



THE FOREIGN SERVICE  
OF THE  
UNITED STATES OF AMERICA

No. 2268

American Embassy  
Habana, October 9, 1946

CONFIDENTIAL

Subject: Developments Regarding Expreso Aereo  
Interamericano, S. A.

DEPARTMENT OF STATE  
OCT 15 1946  
DIVISION OF FOREIGN  
REPRESENTING SERVICES

RECEIVED  
DEPARTMENT OF STATE  
OCT 14 1946

*By memo - Mr. Lister - AV*  
*CaB - Commercial*  
*War & Navy*  
*10/21/46*

The Honorable  
The Secretary of State,  
Washington, D. C.

*EX. AV. TPC. APPROVED*  
*811.79637/5-2346*

Sir:

I have the honor to refer to the Embassy's strictly confidential despatch number 1626 dated May 23, 1946, entitled "Comments Regarding Compania Cubana de Aviación and Expreso Aereo Interamericano", and to more recent airgrams and particularly copies of memoranda which have been forwarded to the Department on the subject of Expreso Aereo Interamericano, and to digest for the convenience of the Aviation Division recent developments in connection with this company.

After originally announcing in late July that the company had purchased from Pan American Airways, Inc., its controlling interest in Compania Cubana de Aviación at \$21 a share, it was learned that no purchase had been consummated and that the only agreement which Expreso had with Pan American was a six months' option on Pan American's 52 percent of Cubana shares, and that a penalty clause appeared in this agreement under which Expreso would forfeit 10,000 shares of Expreso stock to Pan American should the option not be exercised within the time agreed.

Meanwhile, it was reported by excellent authority that officials of Expreso had made heavy purchases of Cubana stock at the price of \$12 which ruled prior to the announcement of the \$21 agreement, and benefited heavily from later sales at levels around \$18 or \$19.

On September 6 a Lockheed Lodestar operated by Expreso crashed near Santa Clara with a loss of three crew and four passengers. The plane had been ordered from Santa Clara to Habana and was overtaken by storm,

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ACTION

3- AV  
COPIES

TO:

1- TPC

4- ARA

6- OED

2- TD

1- CIG

8 Com

3 CaB

3 War

1 Navy

*Quinn*

*10/21/46*

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and owing to reported negligence at the airport was unable to land, although it returned and circled the port for two hours awaiting assistance. Attached are copies of memoranda prepared from statements made by Captain Oscar Santa Maria, former head of the Civil Aviation Committee, who was called in as an independent investigator by the father of the pilot who was killed. Nothing has appeared publicly as a result of this independent investigation or of the investigation being conducted by the Cuban Government authorities.

Expreso was very antagonistic to the idea of setting up an Aeronautical Radio, Inc., service in Cuba. They felt that should their deal with Cubana go through, on the basis of frequency of use it would cost them more than any other individual company, and that having the equipment to handle communications not only for themselves but for other operating companies, a number of which they claimed had indicated their preparedness to have Expreso do so, they would lose a source of revenue should ARINC operate here. The ARINC proposition seems to have died a natural death, as all of the newly certificated United States companies coming to Cuba have indicated their intention to operate their own stations.

From latest available information Expreso is going ahead with the formation of a separate company which will take over its own and Cubana's communications facilities and personnel and operate as a unit independent of either of these local companies, to service their own and other lines. Between Expreso and Cubana's installations there is a fair coverage at the principal Cuban airports, and if they are made available to use of all operating companies, it should take care of present requirements. In addition to their present installations Expreso was ordered shortly after their accident to establish aeronautical radio stations at the Isle of Pines, Camaguey and Holguin. The Cuban Army was at the same time requested to establish radio stations of the same type at all Cuban Army landing fields which are being used by aviation companies. These will include the fields at Camp Columbia and Varadero.

About the time of their recent accident, the Vice President of the company, Gilbert Smith, resigned from the company, and the Executive Vice President, Donald W. Stewart, relinquished his duties in that capacity but was retained on the Board of Directors and is currently making his headquarters in New York, where his

activities

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activities are confined to work in connection with the flotation of their stock issue, which is necessary for financing their contemplated purchase of the control of Compañia Cubana. In place of these two men, José de la Torriente has been appointed as Executive Vice President. Torriente is either a distant relative or a close friend of Teodoro Johnson, President of Expreso. In the early days of the war Torriente was connected with the Cuban ORPA. He went to Chicago as an observer during the aviation conference in November 1944. When Expreso was first formed he is said to have purchased some 50,000 shares at \$1.00 and to have been for a short time associated with the company. Later he left the company and acted as distributor for the Canada Dry Bottling company and also operated a laundry, making a complete failure of both ventures. His return to Expreso is presumably at the behest of Theodoro Johnson. While he has a fine personality, he is said to lack thoroughness, perseverance, and judgment, but to be a good salesman for Torriente. His reputation indicates that he is dictatorial, opinionated, and knows nothing about aviation. He is reported to have said that the financial situation of Expreso is "pretty bad" but that he hopes "to pull the company through".

Expreso joined Cubana in strong protests to the Cuban authorities opposing granting of a permit to National Airlines' Habana-Miami operations. In its petition to the National Transportation Commission, Expreso made the statement that between June 2, 1946, when their Habana-Miami passenger service was inaugurated, until September 7, the proportion of seats sold to seats available has improved only from 20.78 percent in June to 40.18 percent in September (to September 7).

Expreso's present equipment consists of one Lockheed Electra 10, one Lockheed 12, and four Lockheed Lodestars. They have stated that they are planning to purchase DC-6's. It is the Embassy's opinion that not only the purchase of such equipment but possibly the continued operation of Expreso may depend to a very great extent on its success in floating the stock issue previously referred to. Expreso stock, which was selling at around \$8 per share at the time the "purchase" of Cubana was announced, is now quoted at \$3-1/8 on the Habana exchange.

Respectfully yours,

For the Ambassador:

  
George C. Howard  
Commercial Attaché

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Enclosures



Embassy, Habana  
Despatch no. 2268  
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Enclosures: *145/*

1. Copy of memorandum of September 19, 1946
2. Copy of memorandum of September 20, 1946.

GCHoward/jw

File 879.6 *✓*

Original and hectograph to Department

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