strait Islander, LGBTQ+, or belong to other diverse or minority groups. This does not imply that trips serving these participants do not incur higher costs, only that we lacked sufficient data to detect consistent or statistically significant differences. Relying on a default assumption that such participants are “low-needs” may risk underfunding services for groups that do, in fact, require additional support. A more inclusive approach may be to treat these groups as potentially having higher support needs until better evidence becomes available. Ultimately, what is needed is a more nuanced, functional approach to assessing support needs, one that looks beyond broad demographic labels. For example, two participants may both use mobility aids, but one may require minimal assistance while the other needs significant door-through-door support. Future iterations of the pricing model should consider incorporating functional support assessments that better reflect the nature and intensity of assistance required, regardless of the participant’s background.

Nor does the NVPF adjust for organisational factors such as administrative scale, cross-subsidisation between programs, or differences in back-office systems and IT maturity. While these factors undoubtedly influence financial performance, they are highly variable across operators and difficult to verify through simple reporting mechanisms. Moreover, adjusting subsidy levels to reflect organisational scale or service scope would have introduced significant equity and policy risks. In particular, recognising economies of scale or scope in the pricing formula could have resulted in systematically higher subsidies for smaller, more specialised operators, and lower subsidies for larger, multi-service organisations. Conversely, governments might then have been incentivised to encourage or

mandate consolidation to reduce costs, potentially undermining the local, community-embedded nature of many community transport services. To avoid these perverse incentives, the NVPF deliberately focuses on observable service delivery characteristics—trip distance, participant needs, and geography—rather than internal organisational structures or efficiencies.

By focusing on a small set of observable cost drivers, the NVPF strikes a balance between equity, accuracy, and practicality. Under the final recommended structure of the NCTPM, all 31 operators that participated in the pilot are expected to be better off in terms of cost recovery compared to the current CHSP flat subsidy. Importantly, 25 of the 31 operators would achieve cost recovery rates above 80%, compared to only five operators under the existing flat-rate subsidy of $35 per trip. However, even under the NVPF, there remain six operators whose cost recovery would still fall below 80%. This outcome is inevitable. In designing the NVPF, we deliberately prioritised simplicity, transparency, and ease of implementation, avoiding an overly complex formula with numerous parameters that would be difficult to administer or audit. As a result, the NVPF cannot fully capture every unique service context across the sector. Some operators serve environments or participant groups that are so specialised or challenging that a generic sector-wide formula cannot reflect their true cost structures. In such cases, targeted supplementary support outside the NVPF framework, such as ad-hoc grants, special loading provisions, or separate negotiation processes, will be necessary to sustain service delivery. Based on detailed financial and operational data collected from participating operators, we estimate that the true average cost of delivering a CHSP-funded community transport trip is approximately $68—almost twice the current flat subsidy rate of $35 per trip. This finding highlights the financial unsustainability of the existing funding model, and the critical need for reform. By aligning subsidy support more closely with actual service delivery costs, the NCTPM offers a pathway to securing the long-term viability of community transport services while preserving their premium, full-service character.

For context, it is instructive to compare the fare structures under the NCTPM with those of commercial taxi services. Taxi fares in metropolitan Australia typically comprise a flagfall of around $5.00 and a distance rate of $2.00–$2.50 per kilometre, with additional charges for waiting time. In contrast, the National Variable Pricing Formula (NVPF) sets higher base fares - $32.10 for low-needs participants and $58.50 for high-needs participants in metro areas, rising to $59.30 and $85.70 respectively in rural and remote areas - but applies lower distance rates, ranging from $1.20/km to $1.75/km depending on participant need and geography. Illustratively, a short 5 km trip for a low-needs participant in a metropolitan area would attract a subsidy of approximately $38.55 under the NVPF, compared to a taxi fare of around $15–$20. Conversely, a long 50 km trip for a high-needs participant in a rural or remote area would attract a subsidy of approximately $168.20 under the NVPF, compared to a taxi fare of around $110–$130. While NVPF-funded trips are generally more expensive, this reflects the significantly higher level of service involved: community transport services provide door-to-door (and often chair-to-chair) support, welfare checks, mobility assistance, bilingual communication where needed, and trusted, relationship-based care. Unlike taxis, community transport services are integrated into broader aged care, disability support, and community health systems, often serving as critical lifelines for vulnerable participants who cannot access or safely use standard transport options. The higher subsidy levels under the NVPF thus reflect not only transportation costs, but also the social, health, and wellbeing value embedded within the community transport model.

Looking ahead, future revisions to the NVPF should not only focus on periodic adjustments to account for inflation, but also on developing more nuanced pricing structures that better capture cost differentials not fully reflected in the present model. While the current NVPF

represents a major step forward in aligning subsidies with observable cost drivers, limitations in data availability and sample diversity constrained our ability to systematically model certain factors—such as extreme remoteness and the complexities associated with highly specialised participant groups. Future iterations of the pricing model should seek to incorporate these dimensions more explicitly, ensuring that the pricing model continues to evolve in line with sector realities and supports equitable access to community transport across Australia's full geographic and demographic spectrum.

10.2 Distance v. time

A major point of discussion during the NCTPM Pilot was whether distance or time should serve as the primary basis for calculating the variable component of trip costs. Participating operators were divided along geographic lines: metropolitan operators advocated for a time-based approach, arguing that congestion, traffic delays, and low average speeds significantly increase labour and vehicle costs in urban environments. Regional and remote operators, by contrast, preferred a distance-based approach, noting that distances are easier to measure consistently and are less subject to day-to-day variation.

After extensive analysis, distance was selected as the preferred metric within the National Variable Pricing Formula (NVPF), for several reasons:

- **Consistency and verifiability**: Distance can be readily and consistently recorded across operators, typically using Google Maps or equivalent systems. In contrast, travel times are more prone to variation based on traffic conditions, individual driver behaviour, and data recording practices.

- **Minimising gaming risks**: Using distance discourages potential manipulation of reported figures. Time-based funding could inadvertently incentivise longer routing or unnecessary delays to increase subsidy levels.

- **Administrative simplicity**: A distance-based system reduces administrative burden by using a standard, publicly verifiable measure, streamlining both reporting and audit processes.

- **Participant fairness and predictability**: Consultations with consumer advocacy groups highlighted that distance-based pricing would likely be preferred by participants themselves, particularly if participant contributions are introduced to support cost recovery. Participants expressed concerns that under a time-based system, being stuck in traffic would lead to unpredictable and stressful fare increases, whereas a distance-based system offers transparency and reassurance that fares are stable once the journey begins.

- **Sufficient proxy for cost**: While time does influence labour costs, our analysis in Chapters 6, 7, and 8 shows that distance remains a strong proxy for the main variable cost drivers (fuel consumption, vehicle wear and tear, driver time) when properly adjusted for geography and participant needs.

To address legitimate concerns raised by metropolitan operators about lower average speeds, the NVPF allows for **different distance rates across metro/regional and rural/remote contexts**. In particular, per-kilometre rates are higher in metropolitan and regional areas to reflect the greater time costs associated with urban congestion, while lower rates are applied to rural and remote trips where average travel speeds are higher. This

adjustment ensures that metropolitan operators are not systematically disadvantaged by a purely distance-based pricing formula.

10.3 The role of geography

The NVPF recognises that geography materially affects the fixed and variable costs of providing community transport services. In particular, operators serving rural and remote communities face distinct cost pressures compared to their metropolitan counterparts, arising from both environmental and operational factors.

Key cost differentials between metropolitan/regional and rural/remote operators include:

- **Higher capital costs**: Vehicles in rural and remote areas are subject to greater wear and tear due to longer travel distances, lower-quality road surfaces, and limited availability of servicing and repair facilities. Insurance and registration costs are also often higher.

- **Labour market challenges**: Recruiting and retaining qualified drivers, administrative staff, and volunteers is substantially more difficult in rural and remote areas. Operators often face acute shortages, leading to higher labour costs or an over-reliance on casual or part-time staffing models.

- **Smaller scale of operations**: Rural and remote operators typically have lower trip volumes spread over larger geographic areas, limiting their ability to achieve economies of scale or efficient trip consolidation.

- **Higher operational fragility**: Operators in rural and remote areas are often more vulnerable to cost shocks, such as fuel price spikes or insurance premium increases, due to their fixed cost bases being spread over fewer trips.

These realities are captured within the NVPF through two key mechanisms:

- A **fixed cost supplement** of $27 per trip for services in rural and remote areas (classified as Modified Monash Model (MMM) Levels 5–7), to recognise the higher capital and maintenance costs borne by these operators.

- **Differentiated distance rates**, with lower per-kilometre rates applied in rural and remote areas compared to metropolitan areas. This adjustment reflects higher average travel speeds and ensures that subsidy levels remain appropriate across different service contexts.

While the NVPF introduces these important geographic distinctions, data limitations constrained further segmentation. Ideally, the pricing model would distinguish between metro, inner regional, outer regional, remote, and very remote areas more precisely. However, the limited number of participating operators from highly remote locations meant that more disaggregated modelling was not statistically feasible at this stage.

The financial fragility of services operating in highly remote contexts was starkly highlighted during the pilot: two participating operators serving very remote communities were forced to cease operations during the study period, citing the unsustainability of service delivery under the current CHSP flat subsidy. Their closure underscores the critical need for reform and signals that pricing models based on average sectoral conditions may not be sufficient to support service delivery in extreme geographic contexts.

While the NVPF is designed to improve cost alignment and equity across a wide range of operating contexts, it may not be suitable in all circumstances, particularly in very thin markets. In locations with extremely low demand or highly irregular travel patterns, the pricing model may struggle to generate sufficient or predictable funding to sustain service delivery. In such cases, an alternative funding mechanism, such as direct block grants, minimum service subsidies, or community service obligations, may be more appropriate to ensure continuity of access. Future policy development should consider how best to support these outlier contexts, recognising that a one-size-fits-all approach may not be feasible across all geographies and service models. Relatedly, future iterations of the NCTPM Pilot should strive to collect more targeted data from operators in remote and very remote areas to ensure that the funding model better reflects the full continuum of Australia's geographic diversity.

10.4 Participant needs

The National Variable Pricing Formula (NVPF) explicitly recognises that the nature of a participant's support needs materially affects the cost of providing community transport services. Some participants require additional assistance with mobility, communication, or duty-of-care responsibilities, all of which impose greater demands on labour time, vehicle fit-out, and scheduling flexibility. To account for these differences, the NVPF incorporates a participant needs adjustment into the fixed cost component of trip subsidies.

Three key participant characteristics were found to significantly increase the costs of service delivery, and are formally captured within the NVPF:

- **Physical support needs**: Participants who have physical support needs due to disability or other health conditions, including sensory and speech impairments, physical restrictions, or acquired brain injuries (such as head injury or stroke).
- **Psychological support needs**: Participants who have psychological support needs arising from intellectual disabilities or psychosocial conditions that restrict everyday activities.
- **Language support needs**: Participants who do not speak English at home and who may require additional communication support, bilingual staff, or more extensive onboarding and welfare monitoring.

Participants who meet any of these definitions are classified as having higher support needs and attract a higher fixed cost supplement under the NVPF. This supplement reflects the additional time, training, and resources required to serve these participants safely and effectively, and ensures that subsidy levels better align with real service delivery costs.

However, it is important to note that the NVPF does not capture all potential sources of cost variation associated with participant diversity. Our quantitative modelling did not detect statistically significant cost differentials based on other participant attributes, such as gender, age, indigeneity, or sexual orientation. In some cases, relevant information was not systematically recorded across operators' IT systems, limiting our ability to test for these effects robustly. In others, the available data may have lacked sufficient sample sizes or variation to detect meaningful differences with confidence.

The absence of statistically significant effects in the current model should not be interpreted as evidence that such cost differentials do not exist. Feedback from qualitative interviews strongly suggested that serving certain participant groups, including Aboriginal and Torres

Strait Islander participants, participants identifying as LGBTQIA+, and participants with extreme frailty or complex multi-morbidity, can involve additional time, cultural safety practices, and safeguarding protocols that increase service delivery costs. As argued previously, relying on a default assumption that such participants are “low-needs” may risk underfunding services for groups that do, in fact, require additional support. A more inclusive approach may be to treat these groups as potentially having higher support needs until better evidence becomes available. Future iterations of the NVPF should aim to capture these nuances more systematically, particularly through better quality data on participant diversity.

In this pilot phase, the NVPF strikes a deliberate balance between capturing major cost drivers and maintaining simplicity and operational feasibility. Expanding the model to reflect a broader range of participant complexities would need to be carefully weighed against the goals of transparency, ease of implementation, and administrative burden on providers. Nonetheless, as data systems mature, there is scope to refine and evolve the participant needs adjustments over time to further strengthen equity and sustainability within the sector.

10.5 Workforce challenges

The sustainability of community transport services is fundamentally tied to the availability and cost of labour. Across the sector, labour accounts for approximately 60% of total trip costs, making it by far the largest single cost component. This cost dominance reflects the labour-intensive nature of full-service community transport, where drivers and support staff provide not only transportation, but also mobility assistance, welfare checks, emotional support, and safeguarding responsibilities.

Historically, the sector has relied heavily on volunteer labour to help contain costs. Many operators have benefited from a strong tradition of community volunteering, with volunteer drivers and support staff playing a critical role in enabling service delivery at affordable rates. However, volunteer recruitment and retention have become increasingly challenging in recent years. Operators report that their traditional volunteer pools are ageing, and younger cohorts are less likely to engage in regular volunteering due to changing work patterns, caregiving responsibilities, and broader social shifts. The administrative and compliance burden associated with managing volunteers, such as police checks, manual handling training, and safeguarding protocols, has also increased, making volunteer coordination more resource-intensive.

Recruiting and retaining paid staff has similarly become more difficult. Community transport roles are often part-time or irregular, which can make them less attractive compared to more stable employment opportunities. While the sector is governed by the Social, Community, Home Care and Disability Services (SCHADS) Award, the wage rates available under this award are frequently uncompetitive relative to other industries offering similar or less demanding work. This is particularly acute in rural and remote areas, where labour markets are thinner and competition for staff is high.

The NVPF assumes a mixed workforce model, with operators continuing to deploy a combination of paid staff and volunteers. The cost estimates underpinning the NVPF reflect the current workforce mix observed across the 31 operators participating in the pilot, where approximately 36% of labour was contributed by volunteers. While there is policy interest in further expanding volunteer participation as a means of containing costs, our findings suggest that this is unlikely to be a sustainable or realistic strategy. Operators consistently reported growing difficulties in recruiting and retaining volunteers, particularly younger cohorts, and highlighted the increasing compliance and training burden associated with

managing volunteer workforces. Sustaining existing volunteer engagement levels will already require proactive support measures; relying on significant future increases in volunteer ratios to offset service delivery costs would risk undermining service reliability, quality, and long-term sector viability.

The Pilot also helped highlight opportunities for improving labour utilisation across the sector. By systematically benchmarking unit costs and operational practices, some participating operators were able to identify inefficiencies in how their paid and volunteer staff were being deployed. In particular, the Pilot revealed that greater alignment between staff working hours and peak service delivery periods, the introduction of more flexible shift arrangements, and improved trip scheduling practices could materially enhance workforce productivity without compromising service quality. While not all operators have the scale or operational flexibility to implement such changes immediately, these insights offer valuable pathways for strengthening the long-term financial viability of community transport services.

The long-term financial sustainability of community transport services will depend critically on renewing and supporting the sector's workforce. Without strategic efforts to attract, train, and retain both volunteers and paid staff, operators may struggle to maintain service levels—even with improved funding arrangements under the NCTPM. Future policy settings should consider targeted workforce support measures alongside pricing reform, including volunteer engagement strategies, wage supplementation programs, training and accreditation support, and streamlined compliance processes. A strong, skilled, and motivated workforce is not just an operational necessity, it is fundamental to preserving the premium, relationship-based model of community transport that underpins its social value.

10.6 Capital inputs

While labour is the dominant cost component of community transport services, capital inputs also play a critical role in determining service sustainability and quality. Capital-related expenses, including vehicle acquisition, maintenance, insurance, registration, and investment in scheduling and participant management systems, represent a substantial, ongoing financial burden for operators.

However, current observed capital expenditures are likely to understate the true level of investment needed to maintain safe, reliable, and efficient community transport services. Consultations with operators revealed that many have deferred maintenance activities, extended vehicle replacement cycles beyond recommended lifespans, and delayed IT system upgrades in response to persistent funding constraints. In some cases, operators reported relying on fundraising, community donations, or ad-hoc grants to finance essential capital purchases—sources of funding that are neither predictable nor sustainable.

The NVPF is based on observed expenditure patterns among participating operators, rather than idealised or full-cost asset management practices. As such, while the NVPF substantially improves cost recovery relative to the current flat-rate CHSP model, it does not fully account for the longer-term capital renewal needs of the sector. Without supplementary capital investment strategies, there is a risk that underlying asset bases will continue to degrade over time, undermining service reliability, safety, and efficiency.

Key areas where future policy attention may be required include:

- **Fleet replacement programs**, ensuring that community transport vehicles are renewed on sustainable life cycles, rather than extended indefinitely to minimise short-term costs.

- **Green fleet transition support**, providing financial assistance for the adoption of hybrid and electric vehicles, particularly given the higher upfront costs and limited charging infrastructure in rural and remote areas.

- **Insurance cost management**, exploring group purchasing arrangements or government-backed insurance pools to mitigate the rising cost of insuring community transport fleets.

- **IT system upgrades**, supporting investment in modern, fit-for-purpose scheduling, reporting, and participant management platforms that improve operational efficiency without imposing unsustainable administrative burdens.

While the NVPF represents an important step forward in securing the day-to-day financial viability of community transport services, it should be seen as part of a broader ecosystem of sector support. Addressing capital needs systematically and proactively will be critical to ensuring that the community transport sector remains safe, modern, and resilient into the future.

10.7 Implementation

Successfully transitioning to the National Community Transport Pricing Model (NCTPM) will require more than simply changing subsidy amounts. It will demand careful planning, coordinated support, and clear communication to ensure that operators can implement the new model effectively and sustainably. Three key areas are particularly critical for successful implementation: funding mechanisms, operational support, and data collection practices.

10.7.1 Implications for funding mechanisms

The proposed pricing model can support a variety of funding mechanisms, including block funding, fee-for-service, or hybrid models. Each approach presents trade-offs. Block funding provides operators with cash flow stability, enabling forward planning and service continuity even when individual trip volumes fluctuate. It also preserves operational flexibility, allowing operators to tailor services to individual participant needs without being constrained by rigid, per-trip accounting. Fee-for-service models risk undermining the relationship-based, holistic nature of community transport by incentivising volume over quality, and by creating administrative burdens that smaller and regional operators are ill-equipped to manage.

Therefore, we recommend that funding allocations under the NCTPM continue to be delivered through block funding arrangements, rather than adopting a strict fee-for-service model. To support the implementation of block funding arrangements under the NCTPM, we have developed two charts (**Figure 17**) that show average estimated trip costs as a function of average trip distances, segmented by participant need profiles (low versus high needs) and by geography (metro/regional versus rural/remote). These charts provide a practical reference tool for both funding bodies and operators. They allow organisations to approximate the appropriate level of funding they should receive based on the average trip distances and participant profiles they are servicing. Conversely, if a funding envelope is set in advance, the charts can assist in defining service delivery expectations, such as the approximate number of trips that could be delivered within the allocated budget, taking into account the complexity of participant needs and regional cost variations. For operators that deliver services across both metropolitan/regional and rural/remote areas, average trip costs can be calculated as a weighted combination of the relevant figures from each chart, based on the proportion of trips delivered in each context. This approach provides a flexible but

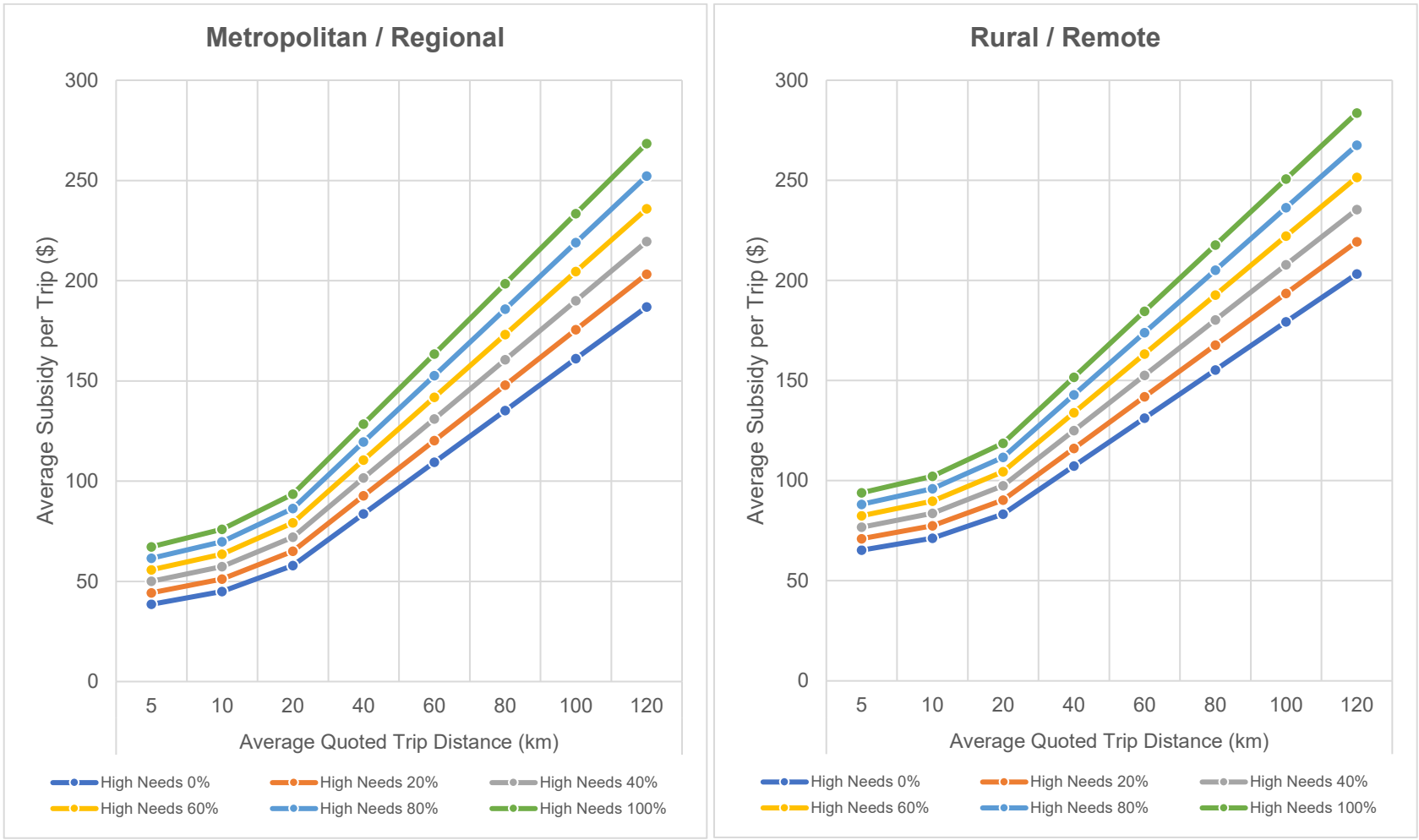


Figure 18: Estimated average trip cost for metropolitan/regional (left) and rural/remote (right) operators, as a function of their average trip distance, and the proportion of high-needs participants

transparent method for tailoring funding levels and key performance indicators (KPIs) to the unique operating profiles of individual organisations. In this way, the National Variable Pricing Formula (NVPF) supports evidence-based, negotiated funding arrangements while preserving administrative simplicity and service delivery flexibility.

Importantly, this discussion focuses on funding models from a provider and system-efficiency perspective. It does not engage with the broader shift across the aged care and disability sectors toward individualised funding and participant-directed care. The move toward consumer choice, exemplified by programs such as the National Disability Insurance Scheme (NDIS) and anticipated reforms to aged care, suggests a growing policy emphasis on participant empowerment, flexibility, and control over service selection. These trends introduce additional considerations that may favour participant-based or portable funding models, in which funding follows the individual rather than the provider.

While our recommendation of a performance-adjusted block funding model is appropriate within the current policy and funding environment, it does not account for the potential implications of a more participant-directed system in the future. Any long-term funding reform should consider not only service delivery efficiency but also participant agency and the ability to exercise meaningful choice. Future modelling efforts should explore how the NVPF could be adapted to support individualised funding pathways, while ensuring continued access and equity across diverse participant groups and geographies.

10.7.2 Data collection and monitoring

The NVPF adjusts funding based on a participant's level of support need and the geographic context of the trip. In our framework, support needs are identified using existing participant data classifications aligned with standard ABS definitions, as listed in **Table 20**. While these classifications provide a workable foundation, they are ultimately second-best proxies for a participant's *actual* level of functional need. In practice, individuals with the same ABS classification may have very different support requirements. One participant with a physical restriction may use a walking stick and remain largely independent, while another may require a wheelchair and intensive assistance throughout their trip. Conversely, participants who do not meet any of the formal support need criteria may nonetheless present with complex behavioural, sensory, or trauma-related needs that impose additional service delivery costs. These nuances highlight the importance of moving toward a *functional*, rather than *label-based*, model of support assessment.

We understand that the Commonwealth Government is currently developing a unified participant assessment framework intended to harmonise needs-based assessments across aged care, disability, and related sectors. Unfortunately, this work remains ongoing and was not available to inform our study. Nonetheless, we recommend that any future implementation of the NVPF should be designed to interface with this emerging national framework, allowing for more tailored and equitable support classifications in the future. Until such integration is possible, providers and funders should interpret support need categories as *guiding heuristics*, not fixed truths. A pragmatic, common-sense approach is required to ensure that participants receive appropriate care and that providers are fairly compensated for the level of duty and care required.

Finally, implementation of the NVPF will require clear protocols and compliance measures to maintain system integrity. While the framework enables funding to be scaled according to participant needs, it is not immune to misapplication. Without oversight, there is a risk that providers may over-classify participants to trigger higher funding levels, even when the

Table 20: Definition of different support needs under the NVPF

Support Need	Definition
Physical	The ABS Survey of Disability, Ageing and Careers (SDAC) identifies six disability groups based on particular types of disability: 1. Sensory and speech (e.g. loss of sight, difficulty with hearing and/or speech) 2. Intellectual (difficulty learning or understanding things) 3. Physical restriction (pain, discomfort, disfigurement or deformity that restricts everyday activities) 4. Psychosocial (nervous, emotional, mental or behavioural condition that restricts everyday activities) 5. Head injury, stroke or acquired brain injury (ABI) 6. Other Participants with 1, 3 and/or 5 are determined to have physical support needs.
Psychological	Participants with 2 and/or 4, per the above SDAC classification scheme, are determined to have psychological support needs.
Language	If main language spoken at home is not English, the participant is determined to have language support needs. Note that the ABS includes "Main Language Other Than English Spoken at Home" as one of the four core indicators in its Standards for Statistics on Cultural and Language Diversity (ABS, 2022), and the variable is utilised to identify individuals who may require additional language support in accessing services. The ABS also uses the indicator “Proficiency in Spoken English”, measured using the question “How well [do you] [does the person] speak English?”, with four potential options: (1) very well; (2) well; (3) not well; and (4) not at all. Future improvements to the NVPF could examine the use of this indicator.
Geographic	If either the trip origin or the trip destination falls in MMM Levels 5-7, the trip is determined to have geographic support needs. The MMM levels are defined as follows: 1. Major cities, populations > 1 million 2. Large regional towns, population between 50,000 and 1 million 3. Large rural towns, population between 15,000 and 50,000 4. Medium rural towns, population between 5,000 and 15,000 5. Small rural towns, population under 5,000 6. Remote communities 7. Very remote communities

additional support is not warranted. To safeguard against this, an auditing or spot-checking regime should be introduced, ensuring that support need classifications are reasonably and consistently applied. This could be supported by the use of digital record systems and occasional participant file reviews, striking a balance between flexibility for service providers and accountability for public funding.

To minimise administrative burden, data reporting should be integrated into existing workflows wherever possible, and standardised templates or system interfaces should be developed. In addition, ongoing monitoring and evaluation will be important to assess the impact of the NCTPM on cost recovery rates, service quality, participant satisfaction, and sector sustainability. This evidence base will help inform future refinements to the pricing model, particularly as more diverse participant needs and remote service contexts are better understood.

10.7.3 Operational support: Financial and technological assistance

To ensure a smooth transition, operators will require targeted financial and technological support. Key areas for assistance include:

- **Training and capacity building**: Development and delivery of practical training programs to familiarise operators with the NCTPM and NVPF, including workshops, online modules, and hands-on sessions.
- **IT system upgrades and integration support**: Assistance to modify or upgrade existing scheduling and reporting systems to record required trip attributes (e.g., trip distance, participant need indicators, remoteness classification) accurately and efficiently.
- **Change management support**: Provision of toolkits, templates, and advisory services to help operators update internal policies, billing systems, and staff procedures to align with the new pricing model.
- **Helpdesk and troubleshooting services**: Establishment of a responsive support function to address implementation challenges as they arise, particularly for smaller and regional operators with limited administrative capacity.

These supports will be particularly critical for ensuring that all operators—not just the largest or best-resourced—can successfully transition to the new model.

10.7.4 Broader Considerations

Finally, implementation of the NCTPM should be seen as part of a broader reform agenda to support the community transport sector. In parallel with pricing reform, governments should consider:

- **Workforce development initiatives** to support volunteer and paid staff recruitment, retention, and training.
- **Capital investment programs** to ensure sustainable fleet replacement and digital system upgrades.
- **Policy alignment across aged care, disability services, and health transport programs**, to reduce fragmentation and ensure that community transport services are supported as a core element of community care infrastructure.

A phased and supported implementation approach will be critical to realising the full potential of the NCTPM in building a more equitable, sustainable, and participant-centred community transport system for the future.

10.8 Future research and evidence needs

Two important areas of future research have emerged through this project that could play a critical role in strengthening evidence-based policy, funding, and practice across the community transport (CT) sector.

10.8.1 Valuing the benefits of community transport services

Although the NCTPM Pilot has made significant progress in estimating the true cost of delivering CT services, there remains a major evidence gap around the full range of benefits these services generate. CT is widely understood to support a range of positive outcomes, from improved health and wellbeing to reduced social isolation and increased economic participation, particularly for older adults, people with disabilities, and those living in regional and remote communities. However, the absence of robust, quantifiable evidence on these benefits limits the ability of government and sector stakeholders to fully recognise and prioritise investment in CT. This makes it difficult to advocate for increased or differentiated funding, especially when benefits such as mental wellbeing, community connection, and carer relief are not easily captured in conventional economic evaluations.

A national study is needed to fill this evidence gap by valuing the constituent health, social, economic, and community-wide benefits of CT services. The study would generate clear estimates of the return on investment that CT provides to the broader health and social care system, as well as to individuals and their communities. By assigning tangible value to outcomes that have long been acknowledged anecdotally but rarely measured, the research would help reposition CT not just as a transport solution, but as a critical enabler of healthy, connected, and inclusive communities. These findings could inform not only future iterations of the pricing model but also broader decisions about program design and funding prioritisation within CHSP and beyond.

10.8.2 Establishing a sector-wide benchmarking framework

Another key gap identified through the Pilot is the lack of consistent, sector-wide data on financial and operational performance. Most CT operators currently have limited visibility into how their costs, service volumes, or efficiency levels compare with others in similar geographic or organisational contexts. This makes it difficult for operators to identify areas for improvement, justify business decisions, or communicate their performance to funders and stakeholders. From a policy perspective, the absence of benchmarking data also limits the ability to assess sector-wide trends, identify best practices, or monitor the long-term impact of funding reforms such as the NCTPM.

A proposed benchmarking study would address this gap by developing a national framework for the routine collection and analysis of financial and operational performance data from CT operators. By enabling comparison across operators, peer groups, and historical periods, the study would support continuous improvement at the operator level and build sector-wide capacity for evidence-based planning. It would also improve transparency and accountability, equipping ACTA, policymakers, and funding bodies with a stronger evidence base to shape future investment and reform. In time, the benchmarking data could be integrated with pricing and benefits information to support more dynamic, responsive funding models that reflect both performance and value delivered.

10.9 Conclusions

The National Community Transport Pricing Model (NCTPM) Pilot has demonstrated that a transparent, evidence-based approach to subsidy setting is both feasible and urgently needed to sustain the future of community transport services in Australia. Through the development and testing of the National Variable Pricing Formula (NVPF), the Pilot has shown that subsidy levels can be systematically linked to observable and verifiable cost drivers—trip distance, participant needs, and service geography—rather than relying on flat-rate funding models that obscure real service delivery costs.

The NVPF offers a substantial improvement over the current CHSP funding structure. It recognises legitimate cost variations across service contexts, supports higher cost recovery for the majority of providers, and preserves the flexibility and relational care models that define community transport. By focusing on a small set of clear and consistent cost drivers, the NVPF strikes a deliberate balance between fairness, accuracy, and administrative simplicity.

Importantly, the Pilot has also highlighted that while the NVPF significantly improves funding adequacy for most operators, it cannot fully capture the unique challenges faced by every service context—particularly those operating in very remote areas or serving highly specialised participant groups. For these outliers, additional tailored supports outside the NVPF framework will be necessary to ensure equitable access to community transport for all Australians.

Successful implementation of the NCTPM will require continued investment in workforce development, capital renewal, and data capability across the sector. It will also demand strong operational support, including training, IT integration, and streamlined reporting systems, to ensure that all operators—not just the largest and best-resourced—can transition successfully.

The findings of the Pilot offer a robust foundation for reform. With careful, supported implementation, the NCTPM can deliver a more equitable, sustainable, and participant-centred community transport system—one that recognises the true value of community transport not just as mobility services, but as vital infrastructure for health, ageing, and social connection across Australia.

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