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Increasing MRT Jakarta Non-Farebox Revenue Through Optimizing Station Naming Rights

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ABSTRACT

This research aims to discuss the non-fare revenue acquired by MRT Jakarta through Station Naming Rights, utilizing a literature-based approach. By analyzing public documents, reference books, and relevant regulations, this study will delineate the revenue obtained from the utilization of Station Naming Rights. Despite the absence of primary data collection, this research is expected to provide a deeper understanding of how the utilization of Station Naming Rights contributes to the non-farebox revenue and financial aspects of MRT Jakarta.

Keywords: *Non-Farebox Revenue; Station Naming Rights; MRT Jakarta, Public Transportation*

INTRODUCTION

Nowadays, MRT Jakarta is the only underground urban railway public transportation system in Indonesia. The system has been operational since March 2019 and has 13 stations along its route [4]. The MRT Jakarta system is a component of the city's rapid transit initiative, which aims to provide an alternative solution to support the activities of people in the city [5]. Nevertheless, MRT Jakarta has another mandate in addition to constructing and operating its services, which is to develop and manage properties/businesses at stations and their surroundings, as well as depots and the surrounding areas. This mandate is specified in the Regional Regulation of DKI Jakarta Province No. 3 of 2008 regarding the Establishment of the Regional-Owned Enterprises (BUMD) PT (Limited Liability Company) MRT Jakarta.

As a public transportation company, PT MRT Jakarta is required to provide transportation services that are proper and in accordance with the Minimum Service Standards (SPM). This is mandatory due to existing regulations, namely Governor Regulation of DKI Jakarta Province No. 95 of 2019 concerning the Minimum Service Standards for Integrated Mass Rapid Transit and Integrated Light Rail Transit.

To meet this requirement, it is not sufficient to rely solely on ticket sales (farebox) because the purchasing power of users also needs to be considered as part of the policy. Therefore, other sources of income through non-ticket revenue (non-farebox) are needed. In simple terms, PT MRT Jakarta needs to develop other business ventures besides ticket sales to fulfill the needs and challenges of the company that continue to evolve with the times.

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NON-FAREBOX REVENUE

Non-farebox revenue plays a crucial role in maintaining the financial stability of transportation companies that require substantial capital. In addition to revenue from ticket sales, public transportation modes often seek ways to optimize income from other sources such as advertising, business partnerships, and the utilization of owned assets.

Non-farebox revenue can also help reduce the travel fares that passengers have to pay. By maintaining affordable travel fares, the number of passengers utilizing transportation services remains high, subsequently generating even higher non-ticket revenue. This creates a positive cycle where stable growth in transportation users can increase non-ticket revenue, further supporting the financial sustainability of the transportation company.

One crucial concept in optimizing non-farebox revenue is the utilization of space and assets owned by public transportation modes. Stations, stops, and public transportation vehicles can serve as effective advertising mediums. By selling advertising space to companies and brands, public transportation modes can generate significant additional income. Moreover, the utilization of assets such as parking lots and commercial spaces around stations can also be a profitable source of non-farebox revenue.

Non-farebox revenue obtained from public transportation modes can be a significant and sustainable source of income. In implementing non-ticket revenue strategies, public transportation modes need to consider the applicable regulatory and policy aspects. Regulations related to advertising, naming rights, and collaboration with business partners must be adhered to maintain the integrity and sustainability of non-farebox revenue.

The revenue of MRT Jakarta comes from two main sources as well: fare-box revenue and non-farebox revenue. Fare-box revenue comes from ticket sales, while non-fare-box revenue comes from revenue outside of ticket fares [4].

Having more than one source of income can also protect the company from economic fluctuations that may potentially harm the business. PT MRT Jakarta stated in its guidelines book that it is necessary to develop other businesses besides ticket sales to meet the needs and challenges of the company, which continues to evolve with the times [6]. In MRT Jakarta, there are three main areas of non-farebox businesses:

A. Commercial and Retail

This includes managing businesses inside and around stations such as telecommunication infrastructure services, advertising, utilizing commercial space for retail outlets, MSMEs, banking, vending machines, and other activities requiring space. Meanwhile, in the areas surrounding stations, including transit areas with other public transportation or activities around the station, and optimizing the assets of facilities, infrastructure, and authority owned by PT MRT Jakarta, there is also an opportunity for collaboration in managing the infrastructure of underground station cooling towers and ventilation towers (CTVT) as advertising media.

B. Transit-Oriented Development

Transit-Oriented Development (TOD) is an urban area designed to integrate human transit functions, activities, mixed-use buildings, public spaces, and green open spaces with the goal of optimizing public access to transportation. This supports the transportation capacity and provides comfort for the intermodal mobility of the community. For PT MRT Jakarta, this area can be managed as a short-term, medium-term, and long-term business. So far, the provincial government of DKI Jakarta has appointed PT MRT Jakarta as the manager of five TOD areas: Lebak Bulus, Fatmawati, Blok M—Sisingamangaraja, Istora, and Dukuh Atas. PT MRT Jakarta has established subsidiaries to manage these areas, namely PT Moda Integrasi Transportasi Jabodetabek (MITJ) and PT Integrasi Transit Jakarta (ITJ). These subsidiaries will manage estate management and the development of public infrastructure, such as access between MRT Jakarta stations and surrounding buildings, commercial activities in the public space radius up to 700 meters from MRT Jakarta stations, and the construction of affordable workspace and housing. The aim is to improve the livelihood and ridership of the community. The realization of TOD business is relatively medium to long-term. Nevertheless, PT MRT Jakarta has short-term projects in these areas so that the benefits can be immediately felt by the community, as seen in the current Dukuh Atas area. PT MRT Jakarta strongly supports collaboration and teamwork both within divisions in PT MRT Jakarta (and its subsidiaries) and with regional and national state-owned enterprises, including private entities. In essence, by engaging in TOD business, PT MRT Jakarta is present and contributes to the creation of new public spaces that are more comfortable for MRT Jakarta users and provide more green open spaces.

C. *Business Expansion*

Here, we are discussing future business innovations related to the assignment of PT MRT Jakarta. These new businesses have the potential to increase revenue and support cost efficiency. The scope includes digital businesses that are currently thriving through the MRT Jakarta mobile app and programs like MRTJ ACCEL and Incubator. Additionally, there is the utilization of renewable electricity, transportation-health services, transportation-logistics, and first and last-mile services in collaboration with other public transportation operators. Furthermore, this business expansion will extend into TOD areas in collaboration with the subsidiaries of PT MRT Jakarta. This business expansion represents the development of new ventures aligned with PT MRT Jakarta's policy aimed at optimizing revenue and cost efficiency.

MRT Jakarta recorded an increase in non-ticket revenue from 2019 to 2022. Not only did it increase, but non-ticket revenue also dominated over the past four years. According to MRT Jakarta's data, non-ticket revenue amounted to Rp503.17 billion in 2022. This figure represents an increase compared to Rp382.67 billion in 2021 and Rp473.56 billion in 2019. On the other hand, ticket revenue for MRT Jakarta during 2019-2020 tended to decline. In 2021, MRT Jakarta's ticket revenue was only Rp60.37 billion, a decrease from the previous year. Meanwhile, in 2020, ticket revenue amounted to Rp82.02 billion. This figure even declined from the initial year of MRT Jakarta's operation, which was Rp191.15 billion in 2019.

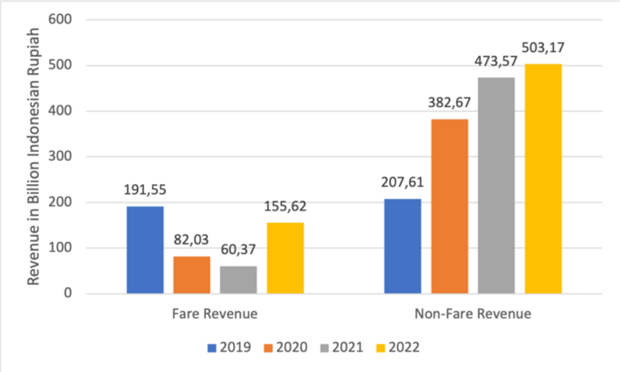

Figure 1. Graphic Data on MRT Jakarta Annual Revenue from 2019-2022

STATION NAMING RIGHTS

With the growth in the number of passengers, it is essential to seek additional sources of revenue to ensure the sustainability of MRT Jakarta's operations. One potential non-farebox revenue source utilized is station naming rights. By providing opportunities for companies or brands to name stations, MRT Jakarta can generate significant additional income. In various countries, station naming rights have proven to be a profitable source of income for mass transit systems. This practice is common in many cities around the world and has been used to generate revenue for public transportation systems. Therefore, it is crucial to consider the implementation of a similar model in MRT Jakarta.

Station naming rights included in the Commercial & Retail business model are directly managed by PT MRT Jakarta. Initially, this is done through a direct auction system for a 10-year period. Subsequently, through offers to potential partners with a contract duration of 5 (five) years. Since 2019, the sale of station naming rights is no longer limited to partners with offices within a 700-meter radius of the station but is open to all interested partners based on proposal bids.

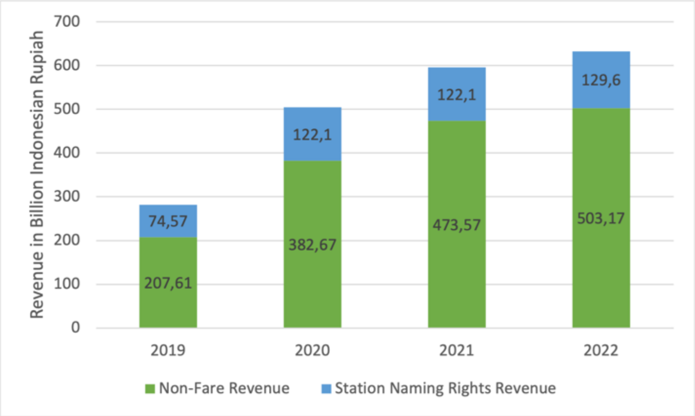

Figure 2. Graphic Data on MRT Jakarta's Non-Farebox and Station Naming Rights Annual Revenue from 2019-2022

Table I. Jakarta MRT Station Naming Rights Contract Table, presented in millions of Rupiah

Collaboration Signing Date	*Third Parties*	*Station Naming*	*Period*	*Contract Value*
31 Dec 2018	PT Bank Negara Indonesia (Persero) Tbk	Dukuh Atas BNI	10 Years	21.600
31 Dec 2018	PT Astra International Tbk	Setiabudi Astra	10 Years	25.000
11 Feb 2019	PT Bank Mandiri (Persero) Tbk	Istora Mandiri	10 Years	24.000*
1 Apr 2019	PT Solusi Transportasi Indonesia	Lebak Bulus Grab	5 Years	33.000
17 May 2019	PT Bank Central Asia Tbk	Blok M BCA	5 Years	36.000*
24 Dec 2021	PT Indomarco Prismatama	Fatmawati Indomaret	5 Years	11.250**

*) Includes Financial Service Fee **) Includes Retail Rental Cost

The non-farebox revenue obtained by MRT Jakarta through Station Naming Rights has experienced a significant increase in recent years. Through partnerships with leading companies, MRT Jakarta has successfully sold station naming rights at favorable prices. This revenue is used to support the operational needs of MRT Jakarta and enhance the quality of services provided. Since the launch of the Station Naming Rights business in 2019, MRT Jakarta has generated revenue of Rp448.37 billion, contributing 29% to the total non-farebox revenue.

As of 2023, six out of thirteen MRT Jakarta stations have been named according to the partnering companies. The winning companies from the auction process signed contracts that may be extended either for one or five years, as agreed upon at the beginning of the contract, accompanied by new payments from the winning companies to PT MRT Jakarta. The six companies that have secured station naming rights contracts are PT Bank Negara Indonesia (Persero) Tbk for BNI Dukuh Atas Station, PT Astra International for Setiabudi Astra Station, PT Bank Mandiri (Persero) Tbk for Istora Mandiri Station, PT Bank Central Asia Tbk for BCA Blok M Station, PT Grab Indonesia for Grab Lebak Bulus Station, and PT Indomarco Prismatama for Indomaret Fatmawati Station.

CONCLUSION

Based on the outlined data and information, it can be concluded that MRT Jakarta's non-farebox revenue has experienced a significant increase from year to year. One of the major contributing factors to this non-farebox revenue is the utilization of Station Naming Rights. Through partnerships with leading companies, MRT Jakarta has successfully sold station naming rights at favorable prices.

By optimizing the utilization of Station Naming Rights, MRT Jakarta can generate non-farebox revenue that can be used to support its operations and service development. This revenue also plays a crucial role in maintaining the financial sustainability of MRT Jakarta, allowing it to continue providing efficient and high-quality transportation services to the public.

In the context of this research, it can be concluded that MRT Jakarta's non-farebox revenue, especially from the utilization of Station Naming Rights, has a significant contribution to the overall revenue of MRT Jakarta. To continue increasing non-farebox revenue, MRT Jakarta needs to consistently optimize the Station Naming Rights utilization strategy and establish mutually beneficial partnerships with leading companies. Thus, MRT Jakarta can continue to enhance its non-farebox revenue and provide better transportation services to the people of Jakarta.

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