

Regionals dispute Sealaska's 7(i) revenue accounting

by **Laury Roberts Scandling**

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Seven regional Native corporations claimed that their Southeast sister, Sealaska, hasn't been generous enough with her resource riches, and they want an outside referee to settle the squabble.

A section of the 1971 Alaska Native Claims Settlement Act (ANCSA) requires that each in-state regional corporation divvy up 70 percent of its resource profits among its 12 counterparts, one of which is in Seattle for Natives outside Alaska.

The corporations in 1982 worked out an agreement on how to satisfy the standards set out in section 7(i). Ironically, then-Sealaska president, Byron Mallott, was credited at the time with being the prime architect of the hard-won consensus.

Now several corporations have served notice that a dispute over Sealaska's 1982 timber revenues will go to arbitration, for the first time testing the

mechanics of the 7(i) accord.

"We never like to put the finances of Sealaska in the hands of three wisemen," said William Howe, Sealaska's president and chief operating officer, referring to selection of arbitrators. Each side will pick mediators, who, in turn, will choose a final arbitrator. However, Howe said it was "inevitable" that provisions of the 7(i) agreement eventually would be tested.

The challenge to Sealaska is being lead by the Aleut Corporation and Cook Inlet Region Inc. (CIRI), which have filed separate notices of arbitration. They have been joined by Calista, Doyon, NANA, Ahtna and Bristol Bay.

The corporations don't like the accounting methods used by Sealaska to calculate timber profits and are protesting the bottom line figure of \$389,000. A dozen other regionals would have each received a little over

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7(i) dispute

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\$22,000 of that profit.

"It was a terrible year for everyone in the forest industry," said Howe.

Sealaska used the so-called "net residual value" approach to determine its timber profit. All costs associated with harvesting and marketing the timber were subtracted from the selling price at a loss to derive a net profit.

"While the settlement agreement was very specific in certain areas it was sort of nebulous in timber, but it was left to the most accurate method in the industry," according to Howe.

Officials of the Aleut Corporation would not discuss the dispute or what they preferred as an appropriate alternative. Instead, they issued a prepared statement through their press office which said, in part, "It's unfortunate that this matter has escalated to an arbitration proceeding, but when continuing disagreements exist it's best to have this interested third party resolve the issues."

CIRI's two top executives were on vacation; they could not be reached for comment.

"We felt it was a fair issue to be raised and it's worthwhile to have someone else look at it," said Don Argetsinger, senior vice-president of NANA. "We're not looking at it with any prejudice one way or the other."

Sealaska and the Aleut Corporation held informal talks in December, but to no avail. Another meeting among all parties is expected soon, according to Argetsinger. The ultimate arbitrator will not be selected until May, however, and Howe expects the resolution to be a protracted process.

"I hope it doesn't turn into a situation in which a lot of lawyers get rich," he said.

Meanwhile, Howe predicts Sealaska in June will disperse nearly \$2 million in net timber profits among the other corporations, "reflecting a better economy."