



1 March 2004

INFORMATION PAPER

SUBJECT: Palau Compact Road, Republic of Palau

1. Purpose: To provide information on the subject project.
2. Points of Major Interest and Facts.

a. The project is under construction, administered by the Honolulu District. The project has been delayed about two years due to (1) contractor mobilization and materials acquisition problems (resolved); (2) soil compaction difficulties due to excessive rainfall, high humidity and soil conditions (researching alternative construction methods to resolve); and (3) lack of efficient contractor performance (partially resolved). The contract was unable to commit full resources while rain persisted. One year of the two year delay was compensable in both time and money to the contractor (settled). Excessive rainfall has continued to be a problem to date. Completion of construction is scheduled for 2005. The significant contractual issue is the resolution of the \$64 million claim filed by Daewoo in December 2002. A final decision is not expected until late 2005.

b. Under the terms of the Compact of Free Association (CFA) between the U.S. and the Republic of Palau (ROP) that was effect on 1 October 1994, the U.S. agreed to design and construct a road for the ROP. In subsequent agreements between the United States Government and the ROP, the project budget was established at \$149 million for a roadway length of 53 miles. The U.S. Department of the Interior asked the U.S. Army Corps of Engineers (USACE) to be their technical representative because of USACE's reputation for handling large and complex projects in a timely and cost effective manner.

c. In accordance with the National Environmental Policy Act, an Environmental Impact Statement for this project was completed in July 1998. The CFA requires mitigation to compensate for the unavoidable adverse environmental impacts of the project. The U.S. and ROP have agreed that two Palau conservation set-aside areas will provide adequate compensatory mitigation for these impacts. ROP has completed setting aside the areas in perpetuity and establishing national enforcement mechanisms.

d. The construction contract was awarded on 30 March 1999 to Daewoo Corporation of Seoul, Korea for \$88,600,000. The project is well underway and is approximately 73% complete. Construction activities include construction of embankments, causeways and bridges, installation of drainage structures, relocation of power poles, and removal and disposal of World War II ordnance.

3. Congressional Interest. Senators Daniel Inouye and Daniel Akaka have expressed interest in the U.S. Army Corps of Engineers' progress on this project.