



Growing Inclusive Markets

Business Works for Development • Development Works for Business

CASE STUDY

Asia • Indonesia

Rajawali's Express Taxi: Working with Taxi Drivers as Business Partners in Indonesia

Prepared by • Elvie Grace A. Ganchero (Philippines) & Chrysanti
Hasibuan-Sedyono (Indonesia)

Sector • Transportation

Enterprise Class • Large National Company



Summary

Express Taxi is a subsidiary company of Rajawali Corporation, a holding firm with a number of diverse businesses in Indonesia including the Sheraton Hotels (in Bali, Bandung, Lampung and Senggigi), Excelcomindo GSM Cellular provider, Metro Department Store, Palm Plantation and its newest acquisition of Cemex Cement portfolio in Indonesia. The Express Taxi service is the second largest taxi operator in Indonesia, managing 2,257 taxi units at the end of 2006. Its biggest fleet serviced the country's capital, Jakarta, and a smaller contingent operated in the cities of Surabaya, Semarang and Medan.

The Asian financial crisis in 1997 created an employment vacuum as companies were forced to lay-off 1.4 million workers.¹ Ten years later, the country had barely recovered. Unemployment rates continued to rise, and poverty defined Indonesian economic, social and security contexts.

This case highlights Rajawali's Express Taxi as an example of how a company helped fight poverty by forging a mutually beneficial business partnership between the core business activity (taxi service) and local actors (drivers) from impoverished urban and rural communities. By providing access to capital, Express Taxi redefined the traditional business model between large transport companies and drivers' groups into a business-to-business partnership. The case examines the challenges and opportunities of such a partnership in the context of income generation for the poor and reliability and safety for the general public.

Context: Aftermath of the Asian Financial Crisis

The lingering economic impact of the Asian financial crisis adversely affected. At the height of the crisis, hundreds of large corporations and small businesses closed shop, resulting in mass lay-offs.² The crisis directly affected the manufacturing, trade and financial sectors, which had dominated the economic boom enjoyed from the early 1990s until the onset of the crisis in 1996. The crisis also affected downstream industries, particularly the service industry- hotels, restaurants and transport businesses- that supported the upstream firms.

In a country of over 221 million people,³ employment was a huge challenge for both the government and the private sector. The economic boom of the early 1990s encouraged both the government of Indonesia and the population to develop specific skills needed in the labour force market- from labourers and low- and semi-skilled workers to technical professionals- to cater to growing demand as the country industrialized.⁴ However, technical and professional jobs required higher educational levels. World Bank data (see Table 1) shows that Indonesia

¹ Kompas, Economic Crisis 1998, The Unforgettable Tragedy (21 December 1998)

² Kompas, Economic Crisis 1998, The Unforgettable Tragedy (21 December 1998)

³ Central Bureau of Statistics - Indonesia

⁴ "National Man Power Planning 2004-2009", Department of Man Power – Government of Indonesia.



had one of the lowest enrollment rates at the tertiary level (16.7 percent out of the relevant age group of the population) compared to neighboring countries in Southeast Asia.⁵ However, the enrollment rates of both primary and secondary levels were high. From the perspective of the job market, this equated to a high level of competition in jobs that did not require college or university educations.

Table 1: Comparative enrollment performance of select Southeast Asian countries⁶

Countries	School Enrollment (% gross⁷) <i>Primary</i>	School Enrollment, (% gross) <i>Secondary</i>	School Enrollment (% gross) <i>Tertiary</i>
Philippines	112%	85.9%	28%
Vietnam	98%	73%	10.2%
Indonesia	117%	64.1%	16.7%
Malaysia	--	--	--
Thailand	98.5%	77%	41%
Lao	116.4%	45%	5%
Cambodia	136.6%	29.4%	2.9%
Singapore	--	--	--
Brunei	109.2%	93.6%	13.5%

In particular, companies in the transport sector attracted low- and semi-skilled individuals who were either primary or secondary school graduates, because the industry did not require high levels of education.

Rajawali and Express Taxi

At the onset of the Asian financial crisis (from 1996 to 1997), the unemployment rate in Indonesia was at 4.7 percent of the total workforce or about 4.2 million in real numbers; it continued to climb to as high as 9.1 percent or 9.13 million of the total workforce in 2002.⁸ The economic crisis exacerbated the already depressed and suppressed social and political landscape of Indonesia. The world watched the impact of poverty on the young, unemployed and desperate Indonesians as they vented their frustrations on the streets of Jakarta days before the fall of Soeharto and into the final exit of the dictator-like president in 1999.

⁵ Enrollment rate is the number of students enrolled in a particular level. The determinant of success is the completion rate which is most of the time much lower than the enrollment rate.

⁶ World Bank Country Profile. Available at www.worldbank.org/countries/profile/Indonesia

⁷ Gross percentage of a given age group who are supposed to be enrolled at this level.

⁸ National Manpower Planning 2004-2009, Department of Man Power – Government of Indonesia



As a homegrown company, one of the lessons that the company learned from the social and economic impacts of the Asian crisis was that an unstable and discontented society was not good for business. The social and economic context of Indonesia pushed Rajawali to see community engagement and development as critical for business operations. Express Taxi, while it was not originally designed to do so, has demonstrated the company's social responsibility through improving the drivers' standard of living with its Taxi Ownership Scheme.

Peter Sondakh founded PT Rajawali Corporation in 1984. Currently, Sondakh still serves as the Chairman and Chief Executive Officer of the company. The company's reputation is based on its commitment to growth, excellence and the care of others. This passion is evident in its expanding market share, profitability and loyal customer base.

Since 1984, Rajawali has steadily transformed itself into a widely diversified investment holding company with equities in telecommunications, hotel and resort development, retailing, land and air transportation, plantation, mining, banking and finance. The company is now recognized as a major business player in Indonesia, with a total turnover of over US\$2 billion at the end of 2006 and providing employment to 35,000 people.



In 1989, Rajawali Corporation established PT Express Transindo Utama as a subsidiary that operates and manages Express Taxi. By 2006 it was the country's second largest taxi operator, with a fleet of 2,257 taxicabs and employing around 4,000 drivers, with a franchise capacity of up to 3,000 taxicabs.

As a company in the service sector, Rajawali saw an opportunity to contribute to society while addressing two major problems confronting the transport industry. One was to continue to utilize its business activities to provide jobs for thousands of drivers in the country; and two, to provide a safe, reliable and affordable alternative to the commuting public in Jakarta and other key cities in the country.

Profile of Taxi Drivers

In Jakarta, approximately 38,000 listed taxi units- or at least 72,000 people⁹- were dependent on the taxi industry for a source of income. Fifty-five percent were high school graduates (of which only 20 percent finished senior high) while 40 percent had elementary school educations. Coming from poor families, they were used to a "hand to mouth" existence. Most aspired to earn a decent living that would enable them to own a simple house and the ability to send their children to school.

⁹ Organda or Association of Land Transportation Operators of Jakarta.



The transportation service sector attracted many young, unskilled and unemployed workers because learning to drive is relatively easy and quick to master. However, learning how to drive was easy but having the right attitude and skills to provide quality service to the customers proved challenging. Hiring low-skilled and untrained workers had risks that could have tremendous repercussions on the company's reputation and long-term profitability.

The State of Public Transport in Indonesia

The public transportation system in Indonesia's urban centers, particularly in its capital of Jakarta, was beset by many problems related to infrastructure, access, safety and convenience. The "city bus" provided mass transport along set routes. The buses were mostly old, dirty, not air-conditioned and notoriously unsafe because of undisciplined and reckless drivers. An Asian Development Bank (ADB) study¹⁰ showed that Indonesia fared the worst with respect to road safety in the region. In 2005, the number of people killed in road and vehicular accidents in the country was 36,000 - close to 100 deaths per day, the second worst record in the world next to Nepal. In particular, taxi drivers were notorious for their unsafe and reckless driving practices. This was a direct result of taxi companies accepting improperly trained drivers not educated on road safety. Accordingly, commuters relied on the reputation of the company for safety and reliability, qualities that were sorely lacking among a majority of Indonesian taxi companies. The inability of the government to provide basic mass transportation prompted the private sector, such as the Rajawali Group, to take the initiative in making this essential service available to the general public.

The development of improved public transit in Jakarta remains a challenge for the government. For those with medium to high incomes, taxis are the most convenient transportation alternative to bus, which is the primary means of mass transportation in Jakarta. Those in this income bracket also rely on driving their own cars. In an attempt to reduce the 2,650,433 registered cars¹¹ from roaming on the streets at the same time and causing acute traffic jams, the Governor of Jakarta implemented a strict traffic law requiring car owners to drive with at least three passengers during peak hours on the major streets.¹²

¹⁰ ADB (2005). ASEAN Regional Road Safety Strategy and Action Plan 2005-2010. Manila, Philippines

¹¹ Jakarta Metropolitan Police

¹² Peak hours are between 7:00a.m. and 10:00a.m. and 4:00p.m. to 7:00p.m.



The Evolution of the Express Taxi Business Model

Since the company's inception in 1989, its business model has evolved in response to changing drivers and shifting market demands.

STAGE 1: FIXED RENTAL FEE SYSTEM (1989 TO 1993)

From 1989 to 1993, Express Taxi used a “fixed rental fee system,” where the company owned the taxi units and rented them to drivers on a daily basis. While this arrangement appeared more profitable (the company owned the taxi units and managed the drivers), it also created many problems for the company. The most significant of all concerns was the lack of regard by drivers for the vehicles. As a result, the company incurred huge operation and maintenance expenses, which in the longer-term adversely impacted its bottom line.

Aside from lack of concern for their property, the company was confronted by a host of problems including the following:

- Drivers stealing the cars
- Low compliance and commitment to the company-driver agreement (arriving late, not cleaning the car for the next user, etc.)
- Disagreement and conflict among drivers
- High attrition rate among drivers
- Numerous complaints from customers reporting poor service and impolite customer service

These problems pushed the company to rethink its business strategy.

STAGE 2: WORKING WITH DRIVERS' COOPERATIVES (FROM 1994 TO 2001)

In 1994, Rajawali management carefully considered the ongoing problems and felt that since the drivers were renting the taxicabs, they did not feel any sense of accountability. It was only when the car broke down that drivers realized the effects of their carelessness, because they were unable to earn income without access to a car to do their rounds.

Express Taxi reinvented its business model around a strategy that enabled it to share the responsibility of managing the business operations with the drivers themselves via driver cooperatives. Moreover, this scheme also allowed the company to align its business initiatives with the government's flagship programme that promoted the development of cooperative systems to promote citizen economic participation and empowerment.

As an organized and legally registered organization, cooperatives (co-ops) had the capacity and legal authority to sign contractual agreements. They could also access loans, however, development banks required three to five years of recorded good credit before co-ops could borrow money, and commercial banks were unwilling to lend to co-ops. This was one of the key challenges faced by the company in helping this sector and an area where Rajawali felt it could make a significant contribution by acting as the loan guarantor. Although the



experience from the previous business model highlighted difficulties, there were many trustworthy drivers among Express Taxi's staff, and the company felt that another strength of the co-op model was in its transparency and community-based checks and balances.

Through the help of another subsidiary, the Rajawali Bank, Express Taxi drivers' co-ops were able to borrow up to US\$2,550 for each member, with a low interest rate of six percent per annum (compared to the ten percent flat commercial loan rate). This was based on the government's policy to boost the cooperative movement by providing loans to co-ops. The Central Bank of Indonesia then reflected this in a decree. Rajawali Banks' support was significant, because it served as leverage for the company to convince other financial institutions to support later initiatives of the company.

Through the company's loan guarantee scheme, the drivers were able to secure loans from one of the banks through the co-op as the mediation body. The loans were amortized over a five-year term, and drivers made payments from their daily earnings. For the five-year term, the drivers signed a lease agreement between them and the co-op. After paying the full amount, the driver obtained full ownership of the car.

The cooperatives elected an Executive Board from among the membership; the Executive Board was responsible for the following:

- Developing and strengthening the cooperative's organization
- Providing continuing education to members on the principles and practices of the cooperative system



The company was responsible for the following services:

- Providing assistance to the membership for loan processing, such as helping the drivers complete the documentation required for the loan
- Managing daily collections of driver's loan payments
- Ensuring timely and orderly remittance of loan payments to the bank
- Managing the taxi business operations overall, including scheduling and maintenance
- Providing dispatching services to the coops

Rajawali learned that dealing with drivers with very low educations and limited business skills was very challenging. The company also realized that skills training courses were not sufficient. Express Taxi was confronted with serious challenges such as the following:

Abuse of power

The Executive Board held a very powerful position in the organization and acquiesced to their own personal interests above the interests and welfare of their membership. Several cases of unethical behavior carried out by members of the Executive Board were documented,



including misuse of funds and corruption of lease payments. In some instances, members of the Board ran away with money.

Infighting and conflict

The morale of the membership was very low, resulting in bitter infighting and conflict among members and between members and the Executive Board.

Failure to meet loan payments

Mismanagement of funds resulted in the default of several loans that led to a bad credit rating for the co-op. This also impacted the good standing of the company, as the credit guarantor, in relation to the banks.

Breakdown of operation

The general mismanagement of the business by the co-op impacted the overall operation of the business, and the company became a hostage to the overarching situation. This was mostly because the company could not break the contract with the cooperatives; since it provided loan guarantees and had the responsibility to make sure loans were repaid.

Stage 2 was an expensive learning period for the company. After only two years, the company saw inherent problems with the model and stopped guaranteeing loans. The model lasted seven years in total, while Express Taxi waited for all of the loans to be repaid. While Rajawali leadership recognized that an ownership scheme was crucial to sharing accountability with drivers, the cooperative model was ineffective. After the remaining units were paid, the company cancelled the contracts with the cooperatives.

STAGE 3: FORGING BUSINESS PARTNERSHIP WITH INDIVIDUAL DRIVERS (2002 TO PRESENT)

By 2002, Express Taxi forged direct relationships with individual drivers. Building on the strengths of the previous scheme (sharing accountability of business operations with the drivers), the company guaranteed individual loans from a leading local leasing company, Astra Credit Company (ACC). Similar to co-ops, taxi drivers were not considered credit worthy, thus it was nearly impossible for an individual to access credit to start a taxi service business. The company and drivers agreed on a five-year repayment scheme during which the company keeps the original car ownership documents. After the five-year period, the driver will own the car and can then choose to remain a franchisee or not. At least 800 drivers who availed the Ownership Scheme through the Cooperative system had fully paid for their taxi units by 2002, opted to remain in the company and signed on for a second loan. The repayment, collection and profit sharing aspects of the new scheme were similar to the previous arrangement, but instead of having the co-op as an intermediary, the company assumed all administration and management responsibility. Management emphasized training, driving skills, knowledge and positive attitudes towards work, self and others.

One of the most important lessons learned from the previous experience was that if the drivers were not required to raise some of their own funds, they did not value the opportunity.



Therefore, the company decided to enforce a mandatory down payment of US\$510. This was a substantial amount for low-income earners. Out of the 4,000 drivers, 2,257 were able to contribute down payments (most raised the money with help from relatives) and are currently participating in Rajawali's "Taxicab Ownership Scheme" (2,257 is actually the number of cars/taxis available; had there been more, more drivers would be participating in the scheme), and the default rate has been constant at zero.

Taxicab Ownership Scheme: Rajawali's New and Improved Business Model

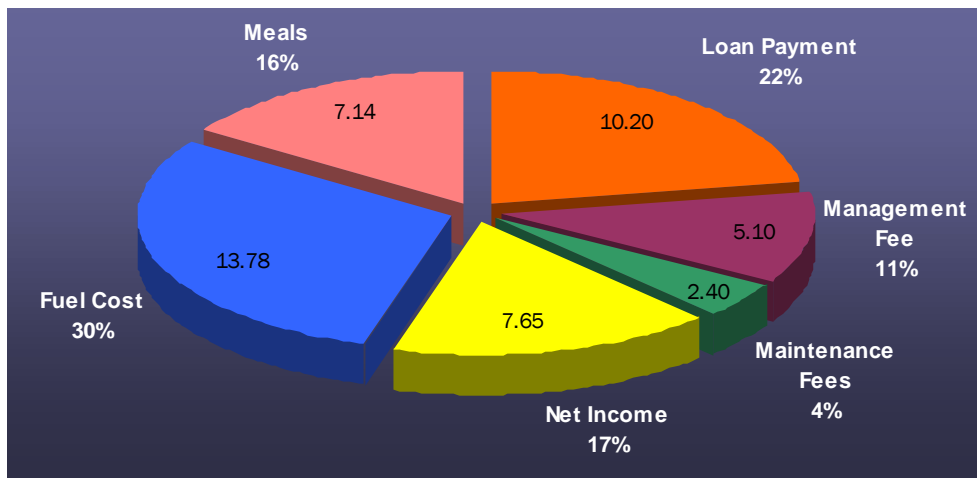
The direct partnership scheme has been more profitable than the traditional arrangement (Stage 1), because there are less human resources to manage. In 2005, there were 555 Express Taxi employees working in three shifts in nine locations to manage and support the operation, which included dispatching service, mechanical and towing services, secured parking, collection and administration.

In the new driver partnership scheme, the company dealt directly with the financing institution (ACC) to provide bank guarantees for each of the individual driver's loans. It also provided franchise permits, taxi licensing and management of daily operations. Partners were selected through applications with standard criteria: they had to have at least five years of driving experience from Express Taxi, other companies within the Rajawali Group of companies, or other reputable Taxi service companies; preference was given to existing drivers of the Rajawali Group; and new applicants had to have a referral from affiliated drivers.

After the driver completed the loan application and paid the down payment, the company processed the application and purchased a car. The repayment schedule was set on a daily basis over five years. In any given month, a driver worked an average 18 to 20 hours a day, for twenty days. The company collected the loan payment and remitted the money to ACC on a weekly basis on behalf of the driver.



Figure 1: Drivers' Daily Income versus Expenses



Source: Interviews with Express Taxi's Senior Manager for Finance and Accounting and Head of R&D Department

Based on the company's records, on average, a taxi driver earns a gross income of US\$45.91 per day. Of this figure, US\$10.20 goes to the loan payment, US\$5.10 goes to the company for what the company calls "management fees" (consisting of the franchise fees and the services that the company provides, such as building of infrastructure, cost of down payments, loan arrangements, collection, dispatching services, car barn services, and call centre costs), US\$2.04 goes to the car maintenance saving fund,¹³ US\$13.78 goes to cost of fuel, US\$7.14 is spent for food, and a driver brings home US\$7.65. This is illustrated in Figure 1.

For the drivers, earning an average net income of US\$7.65 per day (or about US\$153 per month based on the twenty working days assumption) means a marked improvement of their quality of life. This income, for most Indonesians, can provide a relatively comfortable life, compared to the minimum provincial wage of the Jakarta province of about US\$92.35 a month. In addition, the prospect of owning the taxi after five years provided a deep sense of security and improved living standards for the entire family. The number of hours worked in a day was high, but drivers were free to set their own schedule. Appendix A describes one driver's experience with Rajawali's Ownership Scheme. The implementation of the partnership scheme stabilized the company's cash flow as illustrated in Table 2.

¹³ A driver pays this amount daily as savings to pay for 'his own' taxi's maintenance services (to be provided by the pool as needed), as opposed to the usual practice whereby all drivers put a certain amount of money into a "mutual maintenance cost pot" for all drivers. This system motivates the driver to really care about driving their taxicab carefully, hence the very low accident rate among Express Taxi drivers.



Table 2: Express Taxi Consolidated Cash Flow 2006 (in Million US\$)

	Q1	Q2	Q3	Q4	Total
Net Revenue (for 1,815 units starting Feb. at US\$11.73/day plus additional 10 units/mo. starting in March)	1,758	2,227	2,288	2,325	8,599
Less Operating Expenses	547	709	674	839	2,768
Cash from Operation	1,211	1,518	1,614	1,486	5,829
Interest & Tax	687	807	776	729	2999
Capital Expenditure	119	67	46	24	256
Leasing Payment (receipt)	(854)	781	812	810	1,549
Other	(286)	136	99	99	48
Net Cash	1,543	(273)	(118)	(175)	977
Opening Cash Balance	234	1,777	1,504	1,386	234
Closing Balance	1,777	1,504	1,386	1,211	1,211

Training: A Key Success Factor



The company realized that providing access to financing and enabling the drivers from low-income families to own assets (i.e. a car) did not necessarily guarantee success in the taxi business. Considering that around 75 percent of Rajawali's Express Taxi drivers were not highly educated, basic customer service training was necessary. For the company, it was important to invest in training to continuously build and maintain their reputation for excellent service and

simultaneously fulfill its commitment to grooming the drivers to be capable business partners and professional transport service providers. To stress the importance of the training, the company made it mandatory to all drivers; it provided a small transportation allowance of \$1.00 on the day of training.

The Research and Development (R&D) Department was given the task of analyzing the nature of customer complaints and developing in-house training course based on a needs analysis. The training would be given to all taxi drivers at the company's expense. The R&D group was headed by Ibu Indri, a 14-year employee of Express Taxi. Together with a training consultant, she designed the Express Taxi Service Excellence Training Program. Table 3 outlines the topics covered in the basic training course. It is mandatory for all Express Taxi drivers– not only the partners. Each topic is covered in eight to ten training hours delivered to up to 25 participants at the company's training centre once a week. The effectiveness of the training programme was measured and reported by the R&D group.



Table 3: Training Topics

1. The Importance of Customer Satisfaction
2. Understanding Service Excellence
3. Service Excellence Techniques
4. Applying the Service Excellence Techniques (simulation session)
5. Understanding the Meaning of Motivation to Work
6. Developing Positive Attitudes at Work
7. Developing Love and Pride as a member of the company
8. Overcoming stress and boredom

Using the dispatching infrastructure of the company, dispatching officers record the number of complaints received by each driver. Through this system, Express Taxi was able to track the quality of service of their drivers. Aside from random verification, meaning the dispatchers follow-up with customers to see if they were satisfied with the service, every taxi unit had free hotline contact numbers in both the front and back seats to which they could call, as well as evaluation forms that could be mailed in.

The R&D group prioritized the selection of drivers for the training programme by the number of recorded customer complaints. Participants with a high record of complaints comprise 75 percent of each training batch, mixed with 25 percent who were best performers to allow meaningful sharing of actual experiences on how to handle customers.

Based on company records, of the 716 drivers who underwent the training course in 2006, only four percent had recurring complaints for a period of 12 months after completing the training programme, as illustrated in Table 4.

Table 4: Post-Training Impact Assessment¹⁴

Month	No. of Participants	No. of Complaints After Training	% of Recurring Complaints
April	17	1	6%
May	61	3	5%
June	107	2	2%
July	94	4	4%
August	94	3	3%
September	75	2	3%
October	84	3	4%
November	91	6	7%
December	93	5	5%
TOTAL	716	29	4%

Source: Express Taxi Annual Training Report, R&D Department

¹⁴ Extracted from Express Taxi annual training report 2006 (internal document). Provided by Ibu Indri, R & D Department Head.



“As the lead person in the training program for the drivers, I have seen the changes in the attitude of the drivers after undergoing the training,” says Ibu Indri, Head of R&D. She added: “The training courses provided them a new perspective, not only on how to provide quality service but also about their personal dreams and aspirations. The most significant and readily observable change that I have seen as far as the impact of the program to their attitude, is the level of motivation, and sense of belonging in the group and in the company as a result of teambuilding and the way they relate with one another.”

The company’s recruitment strategy was mainly “word of mouth.” Express Taxi capitalized on its relationship with existing drivers and expanded based on referrals from the taxi drivers. In most cases, drivers with an existing “ownership arrangement” with the company referred relatives and friends and even helped raise their down payments.

Providing Affordable Transport Service

In 2006, the rising price of oil affected gasoline prices in Indonesia. By the second quarter of 2006, the transport sector decided to raise tariffs to cover the increase in fuel costs. It made taxi services unaffordable for the middle-income public- its main customer, and Rajawali saw a dramatic decline in demand. The decreased demand badly affected the taxi drivers who could hardly find any passengers. This in turn, affected their ability not only to pay their daily car loan payments but also their capacity to earn incomes.

Rajawali took a bold but strategic corporate decision to switch back from the new tariff of US\$0.51 (plus 26 cents for every kilometer thereafter) back to the previous US\$0.40 flag-down rate (plus 18 cents per succeeding kilometer). The company hired an independent market research group to get a sense of how the market would react. The result of the study was very positive, and the company set its plan in motion using a massive communications campaign.

The tariff roll-back resulted in an unprecedented surge of demand for Rajawali’s services by the public. The crisis became an opportunity to expand its customer base. To help the drivers offset the impact of the new tariff and meet their daily obligations (in terms of payment and increased income), the company gave the drivers two “Free Collection Days” every month where they brought home all the proceeds of the day (i.e. they did not have to pay the management fee). The company also convinced ACC to extend the length of loan payment from five to six years to lower the daily loan payment.

The company planned to add 300 more taxi units to fill in for the expanding customer demand. The company realized that the price reduction initiative was an integrated solution that addressed the needs of all parties: the company who needs to continue to realize its bottom line objectives alongside providing transport service to the public, the drivers who need to meet their financial obligations, and the commuting public who needs affordable, safe and reliable transport service.



Forging partnerships

The success of the training can also be attributed to the contribution of the company's partners and to the drivers themselves. For instance, the company linked up with the existing training and workshop services given by experts from the Police Force on Traffic Regulations and Road Safety. The Department of Transportation provided workshops on discipline, and the Jakarta office of the Department of Tourism gave briefings on Tourism Projects in Jakarta so that drivers were better able to assist tourists. The Department of Health offered AIDS education as part of the government's massive anti-AIDS campaign- particularly targeting the transport service industry as a vulnerable sector. Drivers also received training on entrepreneurship as an empowerment scheme from the company.

Blue Bird Taxi, which is the main competitor of Express Taxi also provided driver training. The main difference was that Blue Bird focused more on the new drivers while Express Taxi provided training not only for new drivers but offered continuing education to further improve the driving competence as well as attitude of all drivers.

Social and economic impact

PROVIDING LIVELIHOODS FOR THE DRIVERS

Rajawali's initiative has provided employment to over 4,000 drivers- mostly from poor urban communities- in major Indonesian cities. It has allowed drivers from poor urban communities to own taxis by providing loan guarantees to access non-collateral loans from the leasing company bank- which would be otherwise impossible for drivers.

Since Express Taxi shifted its operations to the Taxi Ownership Scheme in 2002, at least 300 drivers were on target to fully pay their taxi units by 2007. By 2013, over 2,000 more drivers will have their own taxi units. So far, every driver has opted to remain with Express Taxi.

PROVIDING ALTERNATIVE EDUCATION FOR THE DRIVERS

The company leadership, led by its CEO, believes that the training provides supplemental education for the drivers, which they otherwise would not be able to access. They not only develop new skills but also improve their knowledge and attitude towards work and personal relationships, which has a long-term impact in their lives as indicated by the results of the training impact assessment report.

The training intervention has also helped the company build its reputation as a reliable and dependable transportation service provider in Indonesia. Thus, the company plans to increase the frequency of training from once to twice a week to accommodate more drivers, as it adds 300 more units in 2007. This means an increase in the company's training budget from an average of US\$700 per month in 2006.



PROVIDING ALTERNATIVE PUBLIC TRANSPORT

The drivers are not the only ones benefiting from Express Taxi's business model; the community also benefits through the availability of safe, reliable and efficient mass transportation for the general public. Express Taxi records show that since operating with the new ownership scheme, the accident rate of Express Taxi dropped from 40 percent to 2.5 percent (out of the total number of taxi units) with severe cases dropping from ten percent to less than one percent over the same period.

"In the past, I never rode any other taxi than Bluebird. But this reputable taxi company had disappointed me twice in a row lately, with drivers who were really poor. One did not know the place that I was supposed to go (and it is in the mid of Jakarta, even close to the Presidential palace!). The other was such a bad driver, most probably one who just got his driver's license. So that was it. Then somebody recommended that I tried Express Taxi, and I am glad I listened. Their taxis are clean and well kept and the drivers are real good. And it is a bonus that the fare is lower. Now Express Taxi is definitely my taxi of choice," said Tuti Sedyowati a newly loyal Express Taxi customer.

PROVIDING ACCESS TO FINANCING FOR COMMUNITY ORGANIZATIONS

The company has expanded access to financial support from drivers to organized community groups, which has generated positive results.

MULTIPLYING ECONOMIC IMPACT



Express Taxi has seven motor pools located strategically around Jakarta. Each pool served as the satellite station of company's operations, with a carwash facility, garage, collection centre and dispatching station. The company noted the economic spillover from the activities in the taxi pools; for example, food vendors, electronic stores and garment shops have mushroomed around these seven hubs.

Scalability, Replicability and the Importance of the Enterprise

In a country of over 221 million people, where transport service is a perennial problem, the possibility for scaling up is tremendous. The success of the current scheme pushed the company to expand. Close to 100 percent of the drivers who finished their loans filed for secondary loans and started to work on their second taxicab. Often they then rent the first car to secondary drivers.¹⁵ The company believes that the Ownership Scheme is highly replicable. Express Taxi sees the Jakarta airport as a significant potential market—close to

¹⁵ "Secondary drivers" are those who do not yet own taxicabs. Those who are in the Ownership Scheme are called "primary drivers."



50,000 people arrive and depart from the Jakarta airport everyday with a need for fast, reliable, safe and affordable transportation service. Growth must be balanced with service and training, and for Rajawali, training drivers on how to be professional in the work that they do is a legacy that the company plans to continue. The company is also limited by a cap of 3,000 taxi licenses available and 2,257 cabs.

Conclusion

Rajawali's Express Taxi has helped address poverty problem in Indonesia by forging mutually beneficial partnerships with drivers from urban and rural poor communities. The company's business model provides the drivers with access to capital, access to markets and skills training. The partnership has also provided a sense of pride to the drivers now regarded as business partners of the company. The model has also brought financial stability to the company, based on a strong reputation as a reliable, safe and efficient service provider. The drivers also improved their economic status, gained new skills and knowledge, and improved their sense of service and pride in their profession.



Appendix A: Karjono's Story

Karjono has worked with Rajawali's Express Taxi for 14 years. He has already paid off two taxi units and is working on the payment of his third. He came to Jakarta in 1986 from Karang Anyar, Solo and worked as food vendor. He did not stay long in the business, because he had been continuously harassed by the local police who were extorting money from anyone working on the streets of Jakarta. If he did not give in to their demands, they took his plates and glasses. At a certain point, he got tired and decided to close his booth. Through the urging of a friend, he tried his luck as a taxi driver.

He first worked with President Taxi for two years and then moved to Express Taxi when the company offered access to financing. He has braved through the "lows and highs" of Rajawali's partnership with cooperatives and individual drivers: *"I have been so lucky,"* declared Karjono, *"Because I have proved that I can be successful. Since 1996 when I first joined the company, I have already paid off two taxi units. They really served more than just a source of livelihood to us. It also served as our life investment. When I finished paying the first one, we sold the unit and bought a house. Then, the proceeds of my second taxi unit served as a working capital for my wife's small business which is a warung."*¹⁶ Karjono is now working on his third taxi unit and used his daily income to provide education for his two children. *"It feels good that I do not have to worry about not being able to pay for my children's educational expenses, thanks to Express Taxi,"* Karjono proudly said.

¹⁶ A "warung" is a small general merchandise store.



References

Asian Development Bank. 2005. ASEAN Regional Road Safety Strategy and Action Plan 2005-2010. Manila.

Central Bureau of Statistics. 2006. Newsletter No. 47/IX. 1 September 2006. Tingkat.

Central Bureau of Statistics. Kemiskinan di Indonesia, Poverty Level in Indonesia 2005 – 2006. Jakarta.

Department of Manpower, Government of Indonesia. Rencana Tenaga Kerja Nasional 2004 – 2009, National Manpower Planning for Indonesia 2004 – 2009.

Express Taxi. Internal reports and documents.

Kompas Daily. 1998. “Krisis Ekonomi 1998; Tragedi Tak Terlupakan” (“Economic Crisis 1998; The Unforgettable Tragedy”). 21 December 1998.

Kompas Daily. 2007. “Mati Dijalan, Siapa Peduli?” (“Death on the Road, Who Cares Anyway?”). 6 January 2007.

Organda or the Association of Land Transportation Operators in Jakarta.

Rajawali Corporation. Corporate Profile.

World Bank. Indonesia Country Profile. Available at www.worldbank.org/countries/profile/Indonesia



Interviews

Dulah. Driver, Express Taxi. 11 December 2006.

Gozali, Herwan. Operations Director, Express Taxi. 21 December 2006.

Hasan. Driver, Express Taxi. 18 January 2007.

Hedinarno, Herry. Senior Manager of Finance and Accounting, Express Taxi. 21 December 2006.

Julianta, Heri. Customer, Express Taxi customer. 12 October 2006.

Junardy, Y.W. Managing Director and Chief Corporate Officer, Rajawali Corporation. 21 December 2006.

Juremi. Driver, Express Taxi. 11 January 2007.

Karjono. Driver, Express Taxi. 20 December 2006.

Kurniasih, Yuni. Senior Manager of Corporate Affairs and Customer Care, Express Taxi. 21 December 2006.

Mambu, Fiona G. Manager of Communications and Corporate Social Responsibility, Rajawali Corporation. 21 December 2006.

Murtiwilujeng Sudono, Indrie. Manager of Research and Development, Express Taxi. 12 January, 26 January, and 7 February 2007.

Nasichun. Head of Pool Mustika, Express Taxi. 10 January 2007.

Prawesti, Dyah. Customer, Express Taxi. 9 October 2006.

Roberto. Driver, Express Taxi. 11 January 2007.

Sedyowati, Tuti. Customer, Express Taxi. 5 November 2006.

Sumarno, Nydia. Customer, Express Taxi. 3 November 2006.

Surono. Driver, Express Taxi. 24 November 2006.

Torang, Toga. Customer, Express Taxi. 3 November 2006.



Growing Inclusive Markets

Business Works for Development • Development Works for Business

September 2007

The information presented in this case study has been reviewed and signed-off by the company to ensure its accuracy. The views expressed in the case study are the ones of the author and do not necessarily reflect those of the UN, UNDP or their Member States.

Copyright @ 2007

United Nations Development Programme

All rights reserved. No part of this document may be reproduced, stored in a retrieval system or transmitted, in any form by any means, electronic, mechanical, photocopying or otherwise, without prior permission of UNDP.

Design: Suazion, Inc. (N, USA)

For more information on Growing Inclusive Markets:

www.growinginclusivemarkets.org or gim@undp.org

United Nations Development Programme
Private Sector Division, Partnerships Bureau
One United Nations Plaza, 23rd floor
New York, NY 10017, USA