

ALASKA NATIVE CORPORATIONS

CONGRESSIONAL TESTIMONY

JUNE 21, 2006

Presented to: United States House of Representatives Committee on Government Reform and Committee on Small Business Honorable Tom Davis and Honorable Donald A. Manzullo, respective Chairs

Presented by:

Harry C. Alford, President/CEO

Honorable Chairmen Davis and Manzullo and distinguished members of both committees thank you all for allowing the National Black Chamber of Commerce, Inc. to provide input and comments on the Alaska Native Corporations. This is a very serious and sensitive subject to my constituents. We hope and pray that this hearing will become a catalyst for change and progress. Let me also make it clear that the NBCC believes in the importance of economic development for Alaska Natives and will defend their right to such.

The Honorables Parren J. Mitchell and Adam Clayton Powell insisted on inclusion of African American business owners in the federal procurement arenas. They rightly believed that African Americans had been and were being severely discriminated by the very institutions, national and local, that were supposed to protect the freedom and equal opportunity of all Americans. The programs that evolved from the implementation of the Civil Rights Act of 1964 were to correct the economic ills created from decades of a Jim Crow economy. This economy directly affected African Americans.

These programs, as they developed, included all minority groups (including Native Americans) where there was some sort of discriminatory evidence. It is without a doubt that the most prolific and successful program to evolve is the SBA 8(a) program. I estimate that at least 80% of the larger businesses within the NBCC network are graduates of the 8a program. This program has produced more Black millionaires than all other federal programs combined. On average, 8(a) firms employ 20 people each, while small businesses in general employ an average of 2 people. That is a significant difference.

With the above in mind, the Members sitting on both the House Small Business Committee and the House Government Reform Committee represent a total of 1,780 8(a) companies which equates to nearly 20% of all 8(a) participants. These 1,780 businesses employ an estimated 35,600 people (20 each). I believe each and every one of you does consider that appreciable. In sum, the 8(a) program is a source of employment in all states, including the District of Columbia, Guam, Puerto Rico and the Virgin Islands.

For some very peculiar rationale, Alaska Native Corporations (as they are called) have been permitted since 1986 to participate in the SBA 8(a) program. For the most part ANC's are not minority – not even Native American. ANC's are not small businesses. ANC's reap the 8(a) benefits such as receiving awards without competition but also get the enormous benefit of waiving contract dollar maximums and exceeding the size standards for small businesses. What we have today are billion dollar corporations (waiver on the "affiliation rule") located in places like North Carolina, Virginia, Maryland, etc. Corporations located in places that are totally remote to Alaska and void of minority management or control. These ANC components, often LLC's, are supposed to benefit Alaska Natives. I strongly suggest that very little of the revenue obtained through federal contracting finds its way to Alaska Natives. Avarice has no end and what we have here is a tool for avaristic manipulators.

Federal procurement is booming! However, if you take away ANC volume from the 8(a) contract awards you will find that the 8(a) program has been decreasing steadily. Two things have negatively affected the program. 1. The practice of bundling contracts (tantamount to sole

sourcing for the Fortune 200) and 2. The emergence of the ANC “game” manipulating the 8(a) program. Certain lobbyists and a few slick law firms have mastered this “game”. Major corporations are getting into the ANC program and are drawing 8(a) contracts by the billions. Quick thinking procurement agents have identified this as an attractive tool to quickly boost 8(a) and SDB volume. Some SBA officials rush to take advantage of this also.

The ugliness of it all came together when the Katrina and Rita disasters hit the Gulf Region last summer/fall. Billion dollar sole source contracts were immediately let to a few companies that would eventually “flip” the scope to various smaller companies at reduced rates and would then pocket the difference. Ashbritt, a Florida company, received a significant prime contract for debris removal and the company does not own one truck. Likewise, ANC companies were sought out for contracts that had no relation to their NAIC’s or expertise. The first Minority Participation report I received from the Army Corps of Engineers for the Gulf Rebuilding activity was 98.2% ANC and 1.8% legitimate SDB.

Bundling and a “run away freight train” known as the ANC’s is reeking havoc on 8(a) firms and the African American, Hispanic, Asian and, yes, the Native American communities. We are losing jobs, destroying businesses and negatively affecting communities who need progress the most. ANC’s, in effect, have become predators on the minority business community. Shame on all of us for letting it get this far. The only rational thing to do now is bring it to a close. The NBCC suggests the following:

1. Conduct thorough audits on how much revenue is actually being received by Alaska Natives. What are the amount of dollars, programs, end results?
2. Are most of these ANC’s run by Caucasians? How many minorities actually work for ANC’s? We need EEO Surveys performed by the Dept. of Labor.
3. Is there a strong correlation with certain lobbying firms, law firms and political contributions?
4. Let’s separate the ANC’s from the 8(a) program. It is an abomination as it is currently structured with all of the oddities. ANC numbers should not be counted towards Small Business and/or Minority Business goals.

In sum, we don’t know what was actually Congress’s intent in regards to the ANC program. It certainly wasn’t to benefit the 8(a) program or minority businesses per se.

Thank you for your time and concern by meeting this disgusting problem head on.