

Air Pouch

PRIORITY

UNCLASSIFIED

(Security Classification)

DO NOT TYPE IN THIS SPACE

937.72/3-2658
APR 11 1958

FOREIGN SERVICE DESPATCH

763

FROM : Amembassy HABANA

DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

March 26, 1958

DATE

REF : OERP: Section E, Item II-B; Dept.'s CA-5016, December 5, 1957.

20 For Dept. Use Only	ACTION	DEPT.
	REC'D	IN F O THER
4/3	*COM-10	REP-2 *IRC-8 *ARA-3 *E-3 FCA-10 *CAB-6 *CIV-4 NOV-3 CIA-15

SUBJECT: Special Report on Civil Aviation - Cuba

In compliance with the instructions under reference there is enclosed the Special Report on Civil Aviation for Cuba. The information contained in this Report was obtained from the Civil Aeronautics Commission of Cuba, from airline officials and from other businessmen familiar with Cuban aviation. Unless otherwise indicated the statistics given in this report were obtained from the Cuban CAC.

For the Ambassador:

Leonard H. Price
Leonard H. Price
Commercial Attaché

BIVANCH
CURRENT RECORDS
BIVANCH

APR 26 2 41 3 58

DEPARTMENT OF STATE
RECEIVED

FILED
APR 21 1958

Enclosure: *Att m.m.*
Special Report on
Civil Aviation for
Cuba.

AESimmons:bh

REPORTER

UNCLASSIFIED

ACTION COPY - DEPARTMENT OF STATE

THIS DOCUMENT
TO THE
RM/R
CENTRAL
FILES
MUST BE RETURNED

937.72/3-2658

LIS

UNCLASSIFIED
(Classification)

Page 1 of 1
Encl. No. 1
Desp. No. 763
From Habana

SPECIAL REPORT ON CIVIL AVIATION

1. Role of Government

The interest of the Cuban Government in the regulation and promotion of civil aviation dates back to 1927 when international air service was first established between Key West, Florida, and Habana. On April 21, 1928, the government promulgated Decree No. 548, establishing a comprehensive set of rules for the operation of non-military aircraft and ground installation in the national territory.^{1/} This law declared that Cuba would exercise sovereignty over the "atmospheric space" (espacio atmosferico) above its territory and jurisdictional waters, and primary responsibility for enforcing the provisions of the law was delegated to the Adjutant General of the Cuban military forces. The following year the economic and commercial aspects of air transport were regulated by Decree No. 115 of January 15, 1929, which was later amplified by Law-Decree No. 751 of April 4, 1936. This latter regulation provided for increased civilian control of airport operations by authorizing an official of the Customs Office to supervise the entrance and departure of aircraft engaged in international commerce.

The power to fix rates for domestic air transportation was conferred upon the National Transport Commission by the Law of February 14, 1938. In following years regulatory authority was vested in various government agencies. The first organization dealing exclusively with aviation matters, however, was the Civil Aeronautics Board (Junta de Aeronautica Civil), created in 1952. The most recent revision occurred in December 1954 when the Civil Aeronautics Commission was established as an autonomous body within the National Transport Corporation, ^{2/} with the right to control all phases of civil aviation in Cuba. ^{3/} The extent of the Commission's authority and its procedural methods were codified in Decree No. 1011 of April 19, 1956.^{4/}

The attitude of the Cuban Government has gradually shifted from a disinterested policy of minimum intervention and moderate encouragement of commercial aviation towards positive support of its national carriers that engage in international operations. Other than airmail payments, the Government has never granted direct subsidies for the promotion of commercial aviation, but assistance is given in the form of customs exemptions on the importation of equipment, spare parts, and fuel and through various tax benefits. ^{5/} Also, Cia. Cubana de Aviacion, S. A., has obtained from fiscal agencies of the Government long-term loans totalling 11 million pesos. Except for one six-month period when the management of Cia. Cubana was taken over by an agency of the Government ^{6/} there has been no official participation in the actual operations of the commercial airlines.

- ^{1/} Aerial navigation during time of war is regulated by Accord-Law (Acuerdo-Ley) No. 6 of January 22, 1942.
- ^{2/} See Embassy's D-58 of July 14, 1954 and D-646 of January 11, 1955.
- ^{3/} The Cuban Army Air Force has retained the right to impose certain restrictions on civilian aircraft for reasons of security (See Embassy D-683, February 27, 1958)
- ^{4/} See Embassy's D-947 of June 29, 1956.
- ^{5/} See Embassy's D-935 of March 25, 1955.
- ^{6/} See Embassy's D-521 of November 24, 1954, D-630, December 30, 1954, and D-1212 of June 7, 1955.

UNCLASSIFIED

UNCLASSIFIED

(Classification)

Page 2 of

Encl. No. 1

Desp. No. 763

From Habana

Cuba is a member of the International Civil Aviation Organization and a party to the Provisional Convention on International Civil Aviation, the International Air Service Transit Agreement, and the Convention on International Civil Aviation. Bilateral air agreements have been entered into with the United States, the United Kingdom, Mexico, Portugal and Spain. 7/ Although the agreement with the United States embodies the Bermuda principles, Cuba has generally preferred a more restrictive arrangement in which the frequency of service is specifically provided. There is also a great deal of sentiment in favor of merging all Cuban airlines into a single enterprise that would embody the "chosen instrument" principle.

The policy toward United States airlines is governed by the bilateral agreement which stipulates that each party shall give "national" treatment to the carriers of the other party. Cuba's interpretation of this provision is influenced to some extent by the disparity in size between its own companies and the American airlines serving the international routes to Cuba. At times there has been some reluctance to extend to United States companies the same tax and customs exemptions enjoyed by the national carriers. However, this matter has been clarified through the passage of legislation specifically granting customs exemptions on the importation of spare parts and gasoline. 8/

2. Air Transportation

a. National flag carriers

Ownership of the two scheduled Cuban airlines and the two cargo-only airlines is in the hands of private investors who are predominantly Cuban citizens. At one time there was United States capital invested in Expreso Aereo Interamericana, S. A. This small cargo line has been in financial difficulty for many years, and since 1953 it has been controlled by a succession of government-appointed "interventors". The present status of the American interests in this company is not clear, and its activities are now closely tied in with Cia. Cubana de Aviacion. The only non-scheduled feeder line, Corporacion Aeronautica Antillana, is also Cuban-owned.

The list of registered aircraft operated by the Cuban airlines forwarded with the Embassy's D-198 of September 3, 1957, is still current, with one exception. Aerovias "Q" recently purchased three Douglas DC-4's to operate on its international routes.

Detailed statistics on the operations of the Cuban carriers during 1957 are still being compiled. Cia. Cubana has announced that it transported 325,243 passengers for a total of 164,500,000 passenger miles, an increase of 16 per cent over the previous year. The available figures for 1956 are given below: 9/

7/ See Embassy's D-829 of June 4, 1957. The Cuban Government recently announced that it is prepared to enter into negotiations with Canada and Chile for the conclusion of bilateral air agreements with those countries.

8/ See Embassy's D-774, April 26, 1956, and D-19, July 8, 1957.

9/ Aerovias "Q" has so far UNCLASSIFIED not filed an annual report with the Cuban CAC.

UNCLASSIFIED

(Classification)

Page 3 of
Encl. No. 1
Desp. No. 763
From HabanaCia. Cubana de Aviacion: 10/

Operating Income	8,744,997 pesos <u>11/</u>
Operating Expenses	9,810,980 pesos
Productive miles flown	4,873,431
Total miles flown	5,029,891
Productive hours flown	28,825.55
Total hours flown	29,500.57
Total productive passenger miles	128,533,000
Itinerary miles	4,873,954
Itinerary miles flown	4,688,436
Percentage flown	96.19%
Revenue passengers	279,865

Expreso Aereo Interamericano, S. A.

Operating Income	490,688 pesos
Operating expenses	532,214 pesos
Productive ton miles	213,346

Cuba Aeropostal, S. A.

Operating Income	561,287 pesos
Operating expenses	626,053 pesos
Productive ton miles	433,953

Passenger traffic on the international routes of the two Cuban carriers for 1956 is given as follows:

Cia. Cubana de Aviacion, S. A.

<u>Route</u>	<u>No. of Round Trips</u>	<u>Passengers Carried</u>
Habana-New York	202	23,682
Habana-Miami	1,298	64,046
Habana-Mexico City	164	16,336
Habana-Madrid	47	4,281
Habana-Port au Prince-C. Trujillo	182	3,856
Varadero-Miami	373	13,363

Aerovias "Q", S. A.

Habana-Key West	2,055	100,527
Habana-West Palm Beach	103	1,997

11/ One peso equals US \$1.00.10/ See Appendix I for additional financial information.

UNCLASSIFIED

UNCLASSIFIED

(Classification)

Page 4 of
Encl. No. 1
Disp. No. 763
From Habana

With the delivery of two Bristol Britannias scheduled for 1959 and two Boeing 707 jets in 1960, Cia. Cubana is actively seeking to expand its international services. The company has indicated an interest in securing new routes to Los Angeles and Chicago and a stop in Washington, D. C., on its New York route. Aerovias "Q" has applied to the Cuban CAC for authorization to operate from Habana to Nassau and to Jamaica via Grand Cayman.

The only Cuban feeder line, Corporacion Antillana, maintains non-scheduled service between Manzanillo, Oriente Province, and the sugar centrals, Niquero and Pilon, also in Oriente Province.

b. Foreign flag carriers

The following foreign airlines operate international flights into Cuba as indicated:

1. Pan American Airways

Miami-Habana (daily flights)
Miami-Canagney and beyond (4 round trips weekly)

2. National Airlines

Miami-Habana (daily flights)
New York-Habana (daily flights)

3. Delta Airlines

New Orleans-Habana-Caracas (daily flights)
New Orleans-Habana-Port au Prince (3 flights weekly)

4. Braniff Airlines

Houston-Habana-Buenos Aires (2 round trips weekly)

5. Aerolineas Argentinas

Buenos Aires-Habana-New York (3 round trips weekly)

6. Iberia

Madrid-Habana (one round trip weekly)

7. KLM

Amsterdam-Montreal-Habana-Curacao (one round trip weekly)
Miami-Habana-Curacao (3 flights weekly)

8. LACSA

San Jose-Habana (2 round trips weekly)

UNCLASSIFIED

9. Linea Aeropostal Venezolana (LAV)

Caracas-Habana (3 round trips weekly)

10. Cia. Mexicana de Aviacion

Mexico-City-Habana (one flight weekly)

Mexico City-Merida-Habana (three flights weekly)

11. TAN Airlines

Tegucigalpa-Habana (one round trip weekly)

~~12.~~ Chilean International Airlines (ALA)

Santiago-Guayaquil-Panama-Habana (one round trip weekly)

13. Mackey Airlines

West Palm Beach-Fort Lauderdale-Habana (one daily flight)

c. Aviation links with the Soviet Bloc

Cuba has no connection with the Soviet Bloc in the field of aviation.

d. - e. - Traffic statistics

The steady growth of air transport in Cuba is apparent from the following figures showing international passenger and cargo movement during the past five years:

Number of International Passengers Arriving and Departing Cuba via Air - 1953-57

	1953	1954	1955	1956	1957
Landing (total)	227,110	250,193	282,492	329,829	342,022
In transit	N. A.	78,187	73,164	83,397	87,909
Americans	N. A.	152,552	173,579	207,116	210,312
Cubans	N. A.	69,442	76,170	83,302	93,728
Mexicans	N. A.	5,269	6,298	7,660	6,300
Spaniards	N. A.	2,708	3,204	3,740	3,337
Others	N. A.	20,222	23,241	28,011	28,345
Outgoing (total)	236,691	256,105	293,417	336,701	365,814
Americans	N. A.	154,379	174,501	207,441	216,267
Cubans	N. A.	73,236	86,299	90,536	109,450
Mexicans	N. A.	5,238	6,119	7,718	6,613
Spaniards	N. A.	2,542	3,104	3,672	3,750
Others	N. A.	20,710	23,394	27,334	29,734

Source: Cuban Department of Immigration

UNCLASSIFIED

(Classification)

Page 6 of
Encl. No. 1
Desp. No. 763
From Habana

INTERNATIONAL AIR CARGO MOVEMENT AT
RANCHO BOYEROS AIRPORT - 1954-57 (in pounds) 12/

	<u>In</u>	<u>Out</u>	<u>Total</u>
1954	10,031,555	3,464,988	13,496,543
1955	10,689,463	6,525,435	17,214,898
1956	11,485,953	7,681,016	19,166,967
1957	15,070,213	8,377,987	23,448,200

Source: Cargo Division, Pan American Airways

Among the commodities that account for a large proportion of inbound air cargo are textiles, automobile parts, livestock, cut flowers and electrical appliances and equipment. Toys, phonograph records, household goods, chemicals, eggs, baby chicks, frozen foods, and medicines are also imported regularly by air. Outgoing cargo consists of such items as fruits and garden vegetables, frozen fish, alligator goods, cigars, newspapers and magazines, household goods, and musical instruments (maracas and castanets).

The growing use of air freight by Cuban businessmen is attributed to the simpler form of documentation for cargo moving by air and the lower insurance premiums. Dealers are also able to maintain smaller inventories; and, in the case of perishables, the growers have been able to take advantage of favorable market conditions in Florida. Cuba's geographical location permits air carriers to offer reliable, year-round service.

12/ Comparable figures for cargo movement through Camp Columbia **have not** been made public. Also, there is considerable movement by non-scheduled airlines that is not reflected in these figures. It may be assumed there has been a corresponding increase in these quarters.

UNCLASSIFIED

f. Civil aircraft

There are 128 civil aircraft currently registered in Cuba, of which 57 are located in the Province of Habana, 33 in the Province of Oriente, 27 in the Province of Camaguey, 8 in the Province of Las Villas, one in the Province of Matanzas, and 2 in the Province of Pinar del Rio. The type and make of these aircraft are as follows:

<u>Make</u>	<u>Type</u>	<u>Number Registered</u>
Piper	PA-18	25
"	J-3	20
"	PA-12	8
"	PA-11	5
"	PA-23	5
"	PA-20	2
"	PA-22	2
"	J-50	1
"	PA-16	1
"	J-5	1
"	PA-17	1
Cessna	170	9
"	180	5
"	140	5
"	182	2
"	195B	1
"	120	1
"	172	1
Stinson	108-3	4
"	108-2	2
"	108	1
"	V77	1
Ryan Navion		6
Luscombe	8F	2
"	8A	1
"	8E	1
Beechcraft	D-18S	1
"	D-35	1
"	D-17S	1
"	C-175	1
Boeing,	Not Given	1
"	A75-N-1	1
Erco	415	1
Lockheed	18	1
Aero Commander		1
Consolidated	28-5ADF	1
Taylorcraft	BC-12-D	2
Grumman	G-44-A	1
Aeronca	11-B-C	1

g. Maps

There is no map available showing the civil air routes, but the enclosed timetable of Cubana shows all regularly scheduled domestic flights. The only domestic route operated by Aerovias "Q" is Habana-Nueva Gerona (Isle of Pines). See Appendix I for additional information.

3. Airports

The following list includes all the international and large commercial airports of Cuba. In addition, there are numerous landing strips throughout the island where small sports craft can be accommodated.

<u>Name</u>	<u>Location</u>	<u>Nearest City</u>	<u>Number of Runways</u>	<u>Length & Width of Runways</u>
Jose Marti*	Long. 82°24'W Lat. 23°01'N	Rancho Boyeros, Habana	1	7000' x 150'
Coronel Pascual*	Long. 81°24'W Lat. 23°06'N	Varadero	1	7000' x 150'
Ignacio Agramonte*	Long. 77°52'W Lat. 21°25'N	Camaguey	2	A: 8000' x 150' B: 5000' x 150'
Gen. Antonio Maceo*	Long. 75°50'W Lat. 19°57'N	Santiago de Cuba	2	A: 5900' x 150' B: 4660' x 150'
Jaime Gonzales	Long. 80°25'W Lat. 22°09'N	Cienfuegos	2	A: 3972' x 150' B: 3000' x 150'
Col. Martin Marrero	Long. 82°46'W Lat. 21°50'N	Nueva Gerona (Isle of Pines)	2	A: 5900' x 150' B: 2400' x 150'
Rosillo	N. A.	Santa Clara	1	3500' x 150'
Gen. Jose M. Gomez	Long. 79°30'W Lat. 22° 00'N	Sancti Spiritus	2	A: 3900' x 150' B: 3280' x 150'
Trinidad	N. A.	Trinidad	1	3700' x 115'
San Jose del Lago	Long. 79°04'W Lat. 22°16'N	Mayajigua	1	3400' x 147'
Gen. Milanes	N. A.	Bayamo	1	3830' x 164'
Gen. Masó	Long. 77°08'W Lat. 20°18'N	Manzanillo	1	2950' x 100'

* Indicates the airports where customs facilities are maintained.

UNCLASSIFIED

(Classification)

Page 9 ofEncl. No. 1Desp. No. 763From Habana

<u>Name</u>	<u>Location</u>	<u>Nearest City</u>	<u>Number of Runways</u>	<u>Length & Width of Runways</u>
Victoria de Las Tunas	Long. 76°56'W Lat. 21°58'N	Victoria de Las Tunas	1	3500' x 328'
Central Preston	N. A.	Central Preston	1	4000' x 125'
Adriano Galano	Long. 74°30'W Lat. 20°20'N	Baracoa	1	2950' x 100'
Cayo Mambi	Long. 75°16'W Lat. 20°41'N	Central Tanamo	1	1960' x 82'
Caibarien	N. A.	Caibarien	1	3475' x 200'
Providencia	N. A.	Holguin	1	4260' x 160'
Antilla	Long. 75°44'W Lat. 20°51'N	Antilla	1	2130' x 80'
Guantanamo	N. A.	Guantanamo	1	3600' x 160'
Ciego de Avila	Long. 78°47'W Lat. 21°47'N	Ciego de Avila	2	A: 2350' x 400' B: 1960' x 400'

The military airport, Lt. Brihuegas, Camp Columbia, Habana, is also used for commercial aviation by two Cuban airlines, and the military field, Com. Manuel Perez Alfonso, at San Julian near the town of Mendoza, Pinar del Rio Province, is occasionally used by private planes.

Another airport designed for international operations is under construction near Habana. When completed it will have one 6,000-foot runway and a complete air traffic control installation. 13/

13/ See Embassy's D-382, November 7, 1957.

UNCLASSIFIED

UNCLASSIFIED

(Classification)

Page 10 of

Encl. No. 1

Desp. No. 763

From Habana

4. Airways

The Cuban Government regularly supplies current airways information to the U. S. Civil Aeronautics Administration. Under the terms of an agreement with the U. S. Operations Mission in Cuba, American advisers have been assisting in the installation of improved equipment for island-wide traffic control. The eastern end of the island will shortly have modern airways layouts which have been informally coordinated with the CAA. In addition to improving and modernizing the existing facilities in the Habana region, VOR installation is planned.

5. Aircraft Manufacture and Maintenance

There are no firms in Cuba engaged in manufacturing or assembling airplanes, nor is there any civilian enterprise offering maintenance facilities. Arrangements can sometimes be made for the repair or overhaul of privately-owned aircraft by the Cuban Army Air Force. Routine maintenance and repair of commercial aircraft are performed by the airlines themselves.

6. General Aviation

Of the total number of private planes registered in Cuba approximately 20 could be considered company planes engaged in business flying. Ten of them are located at sugar centrals, and the others are owned by concerns whose activities extend to outlying parts of the island. Because of the heavy concentration of industry and commerce in the Habana area, there are relatively few enterprises that can justify the operation of a company plane. It is chiefly in the agricultural and mining fields that business flying offers an advantage over commercial transportation, although there are some businessmen who fly their own planes in connection with their business affairs, primarily as a matter of convenience.

There is considerable interest on the part of Cubans in private flying. The Club de Aviacion de Cuba, the organization of private pilots, was founded in 1931 and has approximately 100 members at present. There are 163 licensed private pilots in Cuba and 318 licensed commercial pilots. 14/ On February 3, 1958, the Cuban Civil Air Patrol (Patrulla Aerea Civil) was created by Decree No. 258 (Official Gazette of February 7, 1958). The stated purpose of the Patrol will be to develop interest in private flying and to serve as an auxiliary to the military air forces in carrying out search and rescue work and patrolling the national territory.

14/ According to the President of the Club de Aviacion there are approximately 150 planes engaged in private flying in Cuba, although of those registered not more than 75 or 80 appear to be non-commercial craft. It would seem that some planes may not be registered, either because they are owned by the military forces, or the license has expired.

UNCLASSIFIED

UNCLASSIFIED

(Classification)

Page 11 of 11
Encl. No. 1
Desp. No. 763
From Habana

The Cuban Government has also given encouragement to international private flying by adopting the "Administrative Technical Agreement to Facilitate Private Flying Between the United States and Cuba". 15/ The annual mass flight of sports planes from Florida to Cuba is sponsored by the Cuban Tourist Commission, an agency of the government; and many pilots, both Cuban and American, have received official recognition for their efforts to promote private flying between the two countries.

Crop dusting is the only form of commercial flying that is carried on to any significant extent in Cuba. Approximately 30 private planes are employed on a full-time basis by ten operators, 16/ and an undetermined number of pilot-owners are engaged in commercial crop dusting. 17/ Outside of Habana, the majority of these planes operate from airports located near the cities of Camaguey (Camaguey Province), Santa Clara (Las Villas Province), and Bayamo (Oriente Province).

There is one air taxi and charter service with headquarters at Jose Marti International Airport, Rancho Boyeros. This company operates two single-engined aircraft. The Cuban Army Air Force is currently considering the establishment of aerial photography service, but at present there are no local commercial facilities for aerial surveying and photography.

The only recognized school of aviation is located at the military airport at Santa Fe. The school, known as HALCON, is conducted by the Corporacion Aeronautica Cubana, S. A., which employs two single-engined planes for student instruction. All licensed commercial pilots are authorized to instruct students, and training is offered in the airports at Santa Clara, Sagua la Grande (Las Villas Province), Camaguey, and Santiago de Cuba.

In addition to the Club de Aviacion de Cuba mentioned above, a local Aircraft Owners and Pilots Association (AOPA) is in the process of organization at the present time.

-
- 15/ See Embassy's D-1167, January 29, 1953, and D-378, December 31, 1956. The provisions of this Agreement have also been extended to aircraft of Canadian registry.
- 16/ One concern, Cia. Aero-Fumigadora Tecnica, S. A., operates ten planes; the others have two or three planes each.
- 17/ These are planes of Cuban registry. Aircraft of foreign registry are prohibited from engaging in commercial flying without special authorization of the Cuban Government.

UNCLASSIFIED

UNCLASSIFIED

(Classification)

Page 12 of
Encl. No. 1
Desp. No. 763
From Habana

7. Outlook

The status of the United States-flag carriers operating into Cuba is set forth in the U. S.-Cuban Bilateral Air Transport Agreement of 1953; i. e. each party will accord national treatment to the airlines of the other party. In actual practice, however, Cuba's interpretation of this provision at first subjected the United States lines to requirements that were not imposed upon the Cuban carriers. As the result of further negotiations the American carriers were eventually assured of equal treatment in all significant respects. The most important problem remaining to be solved is that of permitting a proration of the overtime payments to the government personnel stationed at Jose Marti International Airport. Cia. Cubana and some foreign airlines are allowed to prorate while some United States carriers must pay individually for the overtime services of government personnel.

Another matter that remains unsettled is the proposal of Compania de Aeropuertos Internacionales, S. A. (CAISA), the private company that operates Jose Marti Airport, to increase the landing charges for international flights.^{18/} The Cuban CAC denied permission for the proposed increase and froze the fees at the July 1956 level. To date, a solution acceptable to all parties has not been found.

The United States carriers are required to pay the Cuban tax on the export of money and on gross sales while the national airlines are exempted under the Industrial Stimulation Law. Cuba has taken the position that this is not a matter for consideration under the bilateral agreement, but has agreed to study the question further to determine whether some relief can be given to the American companies.

Settlement of these problems would substantially benefit the United States carriers, but they do not constitute a major obstacle to successful operation on the Cuban routes. Perhaps the best assurance against unreasonable restrictions being placed on foreign flag airlines is the realization on the part of the Cuban authorities that adequate air transportation is of vital importance to the domestic economy.

The prospects for long-range development of commercial aviation and aviation in general are moderately favorable. The Cuban economy has been on an upward trend for the past three years, and a favorable economy should continue if there are no major political upheavals. A serious limitation on future growth, however, is the possibility that the ground facilities will become inadequate for increased air traffic. Jose Marti Airport, the Habana terminal, is just able to handle the present flow of passengers and cargo, and the air traffic control system now being installed is designed for use of conventional aircraft only. So far there has been little, if any, overall planning for the advent of jet aircraft.

^{18/} See Embassy's D-63, July 27, 1956, and D-143, September 6, 1956.

UNCLASSIFIED

UNCLASSIFIED

(Classification)

Page 13 of
Encl. No. 1
Desp. No. 763
From Habana

It is to be expected that the Cuban Government will continue its policy of lending assistance to its national airlines and will support them in their efforts to secure new international routes. The government's attitude has been influenced to a great extent by considerations of prestige, as evidenced by its decision in 1955 to grant a 9 million peso loan to Cia. Cubana at a time when the company was faced with a large operating deficit.

Cia. Cubana became wholly Cuban-owned in 1953, and since that time several unsuccessful efforts have been made to merge the other Cuban lines with this company. The "chosen instrument" concept has been advanced as the rational method for promoting the national interest in the field of commercial aviation, and it was argued that Cubana, as the largest domestic carrier was the logical choice for this role. Efforts to bring about the merger have recently been renewed, but it remains to be seen whether Cubana will eventually succeed in acquiring control of the other companies.

UNCLASSIFIED

UNCLASSIFIED

(Classification)

Page 14 of

Encl. No. 1

Desp. No. 763

From Habana

APPENDIX I

Compania Cubana de Aviacion

Balance Sheet, December 31
(in 1,000 pesos)

	<u>1956</u>	Total	<u>1955</u>	Total
ASSETS:				
<u>Current Assets</u>				
Cash	420		240	
Fixed funds	21		19	
Special deposits	1,724	2,166	1,779	2,039
Accounts Receivable				
Notes Receivable	20		15	
Government of Cuba	338		293	
Other governments	14		213	
Traffic	886		458	
Interest and dividends receivable	35		-	
Other accounts receivable	248		189	
Total accounts receivable	1,543		1,169	
Less bad debt reserve	(404)	1,138	(291)	878
Inventory				
Gasoline	20		11	
Oil	7		14	
Material & supplies	205	232	257	281
Advance payments		341		152
Total current assets		3,877		3,350
<u>Investments and Special Funds</u>				
Due from affiliated companies	13		14	
Other investments	26		33	
Other special funds	1,079	1,118	3,973	4,020
<u>Property and Equipment</u>				
Flight equipment (in- cluding spare parts)	11,604		4,759	
Less depreciation	(1,192)		(1,252)	
Ground equipment	1,171		1,181	
Less depreciation	(548)		(628)	
Construction in process	28	11,063	126	4,187

UNCLASSIFIED

UNCLASSIFIED
(Classification)

Page 15 of
Encl. No. 1
Desp. No. 763
From Habana

	<u>1956</u>	<u>1955</u>
	Total	Total
<u>Properties not Necessary in Operation</u>	.2	.2
<u>Deferred Charges</u>		
Expansion and Development	894	728
Discounts and expenses for long term debts	14	9
Other deferred charges	142	277
Less valuation reserves	(371)	(283)
	679	731
<u>Discounts and Expenses of Bond Issues</u>	78	-
TOTAL ASSETS	<u>16,814.2</u>	<u>12,288.2</u>

UNCLASSIFIED

	<u>1950</u>		<u>1955</u>	
LIABILITIES AND CAPITAL				
<u>Current Liabilities</u>				
Notes payable		126		2,341
Accounts payable	642		629	
Collections for third parties	198		154	
Affiliated companies	<u>103</u>	1,143	<u>4</u>	987
Salaries payable		7		10
Interest payable		265		36
Taxes payable		29		20
Passages sold & not used		556		360
Other current liabilities		<u>333</u>		<u>36</u>
Total Current Liabilities		2,450		3,790
<u>Long term Liabilities</u>				
Long term liabilities	<u>10,441</u>	10,441	<u>10,529</u>	10,529
<u>Deferred Credits</u>				
Payments for stock subscriptions	1		124	
Other deferred credits	<u>63</u>	64	<u>65</u>	189
<u>Reserves for Operations</u>				
Repair of airplanes	203		90	
Repair of motors	329		214	
Other operations reserves	<u>324</u>	856	<u>271</u>	575
<u>Capital Stock</u>				
Preferred \$10 per share (in circulation 1,001,417 shares)	500		500	
Common \$10 per share (in circulation 1,001,417 shares)	<u>10,014</u>	10,514	<u>3,605</u>	4,105
<u>Surplus</u>				
Capital surplus	140		-	
Accumulated surplus	(6,742)		(4,557)	
Loss for the year	<u>(919)</u>	(7,521)	<u>(2,343)</u>	(6,900)
TOTAL LIABILITIES		16,814		12,288

Cia. Cubana de Aviacion
Profit and Loss
Statement (December 31)
(in 1,000 pesos)

	<u>1956</u>		<u>1955</u>	
Productive Ton Miles	13,971,371		8,712,827	
<u>Operating Income</u>				
Income from transport				
passengers	7,413	53.1 ^{1/}	4,774	54.8 ^{1/}
Airmail (Cuban Government)	665	4.8	539	6.2
Airmail (Other governments)	18	0.1	12	0.1
Cargo	316	2.3	345	4.0
Excess baggage	171	1.2	95	1.1
Charter flights	52	0.3	56	0.6
Other income	<u>-</u>	<u>-</u>	<u>8</u>	<u>0.1</u>
Total income from transport	8,745	62.6	5,906	67.8
<u>Operating Expenses</u>				
Flight operations	2,522	18.0	2,404	27.6
Maintenance of flight equipment	1,577	11.3	1,181	13.5
Depreciation	<u>740</u>	<u>5.3</u>	<u>547</u>	<u>6.3</u>
Total	4,839	34.6	4,131	47.4
Ground operations	1,336	9.5	1,214	13.9
Maintenance, ground equipment	455	3.3	375	4.3
Passenger service	535	3.8	331	3.8
Traffic and sales	1,303	9.3	943	10.8
Publicity	580	4.2	362	4.2
General administration expenses	670	4.8	634	7.3
Depreciation, ground equipment	<u>93</u>	<u>0.7</u>	<u>94</u>	<u>1.1</u>
Total operating expenses	9,811	70.2	8,084	92.8
Net Operating Loss	(1,066)	(7.6)	2,178	(25)
Financial Income	147		165	
Net Loss	(919)		(2,343)	

^{1/} centavos per productive ton mile.

NOTE: The above financial statements were made available to the Embassy on a confidential basis and it is requested that they not be published in this form.

UNCLASSIFIED

(Classification)

Page 18 of

Encl. No. 1

Disp. No. 763

From Habana

Cia. Cubana de Aviacion

Schedule of Domestic Flights

From	To
Habana	Pinar de Rio
"	Santiago de Cuba
"	Camaguey-Molguin
"	Camaguey-Victoria de Las Tunas-
	Santiago de Cuba-Cuantanamo
"	Santa Clara-Cienfuegos-Trinidad-
	Majague-Calbarion
"	Santa Clara-Cienfuegos
Santiago de Cuba	Preston-Camaguey-Moa-Baracoa
Habana	Camaguey-Molguin-Santiago de Cuba
Camaguey	Manzanillo-Bayamo-Santiago de Cuba
	Cuantanamo-Preston-Camaguey-Moa-
	Baracoa
Habana	Camaguey

UNCLASSIFIED