

AIR POUCH

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FROM Amembassy HABANA
TO THE DEPARTMENT OF STATE, WASHINGTON.
REF Emb's D-63, July 27, 1956, and D-778, April 30, 1956

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SUBJECT: Current Status of Negotiations on Behalf of United States Airlines Operating in Cuba Navy-3 TR-3

In order that the Department may be currently informed as to negotiations with Cuban officials on behalf of the American air carriers operating in Cuba, a brief summary is given below of recent developments.

Customs Exemptions on Imports of Spare Parts

Decree No. 823 of April 4, 1956, (see Embassy's D-744, April 26, 1956) in principle provided to American carriers the same customs exemptions on importations of spare parts as the national carriers enjoy. Subsequently the airline representatives in consultation with officials of the Ministry of the Treasury agreed on general rules of procedure for putting the Decree into effect. However, the representatives now claim that so far the question of posting the surety bond for these importations remains unsolved. They state that they do not have specific information as to the kind of bond Compañía Cubana de Aviación is permitted to file, but they believe it is a single bond in the amount of \$25,000 that covers all spare parts brought in for Cubana's use.

In August the question of what type of bond would be required was taken up with the Under Secretary of the Ministry of the Treasury Dr. ROSELL, who stated categorically that the Customs Office had been instructed to grant the United States carriers exactly the same treatment as that accorded to national airlines. The airline representatives now maintain that they are not granted equal privileges with Cubana, because they are still filing separate bonds for each shipment of spare parts, but are unable to back up their assertion by a clear statement of the exact character of the discrimination.

The Embassy has taken the position that it is now the airlines' responsibility to substantiate their claims of discrimination. In the face of Dr. Rosell's assurances, a further approach to the Ministry appears unwarranted unless documentary evidence can be presented to prove that the Customs officials have failed to carry out the terms of the Decree in the manner which the Ministry intended.

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Tax Exemptions on Imports of Gasoline

In April of this year Delta and National Airlines filed petitions with the Ministry of the Treasury for exemption from the 2.75% Gross Sales Tax which the Customs Office has required them to pay on all imports of aviation gasoline. Toward the middle of July the Embassy took this matter up with Dr. Rosell, who promised to expedite the final decision on the applications. Late in August the matter was again brought to the attention of both Dr. Rosell and the Minister of the Treasury. These officials indicated that the final decision would be in favor of Delta and National and that they had instructed the Legal Section of the Ministry to prepare an advisory opinion which would establish a foundation for granting the exemption. If the promised action is not forthcoming within a reasonable time, the Embassy will again request the Ministry to expedite the decision.

Overtime Payments at Rancho Boyeros Airport

A committee of the local Air Transport Association met with the Minister of the Treasury in May 1956 to discuss the problem of overtime payments to government personnel employed at Rancho Boyeros Airport. At that meeting the committee presented a proposal for prorating the overtime payments among the airlines, and the Minister agreed to study this proposal and meet with the committee afterwards to explore possible changes in the Customs operations at the airport.

As the second meeting did not materialize, the Embassy recently inquired informally when further action might be expected. By way of reply the Minister stated that he had gone into the question more thoroughly and felt that the committee had failed to provide him with all the relevant data. He said he had discovered that some of the companies had "private deals" on overtime payments and in addition to the customs inspectors, personnel from other Ministries and agencies were on duty at the airport and received overtime payments. The only solution he would now consider was putting the airport on a 24-hour basis with three shifts on duty. He was of the opinion that such a change would actually result in higher total costs which would have to be shared by the airlines, and, therefore, some companies would find their payments increased. He doubted that the airlines were prepared to accept this. He indicated his willingness to meet with the representatives provided that they would come prepared to put all the facts on the table.

Three of the local representatives of the American carriers were present at the meeting with the Minister, and upon being informed of his present stand they declared that all of the facts had been given to the Minister. They said the memorandum which the committee prepared and handed to him contained a detailed breakdown of the airport personnel according to the Ministry or Agency and also showed

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the only "private deal" of which they had any knowledge -- the agreement between Pan American, Cubana, and LACSA to share overtime costs.

The Embassy has offered to arrange for another interview with the Minister, pointing out that it would probably be necessary to go more fully into the matter of "private deals", etc., in order to clarify the apparent misunderstanding which has arisen. The representatives decided to discuss this question among themselves and communicate their final decision to the Embassy at a later date.

Proposal to Increase Landing Fees at Rancho Boyeros Airport

The Civil Aeronautics Commission originally had scheduled a hearing for September 10, 1956, on the proposal of the Compañía de Aeropuertos Internacionales, S.A. (CAISA) to increase the landing fees at Rancho Boyeros Airport. The hearing has now been postponed until October 15. In the meantime the tariffs are being maintained at the former level, and the Commission is conducting an independent examination of CAISA's accounts to determine the company's actual income, the value of the investments made at the airport, and the cost of future expansion.

For the Chargé d'Affaires ad interim:



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