

Press Release

By

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My criticism of the appointment of Hannes Babak to the position of Chairman by the shareholders of the Grand Bahama Port Authority (GBPA) and its group of companies is based, firstly, on the fact that I am a Bahamian, secondly that I am a Port Licensee and, thirdly, that I am a Senator who has a keen interest in ensuring that we do not return to the Freeport of the 1960's. I am also a nationalist and it is my privilege and obligation to speak on issues that affect Bahamians.

I believe that the appointment of Mr. Hannes Babak must be reversed. The Bahamas Government should, at the very minimum, conduct an extensive examination into the history of Mr. Babak's appointment, as well as Mr. Babak himself, to determine his fitness to govern this major stakeholder in Bahamian society. Closer examination of Mr. Babak's record as a businessperson also clearly indicates that the decision to appoint Mr. Babak as Chairman of the Grand Bahama Port Authority must be revisited. This must be done as a matter of priority in the long-term interest of all Bahamians.

Let me say from the outset, lest anyone suggest that I am promoting the Government's involvement in the day-to-day management of the Grand Bahama Port Authority that nothing is further from the truth. I have never in the past believed, nor do I now believe, that it would be appropriate for the Government to assume such a role. However, the Port Authority occupies such a unique place in the fabric of both Grand Bahama and The Bahamas, as a whole that it should be subject to far greater national scrutiny than other private companies. The management decisions of the Port affect a much wider circle of people than those within that company. The Government, therefore, has an obligation to safeguard the citizenry from decisions which could so profoundly and negatively impact their quality of life.

There are at least six (6) very compelling reasons why there should be concern regarding the appointment of Hannes Babak as Chairman of the GBPA.

- 1) By virtue of his continued ownership of businesses in Freeport, Mr. Babak is a **licensee** of the Grand Bahama Port Authority. At the same time, by virtue of his role as Chairman of the Grand Bahama Port Authority, he is a regulator of all those persons operating in Freeport who have been licensed, as he was, by the Grand Bahama Port Authority. In his capacity as Chairman Mr. Babak heads the ultimate authority that grants or refuses licenses to applicants wishing to conduct business in Freeport. Many of those licensees could be seeking to establish businesses that would compete with Mr. Babak's companies. As Chairman, **Mr. Babak is**

therefore in a precarious conflict of interest position. It is very difficult to understand how he will conduct this exercise in a completely unbiased and even-handed way when he must rule on the applications of those who would be in direct competition with **HIS** businesses. There is no question that in the granting of licenses, justice must be seen to done.

In the very short time that he has occupied the post of Chairman, there have already been reports of blatant and direct “conflicts of interest” by Mr. Babak, whose construction company has reportedly entered into a contract to construct the administrative warehouse building for Associated Grocers, the new import/export/distribution center that the GBPA announced just shortly after Mr. Babak took office. It is alleged that the plan is to do so through his construction company (Babak Construction Co.), to have the sister company, Mr. Babak’s Freeport Concrete, supply all the concrete, and to have Mr. Babak’s Home Centre provide all the other related building materials. This strategy is obvious. Deals are being cut at the front end, before the investors have a chance to enter the local arena in search of Bahamian contractors and suppliers of goods and services. Clearly, this would effectively kill all opportunities for Bahamian contractors, because they will never get the opportunity to bid on such contracts. This cannot be right or fair to those hardworking Bahamians who must make a living. **This arrangement cannot and must not be allowed to continue.**

- 2) When one researches the businesses that Hannes Babak is engaged in, it is evident that these are businesses that longstanding Government policy

has reserved for Bahamians. Mr. Babak is not supposed to be in the **general construction** business. His license is specifically one that is accorded a Builder/Investor, which allows him to build for his businesses only. General construction is an area that is reserved for Bahamians. It is alleged that Mr. Babak has bragged that he is the only foreign person to own a general construction company, and that no other foreigner in Freeport can get one. The million dollar question on everyone's mind is and has been: How did he get a licence to operate in a business that by Government policy has been reserved for Bahamians? What are the facts? Companies like this must in reality be owned by a Bahamian. As one can appreciate, the construction industry in Freeport is up in arms.

How can this be fair to Bahamians?

But it does not stop there. Mr. Babak has recently completed the Home Centre, his **wholesale and retail business** in Freeport. This is another type of business that is supposed to be reserved for Bahamians. Yet again, it appears that he is operating in contravention of Government's policy.

3) Hannes Babak and the principals of the GBPA have completely disrespected members of the Board of Directors of the Grand Bahama Port Authority, some of whom have demonstrated their inability to function in this kind of atmosphere by submitting their resignations. We are all aware of the total disregard for the consultative process with Board members regarding the managerial changes at the

Grand Bahama Port Authority. These actions do not inspire confidence that Mr. Babak or the principals of the GBPA have sufficient regard whatsoever for due process and accepted procedure. If they can treat qualified and respected Board Members with such contempt and disrespect, we can only imagine the total disregard and disrespect that they will manifest to lower level employees at the Grand Bahama Port Authority.

- 4) Mr. Hannes Babak has not demonstrated any discernibly outstanding or remarkable competence in business matters which would support his purported “expertise” to run Grand Bahama’s chief economy - Freeport.** As was brilliantly outlined in her column on Monday, July 17, 2006, Ms. Catherine Kelly clearly outlined the historically dismal performance of Mr. Babak’s companies in Grand Bahama, with the resulting decline in shareholder value of 67% (shares have declined from \$3 to \$1 per share) since Freeport Concrete initially offered its shares to the public several years ago. This is no track record to be proud of or to wish to see emulated in the Grand Bahama Port Authority! We have a number of prime examples of Bahamian managed public companies with much better performance records.

5) There are also outstanding questions that need to be answered regarding Mr. Babak's business transactions related to the use of the funds from the Freeport Concrete IPO and of the market values he used in respect of certain real estate to raise money in his Private Placement for the Premier Investment Fund. There are at least two properties that were included in that offering with what appear to be "substantially inflated values". After raising the money from investors, two of those properties were sold at prices substantially below their previously disclosed values, suggesting that was the values included in the Private Placement Offering were contrived to entice investors' funds in respect of that investment.

6) **There are credible reports that Mr. Babak has already negotiated a purchase of the Grand Bahama Port Authority and Group of Companies with its current principal shareholders.** It has been suggested that the termination of all senior managerial executives was done to reduce the Company's termination liabilities so that the new owners will not have to assume that liability or have to be engaged in such an exercise. ***It has also been suggested that this is why Mr. Babak has agreed to work at the GBPA without pay.*** That a businessman of Mr. Babak's purported experience would undertake such a demanding job as the Chairman of the GBPA without adequate compensation is certainly an arrangement that deserves closer scrutiny. He is alleged to be

“caretaking” his and his group’s “investment”. The only thing that is believed to be delaying completion of the intended purchase is the settlement of the estate of the late Mr. Edward St. George. Of course, **Mr. Babak will need Bahamas Government approval if this purchase is to be completed.**

Bahamians throughout The Commonwealth of The Bahamas continue to register concerns about what is going on in Grand Bahama. Already, word is beginning to come out of Freeport that Bahamians are no longer being allowed to buy commercial properties, only to lease them with an option to purchase them at the end of the lease term. If this is true, pernicious new policies like this along with other actions by the GBPA are seen by many as attempts to take us back to the 1960’s. **This is the beginning and the world is watching. We are now a much more enlightened people, and will not allow ourselves to go willingly back to the plantation era.** The Bahamas must be for generations of Bahamians. To attempt to do otherwise is to invite problems of a magnitude that we have never seen in this country.