D. Benefits of Alaska Native 8(a) Corporations

As the documents in the previous section reveal, Alaska Native Corporations benefit Alaska Native people and the larger society in a multitude of ways, including employment, dividends, and investments in social capital. Their 8(a) certified enterprises are no different: Alaska Native Corporations are using their 8(a) Congressional authorization to assist with their responsibility to help provide jobs, dividends, scholarships, cultural preservation and protection of subsistence resources and lifestyles.

There are 176 ANC 8(a) contractors in Alaska. The GAO report looked at 26, including the 12 regional and 14 village corporations, mostly with large or high profile contracts. McCaskill’s request for information was similarly addressed to 20 ANCs, focusing on the large and high profile ones. The vast majority of ANC 8(a)s however—more than 80 percent—are village corporations working relatively small contracts, hiring local people and sharing the economic benefits with local shareholders in small, remote villages. They are teaching the next generation about American entrepreneurial values and opportunities. There is at this time very little publicly available data to systematically document and describe the kinds of work that these many small ANCs are doing and the benefits that flow from them. Most of the data sources we report below are incomplete and biased toward the largest ANCs. Eagle Eye is the one source that has taken a comprehensive look at the federal procurement data. Their summary of federal procurement from ANCs by industry shows many different types of activities. No other breakouts were available at this time.

Table D.1

<table>
<thead>
<tr>
<th>Sector</th>
<th>Proportion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Construction</td>
<td>39%</td>
</tr>
<tr>
<td>Administrative, Support, Waste Management, &amp; Remediation Svcs.</td>
<td>26%</td>
</tr>
<tr>
<td>Professional, Scientific, and Technical Services</td>
<td>12%</td>
</tr>
<tr>
<td>Information</td>
<td>9%</td>
</tr>
<tr>
<td>Other</td>
<td>14%</td>
</tr>
</tbody>
</table>

(Eagle Eye, Inc.)

Source: Taylor, Native American Contracting Under 8(a) of the Small Business Act (Tab D.2, p.18)

The NACA survey of ten regional corporations and two village corporations documented the benefits flowing from 871 federal 8(a) contracts in 2005: 3,170 jobs for shareholders; 9,750 jobs for Alaskans; 31,7171 jobs nationwide in 49 states and 2 U.S. Territories; $413,645,389 in Alaska payroll; $33,663,803 in dividends paid to 86,516 shareholders; $5,433,787 in donations to Native cultural and social programs, plus $889,835 in donations to other community programs; $9,575,511 in scholarships; $7,334,781 for other shareholder programs; and an undisclosed amount in contributions to their permanent fund programs. (NACA, Tab D.1, p.3) 2004 data on 15 ANCs showed over $141 in Alaska payroll for 8(a) businesses and 7,700 employees in the state. (ANC Annual Economic Report, 2005, Tab C.5, p.8)

The intent of SBA programs is to encourage small business to succeed, with a national goal of having 23% of federal procurement go to small businesses. The 8(a) program helps federal agencies meet their small business goals. The report by Jonathan B. Taylor, Native American
contracting Under Section 8(a) of the Small Business Act: Economic, Social and Cultural Impacts (Tab D.2 p.3) claims that the $1.9 billion in federal contracting to Tribal and ANC 8(a) firms was only 1.3 percent of all sole-source federal contracting, and 17 percent of Section 8(a) contracting in 2005. The 8(a) program appears to be succeeding to promote the competitiveness of ANC contractors: while from 2000 to 2004 ANCs grew their sole-source 8(a) contracting four-fold (GAO), their non-8(a) federal contracting business also grew more than five-fold, and their non-sole-source 8(a) contracts grew more than three-fold. The Taylor report also provides an in-depth description of the history and purpose of Tribal and ANC 8(a) policies, how this mechanism channels federal spending into some of the poorest communities in the nation, and some of the unique aspects of ANCs as for-profit corporations.

One of the examples of 8(a) success that Taylor reports is the case of Chugach Alaska Corporation (on Prince William Sound). In 1991, Chugach began operating under Chapter 11 bankruptcy protections. Section 8(a) contracting helped turn the company around. In 1994, Chugach Development Corporation (CDC), a subsidiary, received two small federal contracts in facilities maintenance and hired sixty employees. By 1998 CDC exceeded the size requirements of the Section 8(a) program and graduated from it, well on the way to paying off its creditors. Since then CDC has partnered with Bechtel and Lockheed Martin to win a full-and open competitive bid contract. Recently, CDC had $80 million in open contracts and 1,400 employees. To date, Chugach Alaska Corporation has graduated five Section 8(a) companies. (Taylor, 2007. p.13)

As another example, Derik Fredericksen, a Tsimshian shareholder of Sealaska Regional Corporation, earned bachelor and graduate degrees with Sealaska scholarships, interned at the company, and started a new subsidiary that eventually became an 8(a)-certified environmental services company supporting the US Navy. (Taylor, p.13) As the GAO reports, almost a third of the ANCs it studied have manager training programs oriented to developing managers like Fredericksen. (US GAO, 2006, p 82) And the growth in Native adults possessing college degrees has been most pronounced in the four ANCSA regions containing the most active participants in the 8(a) program. (Taylor, 2007)

Taylor also notes that some Alaska Native corporations find the process of 8(a) certification onerous and either do not attempt it or abandon certification applications part way through. Some have been able to certify 8(a) companies, but have found it difficult to obtain contracts, despite the ANC 8(a) advantages. Some have received contracts, but struggled nonetheless to stay in business, essentially departing from the program before graduating. Tyonek Manufacturing Group, for example, has had two 8(a) companies fail and one leave the program for not meeting its target of non-government business. (Taylor, 2007, p.14)

**Business Incubator**

While the mission of 8(a) businesses is identical to their ANC parents, there are two benefits that are particular to 8(a): the opportunity to incubate business expertise in a new field of endeavor, and bringing new dollars into the local economy, with all the attendant multiplier effects for Alaska businesses and income.
A recent study, the second Panel Study of Entrepreneurial Dynamics, discovered that the factors commonly associated with a successful entrepreneur – the level of education and personal wealth of the entrepreneur, as well as age and gender – are completely unrelated to the success of a startup venture. The factors that do contribute to success are the planning and preparation put into the first stages of starting a new business and the number of years of experience the entrepreneur has in the same industry. The method by which the entrepreneur has obtained this experience does not matter – whether it was through formal training or education or helping a family member in a business of the same type, any experience at all will contribute to success, and the more, the better.1

Case Studies

Six case studies illustrate how the 8(a) program has helped to launch small businesses in very small communities in some of the remotest and poorest regions of Alaska. (2008, Tab D.3) These were among the 23 business case studies prepared for the Viability of Business Enterprises for Rural Alaska project. For example, Illiamna Lake Contractors, from the tiny village of Igiugig, received their first contract from the Air Force to repair and replace telephone lines at the nearby distance early warning system (DEWS) station. With this experience they were able to secure a contract for similar work for the local electric company, and that led to contracts in other villages. Now they have branched out to other types of construction, including work on bulk fuel storage facilities, road construction, and demolition and site reclamation. Earnings by the 4 full-time and 10 to 25 seasonal employees make a substantial contribution to family incomes: the median household income in Igiugig as reported in the 2000 Census was $21,750.

Yukanna Development Corporation, a tribal enterprise, was established in response to the loss of local jobs when Galena Air Field was closed in 1994. Local people were trained and certified in several areas of environmental remediation and handling hazardous materials. A larger ANC served as a business mentor and gave them their first subcontract. They are now well established contractors for environmental remediation and graduated from the 8(a) program in 2008. Yukanna was one of 16 finalists in the "Honoring Nations Program," sponsored by the John F. Kennedy School of Government for the company's for its innovative approach in addressing the Tribe's economic and environmental concerns and challenges.

Tlingit – Haida Technology Industries received a contract to digitize DOD documents using Auto CAD systems on their computers. Their goal was to hire 25 to 40 employees—single mothers in particular—year around in Klawock and Hoonah. But they did not fully anticipate the high cost of running the business from an isolated village, and the enterprise failed after two years.

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