



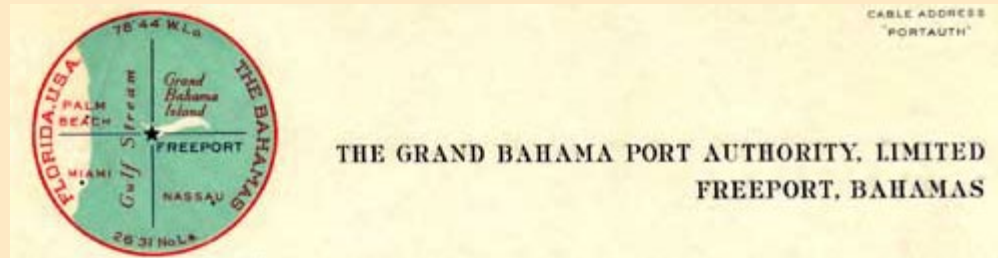
Some Serious Reading

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 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

- 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](#)

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 correspondance 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 be 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's 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.

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



Gerald Goldsmith

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's 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’s 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 quandry. 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:

Year	By Air	By Sea	Total
1969	358,360	160,519	518,879
1970	324,778	158,347	483,126
1971	330,864	171,744	502,608
1972	326,735	157,137	483,872
1973	324,061	119,903	443,964
1974	292,521	70,754	363,275
1975	274,868	80,737	355,605
1976	343,180	38,990	382,170
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.

1977	333,530	20,800	354,330
1978	401,920	67,260	469,180
1979	433,920	74,250	508,170
1980	454,910	85,130	540,040
1981	557,605	67,884	625,489
1982	398,140	272,480	670,620
1983	546,198	304,030	850,109
1984	520,160	279,949	818,109
1985	408,170	340,890	749,060
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.

By the early 1980s, tourism was fluctuating with the U. S. economy and Freeport's development was sluggish. The new Immoveable Properties Act, 1980, made it more difficult for non-Bahamians to buy or develop property, and a nervous Port Authority response to the PLP government's rhetoric about "Bahamianization" and their stated goal of %

< [1](#) [2](#) [3](#) [4](#) [5](#) [6](#) >

