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TO : Department of State

937-131-21

FROM : HABANA 1384 January 3, 1951 1 Enclosure

REF : EMBASSY'S 1318, December 21, 1950

SUBJECT : PROGRESS REPORTED IN NATIONALIZATION OF
AUTOBUSES MODERNOS, S. A.

Some progress appears to have been made in the nationalization of Autobuses Modernos, S. A., as it has now been reported that the interventor who had been appointed by the Government terminated his job and turned the company over to the Cuban Government on December 29. Apparently this transfer was purely nominal as the selection of the members of the Board of Managers, to consist of nine persons, has not been announced.

The press has reported that the interventor, Dr. Antonio F. SILIO, stated that when he took over the Autobuses Modernos he was faced with a deficit of some 50 million pesos, that is, a short fall of revenue as against fixed expenses, and that he was forced to obtain a credit in this amount from the Banco Agricola y Mercantil. Of the total credit extended, 28,000 pesos were disbursed to meet the company's debts, but Silio claims that it was not necessary to make any further charges against the credit due to the fact that he was successful in eliminating superfluous company personnel, was able to discontinue overtime work, and take various other steps towards economy. He claims that he was successful in balancing the budget of the company and that during his administration (which was a matter of only several weeks) he disbursed from receipts 675,000 pesos in salaries, wages and the purchase of equipment and its maintenance.

It is understood that Dr. Silio has delivered to the President of the Republic a detailed accounting of his stewardship, during which he apparently was successful in effecting economies which the previous manager, Mr. William D. POWLEY, was unable to realize. Dr. Silio has made the claim that the total cost of his administration and interventorship amounted to only 1,500 pesos.

For the time being this problem appears to be dormant but perhaps it will again be revived for public attention and debate when the Government has selected the Board of Administration which, as mentioned before, is to consist of nine members representing the Government, labor interests and the public. In the meanwhile no progress seems to have been made in straightening out the medley of confusion which exists as regards the legality of the original creation of Autobuses

DGClark:eam

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Modernos, whether it was properly financed, and whether or not it was a victim of labor sabotage. The position of the original promoter, Mr. William D. Pawley, was made quite clear in a speech delivered before the Habana Rotary Club on December 6. A copy of this speech has only now been made available and a free translation of the original (which was delivered in Spanish) is attached to this report.

For the Ambassador:

Duwayne G. Clark
Duwayne G. Clark
Counselor of Embassy

Enclosure: *att*

Translation of Mr. Pawley's
December 6 speech.

[TRANSLATION]

ADDRESS DELIVERED BY MR. WILLIAM D. PAWLEY
BEFORE THE ROTARY CLUB OF HABANA AT ITS
MEETING OF DECEMBER 6, 1950

Mr. President:
Senators:
Mr. Mayor:
Distinguished Friends:
Fellow Rotarians:

This is one of those days I wished I could speak Spanish without any difficulty in order to explain something that I believe it is high time be clearly known, so that everyone may know what has been done and why it has been done, in full detail, in connection with the Autobuses Modernos negotiation.

You are all aware that for many months this matter has been very much commented on, not only in the press and on the radio, but also in other places in the city.

I have not wanted to answer the several attacks that have been waged against me to date, against me personally as well as against the other persons who have cooperated in this matter because I believed it was not necessary and that in time everything would be clarified and that we could go on improving transportation in this city without further difficulty, but I have come to realize that the political situation has not made it possible for this to be so and have reached the conclusion that it is necessary for me to address you, members of the Rotary Club, to which I have the honor of belonging for more than twenty years, to tell you everything that has happened.

I do not believe that it is necessary for me to advise you of my activities during the twenty years that have elapsed since I left Cuba, because if not all, at least many, of those present have been my friends for many years and are aware of my activities. However, I can tell you very briefly that after leaving Cuba I spent ten years in China where I constructed three aircraft plants to aid the Chinese in their war, and three and one-half years in India where I constructed an aircraft plant for the Indian Government, in which 10,500 men worked.

When the American Air Force took over this last plant for the repair of its planes, the Government of the State of Travancore, in view of the success at that plant, asked me to construct

an ammonium sulphate plant at Travancore, in the southern part of India, in which ten million dollars were invested.

I believe that much of this work that one does in life gives one much experience that can be made use of in other endeavors.

I also had the honor during the war in China to create the group that was known as the Flying Tigers. The success achieved by that group, although small, was undoubtedly important at a time in which the war was quite adverse to the Allies.

During all that time I returned to Cuba several times, where I have always liked to live and where I have many friends, having established myself at Miami since I purchased a city transportation company there which I have been operating for ten years.

Later the Miami Transit, which is the largest city transportation company in Miami, began to meet with difficulties and was losing \$550,000 per year, for which reason the civic clubs of Miami, including the Rotary Club, invited me to a dinner at which they asked me to buy that company in order to place it on a satisfactory economic basis. I accepted the task in which I invested several million dollars, and today that company operates under fine economic conditions, two years and two months after I had purchased it.

I had already resigned, for reasons of health, from the American diplomatic corps in which I spent four years, and was resting in Miami when my friend Paco Prieto, whom I became acquainted with as a member of the Board of Directors of the Industrialists' Association when I belonged to the same, invited me to come to Cuba to become acquainted with the President before he took office.

I returned to Habana and had a talk with the President. Among the several subjects that we discussed we talked of transportation in Habana and the President's wish to achieve some improvement therein, asking me if I could give him a detailed report on the subject. I told him that I would be glad to do so and after several months, with the assistance of eight or ten experts who came to Habana to cooperate with me in that task, I presented to the President a plan for changing the city transportation system of Habana, through the medium of Mr. Menelao Mora and Cooperativa de Omnibus Aliados.

I never thought that I would in any way become a part of this business and, frankly, if I had been offered a large portion of Cuba's share to do so, I would not have accepted; but things often occur in such a way that one cannot even imagine or explain how they do come about.

After talking to the President on the plan of reorganization, he asked me to go to the Palace together with Mr. Mora, where he said to me: "Alright, I believe that the plan proposed by you for the Aliados to form two companies, one to reorganize the Aliados and later the reorganization of the tramway company, is logical and acceptable." I answered that it would be necessary to purchase 800 new buses, four hundred for the Aliados and four hundred, more or less, for the other company, to begin operations. In my judgment, 1,500 new buses were needed to render Habana's transportation service, but we had to start with something.

The President offered Mr. Mora assistance, within his powers, in the sum of \$12,000,000 on loan with the Government's security to be paid by Cooperativa de Omnibus Aliados, and Mr. Mora a little while later wrote a letter to me, suggesting the idea of trying to get an eleven million dollar credit for Aliados.

In connection with the above, there are several letters and I would like Dr. Angulo, our company's attorney, to read the same, since I believe they are very important.

"Cooperativa de Omnibus Aliados, Belascoain 362, Habana. Office of the President. Habana, September 7, 1949. Mr. William Pawley. Dear Sir: 1. We hereby commission you to take steps to obtain from the Export and Import Bank a credit in a sufficient amount to purchase up to 800, thirty to forty passenger buses; it being understood that for the time being we are to purchase only 400 buses and we will decide whether or not to purchase the others, as the circumstances may arise. 2. For your information we are enclosing quotations we have received from two manufacturers and we are expecting others. We have not as yet decided from whom we are to purchase the equipment and the sole purpose of giving you these quotations is so that you will have an approximate idea of the equipment we are interested in. 3. We are ready to pay on account for the buses that may be definitively ordered ten per cent down and the balance on installments with interest satisfactory to us and

to the financier. 4. The President has shown the decision of the Government to guarantee this transaction. 5. We beg of you to render a report on the result of the steps you are to take in order that we may reach a final decision. Cooperativa de Omnibus Aliados, Dr. Menelao Mora Morales, President."

"Cooperative de Omnibus Aliados. Belascoain 362, Habana. Office of the President. Habana, September 9, 1949. Mr. William D. Pawley, Belvoir House, Plains, Va. Dear Friend: Up to this morning it was not possible for the President to sign the letter in which he records his decision to guarantee the operations for obtaining sufficient financing for the purchase of the buses we are needing; this being the reason for the delay in sending it to you. Dr. Iglesias suggested the opportunity of sending this document to you together with our authorization for you to begin to act in the matter through a person whom you are well acquainted with who is leaving for the States today. Therefore, taking advantage of this opportunity, I am sending you the President's letter and our own, which you already were acquainted with. If you feel that you need authorization to act before the World Bank or any other institution of credit, please advise me since we are ready to make provision for this at once. I want to refer to the importance and urgency of the steps that we are entrusting you with and hope that they will meet with success. Sincerely, Cooperativa de Omnibus Aliados, Dr. Menelao Mora Morales, President."

"The President of the Republic. Personal. Habana, September 9, 1949. Mr. William D. Pawley. City. Dear Friend: I am advising you that under a plan of coordination of transportation, the Government is willing, in the manner allowed by its legal and constitutional powers, to give such warranty as may be satisfactory to the concern that is to finance the purchase by Cooperativa de Omnibus Aliados of a minimum of 400 buses and a maximum of 800 buses of thirty to forty passengers each, it being understood that you will pay 10 per cent cash and that pursuant to an agreement, it will be assured that from the daily revenue the amounts necessary shall be taken to meet the unpaid purchase price and interest, which will meet with the approval of Congress. Yours very truly, Carlos Prío Socarrás."

There is also another letter dated Belvoir House, The Plains, Virginia, December 26, 1949, addressed by Mr. William D. Pawley to President Prio Socarrás, from which certain portions are to be read:

"For the purpose of relieving you to a certain extent of the burden of this problem, I have made arrangements to finance the purchase of the buses in exchange for a note from the Company maturing in three years or before, if that is possible. The commission of \$2,000 per bus will be applied to the payment of the first installment on the buses and the balance will go into the Company treasury to meet operating expenses. All the shares of this new company are at the disposition of the State, although I am of the opinion that it would be convenient to issue a minority of shares of Cooperativa de Omnibus Aliados, either in exchange for cash or, if your prefer, free of cost. These shares would have a true value and will be a source of considerable and larger earnings than the losses that might be suffered by the routes that might be affected by the new company's services. During my last visit to Cuba I did not have the opportunity of seeing either Dr. Mora or Mr. Sanchez. However, I deem it advisable for them to know that I am greatly interested in the success of Cooperativa and although I agree with you that there should be no monopoly in Habana's transportation service, it seems to me that Cooperativa de Omnibus Aliados could also have a share in the new company which I do not doubt would be highly beneficial to it. It would be very convenient for Mr. Mora to accept a position as a member of the Board of Directors and officer of the new company, as well as other members of Omnibus Aliados, if you deem it convenient. I should repeat that my investment in this company is in the nature of a loan, to be paid back by the company from its earnings and I have advised the Export and Import Bank that the reimbursement of my loan will be made after the bank's loan has been paid up."

I believe that these letters are important because they prove that the plan had in mind by the President was to assist Cooperativa de Omnibus Aliados and, at the same time, succeed in preventing the trolley car company from going into bankruptcy, by changing it from a trolley to a bus company and providing a source of work for the 5,000 men who had worked therein, and

who, if the company had become bankrupt, would today be out of work.

I believe that this is very important because we have 5,066 employees in a trolley car company that we are and are trying to change into a new and modern bus company, which is a very difficult task.

I had always heard the President of the Republic say that he wanted no transportation monopoly in Habana but that there should be two companies, so that due to the competition between both the service would improve, a point on which we were in full accord, as I have stated in all the letters that I have written to the President on this matter.

However, the fundamental thing to prevent the monopoly was to prevent that trolley company from disappearing since it was actually bankrupt and owed several weeks' pay to its workers, for which it was essential to obtain the necessary credit.

I went to the United States to seek this credit, but I did not succeed. I discussed the credit plan with many banks in the United States, the names of many of which I have jotted down. I discussed this matter with Mr. Aldrich, President of The Chase National Bank, to whom I talked for more than an hour and a half. The idea was liked by Mr. Aldrich, especially that the capital of private banks should be used to aid a plan of this kind, but when the matter was turned over to the experts in public service companies, they rejected the credit for the same reasons that it was refused by all the banks that I am to name, that is, because Cooperativa de Omnibus Aliados is made up of 40 or 45 companies, each operating separately, there being no credit basis for a company having this kind of organization.

I was in communication with Mr. Mora to see if it was possible to organize a new company, formed by themselves, which could own the equipment, have its own revenue, that is, all in a single concern, but he explained, and I believe very rightly, that for them the system they had in force was more convenient and practical.

The other banks with which I discussed the matter were, among others, The First National Bank, The National City Bank and The Royal Bank, and here is Ambassador Luis Machado who knows that I discussed this plan and that the officers of the bank said that of all the plans they had seen, mine was the one that was best presented and in a better condition to be

financed. I thought we would meet with success but I did not succeed in having either the Export Import Bank or The Royal Bank give me the money.

The World Bank alledged something that I considered reasonable: they did not want their first loan to be used in a transaction of this kind, but that it should be used for something of more national importance.

In view of the negative results of my steps, I returned to Cuba and made a small change in the original plan, this being contained in a letter that I addressed to the President and which I consider very important, because it marks the start of the change in the plans for organizing transportation in this city. That letter, from which a few portions are to be read, states as follows:

"Habana, October 26, 1949. The President of the Republic, Dr. Carlos Prío Socarras, Presidential Palace, Habana. Dear Mr. President: I have come to Habana for the purpose of reporting to you on the progress made in the negotiations leading to the obtaining of a credit for the purchase of the new buses. I have found considerable opposition on the part of the Export Import Bank on the cooperative form of the organization of Cooperativa de Omnibus Aliados. The officers of the Bank have said on different occasions that they find it hard to open a credit in the name of Cooperativa de Omnibus Aliados which owns no property whatever. The cooperative only represents the holders of permits for the operation of several routes. The owner of each route collects the fare on his route, he is responsible for his own repairs, fixes his own itineraries and keeps his own books; so that in the opinion of the Bank the transportation system of Habana is made up of a group of companies, corporations and separate and independent firms. This situation makes it very difficult to obtain such a credit. Nevertheless, I have been able to make some progress in connection with the credit. It now happens, after conferring with Messrs. Mora and Sanchez that they are prevented from placing the orders for the equipment they desire. If such orders could be placed we could now present a formal request for a credit to the Export Import Bank. You have told me, my dear Mr. President, that you do not wish a transportation monopoly

to be set up in Habana. I wish to submit to your consideration a slight change in the manner of carrying out the plan, but I might say that this does not involve a change in the plan that you have temporarily approved. It had been decided to make delivery of the new equipment in two lots of 400 units to be delivered on two dates: the first, lot would be for Cooperativa and the second for the company to be formed, which would buy the bonds of Havana Electric and take over the management of the same. We have been trying, with your consent, to place orders for the 800 buses through Cooperativa de Omnibus Aliados. It would lease the buses to the members of Cooperativa. This method now seems impractical, first, because the Export Import Bank hesitates to grant a credit to a company with a cooperative structure; and in the second place, because Mr. Mora and Mr. Sanchez do not believe that it is possible for them definitely to say what kind of equipment they are interested in buying. Therefore, for the purpose of assuring the success of this reorganization of the Habana transportation system and for the purpose of personally relieving you of the problems inherent thereto, I take the liberty of suggesting that you allow me to invert the method so that the company that would advance the money for the purchase of the bonds could be immediately organized, which in so doing would become the owner of the assets of Havana Electric. Then, through the medium of that company, we would immediately ask the Export Import Bank for the loan for the purchase of the buses. I have confidence in that the credit would be approved within two or three weeks. Once these preliminary steps have been taken, you, Mr. President, could invite Mr. Mora and Mr. Sanchez and their associates to participate financially in this company, in the manner that has been discussed with Mr. Mora with his approval. The buses would take the place of the trolley cars and the program of beautifying the city could go on without delay through the elimination of the rails, electric wires and posts, which is essential to the beauty of the city. Every modern city in the world has been eliminating this system of transportation and placed buses in its place. Through this method, there would be no need of dismissing the trolley car workers. There will be many instances in which employees will be needed and even though the kind of work might not be identical these men would be employed and receiving

their pay. Of the 800 buses to be purchased, the new company would lease to the members of Cooperativa those that were purchased for that purpose. In fact, Mr. President, this change in the method would greatly facilitate the carrying out of the plan from the viewpoint of obtaining the credit and also as regards the reorganization of the system, which is the factor that the Bank deems to be of the greatest importance in connection with the loan. Apparently there is no difficulty whatever in the selection of the best equipment at the best price, and these two are the main factors. We already know which is the best equipment offered at the lowest price."

I believe that this letter clearly reveals the reason for the change in the plan. The company that was to be organized would then have its buses, its own revenue, etc., and on this basis there would be no obstacle to obtaining the credit.

I returned to the United States, after the President had approved the change in the plan, with the idea that Cooperativa de Omnibus Aliados would participate, to the greatest extent, in the reorganization.

I can assure you that I never intended that Omnibus Aliados should suffer as a result of the President's decision to assure a source of work to the 5,000 men who worked in the trolley system. I was always convinced that the two companies could be successful, taking into account the size of the city and the extraordinary number of persons using the public transportation system.

After many weeks' work in the United States I found that the Export-Import Bank, with which I was negotiating, raised objections to granting the credit for fear, perhaps, that Omnibus Aliados would not be satisfied with the plan, and they frankly advised me that there was a great deal of money in Cuba that could be used to carry out the project.

I remembered that when I was Ambassador to Peru, one of the reasons why the Export-Import Bank could not grant a loan to that Government was that it had no dollars. Later, during the course of my activities in the matter, I found that a country that had many dollars also could not obtain a loan and I therefore asked the Directors of the Bank what their policy was: If the country to which a loan was to be made had no dollars there would be no loan, and if it had dollars there would likewise be no loan.

Frankly, I considered the situation somewhat arbitrary and decided to go to England, where I knew that dollars were needed, and where owing to my relations with Mr. Cripps, with the President of the Hong Kong-Shanghai Bank and with the British manufacturers, I obtained the necessary credit.

Four days after reaching England I obtained approval for a credit of \$8,000,000.00. But I obtained even more, something, I believe, that had never been obtained before: An advance guaranteed by the British Government of \$1,600,000.00, which was the cash needed to organize the company.

I had been assured that the new company would not have to assume the indebtedness of the former in view of the fact that the transfer of the properties had been the result of a judicial sale. But there was a debt of four weeks' back pay which I did not believe I had to assume, according to members of the Government, because the budget that had been prepared did not provide any cash for such an outlay, and although I knew that this debt had to be paid I never thought I would have to assume it myself.

In England the two loans were granted for a reason that I must disclose, since it was the only reason. The British Government knew of my activities in India and in China and had confidence that, if I was at the head of the business, it would be successful, having offered the credit under those circumstances. This is so true that the contract signed with Leyland Motors stated that if for any reason my management contract with the company should be cancelled or delayed for more than 28 days, said contract with Leyland Motors, as well as the credits, would be cancelled. This shows the confidence the Government had in granting a credit of almost nine million dollars, better said, of more than nine million dollars.

I returned to Cuba to negotiate with American Foreign Power or with Compañia Cubana de Electricidad with regard to purchase of the bonds whose price was one and one-half million dollars. Since the budget at my disposal was for one million six hundred thousand dollars in cash, or insufficient to meet that disbursement and other disbursements, I was forced to obtain an additional credit for the payment of said bonds.

I want to make it clear that I tried to raise capital in Havana. There are many persons in this room whom I approached in the matter and the fact is that I could not raise even ten dollars. This forced me to develop a company on the basis of credits, which I did by personally putting up three and one-quarter million dollars in credits in this company. I wanted to come to Cuba to invest money because I believed that there was, and still is, opportunity for foreign capitalists to come to Cuba to invest their money and create a source of work for the citizens of this country.

There has been much talk that special concessions have been granted to this company. I declare on my word of honor that when I spoke to the Ministers in connection with this matter I told them that this company should not enjoy a single benefit that

could not be granted to Omnibus Aliados, because I believed there should be full cooperation between the two concerns. It was always my idea that both companies should work on a plane of cooperation for the improvement of transportation in Havana.

Mr. Clark, who is present here, invited Mr. Menelao Mora and other gentlemen of Omnibus Aliados to have lunch with me and with an officer of my company in a private dining room at El Patio Restaurant in order to see if we could reach an agreement whereby both companies might operate successfully.

From the outset that has always been the plan of the President of the Republic, it has always been my plan and it has changed in no way whatever. I have never attacked, nor will attack, Omnibus Aliados, although I have been strongly attacked by them without any reason. I do not wish to reply to those attacks because I believe that today's meeting is for the purpose of seeking a formula so that both companies may work, develop and be successful, for the benefit of Havana and of those who earn their livelihood in said companies.

As time is passing and you are all business men and must return to your offices, I am going to refer briefly to the financial aspect.

I consider it very important for you to know the financial situation of the company, where the money came from and to whom it has been given.

In the first place, I want to say that after returning from England I went to the Palace, accompanied by the lawyers who had represented me, doctors Iglesias, Gorriin and Cubas; Ministers Clark and Bosch, Dr. Lancis and the Miami lawyer Mr. Preston, who is here now, and a member of the British Embassy. We informed the President that all the documents were ready for the transaction and that we did not need the guarantee of the Cuban Government which at the start I believed necessary. I did not need anything. I had the full credit to carry out the negotiation on the basis that the company would revert to the Cuban Government when the debts were settled and that I would be paid a fee equal to that paid me in India, China and in the other places where I had operated.

It seems to me that if one comes to work, to invest his money, he is entitled to receive some compensation for his work.

Thank God I did not have to come to Cuba to go into this business. If I did so, it was solely and exclusively because the British offered me the credit and were not willing to do so except on the basis of my going into the business.

However, I went into the business telling the President that I considered it a mistake that I, an American citizen, should appear as a stockholder in a public transportation company in which, in my opinion, no foreigner should have an interest. Therefore, I recommended that all the shares be deposited in a bank, to be delivered to the State within six years, once the debts had been paid out of company revenues.

I believe that this is the only time in the history of any country that a private industry is turned over to the Government gratuitously, after paying all its debts.

The President accepted and informed me at the meeting to which I have referred above that at that week's meeting of the Cabinet the necessary decrees and documents which had already been approved would be signed.

Wishing to have the final word of a very outstanding lawyer, I had Dr. Hernandez Cartaya give me an opinion with regard to the operation that was to be put into effect, in order to know whether I was investing my money, as a loan, in a legally constituted industry.

I believe that more than I did could not be done. I have retained the best counsel known to me and after getting their opinion I also obtained that of Dr. Hernandez Cartaya, who said I was standing on firm ground. Later we went to the Palace for that meeting.

The President, as I have already said, informed me that he would sign that very week, but after further thought, and I believe quite properly, he told me that he would not sign then as he wanted an opportunity to call the press and tell them what was to be done. He did so. Members of the press went to the Palace. Many opinions were expressed in the sense that other propositions should be heard, giving everyone a chance to present their plans.

I was advised at the Palace that I would have to wait. I replied that the credit at my disposal was timid and that the delay would be dangerous, although I did agree that it was necessary.

Mr. Vilaboy presented a plan and although I am not sure, I believe that Mr. Barletta presented another, but after considering them all the only one which offered to carry the transaction through without need of Government intervention, releasing it from the task of having to purchase the bonds and the equipment, was my plan, and for that reason it was accepted.

However, the delay of several months, because several months had elapsed since I had gone into this matter in June, and not in January as was thought, caused me to lose the million six hundred dollars credit that I had obtained in England.

The comments were so numerous, there were so many labor conferences, so many difficulties arose, that the credit was frightened.

Then I went to the Palace to inform the President that although I had all the necessary credits to proceed with the change in the transportation system, I did not have sufficient cash. The President replied that it was a shame to lose everything for that reason, when he had offered to guarantee a credit of eleven million dollars for Omnibus Aliados.

I believe that the State could have very well helped, as it did, since I had lost a part of the credit, specially if it is realized that the new company was to create lawful competition, that the aid was not to be given to a private concern but to a company that had been organized, with its shares deposited in the National Bank of Cuba and which would pass into possession of the State when all debts were paid, and that the Government itself had offered similar assistance to Omnibus Aliados.

And that credit was obtained from the Standard Oil Company of Cuba, guaranteed by the Government, in the sum of one million dollars.

The other credit of which there has been much talk is that of five hundred thousand dollars which the Government used to purchase preferred stock in the company.

As I explained above, I had been told that I would not have to pay any of the back debts of the former company. Later, a few days before May first, date on which a labor parade was to be held, since the boys had not collected their back pay they called me to the Palace to see if I could meet that payment.

I have here the first check that was paid to those men: \$248,125.00. This was the first payment that this company made for back pay owed by the State Intervention in the former company. The full amount paid on this account by my company - and I say my company because I am directing it although it belongs to the State - amounts to \$428,000.00.

I did not have funds with which to proceed with this business nor cash to meet the payments that were not due by this company and it was logical for the Government to seek a formula to pay the back wages incurred by the State Interventors before I took over the company. The only way in which this company could be reimbursed for the sums it had paid for salaries in arrears - and Mr. Bosch studied this for several weeks before he reached a decision - was on the basis of something that appeared to me the most logical, that is, to discontinue turning

turning over to a company, as was done in the past with Omnibus Aliados and Havana Electric Railway Company, large sums of money which the State fully lost but to purchase preferred stock which could be substituted by debentures, the State thus assuring to itself reimbursement of the money it had advanced.

That has been the only assistance that the State has given to a company belonging to the State, and I, on my own account, without any help, have obtained a credit of three million dollars additional.

It seems logical to me that a State with a transportation system in a difficult situation, which finds a bankrupt transportation company on its hands, employing 5,000 men who run the risk of losing their jobs, should offer assistance to that company so that it might solve the difficult situation, especially when the idea of the President, of Mr. Bosch, of Mr. Clark, mine and that of all the persons who have taken part in this matter, as many of you present here are aware, was also to help Omnibus Aliados obtain what it needed.

I agree that the Aliados have a complaint, which I recognize is quite legitimate and which is that they were not fully told of what was being done.

With regard to the credits we have obtained, I believe that all present should receive further information.

In the conversation I had at the Palace, as doctors Gorrín and Iglesias and the others that were present will recall, the President told me that the delay in the arrival of the buses from England was such that it was necessary for me to act with more speed so as to have at hand more buses with which to obtain greater revenues for the payment of workers' salaries and, therefore, I should take charge of the purchase of American buses.

I told the President that that was not an easy matter because it required sufficient cash, but that having faith in the success of what I was doing, knowing Havana's need for good transportation, street repairs, removal of trolley cars, rails and wires, I bought 100 buses from General American Aerocoaches for \$1,147,500.00. This means that I paid \$11,475.00 for each bus, all of which are 36 passenger capacity, of the most modern construction to be found in the United States. To do this I had to put up collateral consisting of a mortgage on the Miami Beach Railway Company, a company belonging to me. The A.C.F. Brill Motors Company, who has a representative here present, sold me 111 cars, some 44 passenger buses, for \$1,487,621.90. These are factory prices, without commission for anyone.

I was granted 36 months by both manufacturers within which to pay, but the last named company was more exacting and made me turn over to a bank all my shares in the Miami Transit Company, another Miami transportation company in which I have more than three million dollars invested, and there is a letter stating that if I fail in the payment of one month's installment I will forfeit all my shares. You can well imagine what kind of a mortgage that is.

I need not mention what has been accomplished during the five months we have been operating. Many rails have been taken up, streets have been repaired, another bridge has been made ready for use. It is not a great deal, but something is being done. The boys are receiving better uniforms. Their behavior is better. Much has been accomplished in such a short time. I did not think this could be done in less than a year and a half or two years. I have asked the President of the Republic and the members of the syndicates to give me their cooperation for 18 months as a minimum period for the establishment and the reorganization of this company because it must be pointed out that we are speaking of and working with 5,000 men who are street car operators and not bus drivers.

If I were able to do the same as any of the industrialists who are here today, that is, establish a business and go into the street and say: I need 1,000 chauffeurs, 500 mechanics, etc. and select them on the basis of their ability, everything would be quite different, but I have been obliged to work with the men who have been employed in this company and have had to adapt and utilize them for the transformation. And I can assure you that this is the most difficult problem that exists, not only in Cuba but in the entire hemisphere, but I still think that it can be successful because I have found among the majority of the laborers of this company a real desire for success.

I succeeded in buying 620 autobuses of 40 passenger capacity each from the Leyland Motors Ltd. in England, one of the best manufacturers in the world, payment of which was to have been made on an installment basis, the first payment in March 1951 and the last in November 1954.

This contract is for a total of \$9,025,065.20. I paid down the sum of \$903,506.00. These cash payments which have been made to the manufacturers, to the American as well as the English, which represent 10 percent of the total value of the vehicles purchased from them, were drawn from money which I advanced, as the company has a capital of \$40,000, which I have paid in, although it has a credit rating of \$15,000,000.00.

Where have any of you, who are bankers and business men, seen a company with a capital of \$40,000 and with a credit of \$15,000,000.00? Such a situation is not frequently encountered but we have achieved it and I do not think that it ought to be lost.

I also arranged a loan of \$1,000,000.00 from the Compañía Cubana de Electricidad, without any guarantee on the part of the Government, although said company was in a very difficult situation due to the fact that power had been furnished the street cars for a period of four years without one cent having been paid. Under these conditions more than \$4,000,000.00 had been lost and a solution to the problem was a vital necessity for them. They also understood that this was a very beneficial undertaking for Habana, that the street cars were to be eliminated and that a modern and efficient transport system would be developed consistent with the needs of a capital such as this beautiful and important city.

I obtained \$1,500,000.00 in credit to buy the bonds. The company owes this money, not I. In the beginning I considered buying these bonds on the basis of a loan, as outlined in one of the letters which has been read to you, but inasmuch as existing funds were used for the purchase of the buses that are presently in Habana, the resources were not sufficient to cover what ^{had} to be done. In addition to the mortgages on my companies in Miami which provided the money, I have invested more than \$600,000.00 to pay overdue salaries. Each time that money was lacking for the payment of salaries I obtained it or raised it from my personal resources.

I have already spoken of the million dollars which we obtained, guaranteed by the Government. This is a loan that the company can pay. The Government will never have to invest money in the company and definitely lose it. That which the State gives it will have returned to it.

The total credit, excluding the amount paid in cash, amounts to \$13,818,527.00. I know that all of you fully understand the difficulties which at times are encountered in running a business, but I wish to give you a brief summary of a few figures which will enable you to visualize the difficulties with which we have been confronted.

From the time I became identified with the company, from June 23 to September, the income of the Autobuses amounted to a sum of \$307,000.00; the income of the street cars totalled \$1,311,000.00; and the receipts from other sources \$2,800.00, making a grand total of income of \$1,621,000.00.

I am reading round figures, not fractions. Salary payments alone stood at \$1,769,000.00. If to this there are added

the 5 percent retirement, the percent for Maternity Tax, Workmen's Insurance, uniforms and vacations, we have a grand total for salaries and social obligations of \$2,056,000.00, which compared with income shows a loss of \$424,000.00 in three months.

I have no desire of abusing your attention but so much has been said that it is important that you know exactly what has happened.

Even though the three syndicates that exist in the company offered me their full cooperation for a period of 18 months, I could not obtain this cooperation from two of the unions. Thus, we are faced with factors that it hardly seems possible are true. In this company they work 5 hours and 15 minutes to earn 8 hours' pay. This in combination with the loss in collections as a consequence of theft has resulted in a lower income than had been anticipated. It had been thought that the ticket receipt would be so effective that there would be no possibility that these losses would continue but the truth is that we are losing around \$2,500.00 per day in this way.

Nevertheless, it was believed that the problem could be solved and that we could meet with success.

I have a small team of some 36 men that accompanied me to China, to India and to other places where I have gone and many of them are here with me, and we have the following saying: "The very difficult takes not more than three months; the impossible a little longer."

Those who have known me for a long time realize that I am not one who likes to talk for talking's sake. I am simply explaining the difficulties with which this company is confronted.

The credit I obtained in England of 1,600,000 pesos, which I lost, was partially recovered by the establishment of another credit of \$680,000 when the first Leyland omnibuses were on the way. I fought for that credit because I needed it to pay salaries. From the very start I informed the President, the Ministers, and everyone who was interested in this operation that until the coming month of April there would not be sufficient equipment for the company to cover its fixed charges. I therefore had to search for a means to cover the losses up to the month of April. With the credit of \$680,000.00 it was going to be possible to cover the monthly deficit of \$250,000.00 for those months intervening until the stipulated month /presumably April 1951/. It should be explained that all of this deficit cannot be considered as a loss because in the monthly \$250,000 is included the sum of \$120,000.00 which is paid to American manufacturers for the autobuses which we now have; consequently the real operating loss was only \$130,000.00.

I think that all this was quite satisfactory. There was a company with many employees, with certain expenses, and to lose only \$130,000.00 per month was little enough, especially taking into account that in April we were going to be able to cover our expenses.

But while I was talking by telephone and sending telegrams to the Bank of England, which was going to advance this money with the guarantee of the English Government, our mutual friend Senator Mujal announced a six-hour general strike on the basis of three pretexts: A syndicate which was being organized, the Ferrocarriles Unidos and Autobuses Modernos. Of the three reasons for the strike I had the bad luck that two had to be English: One where they had already lost money; and the other where they already were on horseback and were going to lose. This announcement was widely criticized in the English press and the result was that the credit of \$680,000 was cancelled.

I say to you that this is fatal, to have bad luck, because that credit was guaranteed and practically in our hands.

Due to the loss of this prospective receipt of \$680,000, I had to go to the Palace to announce that I could not pay, that I was in a situation which would not permit me to continue until the month of April without help of some kind. Under these conditions the President realized the necessity of decreeing the intervention of the company. Our company is intervened and we are fighting with the company, in which I have made an important investment, to assist the intervention, with the object that it may continue the original purpose.

All that I ask is that I be informed, that I be told what to do because I have had no experience with intervened companies.

I understand that instead of waiting six years for the company to become the property of the State, it is desired to take the steps necessary for the State to take over the company now, assuming responsibility for the disbursements which I have made and the credits which I obtained from the Government. The only thing I wish for myself is that the mortgages held against my properties be lifted and that the money I have paid in cash be repaid to me when possible. I have had to pay to the American manufacturers a sum greater than \$350,000.00 in the form of payments due each month inasmuch as I have had to use cash on hand intended for this purpose to pay salaries. The moment has now arrived when I can not make any further disbursements, as my resources are not sufficient.

I wish to assure all of you, as a Rotarian and as a person known to many of you who realize that I am incapable of false testimony, that this is not an occult matter, that here no one has one cent.

If I have sinned, my sin has been that I have not had money enough to give to the many people who have wished money. This has been my sin.

I regret more than anyone else, for although I am an American I feel as Cuban as all of you and I love this country as if it were my own, that a man who comes to work, to invest his money, to create labor opportunities, has been confronted with the difficulties which have confronted me, and who has been subjected to all types of insults, and that the other persons who have helped in this effort, from the President of the Republic, who has been honorable and honest, who has wished nothing more than to benefit the people of the country, have also been victims of unfair attacks.

If it is sinful to wish to benefit the people of Habana, the President of the Republic, the Ministers who were interested in this development, and I have all sinned. You all know very well the Ministers who have been accused of having had personal interests in this and know that neither of the two is capable of entering into an affair which is not absolutely aboveboard and honorable.

In closing I would like to request of the Rotary Club and its invited guests a small favor: I would like for you, as Rotarians, to select a firm of public accountants to go to the company and make a careful, detailed study of its books, of all its receipts, of all its assets. And if anyone finds anything wrong, even a sum of 10 cents improperly utilized, he can accuse me before the Rotary Club. I will accept this with great pleasure.

But because I know that nothing occult or nothing wrong has been done, and because not one cent has been improperly expended, I will consider it a favor if you will select a firm of accountants to make the proposed study and send a report to the Rotary Club in the shortest period of time possible, stating what has been found in the records of the company.

I am deeply grateful to the President and to everyone present for having listened to me with such patience.

Trans: LLGonzalez
DGClark