

VILLAGE NATIVE CORPORATIONS

By Ed Eboch

While receiving less attention than Alaska's regional Native corporations the Alaska village Native corporations have matched the success of their better known contemporaries. Created by the Alaska Native Claims Settlement Act (ANCSA), in settlement of the aboriginal claims of the Alaska Native Indians, Aleut, and Eskimo population, the village Native corporations have begun to play an important role both economically and socially in Alaska's rural areas. From the evidence to date their impact on Alaska's economic, political, and social structures has just begun. As both the village and regional Native corporations grow and expand they will continue to make an important contribution to Alaska's future.

This article will address the benefits of ANCSA to Alaska Native business ownership and employment with concentration on the village Native corporations and an overview of both the village and regional corporations. For a more detailed discussion of the regional corporations and ANCSA see the June 1984 issue of *Alaska Economic Trends* (reprinted in the August issue of *Alaska Native News* magazine).

Village Corporations

Village corporations vary widely in size. A minimum of 25 shareholders was required under ANCSA to incorporate but the largest village corporations have over 2,000 shareholders. Each corporation, to protect the interests of their shareholders, has different goals and expectations. With different resources and opportunities available the performance of the village corporations has not been uniformly successful. Some have substantial timber resources on their land while others are without such resources. A few have substantial urban land which has significant value for development. Those corporations with valuable resources on their land have tended to perform better than the resource poor corporations.

Village corporations are autonomous organizations although they are still tied to the regional corporations for oversight and assistance. The cash and land settlement was determined by the number of shareholders. Small village corporations with little land resources have little capital to fall back on in difficult times. The number of village corporations started at 224 but mergers and consolidations have reduced the number to 172. Because the amount of cash and land received was based on the number of shareholders many smaller corporations merged in an effort to survive.

There were many problems associated with the early organization of the village corporations that slowed their development and impeded success. Eligibility and enrollment, land selection, village-regional relationships,

as well as numerous other issues had to be addressed before the village corporations could concentrate on developing a successful and profitable local corporation.

Alaska village Native corporations are currently involved in every industry sector except mining. Business activities range from village stores to major hotels in Alaska's larger communities; from construction (including oil and gas related construction) to manufacturers (fish processing, logging and sawmills); and includes all types of services from fuel delivery service and veterinary service to air cargo and passenger service. While their activities tend to be concentrated in the rural communities with the main beneficiary of these activities the local community, the village corporations also have taken advantage of other opportunities. Besides investing in hotels in larger communities they are actively engaged in tourism and personnel, engineering and social services. Because ANCSA assigned subsurface rights of land selected by the village corporations to the appropriate regional corporation it is unlikely that mining activities will be associated with the village corporations.

Employment Profile

The village Native corporations' employment indicates the diversity of activities as well as the dispersion of employment around the state. Many, if not most, of the businesses operated by the village corporations are located in smaller communities. The village corporations have not, however, ignored investment opportunities in the larger communities as is evident by their ownership of businesses located or based in Juneau, Fairbanks, and Anchorage. Many of the businesses, while located in the larger metropolitan communities, are providing a service, such as air service, to the village communities.

An analysis of the firm data confirms that the village corporations are, for the most part, relatively small. For the month of March 1984 only one firm had over 100 employees. The largest firm in Southwest Alaska, the area with the largest total village Native corporation employment, had a total of only 31 employees during March 1984.

Firms in the Gulf Coast region had the greatest variability in employment with the largest firm having only 14 employees in March 1984 but with a different firm having over 100 employees in one month in 1983. During all of 1983 only three firms had employment that peaked at 100 employees or more, one each in Anchorage/Mat-Su, Gulf Coast, and Southeast region.

The peak employment by a single firm in 1983 in the other regions was 65 in the Northern region, 58 in the Fairbanks/Interior region, and 46 in the Southwest region. The 1984 first quarter peak employment for a single



firm was 47 in the Northern region, 66 in the Fairbanks/Interior region, and 31 in the Southwest region. Interestingly, different firms had the peak employment in four of the six regions for the first quarter 1984 versus the 1983 year.

The Southwest region not only averaged the greatest village Native corporation employment of all the regions over the period but also had the greatest number of individual businesses (76) with reported employment in March of 1984. Anchorage/Mat-Su had both the smallest number of businesses (12) as well as the lowest annual average employment. The number of firms with employment in the other regions as of March 1984 were 36 in the Northern region, 36 in the Fairbanks/Interior region, 20 in the Gulf Coast region, and 20 in the Southeast. While the Southeast region was very close to the Southwest region in average annual village Native corporation employment it had many less businesses. The greater employment totals in the Southeast are partly a result of investments in Alaska's capital city. More than any other of Alaska's major communities, Juneau has been a beneficiary of investments by village Native corporations.

While it appears that the finance, insurance and real estate industry was the major area of activity for the village corporations this is misleading. As the Native corporations were formed they were initially in many different activities and/or changed major business activities frequently. Rather than attempt to constantly reclassify these businesses they were classified as

Management Investment offices. While management of investments, including real estate, is a primary concern of all the village corporations this classification does not usually reflect the activity that includes the majority of the corporations' employment.

The Alaska village corporations are most active in the trade and service industries. In many of the villages they own and operate the grocery store, service station, restaurant, bar and/or lodge. They have also invested in hotels and motels, as well as other activities, in the larger communities. These investments are a natural outgrowth of the development of the village corporations. They provide both a source of return to the corporations and a needed service to the community. This emphasis on service to the rural communities is apparent in many of the businesses undertaken by the village corporations. Rural construction, rural air service, fish processing and logging activities, as well as lodges, restaurants and other activities all offer employment opportunities in the local villages. The long run benefits should be a stronger, more diversified Alaska economy.

Total Native Corporation Employment

There are several similarities and differences between employment of the regional corporations and the village corporations. The regional corporations had the greatest concentration of employment in the Anchorage/Mat-Su region and the smallest employment in the Southwest and Southeast. This is opposite of what we see with the village corporations. Over 50% of village corporation employment was in the Southeast and Southwest versus less than 10% for regional corporations.

This concentration of employment in Anchorage by the regional corporations is not surprising since the regional corporations need a central location to represent their stockholders and Anchorage is one of the best areas in the state for large investments that can be centrally managed. To have small investments spread widely throughout the state or even within the region would present difficult management problems. For the village corporations investment in the local communities are attractive since they are more likely to be businesses with which they are familiar and it also makes management easier and more responsive to the stockholders as well as accomplishes the economic and social criteria of ANCSA.

Another difference is the concentration of employment by industry. The regional corporations have little employment in the transportation, communications, and utilities industry while the village corporations are well represented in this industry. The village corporations provide air service, trucking and warehousing service, and electric utility service to the village communities.

While both village and regional corporations report manufacturing



employment in seafood harvesting, the village corporations also have a significant number of firms and employment in the logging and sawmills category. In trade, the village corporations' employment is concentrated in retail trade. General merchandise stores, grocery stores and fuel service operations are the major trade activities. The regional corporations' trade related employment is divided between wholesale and retail with eating places the major employment category in the retail trade area.

The mining employment in the regional corporations is concentrated in oil field services at this time but the regional corporations have potential for hard rock mining development. (The lack of employment is identified with the lack of actual mining operations. Employment associated with early planning and development is most likely classified as investment offices and included in the industry classification finance, insurance and real estate.) As mineral prices improve it can be anticipated that new business ventures will develop in the mining industry.

Both the regional and village corporations have invested heavily in hotel and motels or lodges. The regional corporations' investments tend to be in the major communities while the village corporations' investments tend to be local, although some have invested in hotels in the larger communities. The Native corporations also appear to have made investments that satisfy the social goals of ANCSA as nearly all the employment in the services and miscellaneous category are in organizations providing social services.

**Alaska Village Corporations
Employment by Region
Quarterly Average**

	1984		1983				1982			
	1Q	4Q	3Q	2Q	1Q	4Q	3Q	2Q	1Q	
	Northern	305	350	338	272	204	244	266	214	149
Fairbanks/Interior	222	223	233	196	165	169	128	110	97	
Anchorage/Mat-Su	156	163	130	137	123	128	120	112	104	
Southwest	540	554	618	465	398	440	548	467	376	
Gulf Coast	100	139	244	360	115	163	386	212	99	
Southeast	465	586	658	588	430	480	491	337	258	
Total	1,788	2,014	2,223	2,018	1,434	1,623	1,939	1,452	1,083	

**Alaska Village Corporations
Employment by Industry
Quarterly Average**

	1984		1983				1982			
	1Q	4Q	3Q	2Q	1Q	4Q	3Q	2Q	1Q	
	Construction	104	162	139	64	23	86	107	45	35
Manufacturing	140	202	362	453	125	214	522	245	63	
Trans. Comm. & Util.	209	196	217	191	109	109	107	87	64	
Trade	341	364	354	335	281	252	284	217	191	
Fin.-Insurance & R. Estate	582	664	723	564	506	587	573	522	429	
Services & Misc.	412	425	427	402	390	375	347	334	299	
Total	1,788	2,014	2,223	2,526	1,434	1,623	1,939	1,452	1,083	

Conclusions

According to ANCSA, the Native corporations were to administer the land and cash settlement "in conformity with the real social and economic needs of Alaska Natives". In spite of the potential incompatibility, the Native corporations appear to be accomplishing both goals in an environment that would suggest such accomplishments are unlikely if not impossible. The village and regional corporations have taken advantage of their strengths in choosing their investments. A review of the type of activities the village corporations are engaged in, as represented by employment, indicate that they have taken their social responsibility seriously and are contributing to the economy of rural Alaska.

The Native corporations have concentrated their investments in Alaska. Under difficult circumstances, related to the implementation of ANCSA, they have managed to succeed and grow. This is even more remarkable given that local investment opportunities of fish harvesting and timber production have suffered setbacks over the past several years.

**Alaska Native Corporations
Total Employment
Annual Average**

	1983	1982
Mining	85	27
Construction	249	273
Manufacturing	410	402
Trans. Comm. & Utilities	205	97
Trade	643	604
Fin.-Insurance & R. Estate	929	855
Services & Misc.	1,173	1,068
Regional Corporations	1,774	1,800
Village Corporations	1,922	1,524
Total	3,696	3,324

**Alaska Native Corporations
Employment Growth by Region
1980 to 1983**

	Village Corporations			Regional Corporations			Total		
	1983	1980	% Chg.	1983	1980	% Chg.	1983	1980	% Chg.
Northern	291	181	60.8	255	214	19.2	546	395	38.2
Fairbanks/Interior	204	75	172.0	113	101	11.9	317	176	80.1
Anchorage/Mat-Su	138	13	—	1071	797	34.4	1209	810	49.3
Southwest	509	392	29.8	45	46	2.2	554	438	26.5
Gulf Coast	215	437	-50.9	187	206	9.2	402	643	-37.5
Southeast	566	173	227.2	103	72	43.1	669	245	173.1
Total	1922	1271	51.2	1774	1436	23.5	3696	2707	36.5

**Alaska Native Corporations
Employment Growth by Industry
1980 to 1983**

	Village Corporations			Regional Corporations			Total		
	1983	1980	% Chg.	1983	1980	% Chg.	1983	1980	% Chg.
Mining	—	—	—	85	1	—	85	1	—
Construction	97	46	110.9	152	128	18.8	249	174	43.1
Manufacturing	286	179	59.8	124	134	-7.5	410	313	31.0
Trans. Comm. & Util.	178	80	122.5	27	28	-3.6	205	108	89.8
Trade	334	243	37.4	309	193	60.1	643	436	47.5
Fin.-Insurance & R. Estate	614	539	13.9	315	242	30.2	929	781	19.0
Services & Misc.	411	183	124.6	762	710	7.3	1173	893	31.4
Total	1922	1271	51.2	1774	1436	23.5	3696	2707	36.5

Few people anticipated the difficulties of implementing ANCSA. Besides the problems associated with a corporate rather than a tribal structure, delays in implementing the land and cash terms of the settlement have all contributed to a difficult development phase for the Native corporations. The ANCSA settlement identifies 1991 as the period when Native land could be taxed and Native corporation stock could be sold to non-natives. Because of delays in implementing the terms of ANCSA there has developed a general consensus that this date should be extended to give the Native corporations sufficient time to complete the objectives of ANCSA as originally intended.

Note: The data presented should be interpreted in terms of magnitude and direction not in absolute terms. The data was developed from a survey of the village Native corporations (over 50% of the village corporations responded) and from the Department of Labor Unemployment Insurance tax files. The employment numbers probably understate slightly actual employment. Also, they do not include other Native organizations such as local or regional associations or individual Native businesses.
