

# NATIVE 8(a) WORKS

FOR AMERICA



- COMPETITIVE
- EXCEPTIONAL VALUE
- OPPORTUNITIES FOR ALASKANS

## FACT SHEET: COMMON MISCONCEPTIONS ABOUT NATIVE ENTERPRISES AND 8(A) CONTRACTING

**Claim:** Native Enterprise Leaders are non-Native

**Reality:** Many privately held corporations, regardless of size, hire outside talent to run their companies, and Native Enterprises are no different. Business success is largely dependent upon the talent of employees, particularly as capabilities and markets expand. Today there are more Native CEOs than ever before, thanks to profits from 8(a) ventures funding higher education for shareholders and Tribal members. In addition, the growth of Native Corporations has provided considerable opportunity for young leaders to gain valuable experience in their own Corporations.

A new generation of Native business people is earning the credentials to successfully take over top management positions. For example, the Board of Suulutaaq, an 8(a) construction subsidiary of The Kuskokwim Corporation, recently appointed a Native shareholder as its new president. She is now overseeing a \$54 million flood control project in California that has been widely praised for its quality of work.

Derik Fredericksen, a Tsimshian shareholder of Sealaska Regional Corporation is another example. Derik 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 U.S. Navy.

The GAO specifically studied ANC manager training programs and found that almost a third have successful programs that develop managers like Fredericksen. The

growth in Native adults earning college degrees has been most pronounced in the four Alaska Native Corporation (ANC) regions containing the most active participants in the 8(a) program.

**Claim:** Most Native 8(a) work is outside Alaska or off reservation lands

**Reality:** That's true because that's where the vast majority of federal spending occurs. The fact is the Alaska and reservation economy [regardless of gaming efforts] is not large enough to provide many contracting opportunities. The goal of 8(a) is to develop businesses, not create local jobs.

Those who challenge ANCs' right to operate outside Alaska are applying a double standard. No one questions California companies or Missouri companies operating outside their respective states. Restricting Native Enterprises to a geographic boundary is not only ridiculous, but makes economic self-sufficiency exceedingly difficult and violates the basic economic tenets that made this nation so strong.

**Claim:** ANC 8(a)s hire few Natives shareholders

**Reality:** Every ANC has a shareholder hire preference policy and diligently works to provide employment for shareholders whenever possible. However, many shareholders do not want to leave their village or the state of Alaska, while others are in retirement or in school and therefore not actively in the job market. ANCs have created growing scholarship and internship programs

## NATIVE 8(a) WORKS

Learn more at [www.native8aworks.org](http://www.native8aworks.org).

---

to train shareholders with necessary job and vocational training that makes them more valuable to jobs in or out of Alaska.

---

**Claim:** ANCs take business away from other 8(a)s

**Reality:** Most 8(a)s are small, individually owned companies that lack the capacity and the financial strength to pursue and fulfill larger contracts. ANCs compete with the larger, well-known, international government contractors. But unlike those companies, ANCs have a mandate to contribute to the social, economic and cultural welfare of their owners.

---

**Claim:** ANCs have multiple 8(a)s doing the same work

**Reality:** Federal law allows ANCs to have multiple 8(a)s, but each company must have a different and unique primary NAICS code.

---

**Claim:** Native sole source contracts do not provide good value to America.

**Reality:** All Native 8(a) contracts are scrutinized by experienced government contracting officers, federal auditors and other officials who understand procurement law, regulations and the marketplace. Sole source prices are negotiated, not dictated, and every contract term undergoes a comprehensive review to ensure the government receives best value. As the Associate Administrator of Government Contracting and Business Development told Congress: "In every contract, and this also applies to all sole source contracts, the contracting officer must certify that the government got fair and reasonable value and it must monitor performance of that contract and can terminate it if the contracting officer sees fit. So to say that the government did not get the best value because it was sole sourced is, or should be, inaccurate."<sup>1</sup>

---

**Claim:** Native 8(a)s are neither small nor disadvantaged

**Reality:** Where most 8(a)s are small, primarily individually or family-owned businesses, Native 8(a)s represent the interests of a much larger population – shareholders who frequently number in the tens of thousands. These shareholders collectively represent one of the most disadvantaged populations in America as documented by

the U.S. Census and the University of Alaska Institute of Social and Economic Institute.<sup>2</sup> Native enterprises provide thousands of jobs for shareholders and tens of thousands of jobs for Americans in Alaska, where economic opportunities are limited, and virtually every other state of the Union.

---

**Claim:** Native 8(a) companies are just fronts for big businesses.

**Reality:** Federal regulations require that Native Enterprises perform a minimum of 51 percent of each service contract. Like all other 8(a) contractors, Native Enterprises can team with other businesses where doing so adds value to the Government or strengthens its competitive position. The rules are no different for Native Enterprises and other small business contractors.

---

**Claim:** The Native 8(a) program does not benefit Native Alaskans.

**Reality:** This is absolutely not correct. It is estimated that a typical Alaska Native household with two regional ANC shareholders receives more than \$3,200 each year from 8(a) enterprises, a significant amount considering Alaska Native household income is just 2/3rds of the Alaska average.<sup>3</sup> [See 'Calculating Benefits to Shareholders' for greater details]

In the Alaska Native Corporations Economic Data 2010 report, recent shareholder benefits are compiled from the 12 regional corporations. For example:

- 13,848 jobs were in Alaska, and 3,577 were held by Alaska Native people, or almost 10 percent of their total employment base in Alaska.
- In 2008, the 12 regional corporations distributed \$171 million in dividends to shareholders, representing 66 percent of net profits.
- All 12 regional corporations paid shareholder dividends in 2008, a promising trend.
- During 2008, contributions of \$11.1 million were made to more than 3,200 scholarship recipients as well as endowments.

---

<sup>1</sup> Joseph Jordan, 2009 testimony before the Subcommittee on Contracting Oversight

<sup>2</sup> Complete report available at [www.iser.uaa.alaska.edu](http://www.iser.uaa.alaska.edu)

<sup>3</sup> "The Value of Native 8(a) to Alaska Native People," McDowell Group