

Between Worlds - Location, Location, Location

Location, Location, Location

by JOHN HOLLAND

The trans-Alaska oil pipeline crosses Ahtna land, but the jobs shareholders thought would come have been few.

In the early 1970s, when Organization of Petroleum Exporting Countries had the United States by the throat, the nation cast a hungry eye on Alaska's vast oil resources.

Ahtna at a glance

ANCSA land entitlement*:
1.78 million acres

ANCSA land conveyed so far:
1.53 million acres

Money from ANCSA:
\$13 million

Businesses, partnerships, investments:

Real estate, AHTNA AGA Security Inc., Statewide Services Inc., Ahtna Construction and Primary Products Corp., Ahtna Development Corp., Ahtna Enterprises Corp., Ahtna Forest Products Inc., Ahtna Minerals Company Inc., investment portfolio.

Net Corporate Profits/Losses
per fiscal year

1975	\$202,304	1976	\$63,714	1977	\$61,003	1978	\$440,715	1979	\$168,093	1980	\$361,623	1981	\$329,816	1982	\$922,433	1983**	\$526,472	1984	\$143,160	1985	\$374,848
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1986 \$246,840 1987 \$344,763 1988 \$4,053,388 1989 \$163,858 1990 \$185,153 1991 \$95,672 1992 \$(97,026) 1993 \$7,051,347 1994 \$(1,051,994) 1995 \$2,967,382 1996 \$1,068,296 1997 \$2,595,785

Shareholder Dividends

per 100 shares

1975 \$n/a 1976 \$0 1977 \$0 1978 \$0 1979 \$59 1980 \$0 1981 \$50 1982 \$50
1983 \$300 1984 \$50 1985 \$50 1986 \$100 1987 \$100 1988 \$240 1989 \$100 1990 \$200
1991 \$150 1992 \$200 1993 \$0 1994 \$0 1995 \$800 1996 \$200 1997 \$567 Dollar amounts
not adjusted for inflation.

Number of jobs provided by corporation and its subsidiaries:

20***

Number of corporation jobs held by shareholders:

16

Total shareholders:

1,104

* These figures include land to which the corporation has partial title.

** FY change.

*** Subsidiary job information not available.

ALL NUMBERS COMPILED IN LATE 1998.

Many Alaskans, including the Ahtna people of the Copper River country, had stars in their eyes at the prospect of becoming partners with the immensely wealthy and powerful oil industry. Jobs - high-paying jobs - and business opportunities were on the way.

Ahtna Inc., a Native regional corporation and one of only three owning land the trans-Alaska pipeline crossed, seemed ideally situated to benefit from the wealthy newcomers' arrival. There was a honeymoon period in the early years of the relationship - during and shortly after construction of the trans-Alaska pipeline - but like many whirlwind romances, the new partnership soon soured.

Oil prices took a nose dive in the mid-1980s and Alyeska Pipeline Service Co.,

the consortium of oil companies running the pipeline, began to operate more like a lean and hungry business than a benevolent, rich uncle.

Michael Freeman, an Ahtna shareholder from Copper Center, says he would like to see the corporation generate more jobs for its members.

PHOTO BY M. SCOTT MOON In the early days, Ahtna agreed to let Alyeska build across Ahtna land in exchange for a promise of jobs and contracts for some of its 1,100 shareholders.

"We really didn't have much say in the matter," said Ahtna board member Fred John Jr. "It was between the federal government, the state government and the oil companies."

During the pipeline construction, Ahtna got some good contracts, but the jobs and contracts started drying up when Alyeska went into a maintenance and operations mode, Ahtna President Darryl Jordan said.

Today, the 10 dusty little towns in the Ahtna region remain plagued by high levels of unemployment and low incomes.

"(The oil companies) failed in the responsibility to Native people," said shareholder Nellie Ewan, as she answered phones at the Copper River Native Association. "They promised us jobs and help with education in return for crossing our land. At first, they gave us some jobs, but no help with education. Then the jobs went away."

Poverty is still high in the Ahtna region. In Chistochina, 62 percent of the families were living below the poverty line when the last census was taken in 1990. Nearby Mentasta Lake had 44 percent poverty. That year, the federal government calculated the poverty threshold for a family of four at \$12,575.

"The situation hasn't improved much since then," Jordan said recently.

Most shareholders with money went elsewhere to earn it - to Prudhoe Bay or Alaska's rich commercial fishing grounds, he said.

"It is particularly difficult to see the young people leaving the region to find work," Jordan said.

Ahtna shareholder Mike Freeman routinely travels out of state to find jobs in construction or at ski resorts, depending on the season.

Though he went to welding school on an Ahtna scholarship, he hasn't been able to

use those welding skills on many Ahtna-related projects.

"It works pretty good for some people, but it's hard to find jobs with the corporation unless they get a big contract and that won't happen unless they bid on them," the 30-year-old Freeman said as he straddled a four-wheeler in the shade outside the Cooper River Native Association offices. "I don't pay too much attention to (Ahtna) anymore."

Alyeska Pipeline Service Co. doesn't either, Jordan said.

"Every time the management changes, they seem to forget the original deal," he explained. "The management has changed half a dozen times and we've had to renegotiate the agreement every time. They seem to forget that the land under the pipeline doesn't belong to them. It belongs to us."

Ahtna shareholders hope to remind the oil companies when the pipeline right-of-way is on the bargaining table in 2004, Jordan said. The Ahtnas may refuse to renew what they view as a good deal for everybody but them, Jordan said.

"Let (the oil companies) leave. We're not getting the jobs, we're not getting the contracts, and their well-paid employees are the ones who can afford to fly in here and take our fish and game," Jordan said. "We've got enough people willing to say 'no' to renewing the contract, but they (the federal and state governments and the oil companies) are probably not going to let us. They'd probably shoot us first."

Gunfire won't be necessary, said Rob McWhorter of the Joint Pipeline Office, a state and federal agency that oversees Alyeska and the pipeline.

Although Ahtna owns the land, the federal government reserved the right to manage it.

In 1982, Ahtna negotiated a "land use settlement agreement" with Alyeska. Alyeska paid the corporation \$4 million for release of aboriginal claims and continuance of Alyeska's opportunity to acquire interest in Ahtna lands.

Ahtna President and CEO Darryl Jordan: "Higher operating costs in outlying areas make it hard for local contractors to bid competitively."

PHOTO BY M. SCOTT MOON Under the current agreement the federal government gets \$56,000 from the lease. Ahtna gets about \$7,000 - peanuts compared to the billions of dollars worth of oil flowing through the pipeline.

Ahtna is likely to get more money when the land is reappraised for the new lease agreement in 1999, McWhorter said.

"If you look at the ownership of Alaska, it makes sense for the three major land owners - the federal government, the state of Alaska and the Native corporations - to sit down together as equals. Individually, each of us has too little money and too few people to manage our lands, unless we work together," Jordan said.

McWhorter conceded that the unusual nature and vague terms of the lease could be viewed as an invitation to litigation, but declined to speculate on what would happen if Ahtna dug in its heels on renewing the pipeline right-of-way lease.

Alyeska is now trying to appease Ahtna. In August of 1998, Alyeska officials met with Ahtna's board of directors to discuss business plans and agreed to hire 10 Ahtna shareholders for various jobs associated with the pipeline.

Ahtna already benefited from some joint ventures and partial ownership of other businesses, said Alyeska spokeswoman Jennifer Ruys. Alyeska spent nearly \$777 million on contracts associated with Ahtna Inc., and its partners during the life of the pipeline. She doesn't know how much of that money actually got to Ahtna shareholders, acknowledging much of it probably paid for operating overhead and material.

"It was mostly on joint venture contracts," Ruys said. "I don't know what kind of deals Ahtna has had with its other partners, but we are committed to our relationship with them."

The trans-Alaska oil pipeline bisects Ahtna's land near Glennallen. Issues concerning access for the pipeline have played a central role in the corporation's past.

PHOTO BY M. SCOTT MOON Ahtna shareholders got some jobs through a 1989 maintenance contract with H.C. Price and a 1994 partnership to provide pipeline security. Ahtna currently is a partner in three joint ventures doing pipeline maintenance, construction and janitorial services, and is part owner of two companies performing janitorial, catering and security services. The corporation also owns six construction and industrial maintenance companies and a company currently building an \$84 million fiber optic communication line between Valdez and Prudhoe Bay.

In 1998, Ahtna purchased a 51 percent share in Clearwater Environmental Inc., which is working in partnership with a \$2.3 billion environmental firm out of New Jersey.

"We are actually very small and we've had lots of joint ventures for our size," Jordan said, sitting amid stacks of papers in the new Clearwater Environmental office in Anchorage.

Because the initial settlement money was distributed based on the number of shareholders in each region, Ahtna started with less than most other regional corporations, only \$13 million out of \$962.5 million, said Roy Ewan, Ahtna's board chairman who retired as president and CEO of the corporation in 1997.

"We've had to be very conservative with our investments," Ewan said.

In a 1980 merger, Ahtna pooled resources with its seven village corporations in the region. The regional corporation manages the pooled assets, but each village has a representative on Ahtna's 13-member board with veto power over any decision concerning community resources. Only Chitina, which wanted to retain control of its timber resources, didn't merge, Jordan said.

Both Jordan and Ewan say the merger has served the villages well.

"Many of the smaller villages would have had considerable difficulty putting together and financing a full-time administrative staff," Jordan said.

Ahtna has been pretty successful at protecting its original \$13 million and subsequent profits, putting as much as possible into stocks and bonds, about 50 percent of the income. With a strong stock market the investments paid off, growing about 20 percent annually to about \$18 million by 1997.

The stock market earnings made up for some of Ahtna's business ventures that proved to be losers, such as when a radar project it was working on was canceled. The regional corporation won \$2 million back on the deal in a 1997 settlement, along with \$4.2 million on the sale of earlier net operating losses. Overall, Ahtna showed a profit every year since 1975, except for 1992 and 1993.

But times are getting tougher. Ahtna's subsidiaries have increasingly had trouble getting government and Alyeska contracts, which are usually tied to low-bid stipulations.

"The contracts go to companies from Anchorage or Seattle instead of a company operating out of Chistochina," Jordan said. "Higher operating costs in outlying areas make it hard for local contractors to bid competitively."