

FOREIGN SERVICE OF THE UNITED STATES OF AMERICA

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SECURITY : CONFIDENTIAL

PRIORITY : ROUTED

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RECEIVED JUNE 26

TO : Department of State

937.513/6-1950

FROM : LONDON 2958 JUNE 19, 1950

REF :

SUBJECT : ARRANGEMENT MADE BY EX-AMBASSADOR WILLIAM PAWLEY TO PURCHASE BRITISH-MADE BUSES FOR USE IN CUBA

Handwritten notes and stamps: "CONFIDENTIAL", "INFORMED", "EUR", "OLI", "ACT", "AREA", "FR", "EUR", "OLI", "COM", "ECA", "LAB", "TAR", "KB".

Confidential File

On June 16, Mr. William Pawley, former United States Ambassador to Peru and Brazil, called at the Embassy to describe negotiations, in which he is involved, for the acquisition of a large number of British-made buses to be operated in the city of Havana, Cuba, by a company called Autobuses Modernos, S.A., of which Mr. Pawley is President. Mr. Pawley stated that he desired the Embassy to be fully informed concerning the matter, and, particularly, to understand why the buses will be purchased in the United Kingdom and not in the United States.

COM ECA LAB TAR KB

Mr. Pawley explained that he has been involved in a project to modernize the Havana transport system by placing in operation throughout the city a completely new fleet of motor buses. He said that he had already purchased 100 General American Aero coaches and 111 Brill buses. He explained that he had also attempted to obtain an import-export bank loan which would be used to finance the acquisition of a large number of American buses, but had been unsuccessful. He emphasized that it was his original intention and desire to obtain all of his requirements in the United States, but that when he was unable to make the necessary financial arrangements he turned to the British market.

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He said that on Monday, June 19, he would sign a contract for the acquisition of 620 British-built 40-place buses at a total cost of approximately \$8 1/2 million. British interests involved have arranged for extensive publicity to be given to the signing of the contract. At the time of signing, a 10 percent down payment of \$850,000 is to be made. The unpaid balance will be covered by notes to be paid off in 36 monthly installments, and 85 percent of the face value of the notes is to be guaranteed by the British Export Credit Guarantee Department of the Board of Trade.

Mr. Pawley said that the bus bodies would be manufactured by Saunders-Roe Ltd., and Saunders Engineering & Shipyard, Ltd., in accordance with advanced body designs developed by engineers of those companies and engineers furnished by Mr. Pawley's company. Leyland Motors Ltd. will manufacture the Tiger chassis and engines.

Mr. Pawley said that the cost of the buses delivered in Havana, including freight, will be at least \$1,000 cheaper than the cost of

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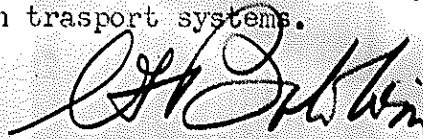
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Confidential Files LT

comparable equipment manufactured in the United States, whose purchase had been considered.

In describing the project in Cuba in which he is interested, Mr. Pawley stated that, after the acquisition of the large order of British buses, his company, Autobuses Modernos, S.A., will have obligations totalling about \$15 million, which he hopes to be able to pay off in 4½ years. He said that all of the stock of the company is owned by the Cuban Government.

Mr. Pawley recognizes that purchase of so large an order of British-made buses, for use in the Western Hemisphere by a company headed by an American citizen, may be expected to produce criticism in the United States. He said that he regretted that aspect of the matter. He was aware that there is considerable unemployment in certain motor bus manufacturing areas in the United States and, particularly for that reason, regretted that he had been unable to purchase the additional buses required in the United States. On the other hand, he expressed the opinion that increased sales of British products in areas of the Western Hemisphere outside of the United States were necessary as a means of reducing the dollar gap, and he obviously derived some satisfaction from this aspect of his arrangement to purchase British buses. He also hoped that the somewhat dramatic effect of completely equipping a large Latin American city with new buses of the latest type would stimulate interest in other parts of Latin America in following the example of Havana in modernizing urban transport systems.



C. F. Baldwin
Counselor of Embassy
for Economic Affairs

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