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John Schaeffer, president of NANA Corporation

Moses Wassillie, interviewer

Jeff Kennedy, moderator

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Kennedy said John Schaeffer was interviewed by Moses Wassillie.

John Schaeffer said the Northwest Alaska Native Association has about 4750 shareholders. Ninety percent of the shareholders live in eleven villages in northwest Alaska. Ten of the village corporations merged with NANA Corporation. Kotzebue is the only village corporation in the region. In the process of the merger they expanded their board. It includes two members from each village corporation, one from Kotzebue and two at large members. The board has an executive committee, a finance committee and various other committees. They utilize board committees a great deal because it is very expensive to hold entire board members. They held quarterly meetings for the whole board this past year and are scheduling more this year. He talked about the various staff members including himself and a land department in Kotzebue. The rest of their organization is a business organization. They are organized under NANA Development Corporation which is headed up by Willie Hensley in Anchorage. The bulk of their business operations are there in their statewide office. They have another office in Kotzebue which is headed up by Herman Rich. All of the business operations in the region report to Herman. Their supportive services, centralized accounting and purchasing are located in Anchorage.

John Schaeffer discussed the businesses they are involved in within the region are a gift shop and museum, their building supply company, their jade products factory (all in their Kotzebue office building) a hotel, an apartment building (both in Kotzebue), a smaller hotel in Kayana, and two fuel projects for retail sales. In Anchorage they operate another subsidiary corporation under NANA Corporation called NANA Oilfield Services which owns a camp at Deadhorse for construction workers. They own the electrical utilities at Deadhorse Airport, Arctic Utilities, which sells electricity to their camp and other customers around the airport. NANA Environmental Systems runs sewage treatment plants. They run one that supports their camp at Deadhorse and another small one owned by the state of Alaska at the Deadhorse airport. They also have a contract with the North Slope Borough to construct a major sewer/water solid waste facility at Deadhorse which they will operate under contract once it is completed. They also operate a construction company in Anchorage with contracts throughout the state. They have a contract to build a school at Alakana through the BIA. They completed the Anchorage Towers, the high school at Kivalina, and their own buildings in Kotzebue including a hotel. They have a

security company, Purcell Services which has industrial security contracts. Another company that operates out of Anchorage is their catering company. They do industrial catering in conjunction with a company out of San Francisco. They have contracts in this joint venture with the Pioneer's Home in Anchorage, The Alaska Psychiatric Institute, and BP's two labor camps at Deadhorse.

John Schaeffer said in the past year their net profits were 207,000 which wiped out their deficit. They are now having positive returns. This past year was a landmark for them. They are now in a profit posture and they expect that trend to continue. They can't issue dividends yet, but they hope to in the near future. After the shutdown of some of their pipeline related contracts they have gone through a process of consolidation. They have curtailed any further major investments. They have concentrated on trying to develop the businesses that they have gotten into in the last few years. They experienced a large growth in volume of sales in the last two years and their system couldn't keep up. They are still in the process of consolidation and their systems are at the point of experiencing more growth without upsetting their whole operation. They are looking long-term planning. It may take another six months before they decide on further investment and what areas they would like to grow.

John Schaeffer said in conjunction with their regional non-profit corporation and the regional school district they are doing some other planning. It is human service planning. They are holding meetings in the villages to see what their problems are and what their aspirations are so they can develop a human services plan for the region. All three of them work for the same people, but they are also recipients of services from these other regional organizations. This will take care of their more pressing needs. They hope to plan properly and have programs to take care of these needs and aspirations. At the same time they are looking at management alternatives for the 2.3 million acres of land that NANA will need to manage. This runs into questions of land use. Do they develop the land or hold the land for normal subsistence use at this time? If they decide that jobs and income are needed and that was more important than that style of life and they make a decision to use some of their land for resource development they may achieve the objective of jobs and income, but they would also disrupt the lifestyle of the people. He doesn't believe that that they are ready to make that kind of distractive decision. They meet with the stockholders to get their opinions as they develop a land management plan. There has not been a time crunch because they have not received lands from the Department of the Interior. In the next year they hope to secure interim conveyance to a good percentage of their land.

Another area of vital concern for NANA Corporation is cultural development and preservation. They believe they are different and have needs that are different and they need to be developed. In conjunction with that about three years ago they put together their Elder's Conference. They record the history that they have information about. They collect not just history, but specific areas that they need help in such as land management and game management and handling of juvenile delinquents. They are trying to get old methods to mesh with the concepts that they have to work in such as new laws. They hope to develop systems for human services that might work for their people. They also opened their Museum of the Arctic which was part of their cultural preservation objective. They wanted a museum that would tell their subsistence lifestyle story. They wanted a museum that would show people what it means to be an Eskimo in the

Arctic. They ended up with a wildlife museum. They have animal displays tied into a narrated story. They hope it conveys the people's feeling for the animals and the land. They have been told that it is better than any museum in the state. The Elder's Conference had a great deal to do with the museum development and the presentations. They are taking the elder's information and developing materials that will be used in a Native studies program in the schools in the region. They hope to have sufficient information materials and programs developed that their children can learn as much about their own culture as they do the American culture.

Schaeffer said they are looking into expanding their oil service work. They have done well in that industrial service. They recently had a contract with a minority partner with a California firm. It is in an area where they want to expand. They just got a contract with BP. They are building a new drill rig which will be put into operation on the Prudhoe Bay field. This is an area that they may expand later. Until they develop their long range plan that will articulate their expectations it is difficult to look at other ventures. One of the problems that they have had is separating their business operations from the other needs of their stockholders. They realized that they had to develop their businesses so that they were profitable so that they had an entity that would be able to retain the ownership of their land which is so important to their people and their culture. That has always been an objective. In addition to that the stockholders have other needs such as housing, health and other social needs that are important to the individual right now than waiting for a dividend. They can get more help now from some of these programs than they can get from NANA right now. NANA Corporation is an entity set up to manage the lands which are important to their culture. In the long term NANA is much more important than any of these other programs, but in the short run they have all of these needs. He has had to take his time and other staff time to work on those needs. It has been difficult. They have had to develop their non-profit arm up to the point where they can handle most of these needs. They are still developing. They don't have the cash basis that NANA does. They still need NANA's support and they spend time working with them. They also work with the federal government. Congress passed the Settlement Act and gave them certain things that they intended that they have, land especially. In every case they have had to fight the bureaucracy for every acre of land. They have had to bear the cost trying to make sure they get what Congress intended. Last year they had a cursory review of their budget to see what they were spending to fight the government. They identified a quarter of a million dollars. They have had to fight environmentalists, sportsmen on easements, the state, etc.

Kennedy said Schaeffer comments on explaining to older stockholders how a modern corporation works. Schaeffer said they started off by holding meetings and explaining to the people the concepts of business operation. They still do it through a newsletter or other methods to provide information so the people will understand how they operate. It is still difficult for them to accept that. They can't expect the people to understand this overnight. Some of the elders may never understand the concepts. He said the elders have to have confidence in their board of directors and in the management. By using informal shareholder meetings they get a crack at developing management policy. It gives the people more of an opportunity to direct the future of their corporation. He said to understand the business people will have to attend school and learn on the job. They can explain some of the concepts of the business to others, but he doesn't think they have to understand everything about business operation. It is important for the board of directors learn some of the concepts and terminology and how to look after the assets of

the shareholders. They have a week long manager's seminar and their finance committee attends to learn financial management and how to use their system. The stockholder can make changes through the board of directors. He hopes that they are getting the stockholders to get their feelings across at their informal stockholder's meetings and the board of directors brings this to the staff.

Moses Wassillie asked Schaeffer if management has encountered any problems merging with village corporations. Schaeffer said so far they have not had any problems with the mergers. The only problem created was having a large board. It is very expensive to bring them together for meetings. They eliminated a separate hierarchy. They are doing the same things that the village corporations would have done. The people are still having a say about the land use and money investment. They are able to take their assets and combine them to invest them as a whole as opposed to doing it separately in twelve different corporations. He believes they saved the stockholder's money. He feels the village corporations would have eventually gone bankrupt. Everything that they did that was important to the shareholder before is still here in one corporation.