

Economic powerhouses

Native corporations have become a financial force that can't be ignored.

by CATHY BROWN

In the 1960s they testified against it; in the 1990s they toasted it.

Business leaders, who were early opponents of the Alaska Native Claims Settlement Act, became enthusiastic supporters of Alaska Native corporations it created; the Alaska Chamber of Commerce threw a party in 1991 to commemorate the 20-year anniversary of the act.

The chamber has reason to cheer: Native corporations are now a major economic force in the state, possibly doing as much to benefit non-Natives as Natives.

"It's been an enormous boon to Alaska," said David Maas, a political science professor emeritus at University of Alaska Anchorage. "It's brought a lot of money to the state. These corporations employ a lot of people. A lot of

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— Economist Steve Colt

them aren't shareholders."

A Native corporation, Arctic Slope Regional Corp., is first on the list of Alaska Business Monthly magazine's annual tally of the top 49 Alaska-based revenue producers. Six of the top 10 employers on that list are Native corporations.

The settlement brought Natives into the "economic fold" and gave them greater economic legitimacy, according to economist Steve Colt, with the Institute of Social and Economic Research in Anchorage. "How can you be against



MICHAEL PENN

Captain Shigero Daiji of the Japanese cargo ship Blue Ocean inspects the loading of logs being shipped from Hoonah to Japan. The logs are from Sealaska land.

business and capitalism even if you used to be against Natives?" he said.

In the 1960s, Alaska Natives' land claims were seen as a stumbling block to development. Native leaders succeeded in getting the U.S. Interior Department to impose a land freeze in Alaska until their claims were settled, a freeze that stopped many business projects cold.

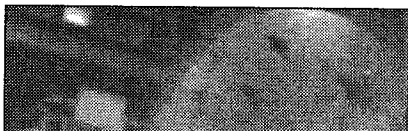
The business community feared Natives would continue to "lock up" the land if they owned it, said Michael

Jennings, Alaska Native Studies professor at the University of Alaska Anchorage.

That hasn't come to pass.

The mining industry, which was among ANCSA's early opponents, is now one of the act's biggest fans.

"I'm personally convinced that ANCSA and the 44 million acres plus the Native corporations (own) is probably one of the most important things that



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has happened to the mineral industry in this state," said Alaska Miners Association executive director Steve Borell. Native corporation land is much easier to develop on than state or federal land that makes up most of the rest of the state because developers don't have to go through such a lengthy public process.

Some observers, including Jennings, make the argument that the giant Prudhoe Bay oil field would never have been developed and the trans-Alaska oil pipeline would never have been built if the Native settlement hadn't been reached. Others say that may be overstating the impact of the settlement.

But just how much effect the settlement has had on the overall economy is hard to measure.

"No one's ever tried to do a full-blown analysis," said Colt, the Anchorage economist. "It's incredibly difficult because a lot of what the Natives did in their corporations would have been done by somebody else."

For instance, if a Native corporation hadn't gone into the business of drilling oil wells on the North Slope, another contractor would be doing the work.

However, a Native drilling company may benefit Alaska's economy more than another company would because it emphasizes shareholder hire and may employ more Alaska residents, Colt said.

He agrees with those who say non-Natives probably benefited from the settlement as much as Natives.

"If you look at where the money went, it's almost immediately obvious that a lot of it went to lawyers, engineers, non-Native professionals of all types," Colt said.

Much of the legal work involved in sorting out competing land claims and ambiguities in the act wouldn't have occurred without the settlement.

"ANCSA was definitely a boon for lawyers," Colt said. "It sort of spawned a whole industry."

The corporations have also helped create some economic activity in villages that otherwise would have none, Alaska Chamber of Commerce President Pamela LaBolle said.

But they probably create more economic activity in cities, Colt said: "When you have spending on what are supposed to be ... rural projects,

most of the money ends up benefiting urban Alaskans."

For instance, the geologists working on exploration projects on remote Doyon lands are based in Anchorage, and supplies for those projects are purchased in Fairbanks.

While the Native corporations have stimulated the Alaska economy in general, some individual businesses have suffered from the competition.

"Some of the biggest corporations in the state are Native corporations, even to the point where some people are jealous of them and a little annoyed about how much business they have in certain areas," former NANA executive John Shively said, pointing to the oil field service industry as an example.

When the major oil companies a few years ago decided to enter long-term contracts with a few oil field support companies, rather than spreading the work among many different contractors, several businesses were knocked out.

Some of the survivors were Native corporation subsidiaries and they've increased their share of business.

Chamber of Commerce director LaBolle hears occasional complaints from non-Native companies about the tax breaks Native corporations receive.

They do have tax advantages, said Joe Beedle, CEO for Goldbelt, Juneau's Native corporation.

For one thing, they don't pay property taxes on their land if it's undeveloped. Native corporations also were able to sell their losses in the mid-1980s to companies that needed to use them as tax write-offs. Native corporations were allowed to continue this practice for several years after it was no longer permitted for other corporations.

The money they received from selling those losses — totaling more than \$400 million for regional corporations saved some from bankruptcy. The tax loss proceeds were themselves untaxed and could be used for business expansion.

That particular tax advantage is no longer in place, but the Native corporations it helped still exist, and most are growing.

"We are collectively a major economic force in the state," Cook Inlet Region Inc. President Carl Marrs said. "And it will get bigger." ♦