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DEC 10 1955

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FOREIGN SERVICE DESPATCH

937 72/12-1655

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FROM : AmEmbassy, HABANA

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TO : THE DEPARTMENT OF STATE, WASHINGTON.

93772 AKA OLE E ICA COM CIA CAB AIR NAVY  
December 16, 1955

REF : Embassy's D-22, July 11, 1955 and D-1212, June 7, 1955

-937.72 AKA OLE COM  
CAB AIR

5 For Dept. Use Only	ACTION ARA-4	DEPT. A / REP-2 RM/R-2 OLI-6 E-4 ICA
	REC'D 12/20	OTHER COM-8 CAB-6 CIA-5 AIR-3 NAVY-3

SUBJECT: COMPANIA CUBANA DE AVIACION WILL REPLACE PRESENT EQUIPMENT AND INAUGURATE HABANA-NEW YORK SERVICE

Compañía Cubana de Aviación recently completed negotiations with the Vickers Armstrong Co. for the purchase of three new Viscount aircraft to be delivered in March, April and May 1956. The total price of the planes and spare parts is approximately \$4,000,000. It is understood that Cubana was able to acquire these planes when the British airline that originally contracted for them cancelled its order.

The Viscounts will be put into service on the Habana-Miami route replacing the company's two L-49 Constellations presently in operation. These planes have been sold to El Al Israel Airlines.

Delivery of two new Super-G Constellations, which have been on order for a year, is also scheduled for April 1956. One of the Super-G Constellations will be used on the Mexico-Habana-Madrid route, and the other is tentatively scheduled for the Habana-New York route which Cubana expects to inaugurate in April. The L-1049 Constellation now operating between Mexico City and Madrid has been sold to an undisclosed purchaser.

DEPARTMENT OF STATE  
BUREAU OF  
INTERNATIONAL AFFAIRS  
DEC 23 1955

For the Ambassador:

*C. A. Beonstra*

C. A. Beonstra  
Counselor of Embassy  
for Economic Affairs

Enclosure  
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*Handwritten initials*

APPENDIX

The use of Viscounts on the Habana-Miami run should enable Cubana to improve its position vis-a-vis the American airlines. The Company has begun an intensive advertising campaign in the Miami newspapers, and, with a more economical plane, there seems to be no reason why it cannot operate at a profit. In past discussions of the Cuba-U.S. Bilateral Air Agreement, the main point at issue has been Cubana's complaint that it was losing money on the Habana-Miami run because its Constellations were operating at only 38 percent seating capacity. Now that the company itself has taken action to remedy this situation, there may be less insistence on a revision of the Agreement.

It is not yet clear how Cubana intends to finance the purchase of this new equipment. The money received from the sale of its three Constellations will be used as part payment, but no information has been forthcoming as to the company's plans for obtaining the remainder. The Bank of Social and Economic Development (BANDES) has not been requested to advance additional funds, and it may be that the company expects to pay for the equipment with part of the \$11,000,000 previously advanced by BANDES (See Embassy's D-105).