

**DISPUTE RESOLUTION IN CONSTRUCTION THROUGH ARBITRATION:  
CONTRACT CLAIMS FOR JAVA SUBMARINE CABLES 150 KV CIRCUIT 3  
& 4 (REPLACEMENT & REINFORCEMENT)**

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*Abstract*

*This paper explores the settlement of construction disputes through arbitration, focusing on a claim regarding the Java Submarine Cables 150 kV Circuit 3 & 4 (Replacement & Reinforcement) project. The arbitration process, selected as an alternative dispute resolution mechanism, was initiated due to delays and complications arising from regulatory changes, specifically the 2011 Maritime Navigation Regulations, which impacted the project's timeline and execution. The contractor, PT Boskalis International Indonesia, filed claims related to project suspensions and cost overruns caused by delays in obtaining essential permits. Through the Badan Arbitrase Nasional Indonesia (BANI) arbitration, a resolution was reached, dividing the responsibility for costs between PT PLN (the client) and the contractor. The paper emphasizes the advantages of arbitration in resolving construction disputes, including its confidentiality, speed, and the ability to appoint experts as arbiters. The final ruling, which was binding, provided a fair and efficient resolution to the complex issues involved.*

**Keywords:** Mediation, Construction dispute, 500 kV Transmission, alternative dispute resolution

**INTRODUCTION**

The implementation of the contract for the construction of the Java Bali Submarine Cables 150 kV Circuit 3 & 4 (Replacement and Reinforcement) by PT PLN through the contractor consortium of PT Boskalis International Indonesia, Sumitomo Corporation, and J-Power Systems Corporation became effective on August 23, 2011, with an initial target completion time of 12 months.

Under the scope defined in the Consortium Agreement, PT Boskalis International Indonesia was responsible for the Installation of Rock Dumping and Commissioning,

Sumitomo Corporation handled Procurement, Installation, and Commissioning, and J-Power Systems Corporation was responsible for Manufacturing and Supply.

The contract underwent three amendments for time extensions, changing the construction completion date to March 26, 2013, then to December 16, 2013, and finally to July 27, 2014. This project was completed and became operational, with milestones achieved as follows: energization on June 1, 2014, the Issuance of the Operational Feasibility Certificate on July 24, 2014, the Taking Over Certificate on July 24, 2014, and the Final Acceptance Certificate on September 4, 2014.

During the execution of the contract, events occurred related to permitting processes, delays or suspensions, and an incident involving the cutting of submarine cables, which caused both parties to claim losses arising from the contract execution.

In connection with these occurrences, the Contractor submitted claims to PLN based on the following grounds: (a) **Boskalis Claim 1:** Referencing GCC Article 10, *Employer’s Responsibility*, and Clause 41, *Suspension*. Boskalis suspended the execution of submarine cable work at its discretion, without an official suspension directive from PLN, citing delays in PLN resolving the principal permit issue. The claim involves demurrage and storage vessel costs in Singapore. (b) **Boskalis Claim 2:** Referencing GCC Article 10, *Employer’s Responsibility*, and Clause 41, *Suspension*. This claim pertains to costs incurred for vessels, equipment, and manpower that had to remain on standby while awaiting the necessary IPKA (permit) for submarine cable laying work. (c) **Boskalis Claim 4:** Referencing GCC Article 10, *Employer’s Responsibility*, and Clause 41, *Suspension*, and Clause 22.2.1, *Contractor Equipment*. This claim concerns delays caused by PLN’s failure to provide demobilization permits in a timely manner. (d) **Boskalis Claim 6:** Referencing GCC Article 36, *Change in Laws and Regulations*. This claim addresses costs incurred for mobilizing an alternative rock dumping vessel (Rockpiper), which could no longer be used as its time slot had expired due to delays stemming from the late issuance of the principal permit caused by the enactment of Permenhub (Ministerial Regulation of Transportation) No. 68/2011. (e) **Boskalis Claim 9:** Referencing GCC Article 10, *Employer’s Responsibility*, and

Clause 41, *Suspension*. This claim pertains to site overhead costs arising from the extension of the project completion period.

Through a series of meetings, discussions, and deliberations, PLN and the Contractor ultimately agreed on the **Java Bali Submarine Claim Resolution** on November 22, 2018, as follows: (a) Both parties agreed that Claim 1, Claim 2, Claim 4, Claim 6, and Claim 9 could proceed to settlement through BANI Arbitration in Mampang. (b) Claims not considered by BANI would be referred to BPKP (Financial and Development Supervisory Agency) for verification of claim amounts. (c) The arbitration costs at BANI would be borne by the Contractor.

Following the meeting agreement to bring the case to BANI Arbitration on November 22, 2018, the Contractor filed a lawsuit against PLN through BANI Arbitration on May 15, 2019. Consequently, the case has been under BANI's jurisdiction since that date. After a series of arbitration processes following the Contractor's lawsuit on May 15, 2019, BANI rendered its decision on August 9, 2020.

This study is essential to provide insights into the role of arbitration as a mechanism for resolving construction disputes, based on **Law No. 2 of 2017**. The findings of this study are expected to serve as a reference for the construction industry, promoting more efficient and equitable dispute resolution processes. It aims to offer practical insights to stakeholders in construction projects—government entities, contracting companies, and legal consultants—about the procedures and benefits of arbitration in dispute resolution. This is particularly relevant for large-scale and complex projects, such as the Java Submarine Cables, providing a model for managing disputes effectively and fairly.

## RESEARCH METHODOLOGY

The research methodology employs a qualitative approach, focusing on an in-depth case study of the contract dispute in the Java Submarine Cables 150 kV Circuit 3 & 4 project. This approach was chosen to better understand the context, causal factors, and arbitration processes relevant to resolving construction disputes, which are challenging to explain quantitatively.

This study adopts a case study design to examine in detail the events surrounding the contract dispute and the arbitration stages. By analyzing the arbitration process in this project, it aims to uncover patterns and insights applicable to resolving similar disputes in other construction projects.

## **RESULT AND DISCUSSION**

### **Chronology of the Dispute**

On January 10, 2012, Boskalis informed PLN that the issuance of Ministerial Regulation No. 68 of 2011 regarding Shipping Routes at Sea (Permen 68/2011) would have consequences for the project schedule, changes in work, and preparations (as the provisions of the regulation differed from the contract terms) through letter No. 360.10043/JTAZ/001.

On February 1, 2012, the Minister of Transportation issued the PRINCIPAL PERMIT related to the construction of submarine cables 3 and 4, with the method using a buried technique located 4 meters below the seabed (whereas the contract specified rock dumping).

On February 1, 2012, Boskalis requested confirmation from PLN, based on the Minister of Transportation's permit, to proceed with the scope of work according to the contract, specifically using rock dumping, through letter No. 360.10043/JTAZ/005.

On February 20, 2012, PLN instructed Boskalis to proceed with the work according to the contents of the Minister's Principal Permit in the letter dated February 1, 2012, via letter No. 276/131/UIP JJB/2012.

Subsequently, on March 14, 2012, through letter No. 360.10043/JTAZ/031, Boskalis confirmed to PLN that it could not continue the work due to Permen 68/2011. On the same day, March 14, 2012, Boskalis also requested PLN's support for the processing of the Foreign Ship Use Permit (IPKA) and compensation for standby equipment through letter No. 360.10043/JTAZ/034.

On March 20, 2012, a meeting was held between PLN and the Contractor. The Contractor stated that without the principal permit, the processing of the Foreign Ship Use Permit (IPKA) could not proceed. The Contractor also mentioned that the submarine cable was not designed to be buried 4 meters below the seabed and that a redesign would be required if Permen 68/2011 were applied.

On March 24, 2012, Boskalis informed PLN that the vessel had been on standby since March 17, 2012, through letter No. 360.10043/JTAZ/042.

On April 4, 2012, a meeting was held between HUBLA, PLN, and the Contractor to discuss how PLN could be permitted to proceed with the cable laying using the rock dumping method. HUBLA stated that if there were differences in the methods between the Ministry of Transportation (Hubla) and PLN, it was recommended to send a request letter to the Director-General of Hubla.

Due to PLN's failure to obtain the necessary principal permit to proceed with the work, Boskalis declared a suspension until the issue was resolved, through letter No. 360.10043/JTAZ/051 dated April 5, 2012. In response to this letter, on April 10, 2012, PLN sent a letter to Boskalis through letter No. 786/131/UIPJJB/2012, stating that the suspension according to the Contractor was premature, and Boskalis was requested to continue the permitting process for construction on-site and not to wait for the principal permit to be issued.

In response to PLN's letter, Boskalis reiterated that the suspension was effective from April 5, 2012, due to the continued need for the principal permit (contract deviation and ministerial regulation endorsement) and to minimize costs during the standby period until the submarine cable installation could commence, through letter No. 360.10043/JTAZ/052 dated April 18, 2012.

On May 9, 2012, Boskalis, through its letter No. 360.10043/JTAZ/056, emphasized the importance of obtaining the principal permit from the Ministry of Transportation, which would determine the construction and installation method for the project. It was informed that the vessel had been on standby since March 17, 2012, to minimize costs for PLN during the suspension period. In response, PLN stated in its letter No.

1139/131/UIP JJB/2012 dated May 16, 2012, that there were no changes in the contract and that PLN had never instructed for suspension.

On May 25, 2012, in letter No. 360.10043/JTAZ/059, Boskalis stated that the underwater work and security clearance permits had not been granted by the Directorate General of Sea Transportation, according to letter UM.003/5/20/DN-12 dated May 11, 2012, in which the Directorate General mentioned that the execution of the contract work differed from the Ministerial Regulation. It was requested that a risk assessment be made and approval obtained from the Director-General of Sea Transportation. Boskalis stated that PLN's letter dated April 10, 2012, was incorrect in stating that the underwater and security clearance permits could be obtained separately from the principal permit process.

In a separate letter on May 25, 2012, No. 360.10043/JTAZ/060, Boskalis reiterated that it was open to discussing any matters related to the standby cost payment for the vessel and project staff due to the issuance of Permen 68/2011. Boskalis requested that PLN accommodate the remaining cost issues in writing before the project resumed.

On June 5, 2012, a GM statement letter was issued declaring no claims for compensation due to shipping activities. This statement was sent to the Ministry of Transportation, Directorate General of Sea Transportation, through letter No. 1280/131/UIP JJB/2012 dated June 5, 2012.

On June 13, 2012, PLN stated that Boskalis was not entitled to declare suspension because the suspension was made unilaterally by Boskalis, and the claims related to the suspension were not acceptable. Boskalis was also not entitled to an extension of time (EOT), through letter No. 1332/131/UIP JJB/2012. Boskalis responded with letter No. 360.10043/JTAZ/065 dated June 19, 2012, stating that according to Article 41.1, both Boskalis and PLN had the right to declare suspension. This was done because PLN had not been able to obtain the principal permit, and Boskalis had made several efforts to discuss the matter.

On June 22, 2012, the Directorate General of Sea Transportation issued a letter to PLN through letter No. UM.002/40/12/DJ06-12, stating that if PLN continued to implement cable installation according to the contract, it was recommended to prepare a

VTIS (Vessel Traffic Identification System) and issue a statement that no compensation would be sought from the Directorate General of Sea Transportation if cable damage occurred due to shipping activities.

PLN sent the revised risk assessment to the Directorate General of Sea Transportation on June 25, 2012, through letter No. 355/041/UIP JJB/212, aiming to obtain the principal permit. In response, the Directorate General of Sea Transportation requested that the underwater work permit process continue by attaching several documents, through letter No. KL.304/3/5/DN-12 dated July 4, 2012. This request was forwarded to Boskalis through letter No. 1610/131/UIP JJB/2012 dated July 17, 2012, asking Boskalis to complete the required documents.

On July 27, 2012, PLN issued a resumption of work letter to Boskalis through letter No. 1745/131/UIP JJB/2012. Boskalis expressed appreciation to PLN for the instruction to resume work, and Boskalis would proceed with the IPKA process, through letter No. 360.10043/JTAZ/072 dated August 2, 2012.

On October 13, 2012, Boskalis, through letter No. 360.10043/JTAZ/089, informed that due to the extended vessel standby period, as previously mentioned in the letter dated April 18, the vessel had returned to Europe. With this letter, Boskalis requested approval for Jan de Nul (another vessel) to carry out the rock dumping work. This proposal was approved by PLN on November 5, 2012, through letter No. 3382/133/UIP JJB/2012.

On November 5, 2012, Boskalis, in letter No. 360.10043/JTAZ/102, informed that the IPKA for all vessels had still not been obtained, and the favorable season would be missed, with plans to carry out the work in the next favorable season, March–April 2013. The favorable season refers to the period outside of high sea currents. PLN responded on December 17, 2012, through letter No. 3789/131/UIP JJB/2012, instructing Boskalis to disregard their advice and proceed with the work even during the unfavorable season. PLN would take responsibility for any damages.

A meeting between PLN and the Contractor was held on November 12, 2012, with the IPKA permit still being processed by the Contractor. PLN agreed to pay compensation for the project acceleration and would grant an EOT.

On January 9, 2013, a cable abandonment incident occurred. The submarine cable, which had begun installation, was technically cut by the Contractor due to being swept away by high sea currents, risking damage, sinking the vessel, and endangering the personnel.

On January 17, 2013, PLN ordered Boskalis to stop work until the weather improved, expected in March 2013, through PLN letter No. 071/131/UIP JJB/2012. Boskalis replied that the work was suspended and would continue once instructed by PLN, through letter No. 360.10043/JTAZ/126 dated January 23, 2013.

On January 25, 2013, Boskalis sent a Cable Abandonment Report through letter No. 360.10043/JTAZ/129.

On January 28, 2013, PLN requested Boskalis to focus on continuing the installation, considering safety and time, and all commercial issues would be discussed together. PLN forced the contractor to provide a detailed report on the accident for consideration of further decisions, through letter No. 269/131/DIVKONJB/2013. In response, on February 1, 2013, Boskalis stated that the information would be provided the following week and requested permission to send the vessels, including CLB, Crane Barge, Anchor Handling Tug, and Multicat, to Batam for repairs, through letter No. 360.10043/JTAZ/130. PLN requested an explanation of why the repairs could not be done in Surabaya, which is closer to the site, through letter No. 191/131/UIP JJB/2013 dated February 8, 2013.

On February 22, 2013, Boskalis submitted an application for re-exporting the vessel through letter No. 360.10043/JTAZ/135-Rev1.

On February 25, 2013, in letter No. 360.10043/JTAZ/136, Boskalis stated that the site environment was unsuitable for vessel repairs. The letter also informed that cable repairs required heavy lifting equipment not available in Indonesia. In the Contractor's opinion, Singapore had the facilities for these repairs.

On February 28, 2013, a meeting was held between Boskalis and PLN, where Boskalis explained that installation could not take place in the favorable months of March–May 2013 because (a) repairs would take 2 months, and (b) the IPKA permit process would take 3 months. Regarding PLN's request to repair at PT PAL Surabaya,

Boskalis stated that repairs could not be done in Surabaya due to limited facilities and the lack of cable lifting equipment. During this meeting, it was agreed that (a) cable installation during March–May 2013 would not be possible, both technically and administratively, and that it would be more feasible to do so between September–November 2013, and (b) vessel repairs would be done in Singapore, with PLN issuing the necessary letters for Customs by March 15, 2013.

Regarding the execution of the project, the Contractor submitted claims to PLN with the following background:

- a. Claim 1 Boskalis. Based on GCC Article 10: Employer's Responsibility, and Article 41: Suspension. Boskalis suspended the implementation of submarine cable work on its own initiative without an official suspension order from PLN, citing the unresolved principle permit issue by PLN. This claim pertains to demurrage and storage costs for vessels in Singapore.
- b. Claim 2 Boskalis. Based on GCC Article 10: Employer's Responsibility, and Article 41: Suspension. Claim No. 2 relates to costs incurred for vessels, equipment, and manpower that had to remain on standby while awaiting the IPKA permit required for the submarine cable installation.
- c. Claim 4 Boskalis. Based on GCC Article 10: Employer's Responsibility, and Article 41: Suspension, and Article 22.2.1: Contractor Equipment. This claim addresses delays caused by PLN in granting demobilization permits.
- d. Claim 6 Boskalis. Based on GCC Article 36: Change in Laws and Regulations. Claim No. 6 pertains to costs incurred for mobilizing an alternative rock dumping vessel. The originally intended vessel (Rockpiper) could no longer be used as its time slot had expired due to delays caused by the late issuance of the principle permit following the enactment of Regulation No. 68/2011 by the Ministry of Transportation.
- e. Claim 9 Boskalis. Based on GCC Article 10: Employer's Responsibility, and Article 41: Suspension. This claim covers site overhead costs incurred due to the extension of the project's completion time.

After a series of meetings, discussions, and deliberations, on November 22, 2018, PLN and the Contractor reached an agreement on the Java Bali Submarine Claim Resolution. Both parties agreed that **Claim 1, Claim 2, Claim 4, Claim 6, and Claim 9** could proceed to settlement through arbitration at BANI Arbitration Mampang.

Following the meeting agreement to bring the case to BANI Arbitration on November 22, 2018, the Contractor initiated a lawsuit against PLN through BANI Arbitration on May 15, 2019. Consequently, the case has been processed at BANI since that date.

Legal Considerations of the Tribunal:

- a. The Tribunal considered that the claims arose due to an extension of the work period from the initial 12 months to 703 days. This extension resulted in additional costs during the implementation of the work.
- b. The Tribunal acknowledged that the contract was agreed upon as a lump sum. However, the time extension inevitably altered the originally agreed contract price.
- c. The Tribunal noted that the time extension occurred due to issues with obtaining the principle permit, caused by the issuance of new regulations under Ministerial Regulation No. 68/2011. As a result, the Contractor could not complete the work within the original timeline.
- d. The principle permit was issued on February 1, 2012, but technical specification discrepancies (related to cable protection methods) arose. The Tribunal determined that these issues were fundamentally caused by regulatory changes. Both the Contractor and PLN failed to anticipate these challenges adequately. Therefore, the costs incurred were attributed to the mistakes of both parties.
- e. Regarding **Claims 1, 2, and 6**, which were tied to the principle permit issue, the Tribunal found it fair for the parties to share these claims equally. However, due to the lump sum nature of the contract, overhead costs could not be included as recoverable losses.
- f. Based on meeting minutes and witness testimony, the Tribunal noted that the Contractor revised the method on July 18, 2013, replacing the Cable Lay Barge

- (CLB) with a Cable Lay Vessel (CLV) to address issues with the previous method.
- g. The Tribunal determined that the Contractor was responsible for ensuring optimal performance and proper specifications, including vessel selection. Mistakes in vessel selection were deemed the Contractor's responsibility. However, PLN contributed to additional costs due to delays in authorizing demobilization, which could have minimized expenses. Consequently, the Tribunal decided that the associated costs should be shared equally by both parties, excluding overhead costs.
  - h. As Claim 9 pertained to overhead costs and the contract was lump sum, the Tribunal decided to reject Claim 9.
  - i. The Tribunal ruled that Claims 1, 2, 4, and 9 should be borne equally by both parties, each covering half of the adjusted costs after deducting overhead.
  - j. Referring to the meeting minutes of November 28, 2018, where both parties agreed that such costs would be borne by the Contractor, the Tribunal decided that all BANI administrative costs should be charged to the Contractor.

### Analysis

The basis for the arbitration process is the contract and agreement binding on the Parties. According to the contract's **Special Conditions of Contract (SCC)** Article 4, **Settlement of Disputes** is further elaborated upon in **General Conditions of Contract (GCC)** Article 6.2.3, **Rules of Procedure**.

- a. Contract with foreign contractors:

GCC 6.2.3 (a)--Any dispute, controversy or claim arising out of relating to this Contract, or breach, termination or invalidity thereof, shall be settled by arbitration in accordance with the UNCITRAL Arbitration Rules as at present in force.

- b. Contract with contractors nasional of the Employer's country:

GCC 6.2.3 (b)—Any dispute between the Employer and a Contractor who is a national of the Employer's country arising in connection with the present

Contract shall be referred to adjudication or arbitration in accordance with the laws of the Employer's country at Badan Arbitrase Nasional Indonesia (BANI).

This clause forms the legal basis for BANI Arbitration's authority to process, review, and decide the case.

In the BANI arbitration process, the handling of the case was carried out with the arbitrator's ability to understand the context of the construction project, thereby providing strong confidence in the resulting decision. Both disputing parties accepted the arbitration decision and implemented its outcomes. The arguments raised were as follows:

- a. PLN neither failed nor delayed in obtaining the principal permit.
- b. The contractor committed actions that violated the contract, including:
  - i. The contractor was unprepared to execute the work.
  - ii. The contractor unilaterally suspended work.
  - iii. The contractor unilaterally cut the submarine cable without PLN's approval.
  - iv. The contractor made an error in vessel selection, changing from CLV to CLB.
- c. The contract was of a lump-sum/turnkey type, making the contractor fully responsible for completing the work, including any additional costs or expenses incurred.

The arbitrator concluded that the principal permit issue was fundamentally caused by changes in government regulations. The tribunal opined that neither the claimant nor the respondent properly anticipated the issue, and therefore, the resulting costs were due to the faults of both parties. The tribunal deemed it fair and appropriate for both parties to share the losses related to Claims 1, 2, 4, and 6. However, since the contract was agreed upon as a lump sum, overhead costs could not be included as part of the damages.

Both parties demonstrated good faith by fully and promptly complying with all provisions of the decision. The implementation of the decision was carried out in accordance with the agreed terms, including fulfilling financial obligations, completing

pending work, and restoring the rights at the core of the dispute. The execution of these steps was jointly monitored to ensure that the decision was implemented in compliance with applicable legal provisions, while maintaining smooth working relationships and mutual trust between the parties.

Dispute resolution through arbitration in the context of construction disputes in Indonesia has become an increasingly popular choice. With the enactment of Law No. 2 of 2017 on Construction Services, arbitration procedures are recognized as an alternative dispute resolution method offering significant advantages, particularly in terms of speed, confidentiality, and flexibility compared to court litigation.

Advantages of Dispute Resolution through Arbitration:

- a. **Speed of Process:** Arbitration is generally faster than litigation. The shorter process enables parties to obtain resolutions promptly and proceed with construction projects without being hindered by prolonged legal proceeding.
- b. **Confidentiality:** Arbitration proceedings are private, ensuring that the information discussed remains undisclosed. This is crucial in the construction industry, where reputation and business confidentiality are highly valued.
- c. **Flexibility and Selection of Arbitrators:** Parties can choose arbitrators with specific expertise in construction, ensuring that decisions are made with a comprehensive understanding of the technical and legal context of the dispute.
- d. **Appropriate Application of Law:** Arbitration allows for the application of laws that are better aligned with the terms of the contract and applicable regulations, resulting in decisions that are more relevant and fair for all parties.

Thus, the arbitration process carried out adheres to applicable legal provisions and offers an effective solution to mutual issues. This process enables both parties to actively participate in resolving disputes, reduces the potential for further conflict, and provides the legal certainty necessary to continue construction work.

Decision-making, especially within state institutions or state-owned enterprises (SOEs), is often overshadowed by the risk of causing state losses. This concern explains why decisions with significant financial implications tend to face delays and back-and-

forth processes. Such was the case described above, where the agreement process regarding the contractor's claims dragged on without any partial or full resolution.

When deliberations or meetings fail to yield consensus, arbitration becomes one of the alternative solutions. Arbitration is particularly suitable for resolving such cases, as its fundamental principles align with the expectations of PLN as BUMN.

- a. Principle of Party Autonomy. The parties agree on various aspects, such as the choice of law, procedural law, confidentiality, hearing schedules, venue, language, arbitrators, and decision timelines.
- b. Principle of Kompetenz-Kompetenz. Based on the authority granted by the parties, the arbitrators have the power to determine their own jurisdiction and adjudicate the matters within their competence.
- c. Principle of *Pacta Sunt Servanda*. This principle states that agreements made within a contract are binding on the parties like law and must be executed in good faith. Originating and evolving within contract law, this principle underscores the sanctity of contractual commitments.
- d. Principle of Good Faith. This principle, parallel to *pacta sunt servanda*, requires parties to act in good faith before, during, and after the arbitration process.
- e. Principle of Efficiency. Article 48 of Law No. 30 of 1999 on Arbitration and Alternative Dispute Resolution (ADR) stipulates the efficiency of time in arbitration proceedings: “The examination of the dispute must be completed within a maximum of 180 days from the establishment of the arbitrator or arbitration panel.”.
- f. Principle of *Audi et Alteram Partem*. Article 29 of Law No. 30 of 1999 provides that both disputing parties have equal rights and opportunities to present their arguments during the arbitration process.
- g. Principle of Privacy and Confidentiality. The private and confidential nature of arbitration is one of its key attractions. Article 27 of Law No. 30 of 1999 states: "All dispute examinations are conducted in private."
- h. Principle of Separability. Article 10(f) and (h) of Law No. 30 of 1999 establishes that an arbitration agreement remains valid regardless of the expiration or

invalidation of the main contract. The principle recognizes that a contract containing an arbitration clause is effectively two separate agreements: one covering the primary rights and obligations, and the other ensuring dispute resolution through arbitration.

- i. Principle of Finality. Article 60 of Law No. 30 of 1999 stipulates that arbitration decisions are final, legally binding, and enforceable.
- j. Principle of Fair and Equitable Treatment. This principle requires equitable and impartial treatment of all parties, ensuring that arbitrators or the arbitration panel do not favor any party. It is embedded in Article V(1)(b) of the New York Convention and Article 18 of the UNCITRAL Model Law. These principles collectively ensure that arbitration is a robust and effective means of dispute resolution, providing fair, binding, and efficient outcomes while preserving the interests and integrity of the parties involved

Alternative Dispute Resolution (ADR) outside the court offers several advantages compared to litigation. Some of these advantages include the following: (1) **Expertise of Arbitrators:** Arbitrators selected by the parties are experts in their respective fields, enabling them to thoroughly understand the issues being disputed. Specialization plays a vital role in arbitration, and expertise serves as a guarantee of trust in the process. (2) **Confidentiality:** As a private forum for dispute resolution, arbitration ensures confidentiality. Parties generally prefer to keep sensitive business information, especially from competitors, out of public knowledge to protect the company’s reputation (Rajagukguk, 2000).

Beyond these advantages, arbitration also offers additional benefits: (3) **Faster Resolution:** Dispute resolution through arbitration is relatively quicker than court litigation. Timeframes related to the selection of arbitrators and the resolution of disputes, as agreed upon by the parties or as specified in institutional arbitration rules, are binding on the arbitrators. Adherence to these timeframes helps mitigate potential claims from aggrieved parties. (4) **Preservation of Business Relationships:** While litigation often places the disputing parties in adversarial positions, arbitration emphasizes the importance of maintaining business relationships for the future

These features make arbitration a practical and effective alternative for resolving disputes while balancing confidentiality, efficiency, and the preservation of professional relationships.

## CONCLUSION

Dispute resolution through arbitration offers a more efficient and effective approach in the context of construction disputes. Supported by Law Number 2 of 2017, arbitration serves not only as an alternative but also as a legitimate and beneficial solution for addressing complex construction issues, enabling all parties to achieve mutually beneficial resolutions.

Arbitration is one of the methods of dispute resolution outside the court. Parties intending to resolve disputes through arbitration must enter into an arbitration agreement, either before or after the dispute arises. The choice of arbitration as a dispute resolution forum is based on several advantages, such as the ability of the parties to select their own arbitrator, which enhances the quality of decisions, faster processes, confidentiality of rulings, and the preservation of relationships between the parties. Considering these benefits, the use of arbitration as an alternative dispute resolution mechanism should be optimized in the future. Additionally, arbitration helps alleviate the burden of cases in courts, which often face overwhelming numbers.

The advantages of arbitration in out-of-court dispute resolution can be explained as follows: the arbitration process is private, ensuring confidentiality for the disputing parties. The aim of arbitration is to reach a win-win solution rather than a win-lose outcome. Arbitrators or arbitration panels are expected to prioritize amicable settlements for the parties involved. Furthermore, there is a principle of autonomy, allowing the parties to determine procedural rules, schedules, locations, costs, languages used, and the choice of arbitrators. Another advantage is that arbitrators are experienced professionals with deep expertise, integrity, impartiality, and specialization in the subject matter of the dispute, ensuring their neutrality and fairness. Arbitration also offers a faster, more efficient, and less complicated process, avoiding lengthy

administrative and procedural hurdles. Finally, arbitration decisions are final and binding on all parties involved.

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