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TO : Department of State

MESSAGE CENTER

937.513/12-2150

XR 357.062

FROM : HABANA 1318 December 21, 1950

DEC 29 PM 3 53

DEPARTMENT OF STATE

BUREAU OF

SUBJECT : CUBAN GOVERNMENT NATIONALIZES AMERICAN-OPERATED INTER-AMERICAN AFFAIRS  
"AUTOBUSES MODERNOS"

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The rather brash but courageous efforts of the American managers of Autobuses Modernos to apply modern bus transportation methods to the city of Habana came to an inglorious end with the publication in the Gaceta Oficial on December 15, 1950, of Decree No. 4394 which provides for the nationalization of this organization. The company, which had been responsible for the elimination of a considerable section of antiquated, unsatisfactory street railway transport and the introduction of a fairly large number of new autobuses, with a promise of considerably more, paid the price of having incurred the opposition of the strong workers' union, which was fearful that the modernization of a section of the city's transportation system would mean the release and the unemployment of many workers. In addition to the opposition from the union, Autobuses Modernos had been subjected to a very critical examination by a congressional committee and when it became obvious that management and labor could find no common ground of agreement, the Cabinet then took the problem under study. The decree providing for the nationalization of Autobuses Modernos proposes to be a solution to this medley of controversy. The new management body is to consist of nine directors representing the Government, the labor interests and the public. The decree makes provision for the legitimate rights of the company prior to nationalization as well as the rights of so-called third parties. Precisely what these rights are is largely a matter of conjecture and probably will not be known for some months.

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Subsequent to the promulgation of Decree Law No. 4394 the interventor of the Autobuses Modernos, apparently in preparation of the termination of his responsibility, called upon President PRIO on Monday, December 18. It is reported that the interventor, Antonio SILIO, advised President Prío that during his tenure of office the company had paid off some \$675,000 in debts and that its various suppliers had agreed to continue serving the new, nationalized organization. However, there has been no mention made as yet of the completely confused financial structure of Autobuses Modernos and it is questionable whether the nationalization of the company will approach even vaguely the basic problem that

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the line has been operating at a deficit and will continue to do so unless modern and administrative measures can be adopted and enforced, and unless the rather flagrant union feather-bedding practices can be eliminated. As a matter of fact, the workers of Autobuses Modernos have within the past several days come up with a demand for a Christmas bonus, a payment which presumably, under the new organization, will have to be made by the national Government. There are indications that a compromise may be reached and that the workers may receive a so-called "loan" of \$20.00 each.

A translation of Decree No. 4394 is attached. This is the first instance of the Cuban Government's nationalizing a private organization and the legal implications are not at all clear. While there is no evidence to so indicate, it is possible that the decree law and its various provisions may be subject to congressional approval and judgment. However, this stage probably will not be approached before the new administrative body has been fully constituted and has undertaken its responsibilities.

For the Ambassador:

  
DuWayne G. Clark  
Counselor of Embassy

Enclosure: *act*  
Translation of  
Decree No. 4394.

(Confidential section follows)

It is generally agreed that the nationalization of the Autobuses Modernos was the only possible solution to a problem which over the course of the past few weeks had become more and more confused. At varying intervals Mr. William PAWLEY, the Managing Director of the Autobuses Modernos, had declared his desire of abandoning the company (unless he could be given a free hand in the management and presumably be relieved of labor pressure and coercion). Mr. Pawley had several times recommended that the Government take over the organization, possibly with the idea that once nationalization was accomplished he himself might be able to act as the Administrator or the General Manager. As matters now stand, with the proposed board of nine members, such an ambition - if it ever existed - is out of the question.

In the course of an investigation of the company by a special committee appointed by the Lower House of Congress a number of critical points against the company have been emphasized. Several of these, for instance the delegation to the Autobuses Modernos by the Government of the franchise held by the Havana Electric Company, do not establish any guilt on the part of the company but may reflect rather high-handed conduct on the part of the Cuban Government. The special committee, as originally constituted, contained representatives from most of the political parties but as the investigation got under way it soon became apparent that the majority party members were losing interest and that the minority members were taking advantage of the situation to embarrass the Prío administration. It is possible, with this intent in mind, that while the Autobuses Modernos has figuratively been the organization under investigation, by indirection the Prío administration has been accused of laxity, the assumption of authority which it does not possess, negligence in consulting the Congress and in general extending preferential treatment to a privately-owned organization. This preferential treatment would include, of course, not only the concession of the Havana Electric Company franchise but also the establishment of tax exemptions and various other privileges.

On the other side of the picture it is without doubt true that the labor union has in a most determined way sabotaged the efforts of Autobuses Modernos to create a modern, well organized transportation system in Habana. It is understood on good authority that the original contract signed between Mr. Pawley and the labor leaders has been consistently and deliberately ignored or violated at will by the labor leaders. Mr. Pawley, contrary to the original understanding, was unable to select workers who were to be trained as either bus drivers or bus mechanics, the union insisting that such selections should be on a basis of seniority, and that aptitude

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or inclination counted for nothing. The scale of penalties for negligence or utter disregard of duty was reduced to an absurd minimum. Prior to the intervention of the company it was stated that the company was consistently losing per day of operations approximately \$2,500 through petty theft. It was impossible to correct this situation because the schedule of penalties provided that any conductor accused and convicted of such theft could be given a maximum penalty amounting to five days' suspension.

The final recommendation made by the committee of the Lower House of Congress amounted to a suggestion of expropriation and nationalization, although it was recognized that under existing circumstances no bus company can possibly operate as a going concern. It was inevitable, therefore, that the committee should recommend that instead of increasing fares the Government should grant a subsidy to the passenger transportation companies of Habana. It is significant that the decree ordering the nationalization of Autobuses Modernos makes no mention of such a subsidy.

It remains to be seen whether or not Mr. Pawley will be able to salvage any of his equity in the Autobuses Modernos. A number of American technicians who were brought to Cuba from Miami to assist in the organization of the company have either been released or have had their salaries reduced to a point where their return to the United States is inevitable. There is some doubt as to precisely how much Mr. Pawley's investment in the company is at the moment, although it is known that many of the new buses now in operation were leased to Autobuses Modernos by the Miami Railway Company (also Pawley property). A large order of buses from Great Britain is still incomplete and while several specimen units have already arrived, volume deliveries were not expected before the early part of the new year. It is doubtful whether the British manufacturers will be willing to deliver these buses to the new organization unless some firm credit arrangement can be made which will insure prompt payment upon delivery and which will not be contingent upon the new organization making a profit to meet its obligations.

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