



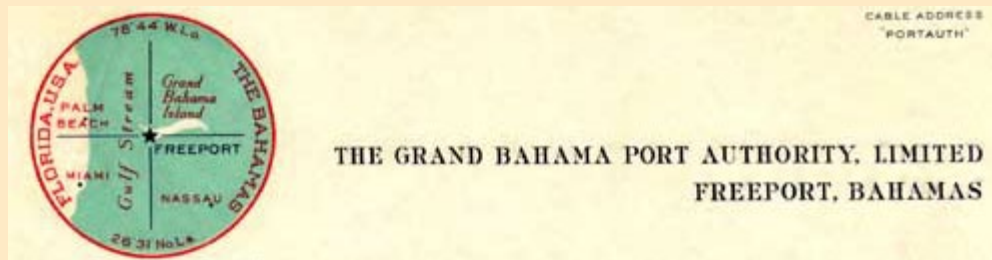
Some Serious Reading

BAHAMIAN FRAGMENTS

BITS AND PIECES FROM THE HISTORY OF

❖ THE BAHAMAS ❖

- [Grand Bahama in 1887](#) from L. D. Powle *The Land of the Pink Pearl or Recollections of Life in the Bahamas*.
- [Grand Bahama in 1891](#) from Stark's *History and Guide to the Bahama Islands*.
- [Grand Bahama in 1917](#) from Amelia Defries *In a Forgotten Colony*
- [Grand Bahama in 1924](#) from *The Tribune Handbook*
- [Grand Bahama in 1926](#) from Mary Mosley *The Bahamas Handbook*.
- [Grand Bahama in 1931](#) from *Nassau and the Treasure Islands of the Bahamas*
- [Grand Bahama in 1934](#) from Maj. H. M. Bell *Bahamas: Isles*



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

The following article was written at the suggestion of Chris Lowe of the Grand Bahama Chamber of Commerce. He was concerned that there was no available history of Freeport's origins and development available online, and felt that this was something residents of the community ought to have access to. After reading the selections posted on this website, he got in touch with me and, by providing useful source material, convinced me that this was a worth-while project. It will be a while before it is complete, as the later years are as yet far less well documented than the earliest and more dramatic ones.

As in any historical reconstruction based on available but hardly complete (or unbiased) sources, the "Informal History" inevitably will contain errors and omissions. There may also be some facts and interpretations that are unwelcome. If you the reader can correct the former, by sending me an email (jimwbaker@comcast.net), I would greatly appreciate it. I do not however guarantee to accept or credit corrections unsupported by more than mere assertion, so please cite sources or detailed circumstances wherever possible.

[Partial Bibliography](#)

Part One: Wallace Groves and His Caribbean Adventure

of June

- [The Bahamas in 1964](#) from Benedict Thielen *The Bahamas-Golden Archipelago*
- [Grand Bahama in 1967](#) *Moral Panic, Gambling, and the Good Life*



Wallace Groves

- [Historical Sources Page](#)

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, Virginia. 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 dealt 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's 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 Butlin'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.



Sir 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’s 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 the [Hawksbill Creek Grand Bahama Deep Water Harbour and Industrial Area Act 1](#).

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 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 endeavours 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”.

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