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FOREIGN SERVICE DESPATCH

FROM : AMEMBASSY, HABANA — 329  
TO : THE DEPARTMENT OF STATE, WASHINGTON.  
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General  
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	REC'D 10/2	REP-2 E-3 OLI-6 COM-8 CAB-6 AIR-4 CIA-5 FLA-10 NAVY-2

SUBJECT: Financial Difficulties of Cia. Cubana de Aviación.

The Embassy has been reliably informed that Pan American World Airways refused to perform any work on two Lockheed Constellations brought into its Miami repair shops by Cia. Cubana de Aviación on September 27, 1954. The work required on these two airplanes involved repair of a leaking gasoline tank and an emergency engine change. PAA's decision not to perform the urgently needed repairs was prompted by the fact that a \$14,500 check given by Cubana for an engine change a week earlier had been returned by the bank for lack of funds. Cubana was therefore informed that no further repair and service work would be performed on its Constellations by PAA until the \$14,500 check was made good. Although Cubana finally covered the check on the afternoon of September 28 the delay in initiating repairs on its two Constellations made it necessary to cancel some of its scheduled flights.

It is further reported that PAA also notified Cubana that its airplanes now under repair, as well as any others in the future, will not be released prior to receipt of payment in cash or bank draft.

Other information also supports the general opinion that Cubana's financial affairs are in a critical condition: total indebtedness to PAA alone is reported to be approximately \$1,500,000; unpaid landing fees at Mexico City approximate \$75,000 and Cubana is permitted to operate there now only on a strictly cash basis; indebtedness to Radio Aeronautica de Cuba (RACSA) for communications service has now risen to \$164,000.

It is apparent that the Agricultural and Industrial Development Bank of Cuba (BANFAIC) is also gravely concerned over Cubana's operations in as much as it appointed Dr. Francisco de VELASCO, formerly Chief of the Air Transport Office in the National Transportation Corporation, to act as an official delegate of the Bank in Cubana. Dr. Velasco assumed his new position on September 17 and is evidently charged with the duty of protecting the Bank's interest in Cubana which consists of two loans totaling \$5,208,500 (see Habana 166 dated August 10, 1954).

HTHendersen/ cv  
REPORTER

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Reports have been received that BANFAIC intends to assume a dominant role in Cubana and will force out some of the executive personnel now serving with the company. Mr. Sergio CLARK resigned on September 24, 1954, reportedly because of dissatisfaction with operations under the influence of Jose LOPEZ Vilaboy who heads the group holding a controlling stock interest in the airline.

For the Chargé d'Affaires ad interim:



David S. Green  
Commercial Attaché

cc: Amembassy, Mexico City.

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