The Alaska salmon is a useful metaphor to describe the impact Alaska Native Corporations are having on the Alaska economy. First, salmon leave Alaska to mature at sea but return each year giving themselves to the state’s subsistence, commercial and sport fishers just as Native Corporations reap revenues from business activity worldwide and return those profits to Alaska. Alaska benefits from the wide array of indigenous salmon species just as the state’s economy is benefiting from the contributions of its diverse Regional Native Corporations. And salmon are tough, making it from a small fry to the net-dodging veteran jumping waterfalls to spawn upstream. Alaska’s Regional Native Corporations have developed a similar toughness demonstrating that Alaska companies can successfully compete all over the world. Our objective with this year’s economic report is to demonstrate how ANCSA Corporations have succeeded at turning the revenue tide in Alaska’s favor.
The ANCSA Regional Association’s eighth economic report presents the combined financial performance of all thirteen ANCSA Regional Corporations and of three top performing ANCSA Village Corporations. 2006 was a very successful year. We built on the impressive revenue generated in previous years by improving profitability, strengthening our equity positions, and paying substantial dividends to our shareholders.

This year’s report will broaden the discussion about Alaska Native Corporations to the substantial diversifying impact they are having on Alaska’s economy. Since Western contact, Alaska has been a net exporter of natural resources. Historically, companies have extracted valuable resources and returned those profits to their non-Alaskan shareholders. Alaska Native Corporations are having great success in reversing that trend. Our companies are doing business all over the world and bringing profits back to Alaskans.

Across the globe, there were 30,584 people working for ANCSA Regional Corporations with 14,084 living in Alaska. Nineteen Alaska Native Corporations listed on the 2007 Alaska Business Monthly Top 49ers accounted for 63 percent of the total Alaska employees, and 72 percent of all the Alaska employees, and 72 percent of all the total revenue earned, 52 percent of the total oil and gas leases on the North Slope, 5 fees, and 50 percent of the homestead claims; and discovery of oil at Prudhoe Bay — all encroached upon Native traditional land use.

A critical contribution to our business capability today has been the generation of Alaska Native youth who, under the promise of ANCSA, pursued the education and acculturation necessary to become successful business acumen; others took more time.

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The ANCSA Regional Association

The ANCSA Regional Association exists to promote and foster the continued growth and economic strength of the Alaska Native Regional Corporations on behalf of their shareholders. The Board of Directors includes one representative from each of the 13 Alaska Native Regional Corporations. These members represent the highest level of each corporation’s management. Also serving on the board is the President of the Alaska Federation of Natives.

Introduction The World of ANCSA

ANCSA Corporations are a major economic driver of Alaska’s increasingly diverse economy. The economic performance of Alaska’s Native Corporations should interest all Alaskans. This report on the economic impact of Alaska Native Corporations is designed to inform both those well versed in the Alaska Native Claims Settlement Act (ANCSA) and people just beginning to familiarize themselves with the fascinating companies this innovative law created.

The economic data presented here represents the combined performance of all 13 ANCSA Regional Corporations and of three top performing ANCSA Village Corporations: Afognak Native Corporation, Chenega Corporation, and Ukpeagvik Native Corporation. Inclusion of these village entities will not be featured in future editions of this report, since an entity similar to the ANCSA Regional Association was formed in 2007 for the ANCSA Village Corporations.

In short, 2006 was an outstanding year for our companies and our shareholders. The 2006 revenues increased 19 percent from 2005 and, over the same period, net income improved by 50 percent. Shareholder equity increased 22 percent in 2006 and dividends returned to shareholders increased by 35 percent.

While on occasion one or another company experiences a significant one-time financial event, when taken as a whole, the aggregate data illustrates a group of companies that are able to sustain and grow significant revenue streams from one year to the next, who are continually increasing their return on revenue and, most important, are making significant and steady contributions to equity and to shareholder dividends.

While this is great news for our shareholders, it is also significant for all Alaskans. Alaska Native Corporations contribute significantly to the state’s economy through dividends to their shareholders, who overwhelmingly live and spend in Alaska; as salaries paid to Alaskan employees; from purchases with Alaskan suppliers and service companies; by the taxes our companies are now paying; and through the scholarships and other non-profit contributions made in Alaska every day.

In addition to a summary of the 2006 economic data, our report provides the reader with an expanded discussion of the dynamics and programs that affect Alaska Native Corporations. A brief overview of the Alaska Native Claims Settlement Act is presented to help the reader better appreciate the circumstances that led to this landmark settlement and to provide clarity on various aspects of ANCSA Corporations.

Each of the ANCSA Regional Corporations’ missions and range of current business activities are presented. Section 7(i), which provides a formula for sharing revenues derived from resource development on ANCSA lands with nearly all other ANCSA Corporations, is examined. The application of the Small Business Administration’s (SBA) 8(a) Program for Alaska Native Corporations is explored. The equity structure and corporate citizenship of ANCSA Regional Corporations is reviewed. Finally, a glimpse of future prospects and issues confronting ANCSA Corporations is presented.

The ANCSA Regional Association

Troy Johnson/CEO – The Aleut Corporation, Matthew Nicolai/President & CEO – Calista Corporation, Barney Uhart/President & CEO – Chugach Alaska Corporation, Sheri Buretta/Chairman of the Board – Chugach Alaska Corporation, Orne Williams/Former President & CEO – Doyon Limited, Will Anderson/President/CEO – Koniag, Inc., Margaret Brown/President & CEO – Cook Inlet Region, Inc., Chris McNeil/President & CEO – Sealaska Corporation, Marie Greaves/President & CEO – NANA Regional Corporation, Gail Schubert/Executive Vice President & Legal Counsel – Bering Straits Native Corporation, Jackie Rashleger/President – 13th Regional Corporation, Mark Kroloff/Chief Operating Officer – Arctic Slope Regional Corporation, Julie Kikis/President – Alaska Federation of Natives, Ken Johns/President & CEO – Ahtna, Inc., Tom Hawkins/Chief Operating Officer – Bristol Bay Native Corporation, Thomas Madi/President – The Aleut Corporation and Roberta Quintavell/President & CEO – Arctic Slope Regional Corporation.
As NANA Regional Corporation’s tag line says, “we have been” “doing business for 10,000 years.” Land was the central issue of ANCSA. Our land is home to our people, central to our culture and, on many levels, the source of our sustenance.

It took a perfect storm of issues in Alaska to bring the Federal government to a settlement. Alaska could not complete its land selections stemming from the Alaska Statehood Act until addressing Native land claims. In 1968, major oil deposits were discovered at Prudhoe Bay requiring an 800 mile pipeline to bring the crude to market. Oil companies were unwilling to build a pipeline carrying millions of barrels of oil across land that was in dispute. Homesteading and mining claims encroached on Native land. In the face of these challenges, a dynamic group of young Alaska Native leaders fought to defend Native rights and land claims as Congress sought to force a settlement. In the end, the Federal government created an inclusive, corporate model for settling aboriginal land claims in Alaska: ANCSA.

Alaska Native people received 44 million acres of land. While almost 69,000 square miles is a substantial amount of land, when taken in the context of Alaska, it represents only 12 percent of the state. The State of Alaska received 28 percent or 161,500 square miles via the Statehood Act and the Federal government retained 59 percent of Alaska, or 339,000 square miles. Through the Alaska National Interest Lands Conservation Act (ANILCA), considerably more land was set aside as national parks and preserves than was conveyed to ANCSA Corporations. Arguably, even ANILCA would not have been possible without the resolution of Alaska Native land claims.

The conveyance of land title was by far the most important asset for ANCSA Corporations. It is in many ways our soul. But the land assets of Alaska Native Corporations are a mixed blessing. They are often rich in natural resources but carry significant land management responsibilities at considerable cost. What’s more, resource development in Alaska is expensive due to the very real lack of transportation and other infrastructure. Commodity businesses also bring significant market risk. The land resources, while very important to our long term future, simply did not provide the necessary tools to make ANCSA Corporations viable on their own.
No business can function without access to capital. The second critical aspect of ANCSA was an initial injection of $962.5 million – as cash compensation for lands claimed that could not be returned – to be paid to ANCSA Corporations over a 10 year period. Considering investment opportunity costs and inflation rates during this period, the real value of this capital infusion was considerably less, but it was a crucial element to make the corporate model of ANCSA come to life.

The corporate model was a new and challenging concept to many Alaska Natives. While some ANCSA Corporations were able to successfully deploy this capital quickly, effectively and profitably, many other ANCSA Corporations did not fare so well. And, as the banking industry developed a higher level of comfort with the ANCSA model, ANCSA Corporations obtained access to the conventional sources of debt finance used by other companies.

Today, ANCSA Regional Corporations are able to borrow capital under terms offered to America’s strongest companies. However, even with the accumulated business acumen from their years of business experience combined with access to favorable financing, companies based out of Alaska would likely not be successful without real access to business opportunity outside of the state.
Not all companies were on the same business footing at their inception. As a general rule, the more urban-based the corporation was, the greater initial business acumen they possessed and the more able they were to seize business opportunities. For instance, Cook Inlet Region, Inc. (CIRI) made early investments in broadcast media and wireless telecommunications spectrum that they were able to acquire by utilizing provisions available to minority-owned businesses. Sealaska Corporation in Juneau had extensive timber resources and quickly developed sophisticated international trading skills and modern silvicultural strategies.

In the early 1990s, contracting provisions that affected both Indian Tribes and Alaska Native Corporations certified under Section 8(a) of the Small Business Administration Act were modified to allow contracting with the federal government under special terms. These companies would be eligible to negotiate federal contracts of any dollar amount through direct award. The rationale supporting these changes was that these entities were owned by whole communities/populations of disadvantaged individuals.

It took several years for ANCSA Corporations to learn how to use these Section 8(a) provisions and to develop the necessary contracting relationships with federal agencies. These changes have now resulted in very real and sustainable business opportunities for ANCSA Corporations. These companies, who years before had been facing bankruptcy, fully paid back creditors. Some are now experiencing annual revenues approaching or exceeding a billion dollars. Many ANCSA Corporations are now finding business opportunities all over the world and returning those profits to Alaska in the form of shareholder dividends, shareholder equity and other expenditures within Alaska.

But the most important factor behind the success of ANCSA is 35 years of accumulated business experience. Today, the management teams of ANCSA Corporations are sophisticated business professionals that compete successfully in world markets. An entire generation of Alaska Natives have grown up under the promise of ANCSA. Partially through scholarship support from their ANCSA Corporations, young Alaska Natives have sought the education necessary to contribute to the future success of their corporations. There is now a growing workforce of Native professionals contributing to ANCSA Corporations and a wide variety of other companies and organizations in Alaska and elsewhere. Just as Alaska has grown and matured as a state over the last 50 years so, too, have ANCSA Corporations developed into some of Alaska’s most sophisticated and successful companies.
Introducing the ALASKA NATIVE REGIONAL CORPORATIONS
Mission
Ahtna, Inc., an Alaska Native Corporation, is a global company providing exceptional construction and integrated services to both government and private sector clients.

Business Activities
- Government Contracting
- Vertical Construction
- Oil and Gas Pipeline Structure Related Construction
- Civil Construction
- Surveying
- Facilities Support Services
- Environmental Remediation Services
- Janitorial Services
- Food Service Contractors
- Fuels Management
- Tourism

Mission
To maximize dividends to and choices for our shareholders.

Business Activities
- Government Contracting
- Fuel/Energy Sales and Operations
- Real Estate Investment
- Commercial Property Rentals
- Finance, Investments, and Joint Ventures
- Transportation Services
- Commercial Fisheries
- Water Utility
Arctic Slope Regional Corporation

Mission
ASRC’s mission is to actively manage our businesses, our lands and resources, our investments, and our relationships to enhance Iñupiat cultural and economic freedom – with continuity, responsibility, and integrity.

Business Activities
Government Contracting
Technical Services
Petroleum, Refining and Marketing
Energy Services

Bering Straits Native Corporation

Mission
To improve the quality of life of our people through economic development while protecting our land, and preserving our culture and heritage.

Business Activities
Real Estate Development
Auto and Equipment Rentals
Quarry Stone and Services
Facilities, Logistics and Supply Support
Electrical Contracting
8(a) Facilities Support Services
Engineering, Technical and Training Support
Mining and Services
IT, Information Security and Communications
Mission
Enriching our Native way of life.

Business Activities
Design Services
Environmental Remediation Design Services
Oilfield Services and Construction Management
Corrosion Inspection Services
Card-Lock Fueling System
Environmental Services, Engineering and Technical Services
IT and Engineering Support Services
Village Corporation Gifting and Estate Services

Calista Corporation

Mission
Calista is a Alaska Native Corporation that is the standard for economic success and corporate responsibility. Our mission is to continue growth and profits through teamwork, professionalism and innovation, while respecting cultural values.

Business Activities
Real Estate Title Companies
Printing and Publishing
Petroleum Drilling Services
Professional and Technical Government Services
Camp Leasing and Camp Services
8(a) Commercial Property Management and Construction
Chugach Alaska Corporation

Mission
Chugach Alaska Corporation is committed to profitability, celebration of our heritage and ownership of our lands.

Business Activities
- Facilities Management and Maintenance
- General Construction
- Construction Management
- Information Technology and Computer Facilities Management
- Education Services
- Environmental Services
- Base Operating Services
- Civil Engineering
- Housing Maintenance

Cook Inlet Region, Incorporated (CIRI)

Mission
Our mission is to promote the economic and social well-being and Alaska Native heritage of our shareholders, now and into the future, through prudent stewardship of the company’s resources while furthering self-sufficiency among CIRI shareholders and their families.

Business Activities
- Construction Services
- Oilfield Services
- Telecommunications
- Tourism
- Real Estate Development
- Government Contracting
**Mission**
To continually enhance our position as a financially strong Native corporation in order to promote the economic and social well-being of our shareholders and future shareholders, to strengthen our Native way of life, and to protect and enhance our land and resources.

**Business Activities**
- Government Contracting
- Oil and Gas Drilling
- Tourism
- Catering and Security
- Process and Mechanical Engineering
- Oil and Gas Pipeline Construction
- Civil General Contracting
- Construction, Construction Management and Maintenance Services

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**Mission**
To sustain growth and provide increasing dividends while celebrating community and culture.

**Business Activities**
- Aircraft Composite Parts
- Fluid Reprocessing
- Environmental Services
- Government Contracting Consulting
- Telecom, Systems Software and Information Services
- Security
- Land and Natural Resource Management – Sport Hunting/Fishing
- Logistics Services
- Commercial Real Estate
NANA Regional Corporation

Mission
We improve the quality of life for our people by maximizing economic growth, protecting and enhancing our lands, and promoting healthy communities with decisions, actions, and behaviors inspired by our Iñupiat Ilitqsiut Values, and consistent with our Core Principles.

Business Activities
Professional Services
Management Services
Civil Engineering Services
Petroleum Engineering Services
Contracted Government Services
Oilfield and Mining Support
Hospitality and Tourism
Civil Engineering
Housing Maintenance

Sealaska Corporation

Mission
To maximize return on assets with a prudent level of risk, increase shareholder equity, and maximize dividends and other shareholder benefits for the purpose of enhancing shareholders’ quality of life.

Business Activities
Timber Development and Marketing
Forest Management and Silviculture
Managed Investment Portfolio
Injection Molding, Plastic and Manufacturing
Prototyping and New Product Development
Environmental Consulting and Remediation
Information Technology Outsourcing
Rock, Sand and Gravel
8(a) Government Contracting
Mission
Our mission is to allocate resources for our subsidiaries to flourish and oversee investments for the benefit of our shareholders.

Business Activities
Government Contracting
Land Development
Construction
Electrical Contracting
Holding Company

Diversifying Alaska’s Modern Economy

Just as each Alaskan benefits from the diversified investments of the Alaska Permanent Fund, the Alaskan economy benefits from the economic diversification ANCSA Corporations provide through their worldwide business operations. The Alaska Permanent Fund Corporation (APFC) has long pursued a policy of investment outside of Alaska as a way to maintain a widely diversified portfolio for the benefit of each Alaskan. ANCSA Corporations are returning profits from worldwide operations to their shareholders in Alaska, just as the APFC returns worldwide earnings to Alaska residents.

Alaska’s economy has been driven by resource extraction since the first Western contact in 1741 with the arrival of Russian fur traders. In most cases, resources were extracted by companies from outside of Alaska and profits were exported from the state. This model continues to define much of Alaska’s current economy, but over the last 35 years ANCSA Corporations have significantly reversed that economic model. ANCSA Corporations are importing profits back to Alaska from their worldwide business operations.

ANCSA Corporations represent an often unrecognized economic powerhouse in Alaska. The Regional and Village Corporations included in this 2006 report represent $6.96 billion in revenue and $2.63 billion in equity. The 19 ANCSA Corporations among the 2007 Alaska Business Monthly Top 49ers employ 72 percent of employees working for the listed companies worldwide and 52 percent of employees working in Alaska. See chart on page 30. They provide an annual Alaska payroll of $695.25 million and they have an annual worldwide payroll of $1,114.72 million.

As ANCSA Corporations prove their ability to sustain a strong level of business growth every day, they are also demonstrating that major business concerns can be successfully headquartered from Alaska. At first blush, the fact that roughly 70 percent of ANCSA Corporation employees work out of state might seem to be a negative for Alaska’s economy. However, the fact that most ANCSA Corporations’ administrative and other home office functions are located in Alaska means that workers within the state play a key role in managing businesses all over the world. ANCSA Corporations return their earnings from around the world to Alaska as dividends to their shareholders who overwhelmingly reside in Alaska and spend their dividends here. In addition, ANCSA Corporations’ home offices use many Alaskan service companies and suppliers to carry out their business.

The relatively small size of the Alaska market, with just 670,000 residents, compels ANCSA companies to seek growth opportunities outside of Alaska as a way to diversify risk and maximize return for their shareholders. However, ANCSA Regional Corporations are enthusiastic about Alaska-based projects. Since most ANCSA shareholders live in the state, Alaska projects are a great way to provide increased employment to their shareholders, family members and descendents. Since Regional Corporations hold 44 million acres of land in Alaska, they are very interested in developing the resources on those lands.

Today’s Alaska Native Corporations are professional concerns. Just as Alaska’s professionally run Permanent Fund primarily invests in entities outside of Alaska, Native Corporations follow similar rigorous investment strategies. They work hard to balance their desire to develop Alaskan projects with maintaining an appropriate return on investment for shareholders. The Financial Results section of this report illustrates their success through steady growth in both shareholder equity and dividends to shareholders.
Financial Results for 2006

2006 marks the last year this report will include financial data from ANCSA Village Corporations. In the Fall of 2007 an organization similar to the ANCSA Regional Association was formed to address the mutual concerns and issues of ANCSA Village Corporations. This report includes financial data from three top performing Village Corporations; Afognak Native Corporation, Chenega Corporation and Ukpeagvik Iñupiat Corporation.

Revenue

ANCSA Regional Corporations continued to maintain substantial revenue growth over previous years. Revenues grew 22 percent from 2005 revenues of $4.417 billion to $5.386 billion in 2006. When factoring in the Village Corporations included in this report, revenue grew slightly less vigorously at 19 percent from $5.850 billion in 2005 to $6.965 billion.

8(a) Revenue

The Small Business Administration’s Section 8(a) revenue continues to factor substantially in the total revenue for both ANCSA Regional Corporations and for Village Corporations. While some corporations are making a conscious effort to diversify sources of revenue away from the 8(a) Program, others are just beginning to participate significantly. One key factor in the proportional reduction of 8(a) revenues for some companies is that their businesses are now successfully graduating into fully competitive enterprises. But in the aggregate, 8(a) revenues grew significantly.

For ANCSA Regional Corporations, 8(a) revenues grew by 32 percent from $1.369 billion in 2005 to $1.811 billion in 2006. These revenues grew at a considerably more dramatic rate when the three Village Corporations are included, for a 52 percent increase from $2.133 billion in 2005 to $3.247 billion in 2006.
Net Income

The annual profits for the ANCSA Corporations included in this report increased by 50 percent between 2005 and 2006. For ANCSA Regional Corporations alone, this increase was even greater at 75.6 percent from $282.4 million in 2005 to $495.9 million in 2006. When Village Corporations are factored in, the 2005 combined net income was $361.0 million in 2005 and $540.9 million in 2006.

This strong earning performance not only demonstrates ANCSA Corporations’ ability to maintain year to year profitability, but also underlines efforts to extract higher rates of return from generated revenue.

Assets

In 2006, ANCSA Regional Corporations held assets valued at $3.8 billion and when the Village Corporations presented here are included, the positive side of the balance sheet equaled $4.5 billion. Assets grew by 18 percent in 2006 for Regional Corporations and grew slightly less at 17 percent when the three Village Corporations are included.

Return on assets increased significantly for Regional Corporations from 8.8 percent in 2005 to 13.1 percent by the end of 2006. When the Village Corporations in this report are included, return on assets grew from 9.4 percent in 2005 to 12 percent in 2006, again demonstrating improved returns for ANCSA shareholders.

Equity

At the close of 2006, shareholders’ equity for the 13 Regional Corporations totaled $2.35 billion, representing a 23 percent increase over total equity of $1.91 billion in 2005. When the three Village Corporations are included, 2006 shareholders’ equity rose to $2.63 billion, representing a 22 percent increase over 2005 equity of $2.15 billion.

Contribution to and growth of shareholders’ equity is perhaps the most important measure of a company’s progress and this data clearly demonstrates ANCSA Corporations’ ability to grow the value of these companies for their owners.

A simple comparison of $2.6 billion in shareholders’ equity to the original $962.5 million funding of ANCSA demonstrates very real growth, but it does not nearly reflect the economic multiplier effect of the $695.25 million payroll in Alaska-based jobs that ANCSA Corporations provide year after year or the $1,114.72 million in worldwide payroll.
Dividends

Overwhelmingly, ANCSA shareholders live and work in Alaska. Dividends are a tangible measure of their respective corporation’s financial progress. To Alaska, dividends represent a net import of profits, generated in significant part outside of the state, likely to be spent in Alaska.

Dividends for the ANCSA Regional Corporations rose 36.8 percent from $76 million in 2005 to $104.6 million in 2006. When considering the Village Corporations included here, dividends increased by 35 percent from $88.7 million in 2005 to 2006 dividends of $119.9 million.

Natural Resource Revenue

Natural resource development on ANCSA lands played an important role in the initial successes of ANCSA Corporations. Today, resource-based revenue is critical to the creation of Alaska-based jobs and as revenue to almost all Alaska Native Corporations. Just as Alaska has evolved over the last three decades so, too, has ANCSA. An important change was a unique revenue sharing arrangement referred to simply as Section 7(i). This section of ANCSA was signed by all 12 Regional Corporations in Alaska in 1982 following ten years of litigation and challenging negotiations.

Section 7(i) of ANCSA requires Regional Corporations to share 70 percent of their net revenues from timber and subsurface natural resources on ANCSA lands with every other Regional Corporation in Alaska. The 13th Regional Corporation, created to represent Alaska Native people who did not live in Alaska, received no land under ANCSA and was not included under the 7(i) provision. Once each Regional Corporation receives its 7(i) distribution, it must share 50 percent of those receipts with the Village Corporations in their region and with the corporation’s at-large shareholders (individuals who did not elect to hold shares in a Village Corporation).

Since the implementation of Section 7(i), $940 million has been shared between the 12 Regional Corporations in Alaska. In 2003, $87.5 million in 7(i) funds were distributed and, in 2006, $134.8 was distributed, representing a 54 percent increase.

The crafters of ANCSA recognized that resources should be shared so as not to create a system of “haves” and “have nots.” Section 7(i) and the revenues it brings to each ANCSA Corporation have been critical to helping some corporations mature and develop their own diversified business interests. However, since the 7(i) provision reduces the profits a Regional Corporation can make from a resource development project on ANCSA land, it also sets a higher project hurdle as companies consider an increasing range of investment opportunities.

Government Contracting

In recent years 8(a) contracting has presented ANCSA Corporations with unprecedented access to business opportunities. In the late 1980s, Section 8(a) of the Small Business Administration Act was changed to provide special consideration for Alaska Native Corporations and American Indian Tribal Corporations. ANCSA Corporations would be eligible to negotiate federal contracts of any size through direct award.

The Federal government recognized that Alaska Native Corporations represented whole communities of socially and economically disadvantaged individuals and that change was needed to provide real business opportunity to Alaska Native and American Indian businesses. The good news is that the change worked.

In 2006, ANCSA Regional Corporations received 34 percent of their revenues from 8(a) contracts, and when the three top performing Village Corporations are included, this figure rises to 47 percent. This business activity accounts, in large part, for the over 24,000 out-of-state employees working for the ANCSA Corporations included here. However, since this report presents aggregate data for the Regional Corporations, it is important to remember that some ANCSA Corporations have a predominant portion of their business in government contracting and others generate their revenue from non-government industries like oil and gas, tourism and resource extraction. For instance, Arctic Slope Regional Corporation and Doyon, Ltd. receive a large part of their revenue from oil and gas support activities.

Under the 8(a) provisions, companies are required to progressively graduate from the program and become fully competitive businesses. An excellent example is the Chugach Development Corporation (CDC), a subsidiary of Chugach.
Corporations, it still represents less than one percent of all company profitability and on shareholder dividends. These contracts have had an important positive effect on successful path to cash flow and capability development. Contracts are not a path to great wealth, but they are a way for ANCSA Corporation contractors. With typical profit margins of less than 5 percent, 8(a) contracts are not a path to great wealth, but they are a way for ANCSA Corporation contractors. With typical profit margins of less than 5 percent, 8(a) procurements, their non-sole size requirements for the 8(a) Program. CDC has gone on to partner in competitive procurements with companies like Bechtel and Lockheed Martin. Chugach Alaska Corporation has graduated five Section 8(a) companies. In fact, a Government Accountability Office (GAO) study completed in 2006 found that while ANCSA Corporations had become significantly more competitive in 8(a) procurements, their non-sole source contracts rose by nearly the same rate, demonstrating that Native Corporations are becoming competitive.

Contracting with Alaska Native Corporations reduces the cost of procurement and results in more timely contracts. Higher than average college attainment and significant reductions in unemployment in Native populations has been demonstrated during the period that Section 8(a) contracting for ANCSA Corporations has been in effect. From an Alaska standpoint, 8(a) has helped to reverse Alaska’s economic model by returning the profits from these contracts to Alaska in the form of shareholder dividends, corporate headquarter jobs, and payments to contractors.

Dividends to Our Shareholders

The vast majority of the owners of ANCSA Corporations live in Alaska. Ownership in an ANCSA Corporation is unique to all other types of companies. Shares of a Native corporation cannot be bought, sold, or traded. No market exists in which to trade shares. A shareholder cannot use his or her shares as collateral for a loan or to enhance net worth on a credit application. While a Non-Native relative can inherit shares, he or she does not inherit voting rights. At present, the main method through which a shareholder receives value from Native Corporation ownership is through dividends. Not all Regional Corporations pay dividends, but most do. The amount paid out can be of significant help in making ends meet, whether a shareholder lives in rural or urban Alaska. Dividends are one important way that shareholders personally benefit from the Alaska Native Claims Settlement Act.

In 2006, ANCSA Regional Corporations paid out $104.6 million in dividends to their shareholders, a 36.8 percent increase from the previous year. Including the three Village Corporations in this calculation, $119.9 million in dividends was paid out, a 35.1 percent increase from the earlier year. Dividend growth has tracked very closely with growth in shareholder equity. ANCSA Corporations have taken a prudent approach to dividends, assuring that they are sustainable year after year.

Since most of our shareholders live in Alaska, dividends are largely spent locally, providing an excellent economic multiplier effect within the state. In this way, all Alaskans indirectly benefit from the annual infusion of over $100 million into our economy.

Employers for All Alaskans

The employment of shareholders, their family members, and individuals of Alaska Native heritage is a clear goal for ANCSA Corporations. Increasingly, we are meeting this goal. But with nearly 39,746 employees in total among the top ANCSA Corporations and nearly 15,467 employees working in Alaska, we need to take maximum advantage of the state’s talent pool. In 2006, ANCSA Regional Corporations paid an Alaskan payroll of $660.51 million and a worldwide payroll of $900.02 million. When including the three Village Corporations in this calculation, the companies paid an Alaskan payroll of $695.25 million in 2006 and a worldwide payroll of $1.11 billion.

Just over 20 percent of our employees working in Alaska are Native. The other 80 percent represent virtually every ethnicity. In short, we employ all Alaskans. Since we do business in and out of state with a broad array of Alaskan vendors and service companies, we contribute significantly to those companies’ employment base as well.

One of the most important impacts of ANCSA Corporations in Alaska stems from the fact that our headquarters are in rural Alaska. We control and support those enterprises from Alaska and we employ Alaskans to do it. We are importing profits back into Alaska, where they are spent in the form of employee salaries, shareholder dividends, payments to vendors, and in-state investment.

According to Economic Trends, based on 2006 data from the Alaska Department of Labor & Workforce Development, the “Top 100” employers include 13 that are either Alaska Native non-profit organizations or subsidiaries of Alaska’s Native Regional Corporations. Ten years prior, only nine Native employers were on the list.
ANCSA Corporations are improving the lives of Alaska Native People

Economic Parity

ANCSA embraced an “inclusive” model to settle Native land claims in Alaska. For the most part it avoided separating Alaska Native people from other Alaskans. This approach, combined with embracing a Western corporate model, has had a significant positive effect on the lives and well being of Alaska Natives. Economic parity has been demonstrated repeatedly as the most successful way to enable disadvantaged groups to gain equality. ANCSA Corporations have enabled many people with Alaska Native heritage to achieve that economic parity.

ANCSA Corporations also employ and do business with a broad range of Alaskans and non-Alaskans. This mere fact has helped Alaska Native people develop business relationships and friendships with many non-Natives and the same has been true for non-Natives. Economic mutual benefit has also proven to be an extremely effective force helping Alaska Native residents participate within the broader population. This has been particularly true in urban Alaska.

From a statistical standpoint the population of Alaska Natives has more than doubled in the last 30 years.

2006 Employment Alaska

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<td>52</td>
<td>Norton Sound Health Consortium</td>
<td>Health care</td>
<td>478</td>
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<tr>
<td>53</td>
<td>Tanana Chiefs Conference</td>
<td>Social services/health care</td>
<td>471</td>
</tr>
<tr>
<td>62</td>
<td>Chugach Development Corporation</td>
<td>Facilities support services</td>
<td>428</td>
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<tr>
<td>79</td>
<td>Bristol Bay Area Health Consortium</td>
<td>Health care</td>
<td>355</td>
</tr>
<tr>
<td>88</td>
<td>Doyon Drilling</td>
<td>Oil field services</td>
<td>312</td>
</tr>
</tbody>
</table>

“Alaska Natives have more jobs, higher incomes, and more education than ever. Alaska Natives are a growing workforce in Alaska estimated to grow 11 percent by 2020.”

Owner-ship of Native households increased from 34 percent to 42 percent in the 1990s. And, Native women are the only group in Anchorage for whom real earnings has increased between 1990 and 2000.

Jobs

In 2006 ANCSA Regional Corporations employed 30,584 workers worldwide, 14,084 of these were employed in Alaska and 3,105 were Alaska Native. When combined with the three Village Corporations included in this report worldwide employment was 39,746 of which 15,467 lived in Alaska and 3,619 were Alaska Native.

However, many ANCSA shareholders live in rural Alaska. Here, too, Alaska Native Corporations are having a positive impact on the lives of Alaska Native people. First ANCSA Corporations help, through dividends, by providing badly needed cash to buy fuel, pay utility charges, and supplement the rural subsistence economy. Many villages also have corporations which receive 7(i) distributions and other assistance from their Regional Corporation that helps provide local jobs and services. For instance, the local store in many villages is owned by the Village Corporation.

Regional Corporations regularly seek opportunities to develop projects in rural Alaska that will provide local employment and then work hard to maintain a high local employment ratio. Two excellent examples of this are the Red Dog mine, owned in part by NANA, which has maintained more than a 50 percent share for hire since the project began in the late 1980s. And more recently, the Donlin Creek project being developed by Calista has maintained a 90 percent shareholder hire during its initial pre-development phase.

Education

As important as jobs, ANCSA Regional Corporations invest heavily in scholarships and other educational support to help develop the Alaska Native workforce and future employees. In 2006 ANCSA Regional Corporations invested $21.1 million in scholarships, and including the three Village Corporations, totaled $21.8 million. 2006 scholarship investment represented a 395 percent increase over 2005.

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As a group, ANCSA Corporations view investment in future Alaska Native leaders through advanced education as their single most important investment.

“All ANCSA regions in the 1990s demonstrated growth in Alaska Native high school and college attainment, declines in Native unemployment, gains in Native per capita income, and declines in Native poverty. Noticeable growth in Native adults possessing college degrees has been most pronounced in the four ANCSA regions containing the five most active participants in the 8(a) Program.”

1) ISER – Understanding Alaska: People Economy and Resources
2) ISER Anchorage at 90: Changing Fast, With More to Come
3) Native American Contracting Under Section 8(a) of the Small Business Act Economic, Social and Cultural Impacts, Jonathan B. Taylor

[ISER – Understanding Alaska: People Economy and Resources]
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Role of Native Corporations in solving the social issues among Alaska Native People

Without exception each ANCSA Corporation proclaims in its mission statement that it is working for the economic and social well being of its shareholders, a rare goal in corporate America. In creating ANCSA, its drafters envisioned that a Western corporate model could be successfully used to help advance Alaska Native people economically. But ANCSA Corporations also recognize that for their shareholders to be successful in a modern economy, they need assistance on a broad range of other social fronts.

ANCSA Corporations were not created to solve the social ills confronting Alaska Natives; they choose to do so because it is part of their corporate mission. In fact, due to the special relationship between Native American organizations and the federal government through the Bureau of Indian Affairs, the Indian Health Service, and the Department of Housing and Urban Development, there exists specific mandates to address many of the social and economic challenges facing Alaska Native people. But the economic strength of ANCSA Corporations today allows them to either assist these federal programs in more successfully reaching Alaska Native citizens or to fill in the gaps not covered by these and other agencies.

In 2006 charitable contributions for the companies covered in this report increased by 149 percent from $9.0 million in 2005 to $22.4 million in 2006. However, these numbers do not recognize the very significant investment ANCSA Corporations have made in non-profit organizations to help deliver services to Alaska Native and other disadvantaged people in Alaska. Organizations like Southcentral Foundation, Sealaska Heritage Institute, Tanana Chiefs Conference, Chugach Heritage Foundation, Maniilaq and Cook Inlet Tribal Council are a few examples of the non-profit corporations affiliated with ANCSA Regional Corporations. Through these non-profit corporations, health care, housing, cultural education, family counseling, youth programs and a broad range of services are offered to both Alaska Native and to other groups eligible for assistance. While many of these services are provided through federal and state programs, a great many other services are provided in part or fully from the support of the ANCSA Corporations. These non-profits are also major employers of all Alaskans.

Conclusion

This report is a summary of Alaska Native Corporations’ progress and their contribution to the state, covering economic growth, employment, and philanthropy. Highlights of the 2006 combined findings for the 13 Regional Corporations and three Village Corporations surveyed include:

- Revenue for the Regional Corporations was $5.386 billion, and when you add the three participating Village Corporations it totaled $6.965 billion.
- Assets for the Regional Corporations were valued at $3.8 billion and when you add the three participating Village Corporations it totaled $4.5 billion.
- Statewide employment for the Regional Corporations totaled 14,084, and totaled 15,467 when factoring in the three Village Corporations.
- ANCSA Regional Corporation Alaska Native statewide employment was 3,105 – just over 20 percent of their Alaska workforce. Including the three Village Corporations the statewide employment was 3,619.
- The ANCSA Corporations covered in this report made $22.4 million in charitable donations, an increase of 149 percent from the prior year.
- Regional Corporations invested $21.1 million in scholarships and including the three Village Corporations it totaled $21.9 million, an increase of over 395 percent from the prior year.

Works Cited


Native American Contracting Under Section 8(a) of the Small Business Act: Economic, Social, and Cultural Impacts, October 2007, by Jonathan B. Taylor, Cambridge, MA.

Suggested Reading


About the Authors

Bob Poe holds an MBA and a BS in business administration from the University of Missouri – St. Louis. He has had a 26 year career in the Alaska public and private sectors, including serving four Alaska governors in positions including Commissioner of Administration, and Executive Director of AIDEA and AEA.

Michael Orr provided supporting analysis for this economic report. Mr. Orr holds an MBA degree from Alaska Pacific University and a BA in economics from the University of Alaska Fairbanks. He is a co-founder of Financial, Inc., a professional consulting firm.

Photography

We would like to thank the 13 Regional Corporations who provided photographs for this report.

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