An Informal History of the Grand Bahama Port Authority, 1955-1985

By James Baker

Part One: Wallace Groves and His Caribbean Adventure


Wallace Groves

In 1946, American financier Wallace Groves bought the Abaco Lumber Company. The lumber company, founded in 1906 as the Bahamas Timber Company, had moved to Grand Bahama in 1944 after exhausting the supply of usable pine timber on Abaco itself, and set up operations at Pine Ridge, on the north side of the island. Groves modernized operations and added a rail connection between the Pine Ridge sawmill and the landing slip (where the modern harbor is today). He was able to land a contract with the British National Coal Board for thousands of "pit props" (posts for mines) in 1951, and by 1953, the company was employing 1,880 people, mostly immigrants from other islands. The lumbering operations moved east until they almost reached Gold Rock Creek in 1955, when Groves sold his interest in the lumber company for $4 million to the National Container Corporation. "Natcon," which used the local pine to make pulp for cardboard, moved the operation to North Riding Point and then in 1959, the company returned to Abaco. Groves used the profit to pursue a far more ambitious dream for Grand Bahama—the development of an industrial "free port" on the undeveloped and sparsely-populated island. A born businessman and "a natural genius at making money," Groves always thought big.

Wallace Groves was born on March 20, 1901 in Norfolk, Virginal. He graduated from Georgetown University, Washington D.C., with four degrees (B.Sc., L.L.B., M.A., and Master of Laws) and was admitted to the bar in Maryland in 1925. Rather than pursue a career in law, however, he got involved in the business speculations that flourished in the late 'twenties. Using some family money, Groves (and his brother George, who was in the small-loan business) began to buy up local loan companies. Once the aggregate value appeared sufficiently impressive on paper, he sold his interest and moved on to bigger things on Wall Street, where he got a reputation as a sharp operator. In New York he used the same plan in buying up a number of shaky investment trusts and combining their assets to create the "Equity Corporation," which he sold for $750,000.

Groves wheeled and dealed and adopted the life of a high-roller. He entertained lavishly, married a Hollywood starlet, and bought a yacht he named *Regardless*. It was on the *Regardless* that he discovered the Bahamas. Enchanted by the islands (and probably the business climate as well), he got acquainted with the local powerbrokers on Bay Street (including a young lawyer named Stafford Sands) and founded two corporations; Nassau Securities and North American, Ltd. Groves then bought Little Whale Cay in the Berry Islands, where he built a luxurious private estate. However, like so many high-flying CEOs and investment jugglers, Groves over-reached and his $10 million paper empire began to come apart at the seams. The Securities and Exchange Commission and the U. S. Internal Revenue Service began investigations. In December, 1938 Groves, his brother George, Philip De Ronde and five corporations (including two in the Bahamas) were indicted on fourteen counts of mail fraud and one of conspiracy in the milking of the General Investment Corporation of $750,000.

Groves' wife Monaei divorced him, sued him and acted as a prosecution witness at his trial in 1941 after he married his ex-wife's former hairdresser, Canadian citizen Georgette Cusson. De Ronde fled the country and joined the French Foreign Legion (!), but was found guilty along with the Groves brothers. Four of the corporations were each fined $1,000. George's conviction was overturned on appeal, but Wallace Groves was fined $22,000 and sentenced to two years in the penitentiary, with two additional years suspended. In the end he only served five months in the Danbury (Connecticut) penitentiary, from which he was released in 1943. Hounded over the earlier Equity Corp. venture by lawsuits from former associates, Groves fled to the Bahamas to pick up the pieces of his career in 1946. He would thenceforth be very wary of the U.S. government, and kept most of the family assets in his wife's name, as she was not a U.S. citizen.

While in charge of Abaco Lumber, he looked about him and started thinking. Here was all this (now de-timbered) land doing no one any good, within easy reach of Florida and international shipping channels. What could be done to develop it—and make a fortune? The colonial Bahamian government had no resources to offer, and earlier efforts to build tourist developments such as Billy Butlins's West End "Vacation Village" venture in 1950, or industry, as Axel Wenner-Gren's Grand Bahama Packing Company, Ltd., a fish and lobster canning factory that operated from 1939-1945, had failed. If development were to succeed, it would have to be substantial enough to become self-sustaining, and attractive enough to foreign investors to overcome economic concerns about import costs, lack of local infrastructure and practical amenities. Groves hit upon the idea of establishing a "free port" that would develop an industrial base for the benefit of the Bahamas, which had never enjoyed a secure, internally-based economy.

As Peter Barrett notes in *Grand Bahama* (1972 and subsequent editions), the idea of an island "free port" was not new—the concept had surfaced in the 17th century Caribbean as a way in which nations such as Holland, England and France could accommodate Spanish trade, which was illegal under the old mercantile laws whereby each nation tried to control colonial trade by limiting it to its own ships and ports. A free port, however, was open to all comers, and even though the Spanish government forbid such commercial intercourse, her colonies desperately needed manufactured goods that the English could supply—and they paid in Mexican silver. Consequently in 1766, the English government established free ports on Jamaica and Dominica after the (highly profitable) example of the Dutch ports on St. Eustatius and Curaçoa, which had always been open to everyone. Later, similar free ports (with some limitations as to what could be traded) were opened on Granada, New Providence, and Bermuda. Nassau itself was an official free port from 1792 to 1822, resulting in one of those typical short bursts of Bahamian prosperity that crashed after the old system of trade protection was abolished in 1822.

The first "free ports" were confined to trade and tariff considerations but as manufacturing became equally important in the 19th century, alternative tax and regulation-free zones were introduced. Economic enclaves of either sort were out of fashion in the mid-20th century, but there were still a handful in existence that may have inspired Wallace Groves. Interestingly, the concept regained popularity in the 1990s, so that there are perhaps 850 such zones in the world today, as in Dubai, Hong Kong, Singapore, Panama and even Shannon, Ireland. As in other matters, Groves was a visionary seeing ahead of his time.


Stafford Sands

Groves consulted with his old friend Stafford Sands and the two of them came up with the plan for what would become the Grand Bahama Port Authority. Groves' initial concept was for a standard free port completely free of import and export duties, but Sands observed that as the Bahamian government depended heavily on import duties for income, this would not be acceptable. They developed a modified plan for a largely tax and regulation (and, initially, trade union-free) exempt commercial enclave where trade and manufacturing could compete with nearby Caribbean and U. S. ports, but which would still collect duties on anything not directly connected with building and conducting businesses. The port and industrial zone would be used for excise-free transshipment of goods (especially oil) and for the processing of products for export—any items that were distributed within the Bahamas would automatically become taxable. They initiated talks with the Bahamian Government in 1953, which led to the drafting and signing of the Hawksbill Creek Agreement on 4 August 1955.

This remarkable contract between the Bahamian colonial government and a private corporation wholly owned by the Groves family was negotiated at a time when the old colonial structure was still in place. Once the details were hammered out between the British Crown (represented by Acting Governor Gardner-Brown) on behalf of the Bahamian government and the Grand Bahama Port Authority (represented by Wallace Groves—with Stafford Sands in the background), the process was authorized by an Act of the Bahamian legislature, the "Hawksbill Creek, Grand Bahama (Deep Water Harbour and Industrial Area) Act" on June 22, and the Agreement was signed. It should be noted that the legislative act was separate from the contract, and did not in itself create the Port Authority. The Act itself, which incorporates the Hawksbill Creek Agreement, can be consulted on the Bahamian Government website, at http://laws.bahamas.gov.bs/statutes/statute_CHAPTER_261.html .

Under the conditions of the Hawksbill Creek Agreement, the Crown agreed to “grant conditional purchase leases” to the Port Authority for 50 thousand acres of Crown Land surrounding Hawksbill Creek on Grand Bahama and to “grant a conditional purchase lease” to the Port Authority of the sea bed near and underlying Hawksbill Creek. In addition the Port Authority agreed to purchase 80 acres from private owners and had the option (which was accomplished with some difficulty) to buy an additional 1,420 acres of privately-held land in the area. The Crown lands were priced at a minimal £1 per acre; the pound then being about $2.80 US. Within three years and six months, the Port Authority was to provide the colonial government with a detailed survey of the land in question, which turned out to involve 49,894.19 acres of Crown land along with the 1,420 private acreage.

To make the Port Authority enclave economically viable and attractive to overseas investors, the Bahamian government agreed to exempt the Port Authority, its residents and employees from all taxes on real or personal property, capital gains, income in or outside the colony, excise or customs duties for specified imports and all exports out of the colony for a period of 30 years. After the 30 year period, the freedom from excise duties and the other provisions of the Agreement would continue for another 69 years (a standard British leasehold period being 99 years), and any new taxes would be no more than they were elsewhere in the Bahamas.

In return, the Port Authority agreed to, within three years, create a new harbor and channel capable of handling large vessels 200 feet in width with a minimum depth of 30 feet at mean low water from the sea to the mouth of Hawksbill Creek, and within Hawksbill Creek, dredge a channel not less than 200 feet in width with a minimum depth of 27 feet, and also create a turning basin for the ships with a turning radius of not less than 600 feet wide. In addition, they were to construct a wharf at least 600 feet long with a ten-foot wide “apron” to allow vehicles to access the ships.

Further, the Port Authority was to promote and encourage the establishment of factories and industries (the rationale for the extensive acreage) to benefit the Bahamian economy and provide employment for the colony’s citizens. It was suggested that industries which could best exploit the natural resources of the island be particularly sought out (although the limestone and pine were fairly limited in their usefulness). No mention was made or implied concerning the salubrious climate and aesthetic beauty of the landscape—the Bahamas had those resources elsewhere, and it was industry (and agriculture) that was seriously lacking.

It is clear that the primary intent of the special deal was industrial development, made possible by the impressive new harbor. Grand Bahama had not attracted earlier settlement or development precisely because there had been no viable harbor on the southern side of the island. However, the harbor alone was not enough to insure development. The services, infrastructure and amenities necessary for modern life, such as roads, electricity, water, supermarkets, restaurants, schools, churches, hospitals, banks, places of recreation and housing, had to be made available for the employees, officials and their families who would work in the new community before many could be convinced to move there. It was a tremendous task to create a contemporary community from scratch on the island’s pine barrens and limestone landscape, especially as everything had to be imported.

The Agreement included a number of stipulations concerning the construction of necessary support facilities as well as the continued maintenance of the port. The Port Authority was to build and maintain schools, provide medical services and utilities such as power and water, supply rent-free living and office accommodations for any officers and employees of the Bahamian government that the government might station in the Port Area, and reimburse the government for all expenses involved, including salaries (and 25% for overhead). They also agreed to allow “free access at all reasonable times to the Port Area and to any works being constructed in connection with the Port Project and/or the Port Area Development.” It also stipulated that the Port Authority was not subject to the usual governmental permitting and licensing procedures for construction and business establishment.

As Stafford Sands had expected, the Agreement went into considerable detail on the question of which goods could be imported free of duties and which could not. In general, the former included everything that was to be used in the operation of businesses ("manufacturing and administrative supplies") in the Port Authority area, including materials used to construct the new industrial base and the community infrastructure. Anything intended for or re-allocated to personal use ("consumable stores") was excluded, on the same principal that allows U.S. corporations to claim tax deductions for expenses, materials and supplies used in the actual operation of a business but nothing more. The tax exemption was extended to individual proprietors and businesses licensed to operate within the Port Authority area. To help insure that each of the licensed businesses was reputable and beneficial to the overall goals of the Agreement, the Port Authority was required to notify the Bahamian government (through the Colonial Secretary) of each individual or corporation issued a license within 30 days of granting the license.

One point that would prove contentious later was the right the Port Authority and its licensees were given authority to employ foreign nationals (particularly "key, trained, and/or skilled personnel" but also manual workers) to work on Grand Bahama, even though the government reserved the authority to refuse admission to "personally undesirable" individuals and to expel such people it felt were a problem at the Port Authority's expense. There was really no alternative for truly highly-qualified positions, for which there were few if any viable candidates among the Bahamian population. However, there seems to have been considerable hiring of Haitian and other unskilled alien laborers where there might have been potential openings for native Bahamians.

While the Agreement recognized that finding people with the requisite skills to manage and operate the new businesses would necessitate recruitment abroad, this was balanced by a concern that the Port Authority not become an uncontrolled alien intrusion within the colony. It was stipulated that "no workmen or labourers recruited outside of the colony by the Port Authority or by any licensee shall be contracted for any longer period than three years" with the right of renewal, presumably with the intent of insuring that the Port Authority would benefit the local population and the colony's internal economy to the greatest extent possible. The Port Authority also agreed to make a positive effort to "employ Bahamian-born persons within the Port Area, provided such Bahamian-born persons are available and are willing to work at competitive wages or salaries" and, in a nation where higher education, professional training and technical expertise were generally unavailable, to "use their best endeavors to train Bahamian-born persons to fill positions of employment within the Port Area." As we shall see, such training was not always forthcoming.

Another clause that caused some resentment stipulated that "all roads and bridges constructed by the Port Authority … within the Port Area shall be deemed to be private roads and bridges and that the Port Authority shall have the absolute right to exclude any person and vehicle (other than an officer or employee or vehicle of the Government) from using the same, and to exclude any person … from the Port Area or any part thereof without assigning any reason therefore." Although this is no more than the commonly accepted right of an owner of private property, such as the buildings and grounds of an industrial plant, the very extent of the Port Authority and the fact it effectively cut the island in two, made the possible restriction on the local population from traveling freely on their own island a ticklish issue.

Lastly, there was a clause (#28) that guaranteed that the conditions of the Hawksbill Creek Agreement would not be arbitrarily rescinded by the government at some later date, and provided recourse to arbitration under British law. This was an important consideration, as what a government gives it can also take away, and without some security against future impositions, overseas investors might be reluctant to make expensive commitments that could later be swept away, as was then occurring in former colonies.

Was this a colossal "giveaway?" No. For one thing, the purchase of the land was conditional—the Bahamas would not lose in the end if the venture failed and the property was returned to the Crown through reversion, and the Agreement was for a finite period of 99 years. Consider the risk involved. How many grand schemes of this sort have sunk without a trace in the islands? There was no guarantee that Groves could pull it off, and if he didn't, the land would revert to the government after three years, and there might even be a harbor and some roads left behind—all to the general good. It was a chance for the Bahamas to obtain through private international investment facilities, jobs and benefits that were far beyond the ability of the government to provide.

Secondly, was the concept of a self-contained community in which almost all of the infrastructure and utilities were privately owned and administered a revolutionary one? Again, no—the example of the old-fashioned mill town, for example, provided a precedent. Earlier in the century there were about 200 such "company towns" in New England, where everything from schools, churches, post offices, stores, workers' houses to utilities such as electricity, water and roads were built, maintained and owned by a corporation—often, as in the example of "Talcottville" in Vernon, Connecticut, by the Talcott's family-owned firm. While the mill town was legally within the jurisdiction of (and paid taxes to) a public municipality, the property was privately owned and operated just as a single factory building might be. Such "towns' were fast disappearing in New England as the textile trade that supported them moved south after World War I, but the concept was quite familiar to men of Wallace Groves' generation. As the Hawksbill Creek Agreement allowed the Port Authority to choose the name of their "town," Groves chose the self-descriptive name of "Freeport".

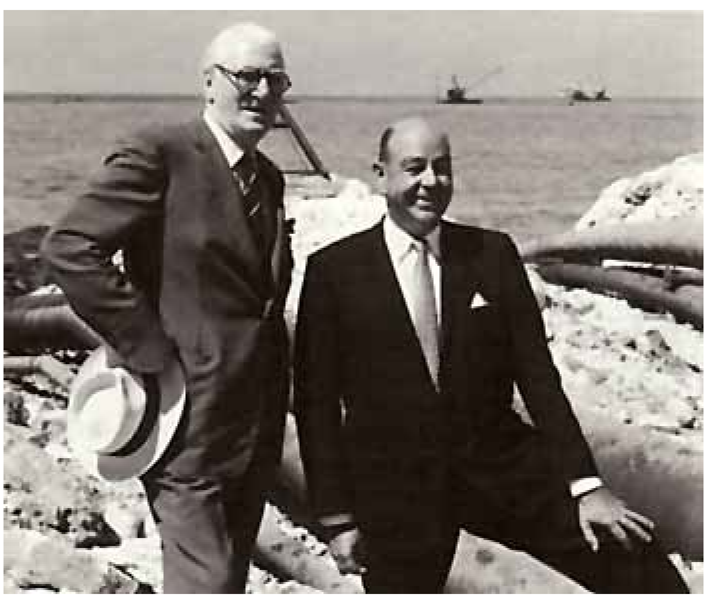
Part Two: Freeport Begins


Daniel K. Ludwig

The first task that the Port Authority faced was the implementation of the stipulations set down in the Hawksbill Creek Agreement, and that required money. Wallace Groves sought out investors who would underwrite the construction of the harbor and support facilities within the required three year period. He was fortunate in being able to secure the cooperation of one of the world's wealthiest men for the construction of the harbor facility, American shipping magnate Daniel K. Ludwig of National Bulk Carriers, Inc. D. K. Ludwig (1897-1992) became one of the world's first billionaires through his development of the modern supertanker and in the refinement of coal, oil and mineral resources (as well as real estate, banking and Argentine cattle). In 1951, Ludwig leased the Imperial Japanese Navy shipyards at Kure, where the massive World War II fleet had been built, for a nominal sum, and began constructing his huge vessels. Apparently the Japanese became dissatisfied with the deal and were attempting to renegotiate the terms of the lease at the time Groves was looking for a way to build his harbor. Ludwig announced that he was considering moving his operations to Grand Bahama, and invested $2 million in preparing the Hawksbill Creek harbor in exchange for 2,000 acres of the Port Authority's industrial land.

It seems in retrospect that Ludwig probably had no intention of moving his vast operations, but the threat worked and he was able to negotiate the continued use of the Kure Shipyard, whereupon he sold his interest in the Port Authority harbor to U.S. Steel. Ludwig not only recouped his investment but also acquired additional acreage and established the King's Inn (later, the Bahama Princess, as one of his chain of Princess hotels and resorts). He also appears to have been involved with the development of the International Bazaar. The steel company established a subsidiary called Bahama Cement, Ltd., which got a 12-year monopoly on cement production in the Bahamas in 1962 and also undertook to dredge the harbor to 42 feet; deeper than New York harbor.

Another Port Authority success was the Freeport Bunkering Company. Built with a $1 million loan from Gulf Oil in 1958, the company opened its oil depot just before a fortuitous change in U. S. law in 1960 made it profitable to transport oil from Freeport to U.S. ports. Not all early enterprises succeeded, however. For example, Bahamas Seacraft built a huge warehouse only to abandoned it, while other concerns simply disappeared from the record. By 1960, there were only 30 or 40 licensed companies, some quite small. Groves was not going to be able to keep up with his commitments unless further investment could be found. Nothing daunted, Groves approached the Bahamian government in April, 1958 for yet another huge area of Grand Bahama under a ten-year conditional lease that required him to spend an additional £1 million in development. The second acquisition, approved by the government in May, was for 40,000 acres at the same £1 an acre. A survey showed that the acreage in question was actually 78,727 acres, but Groves received 88,402 at the agreed price, and eventually the entire property totaled 145,566 acres, almost 230 square miles of the island's entire 530 square miles.


Sir Charles Hayward & Wallace Groves

Two significant investors that came on board in July, 1959 with the permission of the Bahamian government were Sir Charles Hayward (1892-1983), whose "Variant Industries. Ltd." acquired a 25 percent share in the Port Authority for £1 million (then $2,800,000), and Charles Allen of Allen & Company of New York, who introduced a consortium that bought another 25 percent share for slightly more than £1 million. Sir Charles

Haywood began his career as a engineer before World War I who undertook the manufacture of motorcycle sidecars for the A. J. Stevens (Motorcycle) Company in 1913, but left the business to become a stockbroker in 1928. He eventually became a millionaire and founder of the Firth-Cleveland Group of industries, which he sold in 1970. With Sir Charles came his son Jack, who would devote his life to Freeport and the Port Authority project. Charles Allen (1903-1994), on the other hand, was an American financier with the small "boutique investment bank" of Allen & Company, founded by him and his brother Herbert in 1922. As an advisor to the Duke of Windsor, Mr. Allen presumably had earlier Bahamian connections. Allen & Co. at the time had controlling interests in steel, shipbuilding, chemicals, drugs, insurance and other industries, but it was also becoming heavily involved in the media and entertainment business. Their biggest success in the early 1960s was the pharmaceutical company Syntex, which Allen & Co. acquired in 1956, a Mexican-based pharmaceutical firm that specialized in making synthetic hormones from yams. Syntex opened a branch in Freeport in 1967, and became the third substantial corporation to locate in the Port Authority area. Allen & Co. sold Syntex in 1994 to Roche Holding Ltd. for $5.3 billion, and the former 102 acre Syntex site on Grand Bahama was acquired by the South African PharmaChem Technologies in September 2003. The shareholders as of 1 December, 1959 were [Block 1998:53]:

Shareholders	*Shares*	*Description*
Wallace Groves	96	Dir. & Chair of Board
Georgette Groves	35,001	
Abaco Lumber Co.	964,900	A Groves company
Variant Industries, Ltd.	505,000	A Hayward company
Charles Allen	252,500	
Arthur Rubloff	71,428	A Chicago-based real estate agent
C. Gerald Goldsmith	85,822	An officer in the New York Cosmos Bank
Evelyn J. Lubin, Trustee for Barbara Lubin Goldsmith	31,750	
Evelyn J. Lubin, Trustee for Ann Lubin Goldsmith	31,750	
Alfred R. Goldstein	31,750	Engineer

Groves now only held a 50 percent stake in the enterprise, but he remained the man in charge. The partners also agreed to the government's request to underwrite a thorough scientific survey of Freeport's potential economic, social and topographical possibilities. They commissioned the Department of City and Regional Planning at the College of Architecture, Cornell University, to do this. The study was published in the fall of 1960. In their historical overview, the report recognized a problematic precedent to the Freeport venture:

Bahamian merchants had long indulged in the little known sport of trapping foreign investors, deluding them by the lure of a perfect climate and tax-free business possibilities, into dropping thousands of dollars into various operations only to coyly ensnare them with the net of legal red-tape, thereby forcing them to sell out at substantial losses. The islands have, historically, been a closed corporation and islanders have, traditionally, done business only with fellow islanders. On the small islands and cays which are privately owned, guests come only by invitation and for an outsider it was, and still is today, virtually impossible to capitalize on the vast opportunities that await the enlightened investor without the cooperation of the islanders themselves. After the war, with growing concern as to what the islands should do to revitalize their economy, the climate from the business point of view, became right for foreign investors for the first time in Bahamian history. [Cornell 1960:11]

This shift was due in large part to Stafford Sands and like-minded individuals among the Bay Street Boys, who, despite a well-deserved reputation as the Bahamian equivalent of the Bermudan oligarchy known as "The Forty Thieves", concluded that it was in their best interests, as well as those of the colony, to encourage long-term investments that could only come from confident foreign investors rather than jump for the quick buck as they had in the past. Still, short-sighted island insularity (often masquerading as Bahamian patriotism or racial loyalty) was far from dead, as future events demonstrated.

As the development of the huge tract of land was not progressing quickly enough, a significant shift of emphasis was initiated—tourism and private residential development were added to the package. Sands, who headed the very effective Development Board for tourism from 1949 (before he became the Bahamas Minister of Finance and Tourism in 1964 when the Bahamas became internally self-governing) suggested a tourism initiative early on but was vetoed by Groves. As Sands explained, "Mr. Groves was not interested in the tourist trade. He did not consider it stable. I was a tourism man, and he was an industry man." [Messick, 1969:53] The desperate need for growth convinced Groves that the development of leisure facilities and tourist attractions were in fact necessary, and led to the first important amendment of the Hawksbill Creek agreement in 1960. This realization very well may have been the impetus for the additional 1958 acquisition of land, to provide a venue for the new initiatives apart from the original industrial zone.

Whatever the sequence, Groves began negotiations with the Bahamas government on an amendment to the original agreement that was approved on 11 July 1960. It should be noted that, as the 1960 amendment required the approval of all of the licensees, the GBPA spent a considerable sum "buying" these votes, and even more on the subsequent 1966 amendment that only required four-fifths of them to agree. The amendment began by recognizing that the conditional specifications in the 1955 Agreement had been met, and then agreed that "other businesses and enterprises" should be added to the industrial objectives.

One of the first decisions that had to be made was whether or not it would be feasible to plan an industrial complex and whether such a complex would negate the possibility of creating a resort area on the island. [Cornell 1960: 29]

The new boundaries of the Port Authority territory were specified as from three and a half miles west of the west bank of Hawksbill Creek to 500 feet east of the east bank of the mouth of Gold Rock Creek, and various details concerning education, medical services and building standards were clarified. One particular addition was the construction of a first-class, deluxe resort hotel of not less than 200 rooms. The acceptable enterprises now included the Port Authority "owning, constructing, operating, and maintaining hotels, boarding houses, clubs (resident or otherwise), apartment houses, restaurants, marinas, yacht basins, and places of entertainment (other than cinemas), sport, amusement or cultural activity." [Hawksbill Report II 1971:38]. A significant and obviously necessary change was making it necessary to have only four-fifths of the licensees agree to future changes, or to transfer "rights, powers or obligations" from the Port Authority to a future "local authority".

The immensely increased level of development was made possible by the contribution of yet another new investor, the flamboyant Canadian financier, Louis Chesler. Up until this point, the Port Authority, while aggressively ambitious on paper, had been relatively conservative in its leadership. Groves, despite his checkered past that would be brought up whenever things seemed questionable, worked hard to establish a permanent and stable community with a secure future. Freeport was no fly-by-night scheme or stock manipulation swindle. Hayward and Allen, while willing to assume high levels of speculative risk, were both reputable and sound business men. Chesler, on the other hand, was quite a different sort of personality. His contribution, which proved both crucial and perilous to the project, led to the disputes that have overshadowed Freeport ever since. We will consider "Uncle Lou's" casino initiative and its fallout later on, and focus first on the $12 million infusion of cash Chesler was able to bring to the table in 1960 (officially in 1961).

 *Louis A. Chesler*

Louis A. Chesler, born in Belleville, Ontario in 1913, made his first million through Canadian mining stocks such as Loredo Uranium Mines between 1942 and 1946, before shifting his base of operations to Miami, Florida. Using the same sort of "corporate shell" financial shenanigans that had brought Wallace Groves low, he parlayed his way to control of several corporations. The General Development Company, for example, was involved in the infamous "Florida land deals" of the time, but it also constructed actual developments at Port Charlotte, Port Malabar, and Port St. Lucie, and was perhaps a model for what was to follow in Grand Bahama. However, it was the theatrical corporation that Chesler controlled, Seven Arts, that would play the primary role in the history of Freeport.

Seven Arts, founded in 1958, was a motion picture production and distribution firm that bought the rights to various old movies and cartoons. Chesler and his partners, who had engineered the purchase of the Warner Brothers pre-1948 film library in 1956, bought a controlling interest in Seven Arts. Chesler became chairman of the board of Seven Arts and its largest stockholder, and acting in this role, pressured the company into investing $5 million in a quite different venture, the Grand Bahama Development Corporation (Devco). Another $5 million was extracted from Loredo Mines, and to complete the needed $12 million, Chesler secured a loan through a New York bank (the actual cash came indirectly from Seven Arts). For this investment, the new Grand Bahama Development Corporation received 102,305 acres of Port Authority land in 1961, which in time became "Lucaya". Half of Devco stock was issued to the Port Authority, with Seven Arts (Bahamas) and Loredo Uranium Mines receiving 20.75% each and Lou Chesler personally acquiring 8.5%. The whole thing was observed to be rather irregular at the time, but "counsel for the Port Authority", i.e., Stafford Sands, ruled that everything was on the up-and-up, and so the matter rested.

It is unclear exactly how and when Lou Chesler arrived on the scene. According to Sands, Chesler "appeared out of the blue" one day in Nassau, and Sands forwarded him to Freeport. With his Florida development connections, Chesler certainly was aware of the Freeport project. However, there was also a curious link with Charles Allen, who with his partner Serge Semenenko, had bought a lot of stock in Warner Brothers and reorganized the company in 1956 just before the sale of the studio's backlist films to Seven Arts.

The design for the new and expanded Freeport community was worked out in principle in the Cornell University study, which became the basic plan for the future. Although some of the details appear to contradict each other (especially in the rather fuzzy diagrams and pictures of models), the general layout of the community is what exists today:

Because of the port facilities, the industrial area was logically placed at Hawksbill Creek and the west side of the creek was preferable because the prevailing south-easterly winds would blow away the noxious odors, noises, etc. We decided to center the resort activities around a marina which could be dredged from the lowlying areas near the middle of the Freeport holdings. The City of Freeport was located midway between these two areas, where it would be most convenient to both, as well as to the airport. [Cornell 1960:30]

Once the tourism initiative was approved, work began on the new plan and on the hotel, which had to be completed by the end of 1963 (the Lucayan Beach hotel, which opened New Year's Eve, 1963).

The first step was to install the infrastructure for the new Lucayan development made possible by the Chesler investment in Devco. In 1960, tourism was almost entirely limited to the very rich with their freedom of movement and self-contained resources on yachts, as had been the case for many years throughout the islands (that Groves's *Regardless* voyages demonstrated). The Cornell researchers noted this, and also the need to attract another level of customer:

Although Freeport is fast becoming a major tourist attraction in the Bahamas – second only to Nassau, it is said – still the variety of types of tourists who go there is somewhat restricted. Although an increasing number of "Upper-middle" and "Lower-upper" economic class Americans spend from two days to three weeks enjoying Freeport's hotel accommodations, the main bulk of tourists still are very, very wealthy – usually men who come from Florida or New York or Pennsylvania on their private yachts, alone except for a skipper and crew to cater to their wishes, and who stay on their yachts, using Grand Bahama's fertile waters for game fishing and none of her other facilities. It will certainly be necessary to encourage a larger volume of tourist traffic to the island to develop its full potential and this essentially will mean tapping the supply of lower-income tourists who are becoming increasingly mobile and will provide the major proportion of any boost in visitors' numbers. [Cornell 1960:27]

New hotels and private estates required roads, harbor facilities and other amenities, all of which needed to be made ready in record time. For the yacht-less, there was only the Caravel Club, an eight-unit guest house later expanded to 25, which had a small restaurant attached. It is unclear what the report was referring to in the matter of the upper-middle and lower-upper visitors, as there weren't many facilities for them to stay for their "two days to three weeks", but presumably they knew of what they spoke.

The airport opened in October, 1961, and was soon enlarged. The East Mall, Freeport's first "highway", was built in 1962 and the harbor at Lucaya dredged out of a marshy area on the south coast in 1962/63. Sixty miles of roads were built between 1955 and 1963. Considerable progress was made on downtown Freeport, including the first supermarket (now defunct), police stations, post office, the Freeport Hospital, the Mercantile Bank building (which later housed the Port Authority offices – the first Port Authority headquarters became first the Magistrates' Courts, and then a police station. It was subsequently demolished, although Edward St George had hoped it could become a "Freeport Museum"), and the Anglican Church as well as schools such as Mary, Star of the Sea. There were 175 licensees by 1963, and a number of smaller businesses and shops. The Coo-Koo-Roo restaurant opened in 1962, and movies were shown at the Sports and Social Club. Plans for "Hong Kong West" (the future International Bazaar) were announced in 1963. The Queen's Cove development (recently overcome by a series of hurricanes) was the first independent subdivision, followed closely by Caravel Beach (near Ranfurly Circle and not to be confused with the beach of the same name near where the Xanadu is today), Royal Bahama Estates west of Coral Road, and Bahama Terrace, whose canals were dredged in 1964. Peter Barratt, who wrote the authorative history of Grand Bahama, was hired as Freeport's urban planner in February 1965.

Freeport—billed as "The New World Riviera" by Devco—was new, exciting and slightly exotic, with promise of great things to come. The company's plan for land sales and settlement (sometimes overlooked in the emphasis on ephemeral tourism) was laid out in a 1964 publicity flier, which is worth quoting at length, as it was to have lasting repercussions. After a number of pretty photos (almost entirely of white residents) and descriptions of amenities, the flier closes with:

To take full advantage of Lucaya's dynamic potential…for yourself and your family…the time to act is now!
The key to the entire concept of Lucaya is the emphasis and dedication to careful and professional planning by a firm whose experience in the field is vast and whose energy and sincere efforts are resourceful. Everything that has already been done and is planned for Lucaya is designed to make it inviting to come to, desirable to live in, and interesting to invest in.
Land has permanence…solidity. The value placed on a good piece of land increases as demand increases and supply decreases. Land is scarce where climate and accessibility can afford you comfortable, easy living the year 'round, and an opportunity to "live abroad"—yet be so physically close to the U.S. mainland.
By 1980, seventy nine million more Americans than there were in 1960 will be looking for their share of man's greatest possession.
Lucaya is an area which may grow at an even faster rate than Florida's real estate explosion. 1961 drew 368,211 visitors to the Bahamas; 1962 had 444,870 tourists and 1963 counted a total of 546,404 persons—*an increase of 67% over the last two years!*
Many of these visitors are looking for land investment, retirement land and permanent residence land.
It is a well-known fact that desirable and accessible resort residential real estate is diminishing. Now is the time to take advantage of the opportunities offered in Lucaya…where there is still room for capital growth…expansion…gracious living.
"Island Living" in Lucaya, Grand Bahama, opens to a new chapter in human endeavor…combining the vitality of growth with the casualness of semi-tropical living. To build a way of life while enjoying nature's and man-made advantages. To enjoy uncrowded living with the ease of travel to populated areas. To invest in the first major island you reach after leaving Florida's shores. To invest in an area where millions of dollars have already been spent for its growth and expansion.
We urge you not to be one of those who may regret and say, "Why did I wait so long!"
"The New World Riviera" LUCAYA

However, even as Devco was successfully promoting its properties, another venture was in the works that would overshadow all the other elements in the Port Authority-Devco folder—casino gambling.

Part Three: The Gambling Scandals

Although we will cover the brouhaha that erupted with the *Wall Street Journal* exposé "Las Vegas East" in October, 1966 in greater detail in the next section, there needs to be a brief introduction at this point because Louis Chesler (together with Stafford Sands) was responsible of most of what followed. Chesler was an avid gambler in both the stock market and at the gaming table. Like many high-rollers, he was intimate with the underworld figures who controlled the latter, and, thanks to the genius of Meyer Lansky, had begun to infiltrate the former. It appears that Chesler was not only the angel who brought in the timely $12 million investment, but also the imp that acted as go-between for Freeport and the Syndicate.

There is a fascination with conspiracies in popular historical analysis. People see them everywhere—in government, in big business, and just about any powerful or extensive social network. Back in the 1960s, this tendency wasn't as pronounced as it is now, but in international anti-communist politics or the deliciously intriguing sphere of organized crime, the tone was already excited and shrill. It was the presence of the dreaded "Mafia" in Bahamian casinos that precipitated much of the media fascination as to what Wallace Groves was really up to on Grand Bahama. The problem with conspiratorially-minded sources on the Freeport gambling scandal, such as Hank Messick's *Syndicate Abroad* (the best of the lot), is while there is a great deal of valuable information, the focus is sensationally on the wickedness of Meyer Lansky and his cohorts. Lansky is presented as almost supernaturally in control of events, far more powerful, organized, aware and efficient than the poor dupes he was dealing with.


Meyer Lansky

While the sources are convincing that Lansky et al did indeed have a hand in the pot (to their considerable profit), the conclusion that the entire venture was planned out in advance by a criminal mastermind or that men like Chesler were nothing but pawns in the Syndicate's game, is seriously exaggerated. It is more plausible to see the Freeport bosses and Lansky's associates each involved in a calculated game of their own, trying to get as much as they could out of what was essentially a symbiotic relationship. There is more than a casual similarity between high-stakes stock speculation and angling for advantage with the Bahamian government or the Syndicate, so that Chesler and Groves were better positioned than most people for the situation they found themselves in. They really did need experts to manage their casino (and perhaps found it was better to deal with the dubious types directly than risk infiltration), while Lansky had little hope of operating in the Bahamas without collusion with the Bahamian Amusements Company. Little strong-arm intimidation seems to have occurred and whatever "skimming" of profits took place appeared to be accepted as the cost of doing business. There was an instance where three American crooks; Nate Saunders, Rudolph DiBeradino and John Sidoruk and a young Bahamian tough named Gadvill Newton (once bodyguard for Sir Stafford Sands) known throughout the Bahamas as "Skiboo", set up a drugs and prostitutes ring in the King's Inn, however. The pious horror that governmental figures expressed about the evils of gambling at the time sound quaint today—now that gaming has been embraced by civic authorities across America.

However, although there was no crime wave as a result, any possible Chesler/Lansky pact was both illegal and, at the time, immoral. How did the whole thing come about? It seems to have begun with Stafford Sands, who, both Chesler and Groves asserted, was the first to suggest a casino. Sands had a long history of interest in legalized gambling in the Bahamas. His familiarity with the rich tourists of the 'Twenties and 'Thirties, whose natural environment included Monte Carlo, convinced him that a casino would greatly enhance the Bahamas' attraction as a tourism destination. Gambling was illegal in the Bahamas, but there had long been an exclusive seasonal gambling club (the Bahamian Club, which had operated a casino three months a year since 1920) in Nassau. In 1939, Sands, who as a member of the House of Assembly was already seriously trying to attract more of rich and famous visitors to come and leave their cash in his home islands, introduced an act before the Bahamian legislature to legalize both this club and a new operation proposed by American Lewis Wasey for the Cat Cay Club in Bimini. They amended the Lotteries and Gaming Act (1927) with a clause that gave the Governor in Council the authority to grant annual certificates of exemption to certain "persons, clubs or charitable organizations" to allow gaming, which was done for the two clubs in question. The certificates essentially allowing only leisured visitors to indulge in gambling by forbidding minors, native Bahamians, foreigners working in the colony and Government officers and employees from doing so. In 1946 Sands tried to get the certificates extended for a 25-year period, which failed. His efforts to secure permission for a new casino on the former Oakes Field property, and another attempt for a syndicate of English noblemen in February 1959 also failed.

The matter rested there until the Freeport partners found they needed something to speed up the new Lucayan development. The chosen stimulus to create a new cash flow was casino gambling. As the Royal Commission of Inquiry observed in 1967,

During 1962 it became increasingly apparent that the Freeport area was not developing as rapidly as had been planned. Land sales were below the level necessary to justify the enormous investment which the Development Company had already made in that area, and by the later half of the year that Company was running into severe financial difficulties. [Commission of Inquiry 1967:20]

Officially, they began their considerations in 1962—or in 1961, as the Commission concluded from testimony—with Chesler and Sands leading the way. As the plan was a highly "sensitive" issue, they kept it under wraps as far as possible. One interesting clue that the casino concept had been part of their thinking early on is that a casino is mentioned—without detail or exact location (it is listed as #26 on a map of Lucaya on page 47) in the Cornell plan in 1960, before Chesler was formally involved in the project.

With his painful experience in the matter of certificates of exemption in mind, Sands developed an elaborate plan to insure that this time the application would receive favorable attention, which including waiting to see how the November 1962 election would come out. The Bay Street Boys were gratified by the success of the United Bahamian Party in the election, and Sands, who had been reappointed to the Executive Council, knew that it was time to act. On 20 March 1963, a new corporation was formed called the Bahamas Amusements, Ltd. Shares in the Amusements Company were divided between Chesler and Mrs. Groves, who each received 498 shares of 500 Class 1 shares and 498 Class 2 shares. The remaining Class 1 shares went to two of Chesler's Canadian partners, while the two Class 2 shares went to Keith Gonsalves (future director of the Grand Bahama Development Company and of Bahamian Amusements, Ltd.), and Sir Charles Hayward, another GBDC director. That same day, the new company made an application, drafted by Stafford Sands, for a Certificate of Exemption to the Governor in Council, in great secrecy. The certificate was quietly granted without difficulty eleven day later on 1 April 1963, allowing the Amusements Company to operate an unlimited number of casinos on Grand Bahama for a period of ten years. The casino was assured.

Chesler was also instrumental in securing the investment for the actual construction of the Lucayan Hotel, designed by architect A. Herbert Mathes, from a fellow Canadian named Allen S. Manus. Acting for the Atlantic Acceptance Company, a development firm in Toronto, he moved the operations of a prefab building company called Dalite (Canada), Ltd. to Freeport as Dalite (Bahamas), Ltd., through which millions of dollars flowed to build the hotel—and casino. The construction costs were exorbitant: the 256-room hotel cost $7.5 million to build in 1960s dollars, at a cost of $25,000 per room! There was no way that the hotel could recoup its costs at that rate, although the Lucayan Hotel and others to be constructed were vital to the growth of the Freeport development. As the "Report of the Royal Commission … to Review the Hawksbill Creek Agreement (1971)" put it, "Mr. Groves came up with an ingenious answer."—it was agreed that all of the profits from Bahamas Amusements, Ltd. were to go to Devco to support the island's hotels, as well as subsidizing advertising, Bahamas Airways flights to Grand Bahama and encouraging cruise ships to stop there. The Bahamas Amusement Company apparently distributed millions to its dependents, and this is what made Freeport's subsequent success possible. It might be inferred that this may have been what Groves had intended all along in supporting Chesler and Sands' casino scheme. Atlantic Acceptance, after advancing almost $11 million to Devco, went dramatically bankrupt in June, 1965.

The Monte Carlo casino in the new Lucayan Hotel opened on January 11, 1964. The casino did what it was intended to do—it brought in enough money to guarantee the entire Freeport venture at a sensitive time in its evolution. As the *Bahamas Handbook* for 1964, put it, "Gambling is the spark which has lighted the new booster-jets under Freeport in many phases. One of the awakening giants is the fresh boom in land development…" (p. 369). Freeport might not have survived without the introduction of gambling—but it was a Faustian bargain, as the later controversy about the way in which it was brought about and the criminal element it introduced made clear.

Management of a successful casino required professional skills—and since casinos were generally illegal, the only professionals available who could effectively handle the typical American clientele were men who had been involved with illegal gaming in the United States since the Prohibition era, who were generally members of "the Syndicate." Although the Sicilian Mafia (about to be re-christened the "Cosa Nostra" following the revelations of Joe Valachi in 1963) dominated the popular conception of organized crime, there had been in fact a broader consortium of criminals including Jewish, Irish and other ethnicities as well as Italian, who coordinated illicit activities across the U.S. It was from among this cohort that the managers of the new casino were recruited—despite efforts to preclude hiring American employees for that very reason. This inevitably involved the most important figure in American gaming circles, Syndicate leader and Florida resident Meyer Lansky, who was responsible for organizing such ventures in the U.S. and, until Castro took over in Cuba, in Havana as well. Now his "boys" (one of them was in his 80s) were profitably ensconced in Freeport.

Although Louis Chesler was the power broker who made the casino possible, he was perhaps its first victim as well. The other partners had very much needed his money and his underworld connections to make the Grand Bahama Development Corporation and Bahamas Amusements viable, but his volatile character and unreliable nature also made him a liability once things got under way. As Dan Moldea notes in *Interference* (Morrow, 1995), this problem had already gotten Chesler in trouble in Florida:

Chesler didn't control General Development, but he brought the company the money with which it could go forward and develop these various parts of Florida. Chesler was way ahead of that parade. The trouble with Chesler was that he loved to get drunk at night, and that was dangerous. [Moldea 1995:]

During the sensitive negotiations with the Governor and the Executive Council, Sands and Groves were horrified to discover a leak, which they attributed to Chesler's drunken behavior. In a letter to Chesler dated 28 March 1963, Groves pleads:

"Stafford is *really* concerned over leaks, rumors, etc. and says the matter [the Certificate] can still be defeated. It will take two weeks more or less for certificate of exp. to be signed and in addition he has *promised* no publicity until he returns from England. Stafford blames S. Kelly and us (He thinks you). Please, please be careful.
Elis of Freeport *News* (and one other) says you laid at Caravel Bar 50 to 1 bet that there would be gambling at Freeport before end of year and Frank Stream told all over that Wednesday was D. Day—and that you did. We are being flooded with requests for information. Too bad." [Messick: 1969:110]

Manus became the owner/operator of the new Lucayan Hotel for $6 million, but not the casino, which leased its rooms from the hotel for $750,000 a year. Predictably, friction arose between the hotel and its exotic subsidiary. Manus resented the role of the casino, worried about filling his rooms with paying patrons rather than gamblers on all-expenses-paid junkets, and had to deal with revolts among the native staff. In addition, he and Chesler had been involved in a personal feud for years that erupted again as things grew difficult. Chesler had plenty of other problems as well. Groves and Sands (now Sir Stafford) had had enough of their erratic and flamboyant partner. Now that his vital role as financier had been fulfilled, they began to edge Chesler out of the picture. Although Chesler tried to hold on to his investment by offering to buy Groves out for $17 million, the offer was refused. Simultaneously, Uncle Lou's ties to Seven Arts, whose stockholders had decided that they no longer wanted to be part of the Grand Bahama venture, began to unravel. The stockholders bought up Chesler's shares in the company and Seven Arts sold off the Grand Bahama Development Company investment. Groves was able to acquire enough stock to gain full control of Devco and Chesler found himself replaced as Director by banker Keith Gonsalves in May, 1964. He was even evicted from his suite at the Lucayan Hotel by Allen Manus. Manus had no luck with the hotel and the Lucayan Beach went in receivership by 1966.

Apparently not given to crying over spilt milk, Chesler is quoted as saying of his removal "I'm not an administrator and I shouldn't be president. So now I'm sales manager." He moved on and became one of the founders of Roberts Realty, of which his son Alan was a vice president in 1966. Even if in April 1967 he could describe himself as "probably the biggest loser in the Bahamas", an article in *Queen* magazine by Ann Leslie that October describes a Roberts Realty venture in which Chesler is still a major figure. He eventually moved on and became owner of a "lush hotel" in Jamaica.

Between 1964 and 1966, Freeport's growth finally took off. In 1966, Devco racked up over $40,000,000 in property sales, and the unprecedented "International Shopping Bazaar" designed by Hollywood set designer Hilliard Morris Brown (now so sadly diminished from its glory days in the '60s) appeared across from the King Inn, which planned an $8 million, 350-room expansion. Golf courses, new hotels including the 614-room Holiday Inn (then the largest in the Holiday Inn chain) and the 12-story Oceanus Hotel in Lucaya (originally combining apartments and hotel rooms) next door, and elegant apartment houses such as the Riviera Towers were built. The population of Freeport almost doubled between 1964 (4,700) and 1966 (8,500). Hospitals, libraries, schools, churches, and commercial establishments blossomed on the Grand Bahama landscape—just as the Devco plans had promised. Tourist visitation to Grand Bahama expanded dramatically as well:

Year	By Air	By Sea	Total
1963	23,000	3,000	26,000
1964	89,000	20,000	109,000
1965	127,769	68,231	196,000
1966	155,456	48,714	204,170
1967	229,635	23,500	253,135
1968	295,117	36,909	332,026

Now that Freeport was a fully functioning community, the GBPA and the Bahamas government took another look at the Hawksbill Creek Agreement. A new amendment was signed on March 1, 1966 with the intent of regularizing some of the social service functions that had been assigned to the Port Authority when Groves's plans were still untested. The government agreed to take responsibility for educational and medical services that the Port Authority had been assigned earlier, as these were in fact more properly functions of the state rather than a for-profit corporation. In return the Port Authority agreed to pay for or provide land and structures for such services, build 1,000 modest worker's homes and extend certain utilities such as running water to other Grand Bahama neighborhoods.


John "Tex" McCrary

The future looked bright and assured, but events were about to take a turn in which Freeport's prospects would be deferred for many years. The first setback was primarily a public relations one, when the *Wall Street Journal* published a startling expose on October 5, 1966 that revealed the shady back-room deals that had made the casino possible, and also its underworld connections. *Journal* reporters, Monroe Karmin and Stanley Penn, received a Pulitzer prize for their work. The information that Sir Stafford Sands and Wallace Groves had tried so hard to cover up was apparently passed on to the *Journal* reporters by publicist and TV personality John "Tex" McCrary, who had worked for Chesler at Seven Arts and then on Grand Bahama. He had gone to work for Hill & Knowlton on New Providence but feeling let down by the Bay Street Boys, he decided to work for their defeat by embarrassing them with the facts behind the Lucaya casino deal:

McCrary began feeding documents on the corruption of the Groves-Sands regime in Grand Bahama to Allan Witwer, the U. S. Justice Department, the New York Times, the Wall Street Journal and anyone else who would listen. When Pindling was elected, McCrary got his reward. He and his associate Bill Safire (later to become a speech-writer for Nixon) eventually took over the large public relations contract previously held by Hill and Knowlton for the Bahamas. [Miller 1974:341]

The inside source of the scandal's details was author Allan Witwer. Witwer also worked in the Devco office as a PR man. He concluded in 1964 that an expose of financial shenanigans he saw going on around him was a good book prospect, so he began to make copies of confidential documents that were easily accessible in the loose security of the Freeport office. Once he had milked Devco of everything he needed, he got a job with Hill & Knowlton, the New York PR firm that worked with Sir Stafford Sands's Bahamas Ministry of Tourism. Assigned to Nassau, he proceeded to rifle the Ministry's files for more material. In April, 1965 he quit and set to work on his book, which he called *The Ugly Bahamian*. He met James Maher, a Chesler associate who had been let go after his boss was pushed out. Maher provided documentation that clarified the Syndicate's involvement, of meetings between Chesler and Lansky, and details about the immense sums paid to Sir Stafford and others in the Bahamian establishment.

Once Witwer let it be known he had an explosive manuscript, he was quickly contacted by Hill & Knowlton, who arranged to buy it (along with a guarantee not to publish) from him for $50,000. However, McCrary had seen to it that the cat was let out of the bag, much to the benefit of the Progressive Liberal Party and its leader, Lynden Pindling. Also, U. S. Attorney for the Southern District of New York Robert Morgenthau subpoenaed both the manuscript and Allan Witwer to appear before a federal grand jury investigating organized crime.

Witner later wrote a series of 11 articles in *Las Vegas Sun* in 1971 about corruption in the Bahamas. He had secretly kept copies of his notes and texts for *The Ugly Bahamian* and these were eventually acquired by Hank Messick, informing his revelations of the Bahamian Syndicate scandal. One can only hope that the Witwer materials will someday be made available to historians of the Bahamas.

The *Wall Street Journal* exposé was only one indication of the problems facing the GBPO. More significant were the political struggles taking place in Nassau, which would shortly overturn the old colonial order that had enabled Sands and Groves to create the island enclave in the first place. Following World War II, European colonialism, which had dominated the world order through the previous century and before, underwent a speedy decay around the world. Colonies and protectorates in Asia, Africa, the Caribbean and elsewhere seized the time to declare independence from an exhausted Europe, which no longer had the power or will to sustain its former political supremacy. In the Bahamas, the local political establishment joined in the demand for dismantling overseas British rule—in a cautious way, at first. Although local contests between the Bay Street elite and the islands' first real political party and opposition, the Progressive Liberal Party (established in 1953), were more visible, the growing Bahamian challenge to British overseas control that lead to eventual independence in 1973 was more significant. The efforts to secure freedom from the Foreign Office mandarins in Westminster set in motion the changes that would threatened the Grand Bahama Port Authority's virtual autonomy and economic progress in the late 1960s.

If Sir Stafford Sands and Lynden Pindling could agree on one thing, it was home rule. Both were patriots (or nationalists) in their own way, putting the Bahamas first against outside interference from Britain—or the United States. Of course, each wanted his *own* faction in control of the political process. Here Sands found himself on the "wrong side of history", vainly contending against the tide of majority rule, while Pindling was able to ride the populist wave sweeping the Caribbean nations to victory. Nevertheless, both recognized that change was inevitable and did their best to turn it to their faction's advantage. What Sands wanted was to free Nassau from its subordinate political status but be able to manipulate the distant authority of the British government to perpetuate the white Bahamian establishment. We assume he was shrewd enough to realize this was a risky venture, which is how he was so quickly able to recognize defeat and slip quietly away to Spain after the 1967 elections. Pindling, on the other hand, wanted to carry the process through to its logical conclusion of national independence as quickly as possible. He knew that the old power structure, and the racist culture it perpetuated, could not easily survive the departure of direct British rule. The question was how long could the old system hang on, and whether it could refashion its economic and political grip as the colonial system slowly devolved.

There is no need to recapitulate the well-known history of the Bahamian progress towards independence beyond considering how the political moves and counter-moves impacted Freeport. The 1962 elections, involving the new extended franchise to women, were a decided victory for the United Bahamian Party, representative of the old establishment since 1958. The process of constitutional reform moved forward apace and the government was reorganized with the support of both parties (with some PLP disagreements). The old representational system was abolished, the Legislative Council became the Senate, the House of Assembly enlarged (at the next election) and an appointed Governor's Cabinet formed. Rising racial tensions—each side being equally guilty in this regard—and concern over electoral process that still discriminated against the black majority resulted in a dramatic confrontation over the report of the Constituencies Commission in 1965, when Pindling performed his splendid symbolic act of tossing the Mace (which Mr. Butler followed with the hour-glasses used to limit debate) out of the window of the House of Assembly. The PLP then became embroiled in a struggle between Pindling's radicals and more conservative members, leading to the secession of the latter as the National Democratic Party.

Amid this political furor, Freeport became a pawn in the struggle between the PLP and the UBP. The PLP had opposed the 1960 amendments to the Hawksbill Creek Agreement, but serious opposition to what was going on on Grand Bahama arose over the very real concerns of the rapidly-expanding foreign community (and alien workers) in Freeport. The sudden departure from tradition in the establishment of the gambling casino and the influx of outsiders became matters of debate. In 1966, the PLP and the NDP "attacked both gambling and the very existence of Freeport. Its population had grown to 8,500 and that of Grand Bahama as a whole to 21,000. [Paul] Adderley warned that in twenty years Freeport could control the Bahamas, 'a monster in this country, which can only devour the Bahamas, unless the Bahamas controls it now…" [Hughes 1981:111] while others shrilly asserted that Freeport's population was largely made up of gangsters. When the *Wall Street Journal* article appeared in October, it was gleefully hailed by Freeport's opponents, and roundly denounced by the other side. In December representatives flew to London to request an official investigation into the gambling problem, which even the Bahamas Amusements Ltd., supported. The stage was now set for the next election confrontation, scheduled for January, 1967.

Part Four: Commission Reports and Governmental Intervention

The January 10, 1967 election resulted in a surprising tie between the ruling United Bahamian Party and the Progressive Liberal Party opposition. Each party received 18 seats in the House of Assembly, with the two remaining going to Labour candidate Randol Fawkes and Independent Alvin Braynen. The moderates of the National Democratic Party came up empty. The UBP and the PLP each approached the two mavericks for support, but both threw their support to Pindling and the PLP, which was then able to form the new government. With the "radicals" now in charge, new fears over the status of Freeport arose, but Pindling, who was generally pragmatic and no racist (not that he was above playing the race card on occasion), said he had no intention of killing the goose that laid the golden eggs or rescinding the Hawksbill Creek Agreement. However, he also stated that his government intended to exercise more control over Grand Bahama, and the vexed questions of "Bahamianization" (increased governmental control as well as more jobs and economic ownership for native Bahamians) and immigration were to be firmly addressed.

Following up on the *Wall Street Journal's* exposé, *Life* magazine (Richard Oulahan and William Lambert, "The Scandal in the Bahamas," Feb. 3, 1967) and the *Saturday Evening Post* (Bill Davidson, "The Mafia: Shadow of Evil on an Island in the Sun," Feb. 25, 1967) published investigatory articles about the suborning of the Executive Council in securing the Certificate of Exemption and of the Mob's influence in Freeport, further exciting the critics of the GBPA and Bay Street, and handing the PLP prime election ammunition. On March 13, the "Commission of Inquiry into the Operations of the Business of Casinos in Freeport and in Nassau" began its investigation. The careful and painstaking (if sometimes frustrated) process of hearings and analysis of documentary evidence resulted in a report issued in November, 1967, which essentially supported the more vivid accounts in the American media. Firstly, the crucial Certificate of Exemption had involved interesting payments to the members of the Executive Council (in the form of "consultancy fees" and other commissions):

- Premier Sir Roland Symonette was given $10,000 as a political donation in 1962, and later was to receive £6,000 a year for five years as a "consultant", but he ended the agreement after 10 months and only received £5,000;
- Charles Trevor Kelly, Maritime Affairs Minister, received a subsidy for the use of his freighter, *Betty K,* for twice-weekly transport between Florida to Freeport (later a compensatory payment of $100,000 was substituted when the service proved impractical);
- Dr. Raymond Sawyer, a dentist and owner of Nassau's Hobby Horse Hall racetrack, was offered £2,000 a year for five years as a medical consultant for Freeport, and took the entire £10,000;
- Capt. Frederic W. Brown, a pilot, who got £2,500 for advising on pilotage in the Freeport channel;
- Sir Etienne Dupuch was given a personal donation in 1962 for his political campaign of $10,000, and $20,000 was given to his newspaper, the *Nassau Tribune* (there was also a gift of $2,760 to the rival *Nassau Herald*). He was later given a £500 a month fee, to a total of £12,000. His paper, which had seriously criticized the idea of gambling eventually became rather timid on the subject; and then there was

- Sir Stafford Sands. Not surprisingly, Sir Stafford made out the best. He received £200,000 for his work on the Certificate. In addition, he was given a retainer of £17,800 ($50,000) a year for "advising on promotion" for ten years as well as other fees, which in the end (1966) totaled over $1,800,000—not bad for a county lawyer.

The other member of the Council, Canadian-born Donald E. d'Albenas and known to be opposed to gambling, was left untouched. In addition, Robert H. "Bobby" Symonette, Speaker of the House of Assembly as well as Sir Roland's son and a yachtsman, was offered £5,000 a year for five years to advise on marina construction, and received £25,000. As there were then no conflict of interest laws in the Bahamas, there were no charges brought. However, all but Sir Roland left government service, Dupuch later moved to Florida and Sands went into exile in Spain.

Secondly, there was the matter of Syndicate involvement in the casino. Once McCrory's disclosures hit the papers, the presence of Lansky's cohorts, as well as Chesler's connections, were revealed. American gambling criminals were indeed in control of or working at the Monte Carlo casino, including:

- Frank Ritter, alias Red Reed ("credit manager"),
- Morris Schmerzler, alias Max Courtney ("general manager"),
- Charles Brudner, alias Charlie Brud ("floor manager")—all three employed at $100 a day plus 30% of the net profits as "annual bonuses";
- George Sadlo (Lansky's 80-year-old sidekick),
- Dino Cellini ("craps supervisor" and casino management expert),
- James Baker [no relation to the author] ("craps supervisor"),
- Roy Bell ("craps supervisor"),
- David Geiger ("craps supervisor"),
- Howard Kamm,
- Al Jacobs ("craps supervisor"),
- Anthony Tabasso,
- Hyman Lazar ("floor manager" after Courtney was deported),
- Frank Farrel, and
- Ernie Braca

Cellini, Baker, Geiger, Jacobs and Bell were deported from the Bahamas in March, 1964. Ritter, Courtney, and Bruder lasted until 1967. In January that year they made a deal with the casino in which they "leased" their files on the "credit-worthiness" of known American "high-rollers"—an important factor in a business where most losses were handled on credit rather than cash—to Bahamas Amusement, Ltd. for $2,100,000, to be paid over a ten-year period! Although the Bahamas Amusement administrators had not blinked and paid up, the Commission understandably found this excessive. Perhaps this was compensation to the Mob for the loss of their cash cow.

In June, the new government voted to levy a tax of a million dollars a year on Freeport's casinos, upon which the Monte Carlo promptly closed in favor of the new El Casino, with the explanation that the company was not yet ready for such a financial burden. In the end, the Syndicate seems to have either departed or become subdued enough that no further charges were made after the "clean-up" of fiscal and managerial irregularities suggested by the Royal Commission. It is too much to believe that all underworld activity departed with the abovementioned "personnel", but there doesn't appear to have been any further scandals. One wonders whether Bahamas Amusements, which quickly agreed to cooperate with the Commission investigation, hadn't welcomed the process as a way in which to free itself from the heavy hand of the Syndicate?

A secondary development involving Bahamas Amusements, Ltd. briefly at this time was the introduction of gambling to Paradise Island, across the harbor from Nassau. The island (formerly "Hog Island"—from the common colonial expedient of setting an island or a fenced-off peninsula apart where the community's swine could be allowed to forage without endangering anyone's crops) had belonged to the wealthy Swedish Electrolux billionaire, Axel Wenner-Gren until he sold it to A&P heir Huntington Hartford for $14 million in 1960. Hartford unsuccessfully tried to secure a gaming concession for his resort in 1963, but he made the mistake of not going to the right lawyer (Sands) and was unable to follow in Groves and Chelser's footsteps. He also contributed to the new PLP, which was not the way to make friends among the Bay Street Boys. However, a new initiative by Bahamas Amusements, Ltd. and the incongruous Mary Carter Paint Company (there was no actual "Mary Carter") was able to buy up the Old Bahamian Club in Nassau without difficulty in 1965 and on August 17, 1966, receive a Certificate of Exemption for a new Paradise Island casino; one of the redoubtable Sir Stafford Sands' final successes. There were some conditions attached, such as the building of a bridge (which Hartford had also fruitlessly proposed) from New Providence Island by April 1, 1967, and construction of a 500-room hotel by the end of that year. As Bahamas Amusements, Ltd. was the primary legal gaming concession in the islands, it made sense for them to be involved with the new venture. However, the 1966 scandal of Bahamas Amusements' dubious connections with the Syndicate (and the Bahamian Government) caused them to divest the Paradise Island stock in March, 1967. Apparently alarmed by the Freeport casino scandal, Mary Carter Paint bought out the Groves' interest (and eventually cheated Hartford out of both his purchase price and his remaining shares).

Mary Carter Paint was incorporated in 1958, involving paint companies dating back to 1908, and retailed paint in Florida, the Bahamas and elsewhere. However, president Jack Davis and CEO James Crosby had bigger ambitions and decided to exploit the corporation to quite different ends. They bought out Bahamas Developers, Ltd. on Grand Bahama in 1962 and, hearing about the troubles Huntington Hartford was having on Paradise Island in 1964, decided to enter the profitable gaming and resort field. At Sir Stafford Sands' suggestion, they joined with Bahamas Amusements (and the unfortunate Hartford, who held onto a 20% share for a while) in early 1966. The partners opened the Bahamas' third major casino (the Monte Carlo had already closed) in December, 1967. Mary Carter Paint also acquired the Queen's Cove property in Freeport from Daniel Ludwig, who was busy developing his Princess Resort at Xanadu Beach. In May 1968, Mary Carter Paint sold its paint division to Delafield Industries for just over $10 million and became Resorts International NV (based in the Netherlands). The new corporation acquired additional amusement companies in America, and bought the Bahamian company, Chalk's International Airline, Inc., in April 1974. After Wallace Groves retired, his successors shifted the management of El Casino to Resorts International (and the old Monte Carlo was resurrected as the Lucayan Beach Hotel and Casino). Resorts international was also successful in introducing gambling to Atlantic City in 1976.


Sir Lynden Pindling

There were also other would-be gambling enthusiasts chasing the golden certificates of exemption at the time. Michael J. McLaney, an associate of Lou Chesler and former operator of the Hotel Nacionale casino in Havana (which he bought from the Syndicate three months before it was seized by Fidel Castro), had managed the Cat

Cay casino in Bimini for Louis Wasey's daughter Jane in 1963-64. In 1966 he approached Lynden Pindling with an offer to help him in the upcoming election. He supplied Pindling with a helicopter to take him to his constituency in Kemp's Bay, Andros for 8 or 9 days; a Cessna aircraft to take him to various Out Islands for 7 to 10 days, and a DC-3 plane for 2 or three days for the same thing. McLaney also supplied Pindling for a month with the services of a financial consultant from New York named Colasurdo, who initiated some complicated business dealings with the future Prime Minister involving a blueberry plantation and $1.9 million. There was no actual deal involved, but McLaney estimated that the combined contributions amounted to about $60,000. He also rented 13 rooms on the fourth floor of the Trade Winds building on Bay Street that he made available to members of the PLP, including Arthur Foulkes and James Shepherd. McLaney ended up with no return for his investment, but Lynden Pindling had gotten a tempting taste of what political power could attract.

While all this was going on, Wallace Groves and his partners were struggling with their public relations debacle and the potential changes in the Bahamian power structure. They seemed to have worried that the PLP might possibly abrogate the Hawksbill Creek Agreement and even nationalize (or "Bahamanize") the Grand Bahama Port Authority, which was only a private corporation with no influential connections outside of the Bahamas. As a hedge against such a move, they embarked on a complicated expedient to get GBPA stock publicly traded on the New York Stock Exchange, apparently hoping to make a straight power grab less likely. They converted 92.5% of the GBPA stock to that of an American-controlled Philippines gold mining company—Benguet Consolidated. The involvement of a Philippines corporation may seem like an odd move, but there were several good reasons for the choice. Firstly, 97.5% of Benguet Consolidated stock was actually owned by American investors, the largest amount of which belonged to Charles Allen's brother and partner, Herbert. Secondly, Benguet Consolidated was facing a threat similar to that of the Grand Bahama Port Authority. The new Philippines' constitution mandated that by 1974 a majority of the stockholders be Filipino citizens. Dictator Ferdinand Marcos had imposed legislation restricting foreign ownership of the country's mining companies to just 40 percent, and by 1971, Benjamin Romualdez, Imelda Marcos's brother, had effective control of the company. As the *Report of the Royal Commission ... to Review the Hawksbill Creek Agreement* (1971) observed, "It would therefore be to their advantage if [Benguet Consolidated] could amalgamate with another corporate entity and thus be enabled by the due date to 'spin off' assets other than its natural resources properties in the Philippine Islands and so secure their long term interests." [*Report of the Royal Commission*, 1971:46]. This they did successfully on May 15, 1968, despite some resistance by the PLP Government that was over come by agreeing to further modifications to the Hawksbill Creek Agreement, and allowing the Government to purchase of 7.5% of the new stock at a discount to become a "partner" on the board of the GBPA.

The Bahamas Handbook had a (probably paid) sidebar entitled "What's this Business about Benguet?" [*Bahamas Handbook* 1969:355] which announced that "Benguet shareholders approved the acquisition of 2,010,000 Port Authority shares in exchange for 9,990,075 Benguet shares, a swap totaling some U.S. $150 million." The reorganization involved the Hayward's Variant Industries shares as well as those of the Allen's and the Groves'. Benguet Consolidated's American investors were able to extract their holdings from the Philippines and placed the Bahamian assets in a new Panamanian (later reorganized in the greater safety of the Cayman Islands in November, 1984) holding company, Intercontinental Diversified (ICD), in early 1974. The remaining assets were taken up by the Allens, who then had no further part in the Grand Bahama story. Benquet itself was largely taken over by Marcos's family and cronies, who also extracted some $329,439 from the investors for approval by the Philippines Government for that end of the deal. With its stock safely tucked away in Panama, ICD, now the owner of the GBPA, became an internationally-traded company in its own right and beyond the easy reach of the PLP Government.

The Benguet venture had a significant downside as well, as the conditions demanded by the Bahamian Government led to a serious conflict between the Port Authority and the PLP. In exchange for the necessary approval of the Government for the Benguet merger, the GBPA agreed in principle "…to the measures which the Government proposes to take for the good government and proper control of the Port Area…", which involved the standardization of immigrant and customs controls as well as approval from Nassau for further development and new business licenses. However, although the Government specified "controls", the GBPA referred to them as "procedural arrangements", which led to an ongoing conflict over what was actually agreed upon. Furthermore, any amendment legally required the approval of four-fifths of the Port Authority licensees, and they were not being told what was going on.

While the GBPA might have agreed to new "controls" or "procedures", the licensees rightly saw this as an unwarranted surrender of the rights they had under the Hawksbill Creek Agreement. New restrictions on employing foreign personnel were particularly unwelcome. Despite wishful thinking by the Government, there simply were not enough capable Bahamians to be had, and although the GBPA could have done more in the way of training, it could not meet any immediate need. Counsel for the Port Authority in Britain was of the opinion that if it could be shown that a) no "key, trained and/or skilled" personnel could be found in the Bahamas, and b) the foreign candidates were in fact actually "key, trained and/or skilled" and c) were of good character, then the Government had "no [legal] discretion to withhold permission to the employer, to bring in the personnel required and the number so required." [*Report of the Royal Commission*, p. 54]. The PLP Government did not agree, and insisted on exercising final control over all recruits, whatever their qualifications or their employer's requirements, contrary to the Hawksbill Creek Agreement. In addition, the machinery set up by the Government to do this proved to be costly, inefficient, dilatory and often unreasonably arbitrary in practice. They limited work permits to a year or even six months, which was hardly inducive to the recruitment of professionals asked to relocate with their families. When the Royal Commission investigated licensee complaints, they found them to be so overwhelmingly true that they "stopped the investigation because it became embarrassing to continue." [*Report of the Royal Commission*, 1971:64]. There was even a government white paper prepared in late 1968 suggesting that Freeport "was eminently suitable" for reorganization as a unit of local government—except the Hawksbill Creek Agreement still stood in the way, so nothing was done.

Another strong signal of the Government's intentions concerning Freeport was lobbed into the fray by Lynden Pindling on July 26, 1969, in the famous "bend or break" speech he gave at the opening of the BORCO refinery on Grand Bahama. According to Michael Craton, it was a last-minute departure from a bland planned address, and one that left little doubt about the PLP's resolve to curb the independence that had enabled Freeport to prosper so dramatically in the mid-1960s.

In this city, where, regrettably, almost anything goes, where, promisingly, some economic opportunities have come to Bahamians, Bahamians are nevertheless still the victims of an unbending social order, which, if it now refuses to bend, must be broken. [Craton 2002:167]

The frustration felt by the licensees, who found it difficult to manage their businesses, conduct desperate searches for suitable employees and afford newly-tightened customs duties, was aggravated by the discovery that the GBPA had already "bent" in principle to the Government's demands in order to secure approval for the Benguet merger. Their case was put forward by the Licensees' Division of the Freeport Chamber of Commerce, represented by its president, Peter Bannock. Bannock met with Prime Minister Pindling and proposed a rather assertive compromise, but to no avail. The GBPA reluctantly yielded to the demands of the licensees and served notice to the Government that the issue should be put to arbitration, as specified in the Hawksbill Creek Agreement. However, the Government ignored this and passed an act, the Immigration (Special Provisions) Bill, 1970, that essentially nullified the clauses respecting immigration in the Hawksbill Creek Agreement, and asserted that the Bahamian Government was to have sole control over all immigration. The original agreement to work out such disputes through Port Authority-Government arbitration was a obviously a dead letter.

This example of governmental breach of faith, as the Royal Commission recognized, may have been strictly legal under the new 1968 constitution, but it was unethical and had far-reaching negative consequences, not only for Freeport but for the Bahamas as well. Capital investment, whether one approves of capitalism or not, is how the world works, and it is notably fluid. No one was going to put money into Bahamian development if there was a chance the Government might interfere and make it impossible to proceed or profit. Foreign investors took one look at the PLP move and shied away. "Capital is so sensitive that it will not tarry to find out who is in the right legally or who is in the wrong." [*Report of the Royal Commission* 1971:66]. Wallace Groves was disgusted by the short-sightedness of the PLP Government, wondering why it should "stupidly wish to destroy a city that was furnishing approximately one-fifth of their governmental revenues." [Block 1998: 97]

To the Government, however, this appeared to be a matter of national pride and an almost obligatory assertion of its perceived rights in the aftermath of the struggle with the Bay Street elite in the overheated atmosphere of "black power" that pervaded the late 1960s. The PLP still had a jaundiced eye on the bothersome "foreign" and largely Caucasian enclave on Grand Bahama, and was determined to assert control, whatever the consequences. It might be wrong-headed and short-sighted, but the Government felt it was their responsibility to kick against any overt outsider influence—even a beneficial one. New challenges, such as another Royal Commission appointed in 1970 to review the Hawksbill Creek Agreement, would follow.

To further complicate matters, the long postwar economic boom that had enabled Freeport's growth came to an end. British sterling was devalued in November, 1967, followed by the French franc in 1969, and in 1971, the U.S. dollar ceased to be convertible into gold. In Grand Bahama, the boom reached its height in 1968, but then leveled off, and a downturn was evident the following year. The United States went into a recession in mid-1969, and as has often be observed, "when the U. S. economy sneezes, the Bahamas' catches cold". No substantial new projects were begun after July 1969, and an exodus from Grand Bahama to more promising places for investment took place.

Part Five: Freeport in Question

It was inevitable that the explosive growth of the mid-1960s would not continue forever, but the combination of the softening world economy and the negative effect of the PLP Government's intransigence and inefficiency caused Freeport's development to cease expanding and then slowly but inexorably deflate. Even tourism declined for the first time in 1970 to further exacerbate the situation. The Grand Bahama economy was in distress, but it was the Government that would not bend, not the GBPA. Banks and businesses moved away, cut back operations or like Freeport Savings and Loan and Bahamas Agricultural Industries, closed down. A need for competent secretarial help blocked by the new immigration bureaucracy even contributed to the sudden failure of Bahamas Airways in 1970 [*Report of the Royal Commission*, 1971:63]. In an effort to overcome the decline, the Government on one hand passed bills such as the Industries Encouragement Act (1970) and instituted programs such as Pindling's sensible "Friendship Campaign" to improve the tourist experience, while on the other putting up roadblocks to their success.

On September 19, 1970, the "Royal Commission appointed on the recommendation of the Bahamas Government to review the Hawksbill Creek Agreement" began its investigation and deliberations of the advisability of maintaining or substantially changing Freeport's governance, "in light of the social and economic conditions now prevailing in the Bahamas Islands…particularly having regard to the correspondence between the Government and the Port Authority in the months of August and September, in 1968…", i.e., the Benguet deal and subsequent disagreements. We have already cited some of their discoveries. Among the Commission's other observations were the following:

- "On their performance to date, significant capital investment in Freeport is unlikely to come from Bahamian investors. Thus far they have exhibited no interest in land development there. They have taken little part in industry in any of their Islands. Hence it may not be unfair to say that, had it been left to Bahamian investment, Freeport would have remained the barren it was 15 years ago." [p. 43]
- 99% of about 5,000 Devco land transactions were by non-Bahamians. [p. 27]
- "… neither in numbers nor in the required skills and proficiencies are Bahamians and persons possessing Bahamian status adequate for the expansion of the economy or even its maintenance at its present level." [p. 41]
- In 1969, substantial fees for permits to work anywhere in the Bahamas were instituted. [p. 53]

- When the commission brought verified examples of licensee complaints to the notice of the Government, they were "met with complacency", i.e., treated as of no consequence and no indication of any problem. [p. 62]
- The paperwork involved in applying for a simple work permit was unnecessarily complicated; "Although we tried very hard, we failed to understand its requirement for so much detail." [p. 64]
- Whether or not the Government had acted unethically or not, appearances were certainly against it (and the commentary deserves to be quoted at length):
  "174. There can be no doubt that the immigration dispute has affected Freeport adversely. And not only Freeport, but the Bahama Islands as a whole. This was not merely a case in which one party alleged that some other had committed a breach of contract. It was one in which the party who it was alleged had committed the breach was a Government. It was, moreover, a Government formed by a political party which had fought to overthrow discrimination and privilege and had but recently won the battle for democracy. It was therefore a Government whose every act would fall under scrutiny, both locally and abroad.
  175. It was a case too in which it was alleged that the Government set out deliberately to withdraw benefits and incentives which its predecessor had granted. The inference therefore was that it had acted in bad faith for oblique reasons and in disregard for the true interests of the Bahamian people. The persons affected by its alleged breach were principally foreigners who had invested in total vast sums which they had brought in from abroad and who by their foresight, enterprise and industry had created a community out of nothing and ushered in an area of great prosperity. They were moreover foreigners seeking to attract more foreigners to bring in more money from abroad for further development and in the interest of further prosperity.
  176. It was a case also in which the Government had used its executive powers to direct the course of action that constituted the alleged breach and in which it ended by using its legislative powers to abrogate the provisions of an agreement granting the benefits and incentives which it alleged were withdrawn wrongly and in bad faith…" [p. 59]

- "The [Hawksbill Creek] Agreement subsists and continues to bind the Government, the Port Authority and the licensees. Each is entitled to expect the others to honour it according to its terms." [p. 75]

As Colin Hughes summarized, of the 1,400 current GBPA licensees only 155 were Bahamian, and only 34% of the workforce was native-born, and there was a low proportion of Bahamians in better-paid positions. [Hughes 1981:167] Recommendations "in the interests of the Bahamas Islands as a whole" made by the commission were:

- No further amending of the Hawksbill Creek Agreement—it would impossible to get the necessary four-fifths of the licensees to agree, and not worth the effort or expense to do so. [p. 74]
- Maintain the agreement that grew out of the Benguet transaction approval process allowing the Government to assume its appropriate role in civil administration. "Freeport is a part of Grand Bahama and Grand Bahama is a part of the Commonwealth of the Bahama Islands. In principle it is wrong that any part should be isolated from, rather than integrated with, the rest of the Bahamas community." [p. 74]
- Not to legislate unilateral solutions. "The Port Authority should be ready to co-operate fully since it agreed to the arrangement as a condition of the Government's approval of its transaction with Benguet, and, further, because by assisting in removing all fears it would help make the way clear for unimpeded progress." [p. 75]
- Fix the immigration problem by a) reconciling the ideal of greater Bahamian employment with the reality that is often not practical in many cases, b) don't allow the Permanent Secretary of the Immigration Ministry to delegate permit approval responsibility to lesser bureaucrats, c) appoint a small committee to advise the Minister, d) make decisions in a timely manner (and insist the applications not be last-minute, as was often the case), e) allow for appeals, f) publish clear guidelines about obtaining

work permits, g) simplify the application forms, and h) allow permits for a practical length of time, i.e., three years.
- Maintain national security by increasing and improving the police force on Grand Bahama, and maintain an effective customs, excise and immigration operation by using the police to do the enforcement rather than personnel from other departments. “We are satisfied that the reports of criminal activities in Freeport have been grossly exaggerated.” [p. 80] There should also be a local prison.
- Regularize and improve schooling, which was a governmental responsibility.
- The GBPA, on the other hand, should live up to its responsibility in actually training Bahamians for future jobs, providing local employees with housing near their places of work by continuing construction beyond the previously mandated 200 workers’ houses, improving public transportation, and encouraging agriculture in particular.
- Their final suggestion was that the Government should communicate more effectively with its Freeport citizens.

Content of the report aside, the damage done by both the gaming scandal and the immigration controversy was fundamental. Freeport never fully recovered its early promise. Development and industrialization continued on a reduced level, as investment “slowed down to a trickle’. Building in the new housing estates in eastern Lucaya, which were announced with optimistic pride in the late 1960s, stagnated and then stopped. The massive Grand Lucayan Waterway project, begun in 1967 and completed in 1978, brought canals and waterside aesthetics to 3,200 acres with 35 miles of waterfront access, but few lots were built upon and the property slowly reverted to an overgrown barrens landscape bizarrely intersected by roads to nowhere. Today the extensive infrastructure of streets and canals is still largely under-utilized, although spotty progress is being made.

Yet Groves’ dream survived and prospered, after a fashion. He had built well with the resources available to him, and those who came after him, notably Edward St. George, continued to move things forward through the uncertain years that followed. Once the scandals and squabbles died down, and the Bahamas achieved independence in 1973, Freeport dropped out of the news and, incidentally, the finely detailed studies we have been relying on to this point, dried up as well. Even the section of Freeport in the annual *Bahamas Handbook* decreased in size and in detail. The scandals that had intrigued researchers and provoked two Royal Commission studies were over, and Freeport was not as interesting a topic. The drug smuggling scandals of the 1980s also pushed gambling concerns out of public consciousness.

Gerald “Gerry” Goldsmith

The Benguet reorganization had been accomplished by C. Gerald “Gerry” Goldsmith, who became chairman of both the GBPA and Devco in 1973. According to Alan Block, Goldsmith diverted $4,431,600 from ICD for political payoffs in the Bahamas—as well as a little for himself [Block 1998:98]. Goldsmith had been one of the investors in Charles Allen’s

> consortium in 1959, and was in a good position to take over when the changing of the old guard took place. According to Donald De La Rue, the revelation of Goldsmith's "diversion" caused a great stir in the GBPA. Jack Hayward apparently erupted in indignation (as he seems wont to do), and confronted Wallace Groves over the activities of "his" man Goldsmith. Edward St. George, who had appeared upon the scene as "Hayward's man", arranged some sort of voting trust in which the Groves shares were to be bound up with Hayward's for five years. On February 19, 1976, St. George bought 25,000 shares in ICD from Goldsmith for $181,250. Groves didn't put up with this for long, and in early 1978 told Hayward that ICD wasn't big enough for both of them, and to either sell out or buy him (Groves) out.

Groves' interest, held in his wife's name, was bought by Jack Hayward in August, 1978, for about $33 million (not $42 million). There was also a SEC (U.S. Securities and Exchange) action taken in 1978 against ICD concerning Goldsmith's activities.

C. Gerald Goldsmith was born in Orlando, Florida, and grew up in Coahoma, Mississippi and Helena, Arkansas. He received a BA from the University of Michigan in 1950, and a MBA from Harvard in 1952. After a stint in the U.S. Air Force, he worked at A.G. Becker & Co. from 1956 until he struck out on his own in 1959 (and invested in the GBPA). He became Chairman of the Freeport companies when they were still part of Benguet, and the company undertook new developments in California, Florida and the Canary Islands, thus extending investments away from the Bahamas and the Philippines. In 1971 he observed that "The economic health of Freeport obviously is not as good as it was in 1969, but I believe that we've come through the serious part of readjustment … What Freeport needs is confidence and stability. We have all the other assets here that will give rebirth to commercial, industrial and tourism expansion." [*Bahamas Handbook* 1971:427]

Once the Benguet maneuver was completed and the shares for the Bahamas vested in the Intercontinental Diversified holding company, the struggles went internal. Goldsmith was forced out in 1976 before any real recovery was possible, but he was right about the worst being over—for GBPA and Devco if not for Groves and his party. Wallace Groves is quoted in a rather distracted interview as saying "I don't particularly want to retire" [*Bahamas Handbook* 1970:415], but he was already on the verge of doing so, at least as chairman. Groves retired as chairman of the GBPA in 1970, and Keith Gonsalves, who became president of the GBPA after Lou Chesler and chairman following Groves, had quit by 1973. This would appear to indicate that Groves left reluctantly. The forces arrayed against him were led by Jack Hayward, son of Sir Charles and last member of the original team who had put it all together in the late 1950s. In 1975, ICD was recapitalized with a one to four split. After Goldsmith resigned and Groves tied up in the restrictive deal with his "partners" (before he was pushed off altogether), Edward St. George became chairman of ICD and Jack Hayward chairman of the GBPA. They then essentially divided up Intercontinental Diversified between themselves and thus became owners of the GBPA and some of its subordinate companies. As the question of their respective holdings of IDC stock has become Freeport's most recent scandal, it might be useful to try to see how this came about in some detail.

Wallace Groves and Jack Hayward officially parted ways on August 4, 1978 when Hayward bought all of the Groves' shares, following the show-down by Groves.

During the spring of 1978, as a result of disagreements concerning the management of ICD, the Groves interests and Hayward concluded that it would not be in their mutual best interests, or the best interest of ICD, for both the Groves Interests and Hayward to continue to own their blocks of ICD stock. Accordingly, a series of negotiations took place culminating in a proposal by the Groves Interests that Hayward either purchase all of the stock of the Groves Interests in ICD at the price of $32 per share or that Hayward sell all of his ICD stock to the Groves Interests at the same $32 per share price. The choice was left to Haywood. ICD stock was trading in the low 20's during this period. [Abramson & Fabricant vs. Intercontinental Diversified Corp. Supreme Court of the State of New York, County of New York, 78 Civ. 3684 (CHT) no. 13657/78, 1980, p. 5]

In July, 1978, there were 2,250,000 shares of ICD stock outstanding. Of these, 1,032,831 shares belonged to Freeport Holdings, Inc. (a Panamanian holding company) in the name of Georgette Groves. Jack Hayward and his holding company, Variant Industries, had 361, 247 shares. The remaining shares were held by various people, including St. George who had bought another 25,000 shares in April 1976, 50,000 more (for $531,250) in October, 1977 (and perhaps more in April, 1978?).

Haywood bought the "Groves Interest" and then turned around and on August 9, 1978, offered 832,831 shares to ICD itself at $ 32.24 a share. The ICD board authorized Edward St. George to form a new company to buy the stock. He founded the Port Authority, Ltd., of which he would own 50% and "the government of the Bahamas and/or other Bahamian interests would own the other 50%" [Abramson & Fabricant 1980:10]. On July 19, 1979, ICD also agreed to sell nine Freeport utility subsidiaries to PAL for $30 million in cash and $4 million in notes.

However, once news of this got to the other stockholders (ICD had attracted some outside investors while being publicly traded), a spirited protest erupted. Officially the stock was only worth $23.63 a share. The minority holders were incensed therefore that the corporation would pay $32 a share for these holdings. A class action lawsuit was filed in the New York courts by two of the minority holders, demanding that the other stockholders be allowed to get a similar price for *their* stock. The plaintiffs wanted more than $34 million for ICD sale, and more than $32 per share. Agreement was reached on December 20, 1979 that ICD would buy everyone's stock at $35.50 per share. Notice of this decision was sent to all 13,000 stockholders between June 12 and November 24, 1980, and no written objections were received. A new Panamanian company, the Lucayan Corporation, was formed to merge with ICD and give shareholders their $35.50 per share (or if they held round lots, the option of continuing as shareholders). This was approved by the New York court on March 17, 1980, and ICD ceased to be publicly traded.

Yet it wasn't as simple as that. ICD didn't have enough cash to buy up all 800,000 shares, so they tried to arrange a loan to cover it—and were unsuccessful. This and the economic turn-down in 1980 caused Port Authority, Ltd., to withdraw its offer to the ICD shareholders, which put them in a quandary. ICD was still trading at $24. If news got out that the sale was off, the stock would plummet in value, and they would be stuck with it. Also, there was the question of the plaintiffs' counsel fees of $775,000 and legal expenses of $44,083.83. A new deal was arranged in late 1980 whereby PAL (or St. George) agreed to buy each outstanding share at $21 in cash and $21 in promissory notes, and this was to include the fees and other costs.

In June, 1981, 525,247 (79%) of the ICD shares were owned by Sir Jack Hayward, 100,000 (15.1%) by Edward St. George, and 39,477 (5.9%) by the public. The public shares were bought up for $1,184,310. By July 14, 1981, Edward St. George and Jack Hayward were the only shareholders, and St. George was chairman of ICD. On August 6, 1982, an internal ICD board decision was made to *issue* 1,635,143 shares of class B common stock (par $2) to Fiduciary Management Services, Ltd. [St. George's "private bank"], and 1,209,896 shares of class B common stock (par $2) to Jack Hayward. *Both* partners would then have an equal number of shares; 1,735,143. On January 20, 1983, an official letter of resolution was issued to ratify this division. When this was finished, ICD owned 92.5% of GBPA stock and 100% of Port Authority, Ltd. The remaining 7.5 GBPA stock was of course still owned by the Bahamian Government.

It appears from this that St. George played a leading role in both squeezing out Groves and in taking the Intercontinental Diversified Corporation private, which is why the equal division apparently took place. He also took over the responsibility of keeping the PLP, or rather Lynden Pindling, happy, which was vital to the GBPA's interests. St. George began to cultivate Pindling after the 1977 election, and made sure that the Prime Minister developed a personal interest in Freeport. Between 1977 and 1983, Craton notes that Pindling's income was five times as much as he was receiving as his official pay. In particular, there was a free gift of

$750,000 from St. George and Hayward. When in London, the Prime Minister and his family was given the use of a luxurious Knightsbridge flat owned by St. George, and Pindling's daughters "finished their education alongside the children of billionaires and princes at Le Rosey in Switzerland, reputed to be the most expensive in the world—largely thanks, it was said, to the munificence of Edward St. George." [Craton 2002:326] Sir Stafford Sands would have understood.

The 1977 *Bahamas Handbook* includes an article ("Revitalizing the Future") that essentially announces that Groves is out and Hayward and St. George are in charge. It also notes that investors had lost confidence in acquiring land. Another article, "DEVCO Formulates New Land Policy", gives notice that property speculation was no longer acceptable. As if to demonstrate this, the list of available developments is considerably shortened. For example, in 1968 at the height of the boom, there were 23 developments (by 7 different developers, including Devco) to choose from, and by 1970 with the construction of the Grand Lucayan Waterway, another 17—mostly subdivisions of the Waterway—were added:
1968 (those without a specific developer noted are Devco ventures):

- Arden Forest 6 miles east of Freeport Freeport Mall, 488 acres
- Bahama Reef (Lucaya) 4.5 miles from central Freeport, 648 acres; Freeport Realty
- Bahama Terrace, 200 acres; Bahama Terrace Yacht and Country Club
- Bahamia Estates North, adjacent to International Bazaar, 345 acres and golf course (late 67); Yorkshire Development
- Bahamia Estates South, adjacent to King's Inn, 1,000 acres; Yorkshire Development
- Buckingham County 15 miles east of Freeport Mall 1,044 acres
- Chesapeake 8 miles east of Freeport Mall, 700 acres
- Fortune Bay Units 1-3 (Lucaya) on Bell Channel, 379 acres; Tamarind Developments
- Fortune Bay Units 4 & 5 (Lucaya) 8 miles from Freeport Mall, 380 acres
- Fortune Point Unit 2, 8 miles from Freeport Mall, 165 acres
- Grand Lucayan Waterway Phase 1,10 miles east of Freeport Mall, 460 acres
- Grasmere Units 1-3 6 miles east of Freeport Mall & north of Arden Forest, 483 acres
- Greening Glade Units 1&2, 5 miles from Freeport Mall surrounding Lucayan Country Club, 257 acres
- Leicester County 14 miles east of Freeport Mall, 2,167 acres
- Lincoln Park, Units 1-3 8 miles east of Freeport Mall, 2,167 acres
- Lucaya Estates Units 1-40 12-18 miles east of Freeport Mall ,17,315 acres
- Lucayan Knoll 5 miles east of Freeport Mall, 93 acres
- Queens Cove 3 miles northwest of central Freeport, 3,500 acres; Bahamas Developers
- Richmond Park, Queen's Highway 4.5 from Freeport Mall, 525 acres; Tamarind Developments
- Royal Bahamian Estates, Sunrise Highway 2 miles from central Freeport, 400 acres; Grand Bahamian Hills
- Shannon Unit 1 8 miles east of Freeport Mall, 174 acres
- Sherwood Forest 5.2 miles east of Freeport Mall, 174 acres; Tamarind Developments
- Yeoman Wood Units 1-4 5 miles east of Freeport Mall, 621 acres

1969 (added to the above list)

- Bell Channel Bay Units 1-4 4.5 miles east of Freeport Mall
- Cannon Bay Units 1&2, Colony Bay, Coral Bay, Discovery Bay, Galleon Bay, Pearl Bay, Pine Bay, each 10 miles east of Freeport Mall on the Grand Lucayan Waterway

1970 (further additions)

- Bristol Bay, 8.5 miles east of Freeport Mall, Caravelle Bay 9 miles east of Freeport Mall, Dover Sound Unit 1, Royal Palm Bay, Surrey Bay, Voyager Bay, and Windsor Bay, on the Grand Lucayan Waterway
- Suffolk Units 1&2

- Emerald Bay Units 1-3, (NW of Caravelle)
- Windemere 10.5 east of Freeport Mall

These and more were still being advertised in the 1975 *Bahamas Handbook*. In 1977, however, many of these projects were no longer viable, and the advertised list had shrunk to eight!

- Bahamas Marina between Bahamia South and the ocean, 240 acres; Princess Realty
- Bahamia North, adjacent to International Bazaar, 370 acres; Princess Realty
- Bahamia South, adjacent to Bahamas Princess Hotel (former King's Inn), 1,035 acres; Princess Realty
- Bahamia West, from Sunrise Highway to ocean, 647 acres; Princess Realty
- Fortune Bay Units 1-3 (Lucaya) on Bell Channel, 379 acres; Tamarind Developments
- Richmond Park, 5.25 from Freeport Mall, 450 acres; Tamarind Developments
- Sherwood Forest 5.25 miles east of Freeport Mall, 523 acres; Tamarind Developments

This dramatically illustrates both the altered vision and the grim economic reality that occurred in Freeport during the GBPA's shift from Wallace Groves to Hayward and St. George in the 1970s. The world recession following the international gas crisis in 1974-76, with its "stagflation", high unemployment and widespread decline in investment, moved the Bahamas out of the development cycle. There were still only eight active developments (although different ones in some cases, as Devco was back in the action) listed in 1979.

Tourism was also a problem. Reduced rates to Europe in the late 1960s drew Americans away from the Islands, and recovery was temporary after the drop in 1970, and slow after that of 1974. On Grand Bahama, visitor numbers were as follows:

<table>
<tr><th>Year</th><th>By Air</th><th>By Sea</th><th>Total</th></tr>
<tr><td>1969</td><td>358,360</td><td>160,519</td><td>518,879</td></tr>
<tr><td>1970</td><td>324,778</td><td>158,347</td><td>483,126</td></tr>
<tr><td>1971</td><td>330,864</td><td>171,744</td><td>502,608</td></tr>
<tr><td>1972</td><td>326,735</td><td>157,137</td><td>483,872</td></tr>
<tr><td>1973</td><td>324,061</td><td>119,903</td><td>443,964</td></tr>
<tr><td>1974</td><td>292,521</td><td>70,754</td><td>363,275</td></tr>
<tr><td>1975</td><td>274,868</td><td>80,737</td><td>355,605</td></tr>
<tr><td>1976</td><td>343,180</td><td>38,990</td><td>382,170</td></tr>
<tr><td colspan="4">Totals before 1977 included people on gambling junkets who only stayed a few hours and had little or no impact on the community. From 1977 on, the figures only include visitors who stayed at least 24 hours.</td></tr>
<tr><td>1977</td><td>333,530</td><td>20,800</td><td>354,330</td></tr>
<tr><td>1978</td><td>401,920</td><td>67,260</td><td>469,180</td></tr>
<tr><td>1979</td><td>433,920</td><td>74,250</td><td>508,170</td></tr>
<tr><td>1980</td><td>454,910</td><td>85,130</td><td>540,040</td></tr>
<tr><td>1981</td><td>557,605</td><td>67,884</td><td>625,489</td></tr>
<tr><td>1982</td><td>398,140</td><td>272,480</td><td>670,620</td></tr>
<tr><td>1983</td><td>546,198</td><td>304,030</td><td>850,109</td></tr>
<tr><td>1984</td><td>520,160</td><td>279,949</td><td>818,109</td></tr>
<tr><td>1985</td><td>408,170</td><td>340,890</td><td>749,060</td></tr>
</table>

1986	595,479	553,652	1,149,131

It should be noted that the economic impact of the arrivals by air has always been more valuable than that of those who come by cruise ship, but some of these figures include people who came for longer stays by the various "ferry" services that were on offer from time to time.

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