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FOREIGN SERVICE DESPATCH

7/15/59 7:59

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FROM : Amembassy, HABANA
TO : THE DEPARTMENT OF STATE, WASHINGTON.
REF : Embassy Despatches No. 758, 1/20/59; No. 937, 2/20/59 and No. 999, 3/11/59

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DESP 10

July 15, 1959

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SUBJECT: Exchange of Charges and Counter-Charges of Mismanagement of the Financial Affairs of Compañía Cubana de Aviación

The Embassy has received, through the courtesy of the Regional Manager of Delta Air Lines, English translations of an exchange of charges and counter-charges between Mr. José López Vilaboy, the former president of Compañía Cubana de Aviación, and Mr. Genaro T. Hermida, the current president and Government Interventor, regarding the financial affairs of Cubana at the time the company was intervened. Three copies of the referenced documents are transmitted herewith as an unclassified enclosure.

It will be noted that the first document of the series, Mr. Vilaboy's "Exposition", is not dated or identified as to source, nor is the date of the stockholders' meeting to which it was addressed given, although it presumably was June 8, 1959. The text of Mr. Vilaboy's "Exposition" apparently was released to the press at that time, and was replied to publicly by Mr. Hermida in an article published by Diario de la Marina on June 12, 1959. Mr. Vilaboy's rejoinder appeared in the June 16th edition of the same newspaper.

The Embassy has previously reported on the financial difficulties of the Compañía Cubana de Aviación, and the reorganization of the company's management by the Castro government. (Referenced despatches are listed above.) The accuracy of the particular charges and counter-charges made by Messrs. Vilaboy and Hermida cannot be verified by the Embassy for obvious reasons. However, it is apparent on the face of Mr. Vilaboy's statements that his entrepreneurial activities involving Cubana's finances were many and varied. Witness his statement that of the sum of \$10.5 million which he obtained for the Industria Fosforera (Match Industry) he took \$6.0 million for Cubana. In view of the ill feeling between the interventor and the former management, and the problems which the interventor has experienced in his administration of Cubana, his account of Mr. Vilaboy's management of the company's finances may be strongly biased. Nevertheless, there seems to be little doubt that Cubana is in serious financial difficulties.

937-7217-1559

BRANCH
COMMUNICATIONS SECTION
RECEIVED
Ambassador:

E. A. Gilmore, Jr.
E. A. Gilmore, Jr.
Counselor of Embassy
for Economic Affairs

Enclosures: *all/m*

As stated.

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FILED

7-15-1959

EMW

*Exposición
Juan M. G. 11/7/59*

E X P O S I T I O N

- To the General Meeting of Stockholders of Compañía Cubana de Aviación
- The Minister of Transport
- The Government of the Revolution
- The people of Cuba in particular

- - - - -

For the first time in my life I shall speak about myself. I never believed that extraordinary events or special circumstances would compel me to do it. But as in Cuba the triumph of the Revolution has brought about, as is logical, a reshaping of life and things, I have no other choice than to speak of myself in defense of my name and my history.

In this article, I limit the explanation of my personal activities in the Aviation Industry, to which I have devoted my greatest enthusiasm and the greater part of my time during the past few years.

My entrance in the field of aviation occurred during a hard struggle to transfer air operations from Rancho Boyeros to the airport known as "La Cayuga" in San Antonio de los Baños. As the cause of maintaining Rancho Boyeros Airport was lost, due to the opposition of foreign carriers and the pressure exerted on Batista by Ministers Carrera Jústiz, Colacho Pérez, Lin Arroyo and other government personages, Pan American decided to sell the Airport and offered it to the government.

At that time, several friends from Santiago de las Vegas visited me to request aid through my paper in order to prevent the carrying out of such a hare-brained plan which so deeply affected that municipality. On the other

hand, I was informed by engineer Sergio I. Clark, an excellent friend of mine, who at the time was president of Compañía Cubana de Aviación, of the situation faced by PAA, the plot existing against it, and their desire to sell the airport and offered to obtain, should I so desire, the same sales offer for myself as was made by PAA to the government, with all necessary facilities for payment.

After some conversations concerning the negotiation, and the corresponding studies, I closed the deal for the purchase of Rancho Boyeros Airport on November 14, 1952 on the following basis: Price: \$1,500,000: \$100,000 to be paid on signing the sales documents, which took place on December 15th of the same year, and the remaining \$1,400,000 payable through landing services rendered to PAA planes in seven years. This is how I bought Rancho Boyeros Airport and engaged in the task of converting it into a modern airport. I extended its runway to a length of 7,025 feet, built a new two-story terminal building, and equipped it with all kinds of facilities, safety devices and comforts. In short, I gave Havana an airport worthy of a great city. All these construction works, purchases of land and equipment, which cost several million pesos, I did without receiving one peso from the government, without anyone's aid, as may have been verified by all the intervenors and auditors who have passed through Boyeros since January 1st. It was solely through my personal credit, the help of banking friends who loaned me large sums of money, and my work and efforts that I was able to accomplish such an extensive undertaking; furthermore, I did all this against the opposition of Batista and his government, since several of his Ministers, as I mentioned at the beginning of this exposition, and the Tabernilla family, were my

greatest enemies and opponents in all this plan.

Proof of all this was the proposed plan to build an international airport at Cojímar, which controversy lasted another year. When I had consolidated Rancho Boyeros Airport through the work already accomplished and its extension, I named it "José Martí" at the suggestion of my close friend, Guido García Inclán, and it was approved by the ICAO. Then, the plan of an airport at Baracoa came up, and the government spent almost six million pesos on it (from public funds, naturally), constructing roads to enhance the value of large tracts of land belonging to magnates of the Batista government.

This airport was not inaugurated because I was a very hard nut to crack; otherwise, Boyeros would have ceased to exist, long ago, as Havana's International Airport.

Why I Acquired Control of Cubana

Having already undertaken the purchase of the Rancho Boyeros Airport and having made the stipulated \$100,000 down payment, Cubana suffered the fatal accident in Bermuda. The plane "Estrella de Oriente" crashed with a total of 28 dead. This was Cubana's second reverse in international flights. This mishap shattered Cubana, as it lost its last DC-4 and had no remaining equipment for its international flights. They made the error of giving up the Madrid route, which was the only profitable one for the company. Everyone in Cubana was discouraged. No one expected a solution of the crisis, and Pan American, which could have come once more to Cubana's aid, did not do so because it was already pulling out, as proved by the sale of the Boyeros airport. Under these circumstances, with no solution in view, with no course

open and a DC4 leased from Panagra through Pan American's intervention at the cost of \$18,000 a month, the only route which was operated was that of Miami, besides the national flights. In brief, a disheartening and serious situation threatened the dean of Cuban air lines.

Rancho Boyeros Airport, i.e., its owner, CAISA, suffered all these misfortunes as if they were its own, since Cubana was its best client and, when ceasing operations, would also stop paying for landing and other services rendered by CAISA. In brief, the Cuban air family was in serious trouble and a solution had to be found. In the face of this difficult situation and at the request of the workers and their leaders, specially the unforgettable Calixto Sánchez, I negotiated with PAA for the purchase of the Controlling Block of Compañía Cubana de Aviación, closing the deal in April, 1953, by purchasing 20,000 shares and taking an option on 22,000 more which PAA still held, fixing the price of each lot at \$8.33 for the first 20,000 shares and \$6.33 for the 22,000 shares, obtaining from PAA facilities for payment, which I made in several parts and with some difficulty.

Once the Cubana deal was closed, I started to carry out the only formula which would save the company, i.e., its development and expansion, without counting on any official aid or support, as all my operations in the aviation industry were started strictly by private initiative. I managed to control the shares of the company and thus, with Manolito Casanova, Eugenio Forns, Luis Carvajal, García de la Torre, Eusebio Delfín, Fernández Ardois, and other friends, I formed a control group, accumulating with my associates a block of 66% of the paid-in capital of the company, which was only \$1,000,000. Then I undertook the task of separating Cubana from Pan American, making it into a purely Cuban company, rehabilitating it through an expansion program including

international routes which would place us in an advantageous position in the world commercial market.

We started out by purchasing three L-049 Lockheed Constellations from PAA itself, in order to raise the standard of the international services to Spain and Miami; the first phase of expansion was started with the establishment of service to Mexico and by immediately approaching BANFAIC with regard to the necessity and desirability of a financing program which would place Compañía Cubana de Aviación in the black through its expansion and development.

BANFAIC granted us a loan of \$1,000,000, but did so in such a manner and under such onerous terms (so that we had to pledge all our assets) that we were left, tied hand and foot, with the result that, by December, 1954, the Bank had already intervened the Company. BANFAIC then managed Cubana in so irresponsible and capricious a manner that, in only seven months, it lost \$3,000,000 and its structure was completely disorganized. The company then began falling into discredit, with the ensuing loss of faith by the public, travel agents and aviation industry, in general.

In the face of such a serious situation, the workers of the air sector and, very specially, the Air Federation with the unforgettable Calixto Sánchez at its head, mobilized anew, and I joined them in the task of redeeming the company from the hands of BANFAIC, which was leading it into bankruptcy and extinction as an air line.

After many discussions with the Government, and encounters and clashes in over 10 meetings held with envious enemies who had failed in their intervening efforts (since BANFAIC wanted to be lender and operator), we finally succeeded in the recovery of the Company on June 14, 1956, in the manner we

shall explain further on, the credit operations being transferred to the new bank, BANDES, which had been organized in those days. It is only fair to point out that, during all this struggle, we were opposed by the Prime Minister, Dr. Jorge García Montes, the President and the Vice-President of BANFAIC, Doctors Santovenia and Duquesne, and the Tabernilla brothers, who always coveted the commercial aviation business, mainly, for the purpose of exploiting the smuggling of freight, and not of serving Cuba, as was our desire; and, on our side, we always had Dr. Joaquín Martínez Saenz, in whom we must acknowledge a great friend and protector of Cubana.

Before the return of Cubana to its operators, BANFAIC had obligated and spent the 9 million pesos assigned to the company from Funds for Economic Development and, at 7:00 p.m. of June 14, 1955, in the Prado offices, the company was turned over to me by Juan Ramón Rodríguez Rivera, Ass't. General Manager of BANDES, who had just received it from a secondary official of BANFAIC.

We received the company in these conditions: the 9 million pesos of the new loan were already spent, besides the first million pesos initially loaned by BANFAIC, with 2 million pesos in short term obligations, many of them already due; a debt of one half million pesos in the current account with Pan American, with Cubana's credit suspended; \$250,000 owed for gasoline to Standard Oil, and credit likewise suspended, and various smaller debts totalling half a million pesos, and not a cent in our checking account with which to pay the employees the next day (the 15th), which payroll I was forced to meet through an overdraft obtained and guaranteed by me; the Company in the most complete ruin and anarchy, and with a monthly operational loss of \$300,000.

Faced by this situation, I obtained another two million pesos through BANDES' new operation from Dr. Martínez Saenz, i.e., instead of 9 million

pesos, it was now 11 million, and I contributed \$2,600,000 in purchase of shares, mortgaging my airport with all its properties, lands, buildings, installations, etc., all, so as to save the Company which was to give Cuba prestige and international relations, and which constitutes the keystone of our tourism.

Sales were very low, and no travel agent could with confidence sell a ticket of Cubana's because of lack of dependability in the service. The New York route project was completely abandoned. There was a proposal, defended by Doctors Duquesne and García Montes, consisting in liquidating Cubana or selling it to PAA, a plan which we frustrated with the aid of Dr. Martínez Saenz, who resolutely opposed both ideas.

As soon as we normalized operations, and received the second Super G. Constellation from the factory, we started the New York route, a very audacious but indispensable step, beginning operations on May 12, 1956 with six flights a week, a service operated with such efficiency and extraordinary success that, in those seven months of 1956, sales on this route were \$1,450,000, and sales amounted to 3 million pesos in 1957. This Habana-New York route is the best the company has, the one which gives Cuba most prestige and rank, and the best media for bringing tourists.

We could not establish the Los Angeles, California, nor the Washington, D.C. routes because of lack of support from the Government, since, though many persons accuse me of being a partner or a "front" for Batista, I could not get the Cuban Ministry of State to defend our rights in obtaining those permits from the State Department and the CAB of Washington. We were not even able to get the government to defend our application for flights to those two important American cities, although the Government of Cuba, violating agreements and the bilateral aviation pact with the United States, and in the face of our written

and well founded opposition (proof can be found at the Civil Aeronautics Commission) against the privilege which Cuba offered Mackey Airlines by granting that airline a Havana-Fort Lauderdale permit. But, behind the Mackey interests was "Silito" Tabernilla, and behind Aerovías "Q" was Batista, who had bought it with other persons who were his associates and figureheads. Cubana was not a productive business, nor were there commissions or margins for anyone, therefore, let Vilaboy, who worked for love of work itself and for Cuba's interests, although some may doubt it, fight it out by himself. Having already said this much in our defense, let us also say that I did not collect a salary, nor any reimbursement of expenses from Cubana, and that the presidency of this company cost me more than six thousand pesos a month.

Our task to make Cubana a respectable and respected company has been long, hard and complicated but we nevertheless attained extraordinary consideration from the international aviation industry and great respect from the public.

In a few years, from June, 1955, in which we recovered the company from the hands of BANFAIC, to the end of last December, we can point to the following results:

1.- Definite separation of Cubana from PAA, and its fully independent, free and successful operation, without the aid of foreign technicians or supervision.

2.- Acquisition of new flight equipment, consisting of modern planes from the factories, doing away with the custom of purchasing old planes from PAA, operating them well, both technically and commercially, as proven by results obtained in over three years of operation.

3.- Operation of turbo-prop equipment with greater efficiency and economy than other powerful competing airlines.

4.- Operation of the international routes to Madrid, New York and Mexico with better results and use than our competitors on the same routes.

5.- The placing of ourselves in second place as regards movement of passengers on the Miami-Habana route while operating half the flights of PAA, our strongest competitor.

6.- Creation of a formidable sales organization in a short period of time which achieved the miracle of selling 11 million pesos in 1956 and 12 million pesos in 1957, without having been able to establish any new routes other than that to New York.

7.- Developing and reorganizing the Maintenance Department on such an efficient and effective technical basis that it has saved the company over one million pesos in maintenance work each year, which had always been done abroad, and which is only similar to that carried one by the great airlines of the world. Cubana maintenance has been so efficient that we have been congratulated by airplane and engine manufacturers for our experience in this job. So wide was our expansion in the maintenance department that we made the complete overhaul of the Viscount's air frames and Rolls Royce Dart engines, and we are performing all of the maintenance of the Super Constellations up to the number four check. Also, we had the contracts ready for signature with Bristol of Canada for the maintenance and overhaul of the ultramodern jet engines of the Viscounts and Britannias.

8.- For the first time, we had the foreign press which specialized in aviation point out that Cubana was the best managed and most dynamic small airline during the years '56, '57 and '58.

9.- We planned the real development of the tourist trade as no other organization or sector in Cuba had ever done; helped the hotel organization in

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creating new modern hotels; invited and brought investors for that industry to Cuba, and lamented, on more than one occasion, the error of developing tourism on the basis of gambling casinos, showing, by our example, how this should be done by building a large hotel in Cienfuegos, thus creating a large tourist zone in that region, which has indisputable natural resources. This work was cut short by the Revolution just as we were equipping it for inauguration. Due to the same reason, the plan for building a great hotel at Santiago de Cuba was paralyzed, the plans and models of which project are at the Prado offices, in readiness to start construction. All these plans were made without official aid as, while I was denied a \$1,000,000 loan by the FHA for a 3 million-peso job like the Cienfuegos Hotel-Motel, BANDES was granting 6 million to some fortunate promoters for the construction of a motel at a place like Soroa, which has neither the attractions nor the natural wealth which can be found in San Diego or Viñales, much less at Cienfuegos.

10.- I obtained a financing of \$10,500,000 for the Industria Fosforera (Match Industry), from which sum I took \$6,000,000 for Cubana in order to help, by buying shares, through this increase in capital, towards the rehabilitation and expansion of our commercial aviation industry.

11.- We achieved the success of the employers-workers' company, since the National Air Federation subscribed, in the name of the workers, 4 million pesos in shares of capital which was paid through a monthly deduction in salary, the workers having already paid by December, 1958, the amount of \$950,000 on their subscription of 4 million pesos, such an agreement constituting an edifying example.

12.- We achieved the consolidation of the BANDES financing in the name of the Cuban state, through Decree 4149 of November 28, 1958, whereby BANDES became

part of the mixed employer-worker's company by subscribing common shares and assuming risks for the sum owed by Cubana to said credit institution, which amounted at the time to \$10,200,000, plus interest in arrears, all of which amounted to approximately \$11,000,000, the amount authorized. In other words, an obligation of 11 million pesos was converted into capital. In said operation, a new 12-million peso loan was made, payable in 30 years, for the purchase of new equipment, to be amortized with proceeds of the air mail contract with the State, by which the company consolidated its debt to BANDES into a single obligation and carried to Capital the 11 million owed in December, 1958, an operation which BANDES could carry out because it was a case of funds for Social and Economic Development.

13.- Had the operation been completed, the structure of Compañía Cubana de Aviación on December last would have been more or less as follows, at the close of the Balance of December 31st:

Capital issued, paid, and in circulation (common shares)	\$10,300,000
Balance pending subscription by workers	3,050,000
BANDES preferred shares	500,000
Common shares subscribed by BANDES according to Decree 4149 of Nov. 28/58	<u>11,000,000</u>
	<u>\$24,850,000.</u>

The financial position of Cubana de Aviación on December 31, 1958 was as follows:

Paid in capital	\$24,850,000
Long term obligations with BANDES	12,000,000
Long term obligations for equipment purchases	<u>8,000,000</u>
Total obligations	\$20,000,000

Its most important assets:

Flight equipment on December 31/58

4 new Britannias with spares	\$14,500,000
4 Vickers 810 with their motors, spares and parts	6,500,000
2 Viscounts 755 in use	1,650,000
Spares, motors and parts of that equipment	600,000
3 Super G. Constellations at \$1,200,000 each	3,600,000
Spares, parts and motors of that equipment	1,000,000
1 L O49 with spares and motors	450,000
3 DC3's in use on domestic lines	300,000
Motors, spares and parts for DC3's	200,000
Spares, instruments, parts, accessories, etc. in stock, no less than	2,500,000
Properties acquired from Expreso Aereo y Carga por Avión, land and flight equipment, etc. to establish the freight division	<u>1,200,000</u>
	\$33,300,000

This appraisal does not take into account the investments in airports, ground equipment, tools, hangars, offices with their furniture and equipment, offices and installations abroad, organization of the company, technical competence of employees and officials, training of flight personnel, permits, routes, sales organization and experience, as the cost of investment of these items cannot be appraised without a careful study, but it could not all be done with 12 million pesos and with no less than 5 years of work.

14.- Through the purchase of 4 Britannias and 4 Viscounts 810, Cubana was in possession of a fleet of new Turbo-Prop planes of high speed, in addition to its present fleet. Naturally, upon receipt of the new equipment, we would have stopped using the piston planes, which are now old-fashioned. Thus, we started a plan of expansion toward South America by which we would carry the Cuban wings along its two coasts, having as objectives Chile, along the Pacific and Montevideo and Uruguay, along the Atlantic, to which effect we had

negotiated an agreement with Ala-Cinta of Chile and organized to that effect an Uruguayan-Cuban company in Montevideo. This plan would, without a doubt, give Havana the category of a great air terminal and Cuba large and new currents of in-transit tourists.

To the Ala-Cinta de Chile organization we had sold three of the present 4 Constellations, 2 Super G's at the rate of \$1,350,000 each and the last of the three L-49's acquired from Pan American. Of the \$3,100,00 (price of the three planes sold to Ala-Cinta), Cubana subscribed 25 percent in shares of the Chilean company, and the rest would be paid by them in 40 months at 6 percent interest and with the endorsement of the National Bank of Chile. This operation first, and that of Uruguay later, would place Cubana in the ranks of the great international aviation companies.

Besides, under this expansion program, we would be able to enter the North American market through other flags and licenses and serve, indirectly, but under Cubana management, the important cities of Los Angeles, Chicago, New Orleans and Washington, within a brief period of time. As regards the commercial aspect of maintenance, sale of spares and parts, lease and sale of engines, Cubana and the Boyeros Airport would become a maintenance base, with a large shop and stockroom, Cubana thereby receiving a large amount of business, and Cuba a large quantity of dollars, for the work and services which airlines today pay American companies for maintenance. Also, inexhaustible sources of employment would be opened to our studious youth specializing in the aviation field.

This is a broad account of my activities in the aviation industry, and their results, especially in Compafia Cubana de Aviación, with the assistance

of many competent and loyal officials and employees whom I do not want to enumerate for fear of committing involuntary omissions, but referring expressly, however, to the activities of Mr. Ignacio Calderín Pérez who, though he represented BANDES in the management of Cubana de Aviación and acted in the name of said Bank, did so in an honest, efficient and dependable manner.

I cannot render a more detailed and complete report because I do not have at hand any other official data of the Company. All these notes were made from memory and have no purpose other than that of reporting to the General Stockholders' Meeting called for today, Monday the 8th, and so that the Revolutionary Government and the people of Cuba may know the most outstanding events of my activities in the aviation industry, to which I believe I have devoted my whole enthusiasm and the best of my life.

Respectfully,

José López Vilaboy

TO THE PUBLIC OPINION

I never thought that in my work as intervenor of Cia. Cubana de Aviación, Cia. de Aeropuertos Internacionales, S. A., as well as in other companies in which I am acting as intervenor on behalf of the Ministry of Recovery of Stolen State Property, I would have had the necessity to directly and publicly mention names. I have limited myself to pass information to the Ministry relating to actual, proven facts in order that the administrative authority could decide on the deals and actions of persons directing these enterprises.

However, the aloof attitude of Mr. José López Vilaboy, incomprehensible to me, forces me to vary my way of thinking and prevent that the public opinion be misled by false values, which the Revolution shall destroy, that have only been possible shielded by the power of all governments sometimes using praise and, when that did not produce results, using the newspaper libel to scare their opponents.

This time Mr. Vilaboy's tactic has failed. Our just attitude, straight and honest, my actions and the opinion of those who know me, against those who know him and who know how he has lived during these years of tyranny, shall be the rock against which all his much bragged about activities and ill-intentioned publicity shall crash. I am not afraid of them, and I can only think that it has occurred to Mr. Vilaboy, in the solitude of his hiding place, that we are all alike -- but we are not.

The following is what this intervention has seen and proven in the intervention of Cia. Cubana de Aviación and the company that operates the airport.

At The Rancho Boyeros Airport

The Rancho Boyeros airport was purchased by Mr. José López Vilaboy personally. He says that it was offered to the government but, in reality, he

bought it. It is true that he gave \$100,000 in cash, which were paid to PAA, but what Mr. Vilaboy does not say is that the rest of the money was paid in two installments. \$360,000 were credited to Pan American Airways for landings of their aircraft at the airport, and \$1,010,000 paid to PAA from the loan of \$4,500,000 made by Bandes to Cia. de Aeropuertos Internacionales, the owner of the airport.

Had this loan not been made by Bandes to Mr. Vilaboy, he could not have been able to comply with the contract of purchase with Pan American. He gave as collateral of this loan the stock of the company up to 95% and a mortgage which Bandes holds. As he will not be able to pay the loan, Bandes will become owner of the airport. This is the airport that Mr. Vilaboy refers to as "my airport".

It is not true that the construction work and the purchase of land and equipment were made by Mr. Vilaboy "without" a peso from the government or help from anybody else. During the six years that Mr. Vilaboy was at Cia. Cubana de Aviación, he spent \$28,000,000.

List of Loans Used by Mr. Jose Lopez Vilaboy

Document No. 115 of July 28, 1955, notarized by
Dr. Virgilio Sánchez Ocejo \$11,000,000

Document No. 150 of July 1955, notarized by Dr.
Francisco Casas Gómez, loan to Cia. de Aeropuertos
Internacionales, S. A. 4,500,000

Of this loan, \$2,600,000 were for Cia. Cubana de Aviación and the purchase of shares, \$1,010,000 to PAA in payment of the rest of the purchase price of the airport, and the remainder to pay past due bills of Cia. de Aeropuertos Internacionales, S. A. (CAISA). That is to say, at that moment, \$13,600,000 were being "handled" in Cubana. It seems strange, and the intervention has not been able to clarify the point as yet, that Decrees 1498 of June 1955 allotted \$9,000,000 to finance Cia. Cubana de Aviación and, in its case, CAISA. This

amount was later increased by \$2,000,000 by Decree 1895 of June 30, 1955, making a total of \$11,000,000. However, the loans which Banded gave Cubana and CAISA under the two above mentioned documents amounted to \$15,500,000.

Later on, Mr. José López Vilaboy obtained from Banded a loan in the amount of \$10,500,000 for the so called "Rehabilitation of the match industry", from which loan he used \$6,000,000 to purchase shares from Cia. Cubana de Aviacion. Continuing in this series of loans, he obtained \$8,000,000 more from Banded according to document No. 189 of November 8, 1959, notarized by Dr. Virgilio Sánchez. To obtain this last \$8,000,000 loan, Vilaboy hocked during the next 30 years the income derived from the transportation of domestic and international air mail that Cubana de Aviación might receive, with one thing in particular, irrespective of the amount that might result from the increase in traffic and, consequently, the price of the air mail carriage contract, it shall be destined to pay Banded for the \$8,000,000 that were loaned under an issuance of bonds known as "Rehabilitation of Cia. Cubana de Aviación 1958-1988", which was effected under document No. 190, notarized by Dr. Virgilio Sánchez Ojeda, on the same day that the loan to Cia. Cubana de Aviación was signed.

Since the money was not still enough, Banded, following an agreement of their Board of Directors, granted an additional credit of \$4,000,000, of which Cubana de Aviación had only used \$1,200,000 on December 31, 1958. All these amounts make the total of \$28,800,000 previously mentioned.

The Clean and Honest Work of Mr. José López Vilaboy

Mr. José López Vilaboy cannot openly say that his work has been clean and that he has not made himself rich from it or increased his personal fortune.

We know that in reorganizing the match industry he started out by buying from the Acebo family 50% of the stock of the Acebo match factory and paid \$300,000 in cash.

In this way, Mr. Acebo remained as partner, retaining the remaining 50%, but it so happens that these two gentlemen are now in dispute and Mr. Vilaboy intends to mix us very foolishly in his deals with Mr. Acebo.

I would like to state that my first action in relation to the Matches or, more precisely, in the Match Mercantile Enterprise (of which Cubana de Aviación has become the principal stockholder) was to dismiss Mr. José Acebo from the presidency of said enterprise for being Mr. Vilaboy's partner and having assumed the presidency after January 1, 1959.

But Mr. Vilaboy was not satisfied with buying half of a match factory for \$300,000 and, in handling the remaining \$4,500,00 destined to the purchase of factories and payment of claims, facts that are being investigated by a commission of the government, he received from the match enterprises more than \$1,500,000 in checks made payable to the factories which amount was handed to him in cash. The excuse he gave his match friends was that he was giving part of that money to the government.

José López Vilaboy against Batista and His Government

The most amazing statement in Mr. José López Vilaboy's press releases is to say that everything that he did in Cubana de Aviación and at the airport was done against Batista and his government. This statement does not give Mr. Vilaboy any prestige in relation to his friend Batista who is now in disgrace and in exile. It rather shows Mr. Vilaboy's personal condition -- denying his friend by this attitude.

It is practically unnecessary to deny Mr. Vilaboy's statement. His close relationship with the regime is publicly known and notorious, however, we have antecedents quite interesting to present to the public. In a letter that Mr. José López Vilaboy wrote on May 31, 1955 to Dr. Emeterio Santovenia, President of Banfaic, attacking the administration work of the institution and of Dr.

Duquesne, Mr. Vilaboy stated in the tenth paragraph:

"The Banfaic only has invested in Cubana \$2,000,000 of its funds. The rest, I have had to obtain through personal dealings with presidential circles and here are the proofs: By Decree 1465 of June 10, 1954, Banfaic was authorized to take \$1,600,000 from the funds of the Ministry of Agriculture, and later on, to forestall the collapse of the company, because the Banfaic had no money, Decree 3486 of November 19th granted Banfaic the amount of \$900,000, to be passed on to Cubana, which amount comes from the Economic Development Funds that I also obtained from the Chief of State".

Mr. Vilaboy also forgets the letter of April 11, 1955 addressed to General Fulgencio Batista y Zaldivar, Honorable President of the Republic, letter now called by us "the battle against Banfaic" in which his allies were Dr. Joaquin Martinez Saenz and Prime Minister Dr. Garcia Montes "who conducted the reunion with extraordinary success and ponderosity", as Mr. Lopez Vilaboy told Batista. Now that Dr. Garcia Montes is in exile, Mr. Vilaboy presents him as one of the enemies of his plans in Cubana. Mr. Vilaboy said in his letter to Batista, "If I were not your friend, Mr. President, and if I were not the honest and responsible impresario I am, my business and personal interest would be to cancel my bond and leave Cubana in the hands of Banfaic in order that Dr. Duquesne fall in the administration and produce its disaster since, under his administration, nothing could save it from ruin or becoming another public charge for the government like the railroads and the bus company (Autobuses Modernos). But since our friendship, Cia. Cubana de Aviación and the interests of the Republic, etc., etc. are above all these petty things, I hereby present a plan prepared jointly with the workers, i.e., the National Air Federation, to avoid the ruin and dissolution of our great enterprise".

He closes his friendly letter in this form: Awaiting your reply I remain

"your invariable friend" José López Vilaboy.

Mr. José López Vilaboy, in his effort to regain the administration of Cubana de Aviación, seeks the help of the National Air Federation and presents the plan to the President of the Republic.

Mr. López Vilaboy has just invented the great plan of an employer/employee enterprise.

We ask Mr. López Vilaboy if he explained to the workers what his plan really meant. The leaders of the National Air Federation knew that the plan was nothing more than a hoax or, still worse, a financial swindle. He was able to carry on this operation because the workers were deprived of the right to protest within their own unions. Those who tried to protest lost their jobs and I, as intervenor, have had to comply with the laws of the revolution reinstating them in the company after they had been fired for these circumstances.

Mr. Vilaboy explained to the union leaders that the 12% decrease in the salaries of the workmen and employees was to purchase shares at \$10.00 each when, in reality, the value of these shares in the company's books was \$1.68 in 1956 and 22¢ in 1957. The price was inflated by maintaining the nominal value of the shares when they were not even worth a fifth part of the assigned value. This famous plan of the employer/employee enterprise was denounced by the workers when the Revolution triumphed, and one of the first petitions was that their original salaries be reinstated and that the amounts that had been deducted be returned to them. The agreement of the \$4,000,000 Cubana stock purchase by the Federation with the amounts deducted every month from the salaries of the workers presents a deal worth mentioning. The shares, issued in the name of the National Air Federation, were not liberated until such time as the total value of the subscription, in the amount of \$4,000,000, was made. The Federation could not exercise social actions of any kind with

these shares. Specially the right to vote in the general stockholders meeting since such right was contingent upon the payment of the \$4,000,000, total amount of the subscription. In other words, only after six or eight years from the date the agreement had been signed could the Federation intervene in the general stockholders meeting.

With this plan, Mr. Vilaboy avoided the introduction of all types of inspections of his deals and took advantage of this situation to develop his plans with the approval of his friends in the Board of Directors, who did not object to any of his plans.

He was able to convince the union leaders but, at the same time, he was not giving them any participation in the direction of the company as stockholders. He was putting off this problem for six or eight years.

What Has José López Vilaboy Done in CAISA, Asside from Building the Great Works of the Model Airport and Most Famous in the World

Collect \$275,000 that were paid by Quintana y Quintana for the fire at the airport, collection that López Vilaboy made with the approval of Bandes.

He spent this amount at his own whim.

The auditors of the intervention say on this subject: "The money was deposited in the account of the company but unduly credited to Mr. José López Vilaboy. Later on, the company would issue checks against this account made payable to Mr. López Vilaboy, which clearly indicates distraction of company funds by Mr. López Vilaboy."

On December 31, 1958, Mr. Vidal, Treasurer and Accountant of Cia. de Aeropuertos Internacionales, S. A., whose services this intervention had not as yet suspended, made entries in the books which, to the judgement of the auditors, ratify the fact that the money collected from the insurance company was misappropriated. The accountants base their comments on the fact that the books of the company do not show that this amount was spent to repair the

airport, still unfinished, and on that date, December 31st, there was no cash to effect the work, only \$140,000 had been ill employed.

Other doubtful deals that Mr. Vilaboy and his friends must explain. There were several checks signed by Lopez Vilaboy and Vidal in the amount of \$92,905.25, that were deposited in the personal account of Mr. Vilaboy, that appear as payments to Mr. Pablo López for construction materials delivered at the airport. It has been proven by reports in the hands of this intervention signed by Mr. Pablo López where he states that he did not deliver any construction materials on the dates shown on the checks and, much less, that the signatures appearing on the endorsement of the checks are his. Also, checks were issued during the months of October and December 1958 payable to Juan Almeida and Joaquin Roque Calderon in the amount of \$126,755, in payment of workmen and payrolls, which amount was charged to the Construction in Progress account. It has been proven that these payrolls did not exist. According to Mr. Roque Calderon, the endorsements are forged and, insofar as Mr. Almeida is concerned, all of these amounts collected by him were delivered to Mr. Sergio Vidal Cayro.

During the first days of the intervention, Mr. Sergio Vidal Cayro made an adjustment in the books dated December 31, 1958, cancelling the amount credited to Constructions in Progress corresponding to those checks, when he knew that the intervention had discovered this deal, and credited it to Mr. José López Vilaboy's personal account.

When these operations are made in a private business, it constitutes a fraude detrimental to the creditors, in this particular case, of CAISA. The fraude was committed against Banded, a public institution, which was the principal creditor and, in the end, worse off.

Mr. José López Vilaboy utilized the Superávit account of the company as a drawing account, where the following irregularities can be observed, among others:

In the month of September 1958 he made a charge of \$347,083.85 to CANCEL the following outstanding accounts:

Radio Aeropuerto Internacional	\$23,245.63
Radio Voz	3,396.55
José López Vilaboy	168,211.94
Ramón Ochoa López	1,354.85
Gerardo Pallí López	312.78
Sergio Vidal Cayro	562.10

Also, \$150,000 were credited by this entry to Mr Vilaboy's account. The auditors say: "As may be observed, this operation involved a misappropriation of company funds".

The Concessions at the Airport

Mr. Vilaboy says "that Vilaboy works for art's sake and for Cuba". The concession of the parking lot at the airport, of which Mr. Vilaboy owns 50%, was established for 20 years for \$1,000, i.e., at a monthly rate of \$4.18. This business produces \$4,000 or \$5,000 a month.

Mr. Vilaboy also owns 50% of the restaurant concession at the airport, which produces earnings of no less than \$50,000 yearly.

The radio station Radio Aeropuerto Internacional pays \$30.00 a month for the space occupied at the airport, including electric power. In other words, considering the electric power consumption, quite high in this time of equipment operated by Radio Aeropuerto at the airport, CAISA is paying to Radio Aeropuerto instead of vice versa. Mr. Vilaboy also owns this radio station through false loans and deals with Mr. Sergio Vidal Cayro.

This was the company to which a \$23,000 debt was cancelled.

Another interesting deal in relation with the concessions at the airport was made by Mr. Vilaboy. He gave Mr. José Acebo Rey (not the same partner in

the match business) the concession for the cigar stand at the airport under document No. 351 of November 16, 1954, when he collected \$42,000 for prepaid rents, whereas the books only showed an entry of \$18,000.

Of His Activities in Cubana de Aviacion

We will leave a memorandum addressed to Mr. Pedro Díaz Maestre relating to the company intervention speak for itself.

"This memorandum contains complementary data to the explanations given in the auditors report of July 25, 1958, and to the confidential memorandum given to Mr. Ignacio Calderin on June 30, 1958, and it constitutes the recommendations on differences and matters that require special attention found during the course of the audit".

Paragraph 5th states: "During the months of July and August 1956, \$71,865.83 were given to Mr. Vilaboy for personal expenditures -- the acquisition of a hotel Miami. He had only reimbursed \$40,000 to the company on June 1955, date on which certain commissions were distributed due to the initial payment on Britannia aircraft purchased by Cubana".

Paragraph 4th states: "The number of free passage tickets has increased during 1957, representing a total of \$140,000 in free travel or discounts.

The handling of these free tickets is extremely complicated and difficult to control, and in many cases is handled through fictitious bills presented by Cubana's Publicity Department".

This is an account in which this intervention has discovered a misappropriation of \$52,000 made by Mr. Rufino González, Vice Treasurer of Cubana and a man of strict confidence of Mr. Vilaboy. This was an account handled exclusively by the administration office without the intervention of the Treasury Department of Cia. Cubana de Aviación and, as of December 31st, this account owed Cubana \$150,000 asside from the \$52,000 that appear misappropriated

Of the Efficient and Extraordinary Administration of Mr. José López Vilaboy in Cubana de Aviación

We only present the following data:

Mr. Vilaboy speaks about the bad administration of the Banfaic. That was one of his winning battles, which ratified his rights to dispose of the interests of Cubana and of the Airport, It opened the doors for the continuation of his centrifuge of credits that he could not stop and, as he very well says, through his friend's Decree No. 41149 of November 28, 1958 the centrifuge would have continued but without remedy to Cia. Cubana de Aviación.

Cia. Cubana de Aviación, under the administration of Mr. López Vilaboy and through his plannings, was nearing the state of bankruptcy as of December 31, 1958 and, what is worse, it still is in state of bankruptcy. It can only be saved by the wise planning of the present government.

It is not supposed that extensive expansion campaigns would take place and that the control of money and the sale of tickets remain in total disorder. The administration of Cubana de Aviación is notorious for its total liberty in the sale of tickets on the installment plan in combination with its office at 23rd and O.

The outstanding collections on these tickets, according to the books, amounted to \$1,384,000, and there was a grand total of cash and outstanding bills of \$2,200,000. Tickets were sold at the 23rd Street office at great discounts to individuals who would pay in cash. The money was kept by the directing officers and the tickets were shown as being sold on credit. This account was known as "Accounts Receivable Rancho Boyeros". This account owed the company \$151,000 on December 31. The procedure followed by the company concerning these credits, according to documents, was to let time go by and then cancel these outstanding accounts as non-collectable.

In a series of accounting combinations, the real income of the company was jeopardized, making the situation worse as time went by. The so called Cuban Institute of Sales Promotion cost Cubana \$43,000. The so called Coros y Danzas de España, \$80,000. According to the books, the present debt amounts to \$29,000, but \$62,000 had already been cancelled.

The account of Cia. Viajes a Plazos (Go Now-Pay Later Plan), property of Mr. Vilaboy that was sold to Cubana on December 1958, owes Cubana more than \$260,000. That was the reason why the selling price was \$1,000. In one of the many deals made with the \$8,000,000 bond obtained from Bades, Mr. López Vilaboy spent \$1,000,000 to buy Cia. Carga por Avión, S. A., the company that operates the Expreso Aéreo Interamericano, which is the company that holds the franchise.

The money obtained from this sale was received by Mr. Gerardo Díaz, who appears to be the sole stockholder. The real owner was Mr. José López Vilaboy. Mr. Vilaboy passed this money on to CAISA to offset a series of fraudulent dealings that have already been mentioned here. But the most important point is that Carga por Avion is not worth \$1,000,000.

How Mr. Vilaboy Acquires Cia. Carga por Avion

The land was bought for \$125,000, of which \$25,000 were obtained by Mr. Vilaboy as a loan from Banco Hispano Cubano (also owned by him) and the remaining \$100,000 were given by the bank as mortgage on this land.

After being sold to Cubana at the price of \$1,000,000, Carga por Avion still owes the bank \$88,000 of the mortgage and \$17,000 of the \$25,000 loan.

This last amount was loaned to Mr. Vilaboy by the bank and he, in turn, loaned it to Carga por Avion.

Out of nowhere, but utilizing the credits given by his own bank and with money acquired from Bades, Mr. José López Vilaboy appears through Mr. Gerardo Díaz, owner of Carga por Avion, and sells it to Cubana for \$1,040,000. This

money, I repeat, was received by him from Bander and was used to cover his dubious transactions.

Other Particulars of the Exposition of Mr. López Vilaboy

The data and amounts which he presents on the financial situation of the company are a colored cartoon of the actual facts. He very well points out that it is information taken from his memory. But, in any event, to be taken with a grain of salt since, as is his custom, they are meant to produce a false impression but to his favor. The long term loan of Cubana is of \$22,000,000 and the amount owed on equipment purchased is \$27,000,000, if contracts signed by him are taken into consideration.

Regarding the purchase of equipment, he says that Cubana has \$14,500,000 active for its Britannias. The real price is \$15,235,705. But the problem is that Cubana has only paid \$5,650,000 on account. The same thing happened to the four Viscounts contracted by Mr. Vilaboy at \$5,000,000. Cubana has only paid \$896,000. On the purchase contract of the two jet Boeing 707 for \$15,000,000 Cubana has only paid \$650,000.

This means that on the \$35,000,000 contracted equipment Cubana has only paid \$7,000,000. Mr. Vilaboy left Cubana with a \$27,000,000 pledge. He tells his public that Cubana has \$33,000,000 in equipment (in files).

The only thing that Cubana really has is the absolute and total bankruptcy state Vilaboy left it in.

It is not true that the income of the company was \$12,000,000 yearly during 1957 and 1958.

The income from operations in 1957 reached exactly \$10,976,000 and in 1958 \$10,912,000. But the losses during those years were \$1,705,882 in 1957 and \$2,899,953 in 1958.

Cubana has a total deficit, accumulated during these six years, of \$12,126,650.

This is a true picture of Cia. Cubana de Aviación.

Consortium with Ala-Cinta

This famous operation is costing Cubana de Aviación \$500,000. During our intervention, we have tried our best to maintain the traffic with Chile and recover part of the credit from Ala-Cinta, but, as time goes on, solutions to the problem that could be favorable to Cubana seem to become more scarce.

We considered formulas until we received notice from Chile that the company had gone bankrupt since it owed the government more than \$1,000,000 and, in addition to that, its license had been revoked.

To end this, let us just say like Mr. Vilaboy that these are the highlights of what we have found in this intervention, however, we are still investigating.

This and something else we shall present before the judges of justice and let them determine who is right.

But, at this time, let public opinion judge by itself.

GENARO T. HERMIDA

President
Cia. Cubana de Aviación, S.A.

Delegate-Intervenor, Ministry of Recovery of Stolen State Property

MR. LOPEZ VILABOY REPLIES TO THE INTERVENOR OF CUBANA

—
"The Properties Were Acquired Through My Work, My Talent, and
My Personal Credit"
—

Mr. José López Vilaboy sends us an exposition in reply to the statements made by the intervenor of the Ministry of Recovery of Stolen State Property in Cia. Cubana de Aviación, Mr. Genaro Tito Hermida, which we quote below:

"Mr. Genaro Tito Hermida comes forth in my exposition of my activities in the air industry recently published in the Diario de la Marina.

He questions portions of my speech with sophisms and ill intentioned accusations, and he does not speak of the fundamental plans which are of interest to Cubana, the government and the people.

In any event, these matters cannot be clarified in newspaper articles but only before tribunals or investigating committees to which proofs may be presented based on moral commercial practices, without the intervention in these clarifications of the hate, the envy, the passion, or the economic interests of the parties. I come forth against these declarations to prevent the revolutionary authorities and the people of Cuba from being confused with sophistical and libelous arguments.

1.- Mr. Hermida made Mr. José Acebo García President of the March Financial Company and, in exchange for this service, Acebo made him President of Cia. Cubana de Aviación with the support of the power of vote of the match industry.

2.- Neither Mr. Hermida nor Acebo take stock of the ways and means used to accomplish their ends. The former takes advantage of his influence as intervenor in the employ of the Ministry of Recovery for his own benefit, and the

latter accuses Hermida as a help in his plan to blackmail me and wrench from me my enterprises and standing in the match industry.

3.- They effect this first part of their plan by holding a stockholders meeting of the Match Financial Company without previous notice, without legal quorum, voting with shares they do not own, falsifying the agreements and violating the by-laws of the company. Thus they dismiss the executive committee which governs the industry, with the unanimous vote of all and they elect themselves and grant themselves power to vote, etc. In one word, they are judges and parties concerned as well as beneficiaries when distributing the positions, emoluments and special fees.

4.- It is false that Mr. Hermida has dismissed Mr. Acebo as President of the Match Financing Company. Mr. Acebo is dismissed from his position, illegally occupied, by the Delegate of the Ministry of Agriculture, Dr. Alvaré, after an investigation takes place in connection with the accusation filed against me by Mr. Acebo, and Dr. Alvaré proves the falseness and lies of the accuser who uses these means to take away from me my property through various judicial claims filed and followed against me in the regular civil courts.

5.- The impudence and audacity of Messrs. Hermida and Acebo go so far as to plan in the Ministry of Recovery of Stolen State Property the intervention of my own home, at #1355 17th Street, Vedado, which is the property of my wife. A group of inspectors and policemen, headed by an officer of the Ministry of Recovery who said his name was Pedro Gispert, presented themselves at my home on February 26th and, after going through the house Ventura fashion, they took possession of documents, deeds, bonds, shares, checks and vouchers relating to payments concerning the match operation, insurance policies, and all that came to their whim was taken away by force refusing to leave a signed list of the documents taken or issuing a written statement showing what had ensued.

Immediately, and in a violent form, they forced my wife and my mother in law (a woman 84 years old) to leave the house with only the clothes they had on. To this time, we have had no explanation or reply notwithstanding all the efforts that my lawyers and my proxies have made countless times in the Ministry of Recovery of Stolen State Property.

6.- It is significant that many documents and checks and paid bills taken from my home by the Ministry of Recovery have gone to the hands of Mr. José Acebo and have served as basis to several claims made to me.

7.- Mr. Hermida talks about CAISA he maliciously ignores the fact that CAISA is a private enterprise and does not belong to Banderes or the government, since it is only the debtor of a loan, and, according to the financing document, it is free administered by officers and stockholders needing only the authorization of Banderes when selling properties. For these reasons, I managed CAISA the way I thought it best to my interests as an impresario. That is why I maintained that drawing account with CAISA which alarms Mr. Hermida, through which I gave it money and drew from it when I saw fit. For this I needed nobody's authority nor Mr. Hermida's opinion. Fortunately for me, my drawing account with CAISA shows a balance in my favor of \$850,000 as of December 31, 1958. Where then is there a shortage of funds, or even loans received by me, which I could have done without violating any disposition and without anybody's permission?

8.- Mr. Hermida says that the properties of Carga por Avion are not worth \$1,040,000. These properties include lands, buildings, hangars, spare parts, tools, installations, a fleet of three Curtis C-46 aircraft, and Expreso Aéreo Interamericano with its franchises, permits, routes, and so forth. And I ask myself, what does Mr. Hermida know about this? When Cubana wants to sell these properties acquired from Carga por Avion, I will get them a buyer for

\$1,400,000.

9.- The parking lot, cafeteria and other business enterprises at the airport are obtained by me through my work, my talent and my personal credit. They are not given to me nor have I misapplied one dollar from the people to acquire them. These investments, efforts and risks, as well as the income derived, if any, are mine and they are of no interest to Mr. Hermida, unless he has hopes of appropriating them as a revolutionary right.

10.- My radio stations and other business enterprises appear to Mr. Hermida and to many other ignorant and malicious people to be product of the help from Batista and his government. But I am going to clarify this rumor once and for all, since these enterprises and properties that I have obtained are the result of 18 hours of work daily during more than 40 years, of millions of dollars obtained in bank credits in more than 15 banks, which enterprises I have labored over for more than 20 years and are the result of the behaviour, trustworthiness and honesty of a Cuban who honors his country.

It is very easy to destroy, discredit and attack those who work and create, for this you only need malice and shamelessness!...

11.- Mr. Hermida attacks me because I criticized members of the past regime that today have fallen. I do this against my custom but, in analyzing things and what has happened, I unavoidably have to mention names. However, I shall take advantage of this occasion to speak of my actions and friendship with Batista and his regime and collaborators for general and public information.

12.- I have been one of the very few friends of Batista that has gone against his collaborators and protegés, and even against Batista himself, when they were strong and seemed invincible. I have never liked to talk about myself but, as the saying goes, you are hung by force. I shall break my invariable principles which do not permit me to speak ill of the beaten.

13.- During the government of Batista, I faced Jorge García Montes, Pablo Carrera Jústiz, Emeterio Santovenia, Carlos Duquesne, Andrés Rivero Agüero, Gustavo Gutiérrez and other favorites and friends of Batista when they were holding high positions under the protection of Batista.

I faced Batista without propaganda and without making it public so as to gain merits with his opponents, I did it when everybody called him the strong man, and I fought on various occasions his desire to make his power last forever to not hold elections, to not accept honorable arrangements with the opposition. Some of these occasions were when efforts for satisfactory arrangements were being made by the Friends of the Republic (Amigos de la República), by the Civic Institutions, by the Press Block. I advised him how mournful the abuses of the Police and the Army, the outrage of the repressive groups, the mysterious deaths of citizens, the unlimited gambling and other vices would be for him and for Cuba. I criticized the public works effected without previous bidding and their high costs, and more than once I refused to become a contractor of the State. I fought against the press censorship and in many opportunities that I visited him I asked him for understanding of things and solution of the deep political crisis the nation was living in. Others visited him as I did but only to ask personal favors and for business purposes. These efforts and pressure on my part irked Batista many times and often resulted in crisis in our personal relations. I have plenty of proofs and witnesses to support these statements.

14.- In my relationship with the military authorities, I have had great clashes and controversies with Salas Caffizares, Silito Tabernilla, Wisi Tabernilla, Palmero, Blanco Rico, San Pedro, García Báez, Ríos Chaviano and many other army and police authorities. But when I clashed with them they were strong and had Batista's backing. Look through the files of the Military

Intelligence Service (SIM) and in the files of the offices of Silito Tabernilla and you will find hundreds of reports against myself and against the principal collaborators in my enterprises, all of which were presented to Batista. I never complied with the wishes of these military chiefs when they requested that I fire employees or officers of my enterprises for conspiring against the government. You, Mr. Hermida, however, have fired innumerable employees of the airport and Cubana only because they were my friends.

15.- Can Mr. Hermida compare his conduct to mine? He has plenty of antecedents and, specially, he has the testimony of the workers and employees of the air industry who are aware of my conduct and are sensing his with alarm. And he may as well tell how much Cia. Cubana de Aviación is selling per month now and how much it sold during the same months previously, and also say how much were the losses for the first five months last year when Cubana was under my management and how much has been lost during these five months, from January to date, under his wise intervention. It would be interesting to see these figures, specially for the information of Bander and the government.

16.- The high amount of transportation accumulated to propaganda and credits amazes Mr. Hermida. All of these charges have been accounted for and can be checked. If they have been mishandled by any person who has stolen the money of the company, take him to courts. That is his duty, as it is the duty of the Treasurer, in the event that it is true. But bare in mind that this account has been one of the greatest services rendered by Cubana to the revolutionists and their families who had to leave the country in haste fleeing from repression. It was a way to evade investigations from the police and save the responsibility of the employees and, in many occasions, to save lives of friends. I do not need to mention names of persons thus saved because they would come forward, except for those who are ungrateful and cowards, to give

their testimonies if necessary. These and many other services were rendered by me for the revolution only for the sake of humanity and Christianity without hopes of reward. It is one way to live with one's conscience for a man who is honest and decent. From the revolution I want nothing, I need nothing but the good of Cuba, as a good citizen does. Personally, I want nothing but respect and justice.

17.- For all the good I did for those who combatted the fallen regime I was not a traitor to Batista because I always voiced my repulse against the abuses and excesses of power. Therefore, I cannot be found guilty nor disloyal to his friendship. Because of my conduct and my position, and because of the antecedents set forth herein which I can prove, I am morally entitled to withdraw my friendship from Batista and from all others who cowardly fled from Cuba on January 1st. I have two irrefutable reasons to say this. One, that because of their selfishness and arrogance they did not heed to honest advise in time, and the other that they lacked courage to face punishment for the evil they had caused to the country and the people.

Because of this, I am not a friend of Batista nor am I a friend of those who fled on January 1st, and I have a legitimate right to pronounce these statements and to repudiate these friendships.

I leave things as they are for the moment and hope for an opportunity to speak of many things that are of great interest. This is not the right moment to do it, as a lawyer would say. These words are only meant to avoid confusion and misinterpretations and, therefore, are only a clarification.

JOSE LOPEZ VILABOY"