

Wallace Groves Interview
Carl Livingston

Mr. G.: Well, ok, I will tell you how I became interested in Pine Ridge and the Abaco Lumber Company. In 1946 while residing in Little Whale Cay, Harold Christie – later Sir Harold – made such strong presentations that I visit Pine Ridge on Grand Bahama island and consider the purchasing of the Abaco Lumber Company, which was in such a serious financial position, that they were on the verge of bankruptcy, and unable to meet payrolls, due to a recent death of the owner, and the company fell into mismanagement. Finally, I consented reluctantly to visit Pine Ridge with Mr. Christie. We took off in an amphibious plane and landed in Hawksbill Creek, and someone met us in a dingy boat and took us to Pine Ridge. I remember a long day, looking over the business and at the end of the day I made, based on facts vividly, a firm offer which seemed very low at the time, of 50,000 pounds for all of the stock of the Abaco Lumber Company, provided the funds in escrow with Stafford Sands as Counsel, to pay debts, and for the owners to receive anything which was left after so doing. This enabled me to take the business over almost immediately. Pine Ridge was a typical small-time lumber town, built out of its own product, unpainted and somewhat depressive, with a narrow gauge railroad – the only one ever in the Bahamas, which ran through the center of the town and was its focal point. I believe it was said that the locomotive exploded in the middle of the community while the temporary operator was having lunch, and he didn't turn the high-speed pressure valve off. It was a calamity and a number of people were killed or injured. I came shortly after the catastrophe, and I remember being very much impressed with Nurse – I believe her name was Major, who handled the situation as a heroine. Also on my visit I remember being especially impressed with the manager – a Bahamian, Grey Russell, who deserves credit for keeping the business alive under most difficult conditions. Mr. Russell verbally gave me the lumber inventory and other information, and I made a check of the inventory records and found them completely accurate. Mr. Russell proved to be a most unusual man, completely dedicated to his work. Completely honest and truthful, and I believe he never told me or anyone an untruth. He was self-effacing and quiet, ultraconservative, shy-to-the-extreme person, but with great knowledge, loyalty, and everyone down to the lowest paid worker gave him such trust and respect that he never had any labor difficulties or unrest. One of the best things I did was to put him in charge of the operation, whereas previously he had little authority. I recall returning to Little Whale Cay that evening and telling Mrs. Groves that she had purchased the Abaco Lumber Company at Pine Ridge, and I think she thought I was crazy. Mrs. Groves was Canadian-born and as she had never resided in the United States and had been out of Canada for some time and had resided in the Bahamas, she was not subject to income tax. This investment proved one of the most profitable anyone ever made, as the business made money, the timber concession was sold in 1954 for four million dollars cash to the National Container Company-Owens, Illinois Glass Company, and the proceeds were invested and became shares in the Grand Bahama Port Authority.

After I had purchased the Abaco Lumber Company, I found I had a bear by the tail, and naturally tried many things. I brought in many timber experts from Florida, so-called experts, but little of permanence and little of permanency was accomplished, and only one person remained, Mr. Leo Savola, who proved himself an honorable and fine person, and became treasurer-auditor of the operation. He still lives in Freeport with his family, and I feel has made contributions to the community. I employed the University of Florida to make a study of a better use of the pine forest, but unfortunately, nothing developed. And I decided on 100% complete Bahamian operation except, for Mr. Savola and the Turks and Caicos islanders who were employed when the company was purchased. Bahamians were used for operation of the mill – machinery, trucking, bookkeeping and other purposes except that experience with the Bahamians in the woods was that they did not like woodwork, and they brought in laborers from Turks Island who seemed to adapt themselves well to wood extractions. I continued the same policy and expanded the pit prop business was engaged in. I was truly troubled over many phases of the business. First, I decided the business was not economic, nor ever had been because the pine trees on very thick growth road were of such small diameter that as much as three-quarters or more even of the tree was burnt as waste. Frankly, I sat on a log, seeking a solution of this problem, along with the problem of a more efficient woods extraction due to a rocky terrain, and lack of roads. I decided that only the butt end of a tree should be used for lumber, and the balance should be used either for pit props in England or pulp wood in the United States. I started negotiations in both fields and finally decided upon supplying pit props as mine timbers for the British mines, and thus we became large suppliers to the National Coal Board in England, and in fact at that time I believe we were the largest suppliers of pit props from any area other than Russia. This proved to be an excellent move as I was reluctant to use the butt ends for lumber (this last part was not too clear) , and also better quality lumber was produced and the balance of the tree for pit props. I feel that this move saved the business. The basic problem became woods extraction due to the rocky terrain. I figured it was wrong to continue the policy of having a number of very small mills located in the forest and moving them frequently as the trees around the mills became cut, so-called “pecker mills”, and decided upon concentrating on one central mill and bringing all the logs through that mill, where personal judgment would determine the best use of a tree, according to its size. The operation then became one to me, of simple arithmetic, how to get the trees to the mill. I made the decision of building good roads at central points and using tractors to bring the logs to central points on such roads, loading them onto heavy trucks which would take them directly to the mill. Thus I completely changed the policy of the business and brought all new equipment. in. Such [a] move proved successful and the company became quite profitable, until it was sold in 1954.

You asked me a question as to the planning of the Freeport area, known as the Port area in the Hawksbill Creek Agreement. Actually, I was very fortunate in obtaining the services of a Mr. Jan Porel, a very unusual and experienced person of the highest intelligence and ability. I met Mr. Porel some years prior in the

construction of some three thousand houses for the Glen Martin plant in Baltimore, Md. of which he later became Executive Vice President, and Mr. Porel was so highly regarded by American engineers that he was selected by the Government to build the Manhattan project of the first atomic energy plant and he was given carte blanche authority to secure the best engineering talent available in American with a crash program to build the city with an 18-months first atomic bomb. In fact, he was so successful that it is now Oak Ridge, and he completed the job in about a year, I believe. Thereafter, Mr. Porel was made Engineer in Charge, selected by the United States Government and the various allied governments to be in charge of the engineering and development of military facilities in North Africa, including ports, air fields and all military installations. This, of course, was a terrific job. He had just about completed this job when I was able to engage his services in the engineering and planning of Freeport. In that regard, a number of matters became paramount; one was the question of water, and I recall that Mr. Porel and I became quite interested in the subject to solve the water problem for Grand Bahama island and which policies have now been adopted in Nassau; namely, that the fresh water being lighter than salt, lay as a belt of several feet or more thickness, and if this water was not unduly disturbed by overpumping, one had an excellent source of water supply, and Mr. Porel is responsible for the policy and design of the water system of Freeport, which has been so successful all these years.

Anyway, Mr. Porel made a valuable contribution to Freeport, and in fact, to the Bahamas in determining the best use of the water, so that as a result, Freeport has had fine potable water throughout the years and this has been accomplished by not allowing over-pumping of the water, and very strict requirements. Mr. Porel selected as his assistant, Douglas Silvera, and I consider that Mr. Silvera made great contributions to the development of Freeport. One thing that Mr. Porel believed in and I did, which was very wise, was to look for a developed area of considerable size in the future, and to provide for dual roads. As the British call it – Dual Carriage Ways, so that Freeport was designed around having two lane highways, and adequate road structure to take care of future housing and population development.

Another matter that in the early days of Freeport we believed in was that in the design of our electrical system we would go to steam turbines, and use diesels as only standbys in the very early stages when we had enough demand to warrant putting the diesels in, whereas in the rest of the Bahamas they had used diesel engines until very recently because diesels are very efficient user of fuel, but need frequent overhauls and repairs and in the end are much more expensive. Later, after Mr. Porel died, we brought in the firm of Harland Bartholomew and Associates who did considerable and good work for the area, and they brought in a Mr. Peter Barratt whom we liked so much we made a permanent employee, and Mr. Barratt has contributed a great deal to the developing of the planning. In the very beginning the Grand Bahama Port Authority started out as a personally-owned corporation, with no outside shareholders, but after several years of operation and we demonstrated clearly that it would be a successful venture, Mr. Charles Hayward, a prominent British industrialist, made a

substantial investment. (I think it would be well for you to verify the correct amount [£1 million – then \$2,800,000]) And soon thereafter, Allen Company, close friends of mine, invested a like amount, which gave them a few shares short of twenty-five per cent for each group, and me retaining a few shares over fifty per cent. And this ownership continued until time of the so-called Benguet transaction. The Allens were lifelong close friends and made long-term investments in enterprises that they had confidence in the management, but as a question of policy, did not take active interest or active directorship in the company, but in this case left it to me to represent their interest.

You have asked me about the Grand Bahama Development Company. The Grand Bahama Development Company was set up to handle land sales and give it a substantial land holding in the Port area for that purpose, and resolve its development. After the commencement of the company, we were approached by what we thought was the General Development Company of Florida, in the name of Louis Chesler. It later turned out that the General Development was not interested as a company, but Mr. Chesler formed a syndicate consisting of himself, the Seven Arts Corporation in New York, whereby he put in two million, the Seven Arts put in five million dollars and Laredo Mines of Canada put in five million dollars, making a total of twelve million dollars cash for fifty per cent of the shares of the Grand Bahama Development Company. Mr. Chesler in the beginning controlled the Board of the company and as such, the management. Frankly, the arrangement did not basically suit certainly myself, and I sought to acquire additional interest in shares as soon as the opportunity presented itself, and in fact, did so and did not re-elect Mr. Chesler to the Board, and he had no further connection with the company after we acquired fifty-one per cent.

We felt that Mr. Chesler was not sufficient competent in the handling of money and do promotional, and a general lack of confidence developed, and we extended ourselves to acquire sufficient stock to change the management.

It was Mr. Chesler's idea to bring gambling because at the time the affairs of the Grand Bahama Development Company looked quite bleak, and he proposed that gambling be brought in, and as a result, negotiations were had with the Government, which did result in the establishment of a Casino in the Lucayan Beach Hotel, but under very restrictive conditions, which I think was wise, among which was that a person employed in the area cannot gamble, as one of the evils of gambling is that it takes away payrolls of families, but such cannot happen here because a person working or residing in the area is not permitted to gamble, under substantial fine.

Actually our organization, including myself, knew nothing about gambling, and depended on Mr. Chesler to procure a regional gaming staff; therefore he brought in people to run the operation; i.e., the beginning of the operation in Freeport – the physical work such as the building of the roads and preparing for what I believed would be a large development such as we have today in the City of Freeport, and when I saw that the city would be successful, I would bring in the associates mentioned.

As far as basic management was concerned, I met the new manager for Barclay's

Bank – Mr. Keith Gonsalves. Up until the time that Barclays Bank and Mr. Gonsalves came to Nassau, the Royal Bank of Canada was the only bank in the country, and Barclays brought in Mr. Gonsalves to open up competition to the Royal Bank. I was so impressed with Mr. Gonsalves that I made him a proposal to join the new Barclays Bank and also join in the development of Freeport as my Executive Assistant, which he so did. He proved to be an able and excellent executive of the highest caliber.

To explain the transactions leading up to the so-called Benguet transaction, the facts are – I approached age seventy and I thought at that time it would be wise for me to retire and was looking for a way to get value for what had been built up and developed, and it came about that negotiations were had with a listed company that had been very active on the New York Stock Exchange, Benguet Mining of the Philippines, and as a result of negotiations, Benguet acquired all of the shares of the Grand Bahama Port Authority, except that the Government asked for a right to acquire seven and a half per cent of the shares. The transaction eventually was approved by the New York Stock Exchange (SEC) and various authorities, and I resigned as an officer and director of the group of companies, and have actually taken no active interest in the company since that date. In the beginning Mrs. Groves and I sold approximately a quarter of our shares under a ___, and distribution by Allen & Company for cash, and kept the balance of the shares as did the Hayward and Allen interests. In August 1978, inasmuch as I had no active interest in the management of the company and took no part in its affairs, I sold all of the shares held by Mrs. Groves and me, to Mr. Jack Hayward, who assumed active control of the company. With Mr. Jack Hayward, I believe that Mr. Edward St. George has a substantial interest in the company, and he certainly has taken a very active interest in the company as executive officer in the group of companies. Mr. St. George has been active director of the Grand Bahama Development Company for many years, and then became active in the group of companies and is Counsel and represents Mr. Jack Hayward, although I am not knowledgeable as to the relationship between them other than they are very close.

In the various individuals in Freeport development, Captain Ron Tyminiski in managing and directing the harbour, proved a very dedicated and competent person and played a great part in the successful development of the area. Tyminiski had a brilliant war record, and being Polish, was unsympathetic with the developments with Russia, and he defected to England and became a Commander of one or more ships in the British Navy, and in fact, in the latter stages of the War, played a very important part in the evacuation of Dieppe, particularly the Canadian troops, for which he is highly decorated. Captain Tyminiski has many decorations, and after the War and prior to joining our operations, developed a movie for the state of Pakistan, which he was in charge of. He was a very able and dedicated person, and very active in civic affairs such as fencing, and developed a very active and competitive fencing club, and won matches over larger areas, in competition such as Palm Beach in fencing championship and very active in the sport of teaching boxing. He himself, I believe, won early Olympic fame, when he was a youth.

In the early stages of Freeport development, Mr. George Kates and a group of his intimate associates approached us and took over the development of Queens Cove. Later when we took over the management of the Grand Bahama Development Co., Mr. Kates was offered the presidency of that company and continued in that capacity until 1976. Mr. Kates was very active in all phases of the development of the Bahama Development Company and built up a very large and successful selling organization in connection with the Perl organization. (Be sure to show Mr. St. George's picture and that of Mr. Jack Hayward)! Incidentally, Mr. St. George did for some years live in Nassau, and was a Magistrate in the Court system there and later became Counsel for some matters of Mr. Charles Hayward and Mr. Jack Hayward, and as such, became a director of the development company