



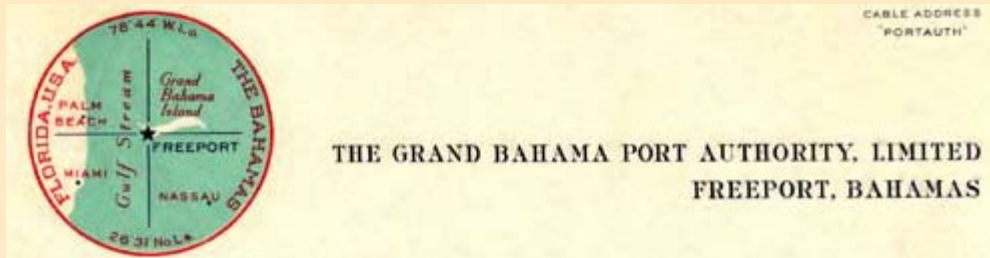
Some Serious Reading

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 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

of June

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

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 DiBerardino 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, rumours, 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. Witwer 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 led 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 threaten 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.

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