Sealaska starts major restructuring

JUNEAU — During a two and a half day meeting in Seattle earlier this month, the Sealaska Corp. Board of Directors established a new corporate direction for Sealaska by adopting a new mission statement, authorizing the sale of Ocean Beauty Seafoods and directing a financial restructuring of the company to create maximum financial flexibility and liquidity, according to Sealaska.

Byron I. Mallott, Sealaska chief executive officer, said the decisions are major milestones as the board continues the strategic process of determining the business future of the company.

Over the next two years the board expects to make specific decisions about new business areas, spokesmen said. In the interim, Sealaska will maintain a large investment portfolio managed to protect principal and to provide interest income for dividend and equity growth.

Mallott said the decisions of the board resulted from a formal strategic review begun in April 1989 to analyze all of Sealaska's business operations, the company's organization, its competitive position and financial strength, future business and structural options and 1991 issues.

The review was conducted by the board, corporate management, including subsidiary officers and key employees and a third-party review of the company by Bain and Co., an international business consulting firm.

As the board examined the corporation in light of the new mission statement, it became clear that several strategic business decisions were necessary, according to a Sealaska press release.

Ocean Beauty Seafoods is Sealaska's single largest business with $198 million in revenues in 1988. It plays a major role in the Pacific Northwest seafood industry. Because of its size and complexity in a rapidly changing and very competitive industry, Ocean Beauty would necessarily require the majority of Selaska's financial and management resources for some years to come, it was decided.

While such a commitment is within Sealaska's ability, board members felt it would mean that other opportunities for business growth would be limited and the priority use of Sealaska's financial resources would be to support the growth of Ocean Beauty Seafoods, according to corporation officials.

After review by the board, it was determined that the proper strategic decision was to sell Ocean Beauty Seafoods, using the proceeds from the sale to create greater financial strength and flexibility for Sealaska's future.

Sealaska purchased Ocean Beauty Seafoods in 1980, and Ocean Beauty has since more than doubled in size, and it is expected that Sealaska will receive a substantial gain in a sale.

To protect the financial equity of shareholders in Sealaska and to bring certainty to the company's business future, the board placed a high priority on addressing remaining issues relating to Section 7(i) of the Alaska Native Claims Settlement Act. Section 7(i) requires Native regional corporations to share 70 percent of their resource revenues with other Native corporations.

Several ANCSA regional corporations have begun legal action against Sealaska regarding the amount of revenue Sealaska has shared with them from timber harvest in the years 1986 through 1988. Sealaska is currently negotiating with the other regional corporations on these issues and will pursue them vigorously, according to a Sealaska press release.

To minimize future 7(i) sharing risk and to preserve financial value for Sealaska, the corporation will minimize harvest of ANCSA timber requiring 7(i) sharing and instead will increase harvest and sale of non-7(i) timber in 1990, according to the press release.

Sealaska intends to remain in the timber business, it stated.

Recognizing that business operations will be significantly reduced due to the sale of Ocean Beauty Seafoods and reduced timber harvest in 1990, the board directed a substantial reduction in corporate operating costs during the next two years, according to the press release.

The board will maintain the most cost effective and productive corporate cost structure possible in order to meet its commitment to business excellence and maximum profitability for shareholders.

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Cost reductions will be achieved in a manner that is sensitive to the employee workforce, the press release said. The largest cost reductions are expected to come from not filling vacancies as they occur, through employee reassignment and by reducing programs and other non-employee costs.