

AIR POUCH

OFFICIAL USE ONLY

(Security Classification)

FOREIGN SERVICE DESPATCH

937 72 / 8-355

XR 837.10

FROM : AmEmbassy, HABANA

105

DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

August 3, 1955

DATE

REF : Embassy D-1212, June 7, 1955

L-2 AUG 9 - 1955

25 For Dept. Use Only	ACTION	DEPT.	a/Rep-2 RM/R-2 OLI-6 E-4 ICA-10 Cia-5 Com-8 Cap-6 TR-3 FRB-2
	REC'D	OTHER	
	8-10		

SUBJECT: TRANSMITTING FINANCIAL STATEMENTS OF COMPANIA CUBANA DE AVIACION

X MB-3 Air-4 Navy-3

There are enclosed copies of the balance sheet and profit and loss statement of Compania Cubana de Aviacion, showing the company's financial position at the end of 1953 and 1954. The monthly figures for cargo carried during 1954 on its domestic and international routes are also transmitted. These statements, prepared in May 1955 and considered reliable, were made available to the Embassy on a confidential basis.

AUG 12 1955

The 1954 balance sheet shows a total indebtedness to the Bank for Agricultural and Industrial Development (BANFAIC) of only \$1,000,000. Since the beginning of 1955 additional loans totalling \$10,000,000 have been authorized. BANFAIC advanced another \$8,000,000 before the Bank for Economic and Social Development (BANDES) was made responsible for the financing of Compania Cubana. After taking over the BANFAIC indebtedness, BANDES was authorized by Decree No. 1850 of June 30, 1955, issued by the Ministry of Finance to grant another \$2,000,000 to the company for purchase of equipment and rehabilitation of the company's installations.

The three million dollar increase in the value of flight equipment shown in the 1954 statement represents the purchase of one Super Constellation and the acquisition of two L-49 Constellations under a lease-purchase agreement with Pan American Airlines. Shortly after the issuance of Decree No. 1850 Cubana paid off the balance due Pan American on these two planes. The company has also contracted to buy a second Super-Constellation directly from the manufacturer and expects to take delivery sometime in the spring of 1956.

The profit and loss statements show a total operating loss of more than \$3,500,000 during the company's first two years of independent operation. At first glance the cost of ground operations seems to be excessively high in proportion to the expense of flight operations. This is partly explained by the fact that the company is required to maintain at its own expense a series of small airports throughout the island and to provide radio communication facilities in the eastern provinces. Another contributing factor has been

AESimmons/ad

REPORTER

OFFICIAL USE ONLY

ACTION COPY — DEPARTMENT OF STATE

The action office must return this permanent record copy to DC/R files with an endorsement of action taken.

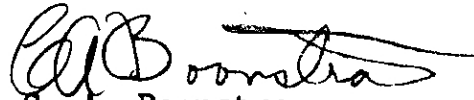
This document must be returned to  
DC/R  
937.72/8-355

HO

the inability to dismiss employees or to lower wages. Recently the company has attempted to remedy this last situation through an arrangement whereby the employees accept a portion of their salary in company stock, thus easing the drain on the cash reserves.

The outright purchase of the two planes from Pan American will relieve Cubana of the monthly rental payments which, in the past, were frequently in arrears.

For the Chargé d'Affaires a.i.:

  
C. A. Boonstra  
Counselor of Embassy  
for Economic Affairs

✓   
Enclosure

- (1) Table I (Profit and Loss Statement)
- (2) Table II (Balance Sheet)
- (3) Table III (Cargo Transported)

TABLE I

Compania Cubana de Aviación

Profit and Loss Statement Dec. 31, 1954 & Dec. 31, 1953

	1954	*	1953	*
<b>Productive Ten Miles</b>	<b>8,657,270</b>		<b>6,562,673</b>	
<b>Income from operations</b>	<b>(Pesos)</b>		<b>(Pesos)</b>	
Passengers	4,603,508	53.2	3,591,676	54.7
Mail-Cuban Govt.	312,307	3.6	258,834	3.9
" Other Govts.	6,279	0.1	4,995	0.1
Cargo	407,088	4.7	290,574	4.4
Excess baggage	73,071	0.8	46,377	0.7
Special flights	33,663	0.4	32,645	0.5
<b>Total from Trans- port</b>	<b>5,435,916</b>	<b>62.8</b>	<b>4,225,101</b>	<b>64.3</b>
<b>Net Operating Income</b>	<b>5,551,588</b>	<b>64.1</b>	<b>4,449,412</b>	<b>67.7</b>
<b>Operating Expenses</b>				
Flight operations	2,895,689	33.4	2,267,880	34.5
Maintenance of equipment	1,168,292	13.5	807,145	12.3
Depreciation	125,562	1.5	39,590	0.6
<b>Total</b>	<b>4,189,543</b>	<b>48.4</b>	<b>3,114,615</b>	<b>47.4</b>
Ground operations	1,251,491	14.4	976,614	14.9
Maintenance ground equip.	245,284	2.8	244,296	3.7
Passenger Service	360,064	4.2	274,059	4.1
Traffic & Sales	944,047	10.9	715,987	10.9
Publicity	304,341	3.5	205,936	3.1
General & Administration	560,841	6.5	454,302	6.9
Depreciation of ground equipment	85,539	1.0	51,705	0.9
<b>Total</b>	<b>3,751,607</b>	<b>43.3</b>	<b>2,922,899</b>	<b>44.5</b>
<b>Total Operating Expenses</b>	<b>7,941,150</b>	<b>91.7</b>	<b>6,037,514</b>	<b>91.9</b>
<b>Net profit or less in operations</b>	<b>-2,389,562</b>	<b>27.6</b>	<b>-1,588,102</b>	<b>24.2</b>
<b>Net financial profit or loss</b>	<b>-184,991</b>		<b>579,734</b>	
<b>Net profit or loss</b>	<b>-2,574,553</b>		<b>-1,008,368</b>	

\* Centavos per ten mile

TABLE II

Compania Cubana de Aviacion

Balance Sheet, Dec. 31, 1954 & Dec. 31, 1953

<u>ASSETS</u>	<u>1954</u>	<u>Total</u>	<u>1953</u>	<u>Total</u>
<u>Current Assets</u>				
Cash, Fixed funds, special deposits				
Cash	142,052		143,835	
Fixed funds	16,369		10,501	
Special deposits	659,543	817,964	-	154,336
Accounts Receivable				
Govt. of Cuba	246,969		279,333	
Other govts.	5,828		2,135	
Traffic	352,561		209,171	
Affiliated companies			8,123	
Stock Subscriptions			500,000	
Other Accounts receivable	289,782		151,670	
Total accounts receivable	895,140		1,150,432	
Less bad debt reserve	185,902	709,238	186,956	963,476
Supplies and materials inventory				
Gasoline	12,291		59,498	
Oil	4,637		3,717	
Materials & Supplies	327,223	344,151	129,056	192,271
Advance payments		237,813		119,101
Total current assets		2,109,166		1,429,622
<u>Long Term Assets</u>				
Investments and Special Funds				
Advances to affiliated companies	39,580		19,162	
Other investments	44,316	83,896	44,900	64,062
Property & Equipment				
Flight equipment (including spare parts)	3,888,945		882,996	
Reserve for depreciation	-810,450		-630,807	
Ground equipment	1,072,899		938,335	
Reserve for depreciation	-566,484		-481,409	
Construction in progress	50,261	3,635,171	-	709,115

Property not necessary in operations	235	235	235	235
Deferred Charges				
Expansion and development	681,541		460,619	
Other deferred charges	1,853,418		514,927	
Less: reserve for valuation	- 175,155	2,359,804	-120,186	855,360
Total assets		8,188,272		3,058,394

LIABILITIES

Current Liabilities

Bills payable		4,213,855		14,718
Accounts payable	4,320,430		1,534,712	
Miscellaneous	117,517		56,013	
Collections for account of third parties	8,585	4,446,532	525	1,591,250
Accrued salaries payable		11,838		9,075
" interest "		57,021		1,488
" taxes "		16,849		3,403
Other current liabilities		43,773		124,842
Total current liabilities		8,789,868		1,744,836

Long Term Liabilities

Long term obligations (1)	995,299	995,299	431,986	431,986
Deferred Credits				
Outstanding passenger fares	506,393		489,661	
Long term debts to be amortized	74,479	580,872	118,091	607,752
Operation Reserves				
Reserve for repair of air-planes	170,256		136,262	
Reserve for repair of motors	186,964	393,220	133,992	270,254
Outstanding Shares of Stock				
(A) preferred (2)	500,000		-	
(B) preferred (3)			-	
Common	997,850		997,850	
Stock subscribed but not issued		1,497,850	500,000	1,497,850
Free Surplus	-1,494,284		-485,916	
Profit or loss for year	-2,574,553	-4,068,837	-1,008,368	-1,494,284
Total Liabilities & Capital		8,188,272		3,058,394

Footnotes:

- (1) Long Term Loans:
- |                               |                   |
|-------------------------------|-------------------|
| 5% bonds, Maturity July 1958  |                   |
| Authorized                    | 500,000.00        |
| Less unissued                 | <u>386,200.00</u> |
|                               | 113,800.00        |
| Loan from BANFAIC Jan. 1954   | 500,000.00        |
| Debts due after Dec. 31, 1954 |                   |
| La Antillana                  | 1,581.00          |
| Ultramar International Corp.  | 63,250.00         |
| Pan American World Airways    | <u>316,667.44</u> |
|                               | <u>381,498.44</u> |
| Total                         | 995,298.44        |
- (2) Preferred Stock Series A-\$10.00 face value, cumulative dividend at 6% subscribed in Dec. 1953 by BANFAIC.
- (3) 200,000 shares at \$10.00. Of the 100,215 unissued shares only 215 are for sale; they were purchased by employers who turned them back.

OFFICIAL USE ONLY  
 (Classification)

TABLE III

Compania Cubana de Aviacion

Cargo Transported (in pounds) on Domestic and Interanational  
 Routes During the Year 1954.

Month	Total	Domestic	Hav-Mad- Hav	Vra-Mia- Vra	Hav-Mia- Hav	Hav-Mex- Hav	Scu-Pap Scu	Scu-Kin Scu	Total Internatioanl
Jan.	440,000	135,147	1,267	6,050	290,400	6,670	466	-	304,853
Feb.	653,998	146,426	2,215	755	501,608	2,719	275	-	507,572
March	521,266	153,197	1,518	2,416	360,305	1,980	1,850	-	368,069
April	483,822	162,408	1,250	3,051	315,302	1,811	-	-	321,414
May	376,933	152,518	1,967	143	217,846	4,459	-	-	224,415
June	395,859	167,361	3,672	2,420	211,805	10,509	92	-	228,498
July	499,429	179,517	2,479	9,183	304,795	3,199	95	161	319,912
Aug.	479,688	191,480	9,871	5,856	266,955	5,489	22	15	288,208
Sept.	620,347	225,606	4,242	3,923	376,871	5,232	73	4,400	394,741
Oct.	742,656	245,263	1,742	312	488,050	4,310	1,630	1,349	497,393
Nov.	613,747	237,645	2,721	1,582	360,298	4,725	6,464	312	376,102
Dec.	562,384	340,612	3,667	3,828	202,030	11,686	559	2	221,772
Total	6,390,129	2,337,180	36,611	39,519	3,896,265	62,789	11,526	6,239	4,052,949

International Routes:

Habana - Madrid  
 Varadero - Miami  
 Habana - Miami  
 Habana - Mexico  
 Santiago deCuba - Port-au-Prince  
 Santiago deCuba - Kingston

OFFICIAL USE ONLY

1954