

FOREIGN SERVICE DESPATCH

937.72/2-2059

FROM: Ambassador, HABANA

937
DESP. NO.

TO: THE DEPARTMENT OF STATE, WASHINGTON.

February 20, 1959

REF: Embassy's D-758, January 20, 1959

FEB 25 1959

| | | |
|-----------------------------|------------------|---|
| 20 For Dept. Use Only | ACTION ARA-3 | DEPT. N RM/1-2 REPI 2PCS E7 100 10 |
| | REC'D 2/26/59 | F OTHER O COM 10 CAC 6 CIA 10 NAVY-2 |

SUBJECT: Reorganization of Compania Cubana de Aviacion

The first stockholder's meeting of Compania Cubana de Aviacion since the change of government on January 1 was held on February 17. It is reported that the stockholders voted to retain the persons who had been managing the company on an interim basis, i.e. Genaro HERMIDA as Acting President and Oscar BUSTILLO as General Manager. Sr. Hermida, who is the Habana representative of B.O.A.C., had originally been appointed as the interventor of the company, and when the intervention was subsequently lifted he continued to act in a supervisory capacity. Sr. Bustillo was formerly traffic manager for Cubana, but he had been discharging the functions of General Manager since the resignation in late January of Juan PALLI.

Prior to the meeting, officials of the Banco Nacional de Cuba had approached Igancio MARTINEZ YBOR, an executive of Pan American Airways, with a proposal that he assume the position of General Manager. He had formerly served in that capacity for six months in 1955 during the time the airline was under the control of BANFAIC. Sr. Martinez Ybor had indicated a willingness to accept the position under certain specified conditions. Before final arrangements could be made, however, the Ministry for the Recovery of Misapplied Funds intervened the organization of match manufacturers and secured a proxy to vote the 6 million pesos worth of Cubana stock owned by that organization. This permitted the Ministry to have the final say in the election of new officers. (It developed that the plan to increase the company's capitalization by the issuance of another 11 million pesos worth of stock to BANDES had not been consummated, and the total stock of the company is still 11 million pesos.)

The reorganization of Cubana is proceeding very slowly, and in the choice of personnel more emphasis is apparently being given to political acceptability than to technical qualifications. The action of the Ministry of Misapplied Funds in thwarting the efforts of the Banco Nacional to secure a competent General Manager is particularly disturbing.

Cubana's financial position has been steadily deteriorating for more than a year, and so far as is known, no plans have yet been made for meeting the company's commitments under the contracts to purchase four Bristol Britannias and three Boeing 707's. With the Cuban treasury in straitened circumstances it is open to question whether the government will be able to

AES:immons:mal
REPORTER

LIMITED OFFICIAL USE

ACTION COPY — DEPARTMENT OF STATE

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

937.72/2-2059

CA LIMITED OFFICIAL USE

FEB 26 1959

advance funds in the same manner as in the past. A representative of Boeing recently visited Cubana officials to inquire whether the company intended to go through with the purchase contract. To date he has not received a final answer from the airline.

For the Ambassador:

E. A. Gilmore, Jr.
E. A. Gilmore, Jr.
Counselor of Embassy
for Economic Affairs

* U.S. has the CAB's
"Cubana doctrine" to thank
for this development -
B.O.A.C. penetration.
B.W.R.

KW.