

# REGIONAL NATIVE CORPORATIONS

By Ed Eboch

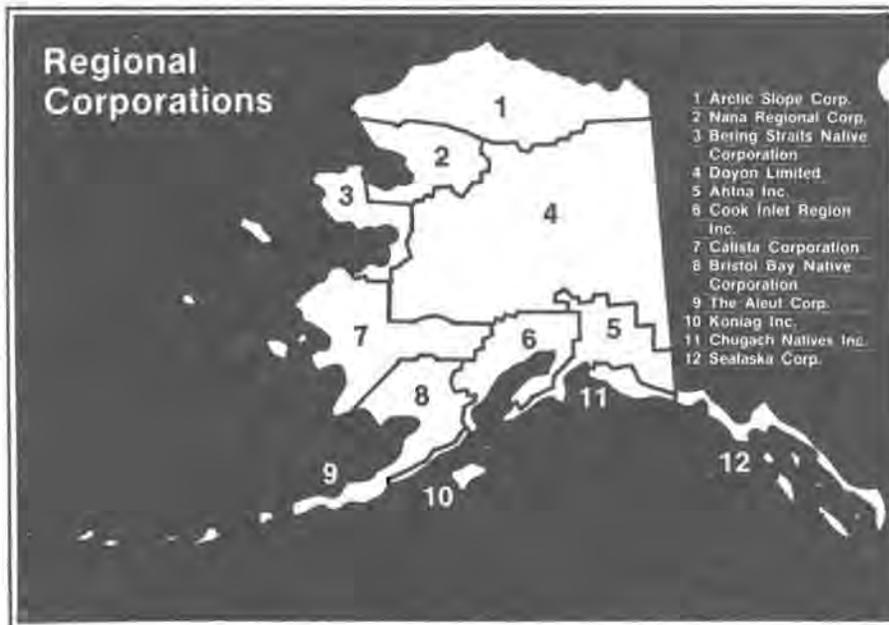
Regional Native corporations have made, and will continue to make an important contribution to Alaska's economic and employment growth. Since enactment of the Alaska Native Claims Settlement Act (ANCSA) the Native corporations have played an increasing role in the economic activity of the state. Like any new business there have been successes and disappointments. Because of delays in enactment of ANCSA the Native corporations were at a disadvantage in competing successfully in the business world. ANCSA also made requirements of the regional corporations that the traditional business does not have to face. Perhaps these regional Native corporations should not be evaluated on standard business criteria because of the additional social responsibility required of them. Even so, with the lack of business experience, slow implementation of ANCSA, additional social responsibility, and in the midst of a worldwide recession they have managed to survive and grow. These organizations will play an increasingly important economic and political role in Alaska's future.

While the act accomplished many things, this article is limited to a look at the benefits to Alaska Native business ownership and employment. The article examines only the 12 Regional Native Corporations in Alaska. Besides the regional corporations there are nearly 200 village corporations each with at least \$1 million in assets or at least 500 shareholders. A later issue of *Alaska Economic Trends* will profile the village corporations.

## **ANCSA**

In 1971 Congress enacted the Alaska Native Claims Settlement Act (ANCSA) in order to settle aboriginal claims of the Alaska Native Indian, Athabaskan, and Eskimo population. The act provided for both a property award and monetary compensation. It directed Native villages to organize as profit or nonprofit corporations under state law. It also created 12 regional corporations representing Natives in 12 geographic regions, that approximated the areas covered at that time by the regional associations, and a 13th corporation for qualified out-of-state Natives. The 13 regional corporations were required to be incorporated as profit corporations. For extinguishing their claims to disputed land rights the act compensated Alaska Natives with 44 million acres of land and a \$962.5 million monetary award.

While the regional corporations were to conduct business for profit they also had other responsibilities. They were to receive title to subsequent rights of land patented to the village corporations; receive title to additional acres of land and to receive, administer and distribute part of the monetary settlement. Even if they were able to generate little or no profit these regional corporations served these other functions as well as serving



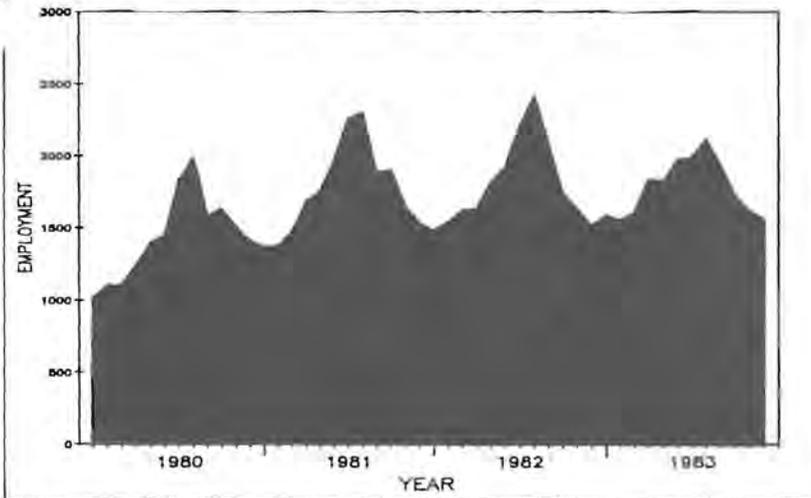
as a focal point for expressing Alaska Native shareholders views.

It was not until the late 1970s that the regional corporations were able to concentrate on becoming profit-making businesses. Expectations exceeded the ability of all parties to fully enact ANCSA. Delays in land conveyance and resolution of other issues delayed the successful implementation of the intentions of ANCSA. Limited business experience of many corporations made it difficult to carry on basic corporation business. Responsibilities of land selection, easement comments, and reconveyance made it difficult to concentrate on profit-making activities. Just as the corporations were beginning to expand, business conditions in the traditional rural businesses—fish and timber harvesting—were experiencing setbacks. The salmon botulism problem in 1982 increased costs and deterred sales and price in fish processing. The worldwide recession resulted in a decreased demand for Alaska timber. The village corporations were impacted more by these events than were the regional corporations but the publicity impacted all Native corporations adversely. The surprise is not the disappointments in their business ventures but in their ability to overcome these setbacks and continue to grow and expand.

### **Employment Profile**

By looking at employment we can get a picture of the extent the regional

**ALASKA  
REGIONAL NATIVE CORPORATION EMPLOYMENT  
1980 to 1983**



**Table 1  
Employment by Industry  
Annual Average**

Industry	1983	1982	1981	1980
Mining	85	27	1	1
Construction	152	205	232	128
Manufacturing	124	141	195	134
Trans. Comm. & Utilities	27	5	6	28
Trade	309	368	304	193
Finance-Insurance & R. Estate	315	327	278	242
Services & Misc.	762	729	744	710
<b>Total</b>	<b>1774</b>	<b>1800</b>	<b>1760</b>	<b>1436</b>

**Table 2  
Employment by Region  
Annual Average**

Region	1983	1982	1981	1980
Southwest	45	12	19	46
Northern	255	241	283	214
Southeast	103	156	147	72
Anchorage/Mat-Su	1071	995	904	797
Gulfg Coast	187	231	287	206
Fairbanks/Interior	113	165	120	101
<b>Total</b>	<b>1774</b>	<b>1800</b>	<b>1760</b>	<b>1436</b>

corporations are involved in the Alaska economy. For a number of reasons only data from 1980 through 1983 will be examined. Previous to 1980 the regional corporations were dealing with other problems. Developing corporate policy, new starts, business failures, changes in corporate names of business investments, and unfamiliarity with employment reporting requirements make it difficult to go back to pre-1980 years. The data previous to 1980 is unreliable in representing continuous Native business activity. It should be noted that these are problems that confront all new multibusiness firms that are in a changing environment.

The graph of the total employment for all the regional corporations shows the growth and seasonal variations in Native corporation nonagricultural wage and salary employment from January 1980 to December 1983. Nonagricultural wage and salary employment peaked in 1982 at an annual average of 1,800. With the seasonal nature of Alaska's business the peak employment months occurred during the summer. The highest monthly total employment reached 2,421 in August 1982. The drop in employment in 1983 is not surprising as firms recovered from a disappointing 1982 year by cutting back on overhead and unnecessary expenditures. Total annual wages paid by these firms were approximately \$60 million in 1983. In addition to this direct employment, an additional one to two indirect jobs are created for every Native corporation job.

The diversity of activities is extensive, covering all published industry classifications except government (Table 1). Besides joint mining ventures the regional corporations are involved in mining and oil and gas services. They are involved in residential and commercial as well as highway, street and other heavy construction. Seafood processing is the dominant activity in manufacturing but the regional corporations are also involved in timber and shipbuilding and repair. They are involved in transportation and communications and in trade of construction goods, hardware, sporting goods, fuel oil as well as other durable and non durable goods. They own and operate hotels, provide social and business services, and are involved in the management and operation of buildings and other investments.

The regional corporations are currently, or have been, involved in all these activities. As investment opportunities occur they will become involved in new and different business ventures. This is apparent from the changes in industry employment from 1980 to 1983. The most successful business, at least in regard to the number of employees, is hotel and motel operations (services), fish processing (manufacturing), and management investment offices (finance-insurance and real estate). Since firms are classified into an industry based on the major activity these numbers are only approximations of the type business in which the Native firms are involved. This is especially true of the management investment offices classification. Initially the Native corporations were, and in many cases still are, similar to a holding company. As they diversified the major activity they were involved in constantly changed and as an activity expanded a new business

was incorporated and began reporting employment separately. The firms are surveyed every three years to determine their major activity. As they grow and expand we can expect to see shifts in type of employment activity.

Long term, mining has the potential for the greatest growth and for providing local employment opportunities. As the regional corporations continue to assess the value of the subsurface rights and develop these subsurface resources, mining employment could grow dramatically. These are long term projects and will not affect the performance of the firms positively for several years.

The regional corporations were active in all areas of the state (Table 2). While the preponderance of employment was reported from the Anchorage-MatSu region, actual employment in this region is overstated. The data does not always disclose the place of work but rather the reporting location. While these are normally the same there are exceptions. Many of the regional corporations' employment is reported from a particular area (Anchorage) it may in fact operate in other areas of the state or statewide. This is especially true of construction, transportation, and mining and oil and gas service businesses. These activities tend to operate statewide. Construction activities could be in any region while oil and gas service employment reported from Anchorage are most likely working on the North Slope or elsewhere in the state. A seafood processing firm may have several plants but report only as if from one location.

The appearance of Native corporation employment being concentrated in Anchorage will continue, both because the Anchorage area will offer some of the best opportunities for investment and because statewide activities may be reported from the centrally located office. For business reasons, statewide activities will need an Anchorage office, most likely the reporting office for employment.

Restrictions on the level of detail that can be published prevents a breakdown of type business by area. However, some comments on the diversity by area is appropriate. All the economic regions have at least three industries represented. In the Anchorage-MatSu area over one-third of the businesses reporting employment are in finance, insurance, and real estate, mostly investment or holding company offices. But hotels in Anchorage dominate as a source of employment. Approximately 50% of employment in Anchorage is related to services, predominantly hotel and motel operations. The smaller the reported employment in a region the more likely one or two activities dominate regional corporation employment for that area. Still, all the areas except Southeast have a diversity of activities.

Unfortunately the data does not break out Native employment from nonnative employment. From information provided by the regional corporations responding to a questionnaire about their business activities it appears they have a much greater percent Native employment than does

the typical corporation. This is certainly true at the supervisory and management levels.

### Summary

As can be seen from the diversity of type activity and location the Native corporations are playing an important role in the growth of Alaska's economic growth. Although their investments have taken many forms they are investing heavily in Alaska basic industries—tourism, fishing, mining, and timber as well as the support industries. As land conveyance is completed and the Native corporations give greater attention to profit activities, without sacrificing their social responsibility, their performance in the traditional business sense should improve. ANCSA has provided an opportunity for Alaska Natives to learn and distinguish themselves in the business world. They have survived during a difficult period and given time their success seems assured.

**Note:** The data presented here should be interpreted in terms of magnitude and direction because of some difficulties in determining just what constituted employment by the regional corporations. The data was developed from information provided by those regional corporations that responded to a questionnaire and from Department of Labor files. To an extent employment may be overstated since it includes joint ventures where the Native corporation owned more than 50% of the venture. Offsetting this are joint ventures where less than 50% was controlled by the Native corporations. Also, because less than 100% of the regional corporations responded to the questionnaire there may be some missing data but this is not considered a significant problem. We would like to thank the Native corporations for their cooperation in providing information.