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Arbitration in Resolving Construction Cost Claim Disputes Due to Time Extensions: A Study of Contract Law in Indonesia

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ABSTRACT

This research aims to analyze the resolution of construction cost claim disputes arising from time extensions, focusing on the arbitration mechanism. The findings indicate that delays in the completion of construction projects not only give rise to cost claim disputes but also necessitate a meticulous analysis of the causes of the delays and the responsibilities of the parties involved. In this regard, arbitration offers a more effective and efficient dispute resolution mechanism than litigation. The advantages of arbitration, including the speed of the process, confidentiality, expertise of arbitrators, procedural flexibility, and binding awards, make it a favourable option for the parties. Therefore, the parties must pay close attention to the arbitration clause in the construction contract. This clause must be formulated clearly and definitively, encompassing the types of construction cost claim disputes arising from time extensions, including claims for price adjustment, overhead costs, extension of performance bonds, material demurrage, and equipment idleness. In addition, the parties can also utilize the Binding Opinions of the BANI Arbitration Center as an instrument for dispute prevention and resolution. For information, Binding Opinions have binding legal force on the parties and are enforceable through the District Court. Thus, the Binding Opinions of the BANI Arbitration Center are beneficial as a dispute resolution instrument and contribute to the development of legal scholarship.

Keywords: Arbitration; Construction Contracts; Cost Claims; Disputes; Time Extensions.

INTRODUCTION

Construction projects, serving as a primary catalyst for national development, involve an intricate network of stakeholders and phases that necessitate precision and clarity within the agreements binding the parties involved (Yanuar et al., 2025). Construction contracts, as defined under Law Number 2 of 2017¹, constitute the fundamental legal instruments that delineate the rights and obligations of each stakeholder in the construction process, encompassing project owners, consultants, contractors, and subcontractors. The principle of freedom of contract, enshrined in Article 1338 of the Civil Code, grants parties the autonomy to formulate various contractual provisions, including the project value, execution period, technical specifications, and dispute resolution mechanisms. Nevertheless, the inherent complexities of construction projects involving a multitude of variables and dynamic field conditions frequently give rise to divergent interpretations of contractual clauses, ultimately having the potential to ignite disputes among the involved parties (Widodo et al., 2023).

One significant source of contention pertains to the extension of project completion timelines (Irsan et al., 2024). Delays in project completion, which either internal or external factors may cause, entail various legal and financial ramifications for the parties. Internal factors, such as planning errors, labour shortages, and delays in material procurement (Mwamvani et al., 2022), as well as external factors, such as natural disasters, changes in government regulations, and socio-economic conditions (Ghahari et al., 2024), can extend the project completion time beyond the stipulated

¹Law Number 2 of 2017 was amended by Article 52 of Government Regulation in Lieu of Law Number 2 of 2022, which was subsequently enacted with Law Number 6 of 2023.

timeframe. Such extensions have implications for additional cost claims from contractors against project owners, covering overhead expenses, price adjustments, performance bond extensions, equipment demurrage, and equipment idleness (Abadi et al., 2023). Ambiguities within contractual clauses in regulating the consequences of time extensions on project costs often constitute a source of contention that requires resolution through appropriate, fair, and efficient mechanisms.

In resolving construction disputes, parties are afforded the flexibility to select a dispute resolution forum deemed most suitable to the dispute's characteristics and the parties' needs. Article 58 of Law Number 48 of 2009 explicitly provides for the possibility of resolving civil disputes out of court through arbitration or other alternative dispute resolution methods, offering an alternative for parties seeking a faster, more efficient, and more confidential dispute resolution process. Arbitration, as regulated under Law Number 30 of 1999, has gained popularity as a mechanism for resolving construction disputes. The advantages of arbitration over litigation in court, such as flexibility in selecting arbitrators with specific expertise in the construction field, confidentiality of the proceedings, and final and binding awards, render it an attractive option for disputing parties.

While numerous studies have examined construction disputes and their resolution through arbitration (Fredella & Widiyastuti, 2022; Syahputri, 2022; Marito & Kanthika, 2024), research specifically analyzing the resolution of construction cost claim disputes resulting from time extensions using a contract law approach remains limited (Winata & Hardjomuljadi, 2021; Mokoagow et al., 2024). Therefore, this study aims to comprehensively analyse the resolution of construction cost claim disputes arising from time extensions, specifically focusing on the arbitration mechanism. This research will delve into the legal foundations underlying the use of arbitration in construction disputes while also examining its advantages compared to conventional litigation mechanisms. Furthermore, this study will examine the key provisions within contract law relevant to drafting effective arbitration clauses that anticipate potential disputes. Moreover, this research will analyze the application of contract law and arbitration provisions in construction dispute resolution in Indonesia, particularly through a study of the Binding Opinions issued by the BANI Arbitration Center (Badan Arbitrase Nasional Indonesia).

By analyzing the legal framework of arbitration and its application in resolving construction cost claims, this study is expected to contribute to the development of legal scholarship, particularly in construction law and alternative dispute resolution. Furthermore, this research is intended to provide a more comprehensive understanding for construction stakeholders regarding the arbitration mechanism and the importance of drafting clear and comprehensive construction contracts to prevent and resolve disputes effectively.

METHOD

This research employs a normative legal methodology, utilizing both a statutory and conceptual approach (Qamar & Rezah, 2020). This methodological framework is pertinent to the research objective to analyze and evaluate the legal framework of arbitration in resolving construction cost claim disputes arising from time extensions within the Indonesian legal context. The statutory approach will focus on the Civil Code (particularly regarding contract law), Law Number 2 of 2017, Law Number 30 of 1999, and other regulations about resolving construction disputes in Indonesia. The conceptual approach will be utilized to analyze and elucidate legal concepts relevant to arbitration and resolving construction cost claim disputes. In addition to primary legal sources in statutory regulations, this research utilizes secondary legal materials, including legal doctrines, scholarly journals, and other relevant literature obtained through library research. The data analysis employs a qualitative content analysis approach to systematically examine and interpret non-numerical data, such as legal texts. This technique allows for identifying, classifying, and interpreting key themes, patterns, and arguments contained within the data. Through this rigorous methodological approach, this research endeavours to produce a comprehensive and systematic analysis to describe the issues and address the research objectives (Sampara & Husen, 2016).

RESULTS AND DISCUSSION

A. Analysis of Delays and Claims in Construction Projects

Delays in the completion of construction projects frequently trigger disputes between project owners and contractors. These delays can be caused by various factors, whether originating from the project owner, the contractor, or external factors beyond the control of both parties. In resolving disputes related to delays, it is crucial to understand the types of delays and how the law governs the responsibilities of the parties involved.

Under Indonesian contract law, Article 1243 of the Civil Code stipulates the obligation of the debtor (in this case, the contractor) to compensate the creditor (the project owner) for losses suffered due to non-fulfilment or delayed performance of an obligation. However, Article 1244 of the Civil Code provides an exception whereby the debtor is not obligated to provide compensation if it can prove that the non-fulfilment or delay was caused by circumstances beyond its control, such as force majeure or the negligence of the project owner (Zubir et al., 2024).

In construction projects, delays in achieving the Commercial Operation Date (COD) can result in significant financial losses for the project owner, such as lost potential revenue and increased financing costs. Therefore, the parties must understand and anticipate potential delays and their impacts. To avoid disputes and ensure fair resolution, construction contracts must clearly define the types of delays, the responsibilities of each party, and the relevant dispute resolution mechanisms.

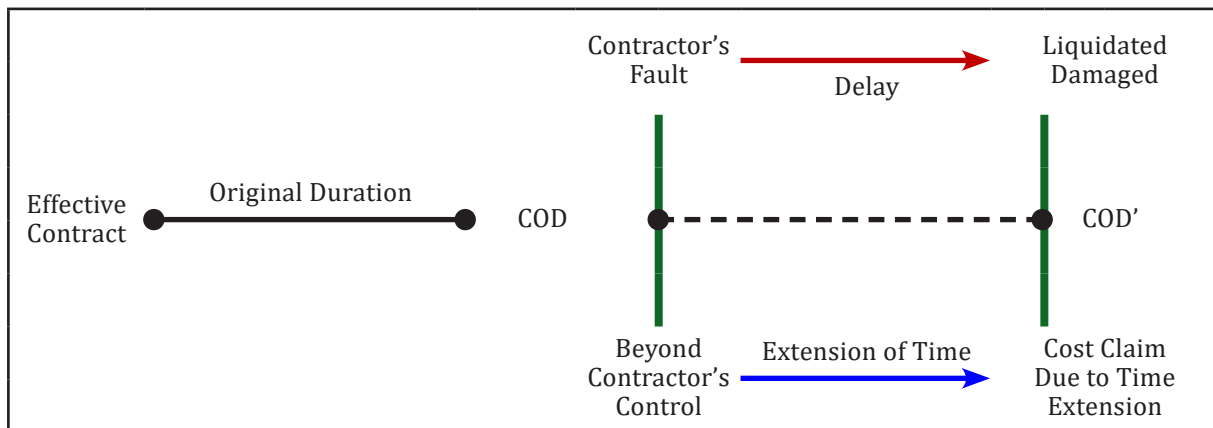


Figure 1. Contractual Conditions Related to Project Completion Time

In resolving disputes related to delays, it is important to consider the types of delays that may occur. *First*, compensable excusable delays, where the delay is caused by the fault or negligence of the project owner. In this case, the contractor is entitled to an extension of time and compensation for additional costs, and the project owner is liable for the losses suffered by the contractor. Examples include the project owner's delay in providing the site, issuing working drawings, or obtaining necessary permits. *Second*, non-compensable excusable delays, where the delay is caused by events beyond the control of both parties (force majeure). The contractor is entitled to an extension of time but is not entitled to compensation for additional costs. *Third*, non-excusable delays, where the delay is caused by the fault or negligence of the contractor. Consequently, the contractor is not entitled to an extension of time and may be subject to liquidated damages.

To anticipate and resolve disputes related to delays, construction contracts must clearly define important clauses such as liquidated damages clauses, force majeure clauses, and time extension claim clauses (Aminuddin et al., 2024). The liquidated damages clause stipulates the amount of damages payable by the contractor to the project owner in case of a delay in completion (Hardjomuljadi, 2023). This clause is essential to provide legal certainty and prevent disputes regarding the amount of compensation for delays. The force majeure clause regulates events beyond the parties' control that may excuse them from liability for delays. This clause must clearly define what constitutes force majeure, the procedures for notification and proof of force majeure, and its impact on the

rights and obligations of the parties. The time extension claim clause regulates the procedure for submitting claims for time extensions by the contractor to the project owner. This clause must explain the conditions and procedures for submitting claims, the timeframe for submission, and the mechanism for resolving claims.

In construction projects, contractors may submit various claims due to time extensions. These claims include claims for price adjustment or direct costs, overhead costs, extension of performance bonds, material demurrage, and equipment idleness. Price adjustment claims are submitted to compensate for increases in raw materials prices, labour costs, or other relevant factors during the extension period (Chammout et al., 2024). The price adjustment clause in a construction contract regulates the mechanism for adjusting prices if changes in economic or market conditions affect project costs. Overhead cost claims are submitted to recover operational costs that continue to run during the extension period, such as office expenses, employee salaries, and equipment rental (Salem et al., 2024). Overhead costs are a significant cost component in construction projects, and time extensions can substantially increase these costs.

Claims for the extension of performance bonds are submitted to recover the costs incurred by the contractor to extend the validity period of the performance bond due to project time extensions (Abougamil et al., 2024). The extension of the performance bond is necessary to ensure that the contractor will complete the work by the contract despite the extension of time. Material demurrage claims are submitted to recover costs arising from delays in the delivery of materials to the project site, which may be caused by various factors, such as transportation constraints, permitting issues, or supplier negligence (Mishra & Kushwaha, 2023). Equipment idleness claims are submitted to recover costs from construction equipment not being used optimally during the extension period (Alghamdi et al., 2024). Equipment idleness can be caused by various factors, such as delays in site availability, design changes, or events beyond the contractor's control.

In resolving construction cost claim disputes, whether through litigation or arbitration, the primary consideration is the principle of fairness and the balance of interests of the parties. Article 1338(3) of the Civil Code stipulates that "Agreements must be executed in good faith." The principle of good faith requires the parties to act honestly, fairly, and responsibly in carrying out their contractual obligations (Supriyadi et al., 2022). Meanwhile, Article 1339 of the Civil Code states that:

"Agreements are binding not only as to their express provisions but also as to all things which, according to the nature of the agreement, are required by equity, custom, or law."

The provision of Article 1339 of the Civil Code implies that an agreement is not limited to what is explicitly written but includes everything implicitly required by the principles of equity, custom, or applicable statutory provisions (Safnul et al., 2024). In the context of construction claim disputes, this article has an important meaning, namely the need to consider the principles of fairness and balance of interests of the parties, even if these aspects are not explicitly regulated in the contract. Thus, Article 1339 of the Civil Code provides a basis for the parties to seek a fair and balanced solution in resolving disputes, including through mechanisms outside the court.

Furthermore, Article 88 of Law Number 2 of 2017 regulates the hierarchy of construction dispute resolution by prioritizing deliberation to reach a consensus. If deliberation efforts are unsuccessful, the parties can choose other alternative dispute resolution methods specified in the contract. Conversely, the parties may enter into a new written agreement if the contract does not specify a dispute resolution procedure. These dispute resolution options include mediation, conciliation, and arbitration. Thus, Law Number 2 of 2017 provides a strong legal basis for arbitration as an alternative dispute resolution mechanism for construction cost claims. Arbitration offers a more efficient, flexible process that maintains the parties' confidentiality, making it a more advantageous option than litigation in court (Simbolon, 2023).

B. Arbitration as an Alternative Dispute Resolution Mechanism for Construction Cost Claims

Addressing the complexities of construction disputes, mainly cost claims arising from time extensions, necessitates an efficient and effective resolution mechanism. In addition to litigation through the courts, Indonesian law provides non-litigation avenues outside of court, including arbitration. Article 58 of Law Number 48 of 2009 provides a clear legal basis for parties to choose dispute resolution outside of court through arbitration or other alternative dispute resolution methods. Arbitration has become an increasingly popular solution because it offers a faster, more efficient, and more confidential process, resulting in a binding decision for the parties.

Arbitration in Indonesia is regulated under Law Number 30 of 1999. Article 1 point 1 of Law Number 30 of 1999 defines that:

"Arbitration is a method of settling civil disputes outside the general courts based on a written arbitration agreement made by the disputing parties."

The existence of Law Number 30 of 1999 reinforces the validity and binding nature of arbitral awards, thus providing legal certainty for parties who choose arbitration as a dispute resolution mechanism (Handoko et al., 2023). One of the main advantages of arbitration is the speed of the process. Unlike court litigation, which can often be protracted, arbitration allows disputes to be resolved within a relatively short period (Firdausy & Mahanani, 2021). It is possible because the parties have flexibility in determining the procedures and timeframe for dispute resolution. Article 48 section (1) of Law Number 30 of 1999 provides that:

“The examination of the dispute must be completed within a maximum period of 180 (one hundred and eighty) days from the date the Arbitrator or Arbitral Tribunal is constituted.”

Although, in practice, the resolution time may vary, arbitration still offers significant time efficiency compared to litigation, enabling the parties to resolve disputes promptly and resume the project without prolonged obstacles. Another advantage of arbitration is confidentiality. Arbitration proceedings are private, so the information and documents submitted during the hearing are not accessible to the public. In this regard, Article 27 of Law Number 30 of 1999 stipulates that “all examinations of disputes by an arbitrator or arbitral tribunal shall be conducted in closed sessions.” This principle of confidentiality is crucial in resolving construction disputes, which often involve sensitive information related to a company’s reputation and financial standing. By choosing arbitration, the parties can resolve disputes without worrying about sensitive information being leaked to the public, thereby minimizing potential reputational damage and maintaining good relations (Crisyanti et al., 2023).

Furthermore, arbitration allows the parties to select arbitrators with specific expertise and experience in construction (Abwunza et al., 2021). It is crucial in resolving construction cost claim disputes, which often involve technical calculations and a deep understanding of construction industry practices. The expertise of the arbitrators will assist in analyzing evidence, interpreting the contract, and rendering a fair and accurate award. Moreover, arbitration provides flexibility for the parties to determine the procedures and rules to be followed (Besaiso & Fenn, 2022). This flexibility allows the parties to tailor the arbitration process to the needs and characteristics of their dispute. For example, the parties can choose a sole arbitrator or an arbitral tribunal, determine the language to be used in the proceedings, and select the applicable substantive law.

An arbitral award is final and binding on the parties, as Article 60 of Law Number 30 of 1999 stipulated. It differs from court decisions, which can still be appealed to higher courts. The legal force of an arbitral award provides legal

certainty for the parties and allows for the direct enforcement of the award. Although there is a possibility of setting aside an arbitral award, the requirements are stringent and limited, so arbitral awards generally have a high degree of legal force (AlRaeesi & Ojiako, 2021). This legal certainty and the binding nature of arbitral awards are essential in resolving construction disputes, as they allow the parties to resolve disputes promptly and resume the project without prolonged obstacles.

C. Arbitration Clauses in Resolving Construction Cost Claim Disputes

In order to achieve effective and efficient dispute resolution, parties to a construction contract need to pay close attention to the arbitration clause they agree upon. An arbitration clause is a separate agreement within the construction contract that stipulates the agreement of the parties to resolve disputes through arbitration (Mahafzah & Alflaieh, 2023). This clause provides legal certainty and ensures that if a dispute arises in the future, the parties have a clear and binding dispute resolution mechanism. Therefore, the parties must formulate the arbitration clause carefully, ultimately, and definitively to anticipate and resolve disputes effectively and avoid further disputes.

Furthermore, it is important to understand that the discussion regarding the drafting of arbitration clauses is relevant both for parties who are about to enter into a construction contract and choose arbitration as the dispute resolution method and for parties who are already bound by a contract but have not included an arbitration clause. The arbitration dispute resolution clause will be directly included in the contract for parties about to enter into a contract. Meanwhile, parties whose contracts do not include an arbitration clause can still choose arbitration by making a separate arbitration agreement as referred to in Article 88 sections (2) and (4) of Law Number 2 of 2017.

In drafting an arbitration clause, the parties need to consider the general requirements for the validity of an agreement as stipulated in Article 1320 of the Civil Code. *First*, the arbitration clause must be agreed upon voluntarily by the parties without any coercion from any party. *Second*, the parties signing the construction contract, including the arbitration clause, must have the legal capacity to perform legal acts, meaning they are of legal age and not under guardianship. *Third*, the arbitration clause must have a transparent object; namely, it must explicitly state the types of disputes that will be resolved through arbitration. *Fourth*, the arbitration clause must have a lawful cause, meaning a purpose that does not violate the law, morality, or public order. An arbitration clause that fulfils these four requirements is a valid and binding agreement for the parties, so the resulting arbitral award will also have binding legal force.

In the context of construction cost claim disputes arising from time extensions, the arbitration clause must explicitly state that disputes arising from such claims, including determining the amount of additional costs and the parties' responsibilities, will be resolved through arbitration. Examples of cost claims include claims for price adjustment, overhead costs, extension of performance bonds, material demurrage, and equipment idleness.

In addition to fulfilling the general requirements for the validity of an agreement, the arbitration clause must also contain several other important provisions. *First*, the clause must clearly and completely state the identities of the parties bound by the arbitration agreement. It is important to avoid confusion and misunderstandings in the future, especially if there are changes in the organizational structure or representatives of the parties.

Second, the clause must explain in detail and definitively the object or subject matter of the disputes that will be resolved through arbitration. The object of the dispute must be explicitly formulated, covering not only disputes arising from the construction contract itself but also from supplementary agreements or addenda related to the construction project. *Third*, the clause must specify the arbitral institution or the method of selecting the arbitrators who will resolve the dispute. The parties can choose a well-known and experienced arbitral institution, such as the BANI Arbitration Center or the International Chamber of Commerce (ICC) (Ewangga, 2022). The parties can also determine the method of selecting arbitrators on an ad hoc basis (Viet & Thanh, 2024).

Fourth, the clause must stipulate where the arbitration will be held and the procedural rules followed in the arbitration process. Determining the place of arbitration should consider the factors of convenience and ease of access for the parties. The choice of procedural rules must be based on the dispute's characteristics and the parties' wishes. *Fifth*, the clause must clearly and in detail regulate the costs of arbitration, including administrative fees, arbitrator's fees, and other costs incurred in the arbitration process. The clause must also regulate how these arbitration costs will be allocated among the parties. Transparent and detailed regulation of arbitration costs will avoid disputes in the future and ensure the smooth running of the arbitration process.

In drafting an arbitration clause, the parties must also consider the separability principle as regulated in Article 10 points (f) and (h) of Law Number 30 of 1999. This principle states that an arbitration agreement is separate from the main agreement, so even if the main agreement is null and void, the arbitration agreement remains valid and binding on the parties (Fitrianggraeni et al., 2023). Thus, if in the future there are problems with the construction contract that

cause the contract to be void, the parties can still resolve disputes arising through arbitration based on the arbitration clause they have agreed upon. The separability principle guarantees the parties that the arbitration clause will remain effective even if there are problems with the construction contract, so their right to resolve disputes through arbitration is still protected.

Considering these matters, a construction contract's parties can draft an effective, comprehensive arbitration clause that provides legal certainty in dispute resolution. A well-drafted arbitration clause will help the parties anticipate and resolve disputes quickly, fairly, and efficiently, thus maintaining the smooth running and success of the construction project. In addition, a well-drafted arbitration clause can also reduce the potential for new disputes to arise in the future, as the parties have the same understanding of the dispute resolution mechanism to be used. It includes the obligation of the parties to respect the arbitral award that has been issued and not to obstruct the implementation of the award. Implementing the arbitration clause in good faith will ensure the effectiveness of arbitration as a fair and efficient alternative dispute resolution mechanism (Ingarasi & Suwigno, 2022).

D. Binding Opinions of the BANI Arbitration Center in Construction Cost Claim Disputes

In order to anticipate and resolve construction cost claim disputes, parties can utilize Binding Opinions issued by the BANI Arbitration Center. A Binding Opinion is a legally binding opinion issued by the BANI Arbitration Center at the parties' request in a dispute, as regulated under Article 52 of Law Number 30 of 1999. This Binding Opinion differs from an arbitral award because it is issued before a dispute is submitted to arbitration. Its purpose is to provide legal certainty and guidance for the parties in resolving their disputes. Furthermore, the parties can request a Binding Opinion before the construction contract is signed or during the contract execution period. At the pre-contract stage, a Binding Opinion can assist the parties in interpreting contractual clauses that can potentially cause disputes. Meanwhile, during the contract execution period, a Binding Opinion can be used to resolve disputes regarding contract interpretation or legal rules.

Binding Opinions of the BANI Arbitration Center have a significant role in construction dispute resolution in Indonesia. They can provide legal certainty for the parties regarding the interpretation of contractual clauses and the application of relevant legal rules. It can help the parties avoid protracted disputes and achieve faster and more efficient dispute resolution. In addition, the Binding Opinions of the BANI Arbitration Center can also serve as a dispute prevention tool. By knowing the legal opinion of the BANI Arbitration Center in advance, the parties

can anticipate potential disputes and adjust their actions according to applicable law, thereby minimizing the risk of disputes and creating a more harmonious working environment for the construction project.

The benefits of Binding Opinions of the BANI Arbitration Center in construction cost claim disputes are diverse. *First*, a Binding Opinion can prevent disputes. The parties can understand their respective legal positions and avoid escalating the conflict by obtaining a Binding Opinion before a dispute is submitted to arbitration. This aligns with the construction dispute resolution principle regulated in Article 88 of Law Number 2 of 2017, which prioritizes deliberation to reach a consensus. In this case, the Binding Opinion serves as an “early warning system” that signals to the parties the potential for disputes and encourages them to seek a peaceful solution.

Second, a Binding Opinion can expedite dispute resolution. If the parties have obtained a Binding Opinion, the arbitration process can proceed more quickly because there is already legal certainty regarding the disputed issues, thus reducing the time and costs required to resolve the dispute. Because the Binding Opinion has provided clear guidance on contract interpretation and the application of the law, the arbitrator can focus on proving the facts and avoid protracted legal arguments.

Third, a Binding Opinion can reduce the cost of dispute resolution. By preventing disputes or expediting dispute resolution, the parties can save costs from protracted dispute resolution processes. It aligns with the principle of effectiveness in arbitration, where the dispute resolution process is expected to achieve optimal results at minimal cost. The costs that can be saved include arbitration administration fees, arbitrator’s fees, attorney’s fees, and other costs arising from the dispute resolution process.

Fourth, a Binding Opinion can increase trust and maintain good relations between the disputing parties. A Binding Opinion can help the parties understand their rights and obligations, thereby increasing trust and maintaining good relations. It is important in the construction industry, where trust and good cooperation between the parties are essential to ensure the smooth running and success of the project. With legal certainty and a shared understanding, the parties can focus more on project completion and avoid conflicts that could disrupt the project’s progress.

The following are some examples of BANI Arbitration Centre Binding Opinions related to arbitral awards for cost claims due to time extensions. In this context, the contractor must prove that the claims submitted are a direct result of

the time extension that was not caused by their own negligence. Contractor claims can be accepted in dispute resolution based on strong and relevant evidence. For example, claims for price adjustment, overhead costs, extension of performance bonds, material demurrage, and equipment idleness. It is important to note that these claims examples are based on applicable legal principles and are supported by valid data, documents, and evidence, so they can be used as a reference in submitting cost claims due to time extensions.

Claims for price adjustment are accepted if the contractor can prove that there has been a significant and relevant price increase in construction work during the extension period and that such price increases are regulated in the price adjustment clause of the contract. Proof can be provided by submitting market price data, price indices, or other relevant documents. The price adjustment clause must be formulated clearly and in detail, covering the types of prices that can be adjusted, the adjustment mechanism, and the data source used as a reference.

Claims for overhead costs are accepted if the contractor can prove that the overhead costs incurred are indeed directly related to the execution of the construction work and are necessary to complete the work. The contractor must provide a clear and transparent breakdown of overhead costs and relate those costs to project activities that were delayed due to the time extension. Examples of overhead costs that can be claimed include head office expenses, project management costs, insurance costs, and utility costs.

Claims for the extension of performance bonds are accepted if the contractor can prove that the extension of the performance bond's validity period is necessary due to the project time extension and not due to the contractor's negligence. The contractor must show proof of payment of the performance bond premium and explain why the extension is necessary. The extension of the performance bond must be approved by the project owner and based on reasonable considerations.

Claims for material demurrage are accepted if the contractor can prove that there was a delay in the delivery of materials caused by factors beyond the contractor's control, such as force majeure or the negligence of the project owner, resulting in financial losses. The contractor must provide evidence of the delay in delivery, such as delivery notes, shipping documents, and correspondence with suppliers. In addition, the contractor must also prove that the delay in material delivery directly impacted the project time extension.

Claims for equipment idleness are accepted if the contractor can prove that equipment idleness was caused by factors beyond the contractor's control, such as delays by the project owner in providing the site or issuing work instructions,

resulting in financial losses. The contractor must provide data and documentation showing that the equipment could not be used optimally during the extension period and calculate the losses incurred due to the equipment's idleness. Calculating losses due to equipment idleness must be based on valid data and a justifiable method.

The legal force of the above Binding Opinions is reinforced by Article 53 of Law Number 30 of 1999, which states that "no legal recourse may be taken against the binding opinion referred to in Article 52." This provision indicates that a Binding Opinion has final and binding legal force on the parties, so it cannot be challenged through the courts. Furthermore, to strengthen the enforceability of Binding Opinions, the BANI Arbitration Center has established a policy of registering Binding Opinions with the Registrar of the District Court in the respondent's domicile. Thus, if one party does not fulfil its obligations by the Binding Opinion, the other party can seek the assistance of the District Court to enforce it (Sami'an et al., 2024).

Based on the above explanation, the Binding Opinions of the BANI Arbitration Center have a crucial role in resolving construction cost claim disputes. With their binding and enforceable nature, Binding Opinions provide legal certainty and encourage the parties to comply with the agreement's contents. On the other hand, Binding Opinions also reflect the dynamics of applying legal rules and principles of justice in construction dispute resolution. Analysis of Binding Opinions of the BANI Arbitration Center can provide insight into how contract law and arbitration provisions are interpreted and implemented in practice. Therefore, Binding Opinions of the BANI Arbitration Center are not only valuable as a dispute resolution instrument but also contribute to the development of legal scholarship and the improvement of the quality of legal practice in Indonesia.

CONCLUSIONS AND SUGGESTIONS

Based on the findings and discussion, it can be concluded that delays in the completion of construction projects are a crucial issue that has the potential to generate cost claim disputes. Delays in achieving the Commercial Operation Date (COD) can result in significant financial losses, thus necessitating a careful analysis of the causes of delays and the parties' responsibilities by applicable contract law principles. In this regard, it is important to consider the types of delays and relevant contractual clauses, such as clauses on liquidated damages, force majeure, and time extension claims, to anticipate and resolve disputes effectively.

Arbitration offers a more effective and efficient dispute resolution mechanism compared to litigation. It is supported by a strong legal basis within the Indonesian

legal system and the advantages of arbitration in speed of process, confidentiality, arbitrator expertise, procedural flexibility, and binding awards. In this regard, the parties need to pay close attention to the arbitration clause to be included in the construction contract or make a separate arbitration agreement if such a clause is not included. The arbitration clause must be formulated clearly and definitively, covering the types of disputes to be resolved through arbitration, including disputes over construction cost claims arising from time extensions.

Some examples of cost claims relevant to time extensions include claims for price adjustment, overhead costs, extension of performance bonds, material demurrage, and equipment idleness. In addition, the parties can also utilize the Binding Opinions of the BANI Arbitration Center as an instrument for dispute prevention and resolution. A Binding Opinion is a legally binding opinion issued by the BANI Arbitration Center at the parties' request in a dispute. Binding Opinions have final and binding legal force on the parties and can be enforced through the District Court. Thus, the BANI Arbitration Center's Binding Opinions are valuable as a dispute resolution instrument and contribute to the development of legal scholarship and the improvement of the quality of legal practice in Indonesia.

Based on the above conclusions, several steps are recommended to optimize the resolution of construction cost claim disputes arising from time extensions. *First*, parties involved in construction projects need to improve their understanding of contract law and arbitration through various means, such as attending training, seminars, or workshops in the field of construction law and arbitration and conducting independent literature studies and research. This increased understanding will help the parties anticipate and resolve disputes more effectively. *Second*, the parties are expected to optimize arbitration as a dispute resolution mechanism by selecting a neutral, competent, and experienced arbitral institution or arbitrator in the construction field and drafting a clear and complete arbitration clause.

Third, in drafting construction contracts, the parties need to pay special attention to clauses that can potentially cause disputes, such as clauses on delays, cost claims, and force majeure. These clauses must be formulated in detail and in understandable language to avoid differences in interpretation and anticipate potential disputes. The clarity and completeness of construction contracts are important factors in preventing disputes and creating legal certainty for the parties. *Fourth*, the parties must apply the principle of prudence in construction work to prevent delays and cost claim disputes. It can be done by carefully planning, closely supervising the execution of work, and maintaining effective communication between the parties.

Finally, the parties can utilize the Binding Opinions of the BANI Arbitration Center as a reference and guide in drafting construction contracts and resolving disputes

that may arise. Binding Opinions of the BANI Arbitration Center can provide legal certainty and assist the parties in achieving a fair and satisfactory dispute resolution. By implementing these suggestions, it is hoped that the parties can optimize the use of arbitration as a mechanism for resolving construction cost claim disputes arising from time extensions and create a more conducive climate for the construction industry.

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