

Between Worlds - A Problem of Geography

A Problem of Geography

by LORI THOMPSON

Most of The Aleut Corp.'s investments are in cities far from the windswept Aleutian Islands. Shareholders feel disconnected from their Anchorage-based corporation.

The Aleut Corp. is a business at odds with its geography.

The Aleut Corp. at a glance

ANCSA land entitlement*:

1.43 million acres

ANCSA land conveyed so far:

1.14 million acres

Money from ANCSA:

\$30 million

Businesses, partnerships, investments:

Aleut Real Estate LLC, Space Mark, Aleut Enterprise Corp., Akima Corp., Alaska Trust Co., investment portfolio.

Net Corporate Profits/Losses

per fiscal year

1973 \$(234,000) 1974 \$(212,000) 1975 \$(357,000) 1976 \$(701,000) 1977
\$(445,000) 1978 \$(198,000) 1979 \$(2,690,000) 1980 \$636,000 1981 \$361,000 1982
\$496,000 1983 \$1,007,000 1984 \$1,021,000 1985 \$2,244,000 1986 \$(3,940,000) 1987
\$409,000 1988 \$4,598,000 1989 \$(7,378,000) 1990 \$(2,299,000) 1991 \$4,210,000
1992 \$292,000 1993 \$(799,000) 1994 \$(708,000) 1995 \$2,532,000 1996 \$2,121,000
1997 \$1,785,000 1998 \$4,222,000

Shareholder Dividends

per 100 shares

1973 \$0 1974 \$0 1975 \$0 1976 \$0 1977 \$0 1978 \$0 1979 \$0 1980 \$0 1981
\$100 1982 \$0 1983 \$100 1984 \$110 1985 \$115 1986 \$0 1987 \$0 1988 \$0 1989 \$0 1990
\$0 1991 \$0 1992 \$100 1993 \$0 1994 \$0 1995 \$0 1996 \$0 1997 \$100 1998 \$100 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.

ALL NUMBERS COMPILED IN LATE 1998.

After all, few entrepreneurs would choose to set up a company based in a chain of more than 200 remote islands, where winds can whip up to 100 mph and halt all travel.

Few business owners would launch companies where virtually the only resources are reindeer, sea birds and volcanic gravel.

But that is what The Aleut Corp. has had to cope with since the Alaska Native Claims Settlement Act created it as the regional corporation for the Aleutian and Pribilof islands.

Historically, the Aleut people were expert fishermen and hunters of sea mammals, with rich fisheries teeming off their rocky shores. But the settlement act was about land, not the sea.

"In the Aleutian region and the Pribilofs, we like to say our natural resources - our timber, our timber rights - are under water," said Ron Philemonoff, a former board member for The Aleut Corp. in Anchorage. "It was the fish.

Four-wheel ATVs, the main mode of travel in the small Aleutian village of Atka.

PHOTO BY MICHAEL PENN "Our culture was based on the fish. We didn't get our cultural natural resources like Southeasterners did, so we got kind of screwed."

The Aleut Corp. was until recently one of the poorest financial performers among Alaska's regional Native corporations, according to economist Steve Colt of the Institute of Social and Economic Research in Anchorage.

"But if you looked at how hard it is to operate a business out there and how small they are, they've actually done a very good job," Colt said.

After years of annual reports blemished with red ink, the corporation recently turned itself around, earning up to \$4 million in profits annually for the last several years.

In 1998 its revenues grew by more than 79 percent, more than any other of the top Alaska-based companies, according to the Alaska Business Monthly. The magazine ranked The Aleut Corp. as the 15th biggest producer of revenue among companies based in the state.

The extremely rapid growth came about through one of the regional corporation's subsidiaries, Space Mark, which became the caretaker for the U.S. Navy base at Adak in the western Aleutians, said Elary Gromoff Jr., president of The Aleut Corporation.

In its early days, the corporation tried to tap into the lucrative Bering Sea fisheries that lay offshore. But the cost of maintaining boats outweighed the profits, and the corporation pulled out of the fishing industry in 1986 after it lost millions of dollars and a 120-foot boat at sea.

"It's kind of a sore subject with some of the shareholders," Gromoff said.

Along with early financial losses came a major upheaval in the board of directors in the late 1970s. Shareholders filed a lawsuit and claimed corporate President Carl Moses, now a state representative, wrote a misleading letter to shareholders shortly before the 1977 board election. They won their suit and the Superior Court in Anchorage called for new board elections.

The new directors forced Moses to resign, according to Larry Mercurieff, who was involved in the lawsuit and was elected chairman of the new board. But Moses recently said he resigned by his own choice because he was fed up with the turmoil within the corporation.

which was for air fare.

Aleut President and CEO Elary Gromoff Jr.: "My goal is to hire people who want to make Adak their home."

PHOTO BY MICHAEL PENN The new board pulled the company out of questionable investments and wrote off several others. The corporation had been losing \$200,000 to \$2.6 million a year, but under new direction began seeing annual profits of several hundred thousand dollars.

Now The Aleut Corp. has invested much of its money in real estate, owning four Anchorage office buildings. But its biggest moneymaker is Space Mark, which is based in Denver and has 15 contracts to maintain military bases in six states and Antarctica.

Alice Petrivelli, former chairman and president, views the corporation's move into government-service contracts as one of its high points.

Yet for most Aleuts who live in the region, the corporation is but a distant landlord, its headquarters in a mirrored glass building in Anchorage, more than 500 miles from the worn wooden buildings of Aleut villages.

Trying to run a business out of remote islands in the Bering Sea just isn't practical, company officials said.

"The further you get from Anchorage, the more expensive it gets," Philemonoff said.

Yet another problem is bringing people together for annual meetings and other gatherings. In 1997, The Aleut Corp. held a two-day summit so shareholders could create a unified front on the vital issue of subsistence hunting and fishing. The cost of the summit, attended by 35 people, was \$20,000, most of The village of Unalaska and the port of Dutch Harbor.

PHOTO BY MICHAEL PENN "You asked what's the hardest thing," Gromoff said at corporate headquarters. "It's just to gather so we can all sit down together. It may take people two days to get into Anchorage."

The corporation provides few jobs in the islands, but Gromoff wants to change that. The Aleut Corp. is working on a land exchange with the U.S. government that would allow it to take over shut-down of the U.S. Navy base at Adak, which had once been an Aleut village. The \$3 billion base includes a port, an airport, a hospital, a fuel facility and more than 1,000 homes, with schools, a theater and a ski lodge.

The plan could provide 400 to 600 jobs within the first five to 10 years, bringing a number of regional corporation jobs to the Aleutians for the first time. Hiring as many shareholders as possible would also mean resettling Adak as an Aleut community.

"My goal is to hire people who want to make Adak their home," Gromoff said.

Slavery ended; the quest for land goes on

When people envision slavery, they're more likely to think of Alabama than Alaska.

Yet in the last 200 years, Alaska Aleuts were essentially enslaved seal hunters first for the Russians and later for the U.S. government. The federal treasury made at least \$93 million dollars off the seal pelts Aleuts harvested, who worked for little more than room and board.

"We just worked for grub, but we only had enough to eat for a couple days," said St. Paul's Auxenty "Irish" Stepetin, a former sealer. "We were just like slaves."

Now Aleuts hunt seals for no one but themselves, and, through the Alaska Native Claims Settlement Act, own title to their land. After 200 years of control by outsiders, self-determination is paramount to the people who live in the Aleutian and Pribilof islands.

"It's about time we take control of our own destiny and take charge of our lives," said Victor Mercurief of St. Paul on the Pribilof Islands, where the Russians forced Aleuts to harvest seals.

Native corporations were originally expected to be vehicles of self-determination, but whether they have been for Aleuts depends on the town and with whom you speak.

The Aleut Corp., based in Anchorage, has been too removed from the Aleutians and Pribilofs to have much effect on many shareholders' lives. However, the regional corporation is working to take over the military base at Adak, in the western Aleutians, and planning to resettle it with shareholders. That would turn Adak once again into an Aleut community under Aleut control.

Villages corporations help people shape their own futures by creating fishing jobs in towns such as Atka and St. Paul. In the early 1980s, Atka groups didn't have enough money to build a processing plant, so Atxam Corp. provided a \$170,000 loan. The halibut fishery now provides work to about 25 people, said Mark Snigaroff, Atxam president.

Tanadgusix Corp. in St. Paul was among the groups that developed a \$60 million

harbor, turning St. Paul into one of the state's biggest seafood ports.

Yet some Aleut shareholders said village corporations have too much control over the limited land on the islands, so individuals can't get land for homes or businesses.

The St. Paul village corporation has carefully guarded the land, anxious to preserve local control because without it outsiders could come in and dominate the community, as they have in Unalaska.

St. Paul's City Manager John R. Mercurief said the village corporation's grip on the land has gone too far and prevents the city and private entrepreneurs from development. He wanted to rent space from the village corporation for his cargo business, but couldn't afford the \$80,000 rent.

Corporate leaders say they try to make rental space affordable for business owners, but have had no takers. Gregory Fratis Sr., the corporation's vice president of operations, said the warehouse Mercurief wanted to rent was prime rental property and the lease price was relatively cheap.

Mercurief disagrees, saying \$80,000 a year is too high.

"Prior to the (federal) phase-out we were controlled by the government," Mercurief said. "We're now controlled indirectly by the corporation owning all the land and resources on St. Paul."