

PT. EXPRESS TRANSINDO UTAMA

Communication on progress 2007 - 2008

Company Name : PT. EXPRESS TRANSINDO UTAMA

Address : Komplek Duta Mas Blok A1 No. 26
Jl. Fatmawati, Cipete
Jakarta 12150

Country : INDONESIA

Contact Name : Daniel Podiman

Contact Position : CEO

Contact Telephone no. : 62-818-709-588

Date : August 1st, 2008

Membership date : April 8th, 2006

Number of Employees : 691 persons

Sector : Transportation

Brief description of nature of business

PT. Express Transindo Utama is a subsidiary company of Rajawali Corporation, a holding firm with a number of diverse businesses in Indonesia. The company operates taxi, fleet management and rental car. The taxi service is the second largest taxi operator in Indonesia with 2,851 taxi units by July 2008. Its biggest fleet serviced the country's capital, Jakarta, and a smaller fraction operated in the cities of Surabaya, Semarang, Lombok and Medan.

Transportation



PT. Express Transindo Utama

Address

Komplek Duta Mas Blok A 1 no.26
Jl. Fatmawati Cipete
Jakarta 12150
Indonesia



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VISION



To be the major land transportation company in
Indonesia that generate maximum return to the
stakeholder (Employees, taxi drivers, customers, society
and shareholders)

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MISSION



To provide professionally-managed land transportation solution, project corporate values and good corporate governance and generate value for stakeholders

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VALUE



1. *Service Excellence*
2. *Integritas*
3. *Caring*
4. *Teamwork*
5. *Quality & Productivity*

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- Modern taxi business means, meeting the customer needs by *"exceed their expectation"* in transportation services
- EXPRESS GROUP implement this philosophy and became company corporate culture
- Our services philosophy should be shown by our front liner (*drivers, call center staff and dispatcher*) in a way of:

1. Timely manner

Serving the customer on time.



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2. Safety

Safety and secure transport services



3. Comfort

Comfort transport services

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4. Friendly *Friendly driver*



5. Helpful *Helpful driver*

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Award Received

- Rank 2nd for Jakarta 2005 best driver competition in Jakarta
- Rank 2nd for the best taxi services in International Soekarno-Hatta Airport.
- Rank 2nd for Call Centre Excellence Index for transportation services in Indonesia (Centre for Customer Satisfaction & Loyalty (CCSL)



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CARE SERVICES



CALL CENTER



HAPPY DRIVERS

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Rajawali's Express Taxi: Working with taxi drivers as business partners

Country: Indonesia

Sector: Transport Service

Enterprise: Large National

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 with 2,257 taxi units at the end of 2006. Its biggest fleet serviced the country's capital, Jakarta, and a smaller fraction operated in the cities of Surabaya, Semarang, and Medan.

The Asian financial crisis in 1997 created a vacuum in employment 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 (i.e. taxi service) and 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 to 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: the aftermath of the Asian financial crisis

Indonesia was badly affected by the lingering economic impact of the Asian crisis. 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 early 1990s until the onset of the crisis in 1996. The crisis also affected downstream industries, particularly the service industry - hotel, restaurants, and transport businesses - that supported the upstream firms.

In a country of over 221 million people³, 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 populace to develop specific skills needed in the labor force market - from laborers, low and semi-skilled workers to technical and professionals - to cater to

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

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

³ Source: Central Bureau of Statistics - Indonesia

the growing demand as the country industrialized⁴. However, technical and professional jobs required higher education. World Bank data in Table 1 shows that Indonesia had one of the lowest enrollment rates⁵ at the tertiary level (16.7 percent out of the relevant age group of the population) compared to neighboring countries in Southeast Asia. However, the enrollment rates in 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 education.

Table 1. Comparative enrollment performance of select Southeast Asian countries⁶

Countries	School Enrollment (% gross) Primary	School Enrollment, (% gross) Secondary	School Enrollment (% gross) Tertiary
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%

Companies in the transport sector in particular attracted low and semi-skilled individuals who were either primary or secondary school graduates because the industry does not require high level of education.

Rajawali and Express Taxi

At the onset of the Asian financial crisis (1996-1997), the unemployment rate in Indonesia was at 4.7% of the total workforce or about 4.2 million in real numbers; it continued to climb to as high as 9.1% 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 as the impact of poverty on the young, unemployed, and desperate Indonesian 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.

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. And Express Taxi, while it was not originally so designed, has demonstrated the company's social responsibility through improving the drivers' standard of living with its Taxi Ownership Scheme.

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

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 accessed from www.worldbank.org/countries/profile/Indonesia on January 5, 2007.

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

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

PT Rajawali Corporation was founded in 1984 by Peter Sondakh, who until now serves as the Chairman and Chief Executive Officer of the company. The company's reputation is driven by its credo that aspires for growth, excellence and care for 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 telecommunication, hotel and resort development, retailing, land and air transportation, plantation, mining, and banking and finance. The company is now recognized as a major business player in Indonesia with a total turnover of over US\$ 2 billion by end of 2006 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, 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 try to continue to utilize its present business activities to provide jobs for thousands of drivers in the country and two, to provide safe, reliable, and affordable alternative to the commuting public in Jakarta and other key cities in the country.

Profile of Taxi Drivers

In Jakarta, around 38,000 listed taxi units - or at least 72,000⁹ people - were dependent on the taxi industry for a source of income. 55 percent were high school graduates (of which only 20% finished senior high) while 40 percent had elementary school education. Coming from poor families, they were used to "hand to mouth" existence. Most simply aspired to earn a decent living that would enable them to own a simple house and able to send their children to school.



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

⁹ Source: Organda or Association of Land Transportation Operators of Jakarta.

The state of public transport in Indonesia

The public transportation system in Indonesia's urban centers, particularly in its capital (Jakarta), was beset by many problems related to infrastructure, access, safety, and convenience. The so called "city bus" provided the mass transport system along set routes. The buses were mostly old, dirty, non-air-conditioned, and notoriously unsafe because of undisciplined and reckless drivers. An Asian Development Bank (ADB) study¹⁰ showed that Indonesia fared worst with respect to road safety in the region. In 2005 alone, the number of people killed in road and vehicular accident in the country was 36,000 or 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 company's accepting drivers not properly trained on road safety. As such, 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 to make this essential public 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 income, taxis are the most convenient transportation alternative to bus (the primary means of mass transportation in Jakarta) or driving a car (in its attempt to reduce the 2,650,433 registered cars¹¹ from roaming on the streets at the same time and causing acute traffic jam, the Governor of Jakarta has implemented a strict traffic law requiring car owners to drive with at least three passengers during peak hours on the major streets)¹².

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 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 for the company (it owned the taxi units and managed the drivers), it also created a lot of problems for the company. The most significant of all concerns was the lack of regard by drivers on the use of 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 the company's property, the company was confronted by a host of problems including:

- Drivers stealing the cars
- Low compliance and commitment to the company-driver agreement (arriving late, not cleaning the car for the next user, etc.)

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

¹¹ Source: Jakarta Metropolitan Police

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

- Disagreement and conflict among drivers
- High turn over rate among drivers
- Numerous complaints from customers reporting poor service and impolite treatment

These problems pushed the company to rethink its business strategy.

Stage 2: Working with Drivers' Cooperatives (from 1994 to 2001)

From 1994, Rajawali management carefully considered the ongoing problems and felt that since the drivers were renting the taxicabs, they did not feel a 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 program that promoted the development of cooperative system as a vehicle towards citizen economic participation and empowerment.

As an organized and legally registered organization, cooperatives (coops) had the capacity and legal authority to sign contractual agreements. They could also access loans, except development banks required three to five years of good credit record before coops could borrow money, and commercial banks were unwilling to lend to coops. 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 another strength of the coop model was in its transparency and community-based checks and balances.

Through the help of another subsidiary, the Rajawali Bank, Express Taxi drivers' coops were able to borrow up to US\$ 2550 for each member, with a low interest rate of six percent per annum (compared to 10 percent flat commercial loan rate). This was based on the Government's policy to boost cooperatives movement by providing loans to cooperatives, reflected then in a decree of the Central Bank of Indonesia. Rajawali Banks's support was significant as it served as a leverage of the company to convince other financial institutions to support the initiative of the company later.

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

The cooperatives elected an Executive Board from among the membership; the Executive Board had the following responsibilities:

- Develop and strengthen the cooperative's organization

- Provide continuing education to members on the principles and practice of the cooperative system

The company provided the following services:

- Provide assistance to the membership for loan processing, such as helping the drivers complete the documentation required for the loan
- Manage daily collection of driver's loan payments
- Ensure timely and orderly remittance of loan payment to the bank
- Manage the taxi business operations overall, including scheduling and maintenance
- Provide dispatching service to the coops



Rajawali learned that dealing with drivers with very low education 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:

Abuse of power. The Executive Board held a very powerful position in the organization, and served their own personal interest above the interest and welfare of the membership. Several cases of unethical behavior carried out by members of the Executive Board were documented including misuse of funds and corruption of lease payment. 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 coop. This also impacted the good standing of the company to the banks as the credit guarantor.

Breakdown of operation. The general mismanagement of the business by the coop impacted the business operation, and the company became a hostage of the situation. Mostly because the company could not break the contract with the cooperatives since it provided loan guarantee and had the responsibility to make sure loans are paid.

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 not effective. The company cancelled the contracts with the cooperatives after the units were paid.

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 coops, 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 and opted to remain in the company and sign on to a second loan. The repayment, collection and profit sharing of the new scheme was similar to the previous arrangement, but instead of having the coop 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.

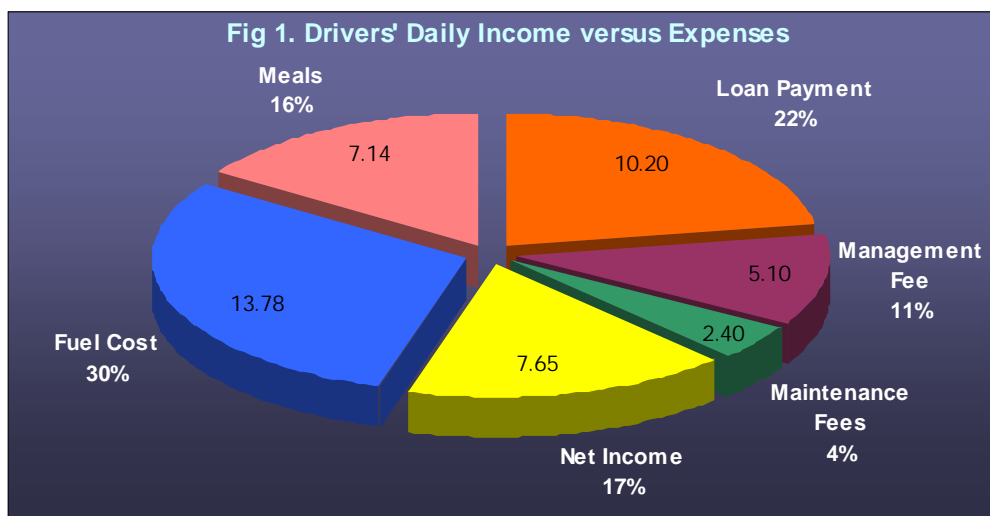
One of the most important lessons learned from the previous experience, was if the drivers were not required to raise some of their own funds, they did not value the opportunity. So, the company decided to enforce a mandatory down payment of US\$ 510. This was a substantial amount for low income earners. But of the 4,000 drivers, 2,257 were able to put up down payment 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 default rate had been zero. Most drivers raised the money for down payment with help from their relatives.

Taxicab Ownership Scheme: Rajawali's new and improved business model

For the company the direct partnership scheme is more profitable than the traditional arrangement: model (stage 1) because there are less human resources to manage. In 2005, there were 555 Express Taxi employees working in three shifts in its nine locations to manage and support the operation which includes 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) in providing bank guarantee for each individual driver's loan. It also provided franchise permits, taxi licensing and managed the daily operation. Partners were selected through applications with standard criteria. They had to have at least five years of driving experience from Express Taxi or other companies within the Rajawali Group of companies, or other reputable Taxi service companies. Preference was given to existing drivers of the Rajawali Group; for new applicants, they had to have a referral from existing 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 of 20 days, for 18-20 hours a day. The company collected the loan payment and remitted the money to ACC on a weekly basis on behalf of the driver.



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

Based on the company's records, an 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 termed as "management fee" (consisting of the franchise fees and the services that the company provides such as building of infrastructure, cost of down payment, loan arrangement, collection, dispatching service, car barn services, call center), US\$ 2.04 goes to the car maintenance saving fund¹³, 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 day (or about US\$153 a month based on a 20-working day 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 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 standard for the whole family. The number of hours worked in a day was high, but drivers were free to set their own schedule. Annex 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.

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

	Q1	Q2	Q3	Q4	Total
Net Revenue (for 1,815 units starting February at US\$.11.73/day plus additional 10 units/mo. starting 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

¹³ A driver pay 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 to a "mutual maintenance cost pot" for everybody. This system motivates the driver to really care about driving his taxi carefully, hence the very low accident rate among Express taxi drivers.

Capital Expenditure	119	67	46	24	256
Leasing Payment (receipt)	(854)	781	812	810	1,549
Others	(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% of Rajawali's Express Taxi drivers were not well educated, basic customer service training was necessary. For the company, it was important to invest in training to continuously build and maintain their reputation of excellent service and at the same time fulfills its commitment to develop the drivers as 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 to develop an 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, Ibu Indri 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 10 training hours delivered to up to 25 participants at the company's training center once a week. The effectiveness of the training program 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 attitude 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 from 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 program by the number of customer complaints recorded. 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 program 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

“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 referral from the taxi drivers. In most cases, drivers with an existing “ownership arrangement” with the company refer relatives and friends and even help put up the down payment.

Providing affordable transport service

In 2006, the rising price of oil affected gasoline prices in Indonesia. By the 2nd quarter of 2006, the transport sector decided to raise tariffs to cover the increase in fuel cost. It made taxi service 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 income.

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 thus, the company set its plan in motion using a massive communication campaign.

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

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 Day"s every month where they brought home all the proceeds of the day (i.e. not paying the management fee). The company also convinced ACC to extend the length of loan payment from 5 to 6 years to lower the daily loan payment.

The company planned to add 300 more taxi units to fill in the expanding customer demand. The company realized that the price reduction initiative was an integrated solution that addresses the needs of 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 workshop on discipline, and the Jakarta office of 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 the drivers.

Social and economic impact

Providing livelihood for the drivers

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

Since Express Taxi shifted its operation to the Taxi Ownership Scheme in 2002, at least 300 drivers were on target to fully pay their taxi units by 2007. Over 2000 more will have their own taxi units by 2013. 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 have access to. 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 training budget from an average of US\$700 per month in 2006.

Providing alternative public transport

The drivers are not the only ones to benefit from Express Taxi's business model; the community also benefits through the availability of safe, reliable, 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 10% to less than 1% 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 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 so far 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 car wash facility, garage, and collection and dispatching station. The company noted the economic spillover from the activities in the Taxi Pools; for example food vendors, electronic stores, garment shops, etc have mushroomed around these seven hubs.



Scalability and 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 re-loan and started to work on their second taxi cab. Oftentimes they then rent the first car to secondary drivers¹⁵. The company believes that the Ownership Scheme is highly replicable. Express Taxi sees Jakarta airport with significant market potential – close to 50,000 people arrive and depart from Jakarta airport everyday - with a need for fast, reliable, safe and affordable transportation service. But growth must be balanced with service and training. For Rajawali, training drivers how to be professional in the work that they do is a legacy that the company plan to continue. The company is also limited by a cap of 3000 taxi licenses available, with 2257 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 access to capital, access to market, and skills training. The partnership also provided a sense of pride to the drivers to be regarded as business partners of the company. The model has also brought financial stability to the company based on a building 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.

¹⁵ They are those who do not yet own taxi cab. Those who are in the Ownership Scheme are called "primary drivers".

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17. Juremi - Express Taxi driver, interviewed January 11, 2007
18. Hasan - Express Taxi driver, interviewed January 18, 2007

Annex 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 on 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 as he had been continuously harassed by the local police extorting for 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, 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 " he added. Karjono is now working on his third taxi unit and used his daily income for his two children's education. "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 'Warung ' is a small general merchandise store.