

1056

March 28, 1952.

My dear Sir Edward :

Mrs. George Conway was good enough to give my wife a clipping from THE SUNDAY TIMES, March 16, 1952, which carries an excellent picture of you and a very nice le-gehd, which still is far short of saying all the good and proper and nice things about you which your friends think and which so many who know you fully appreciate.

The picture is really excellent, and I was telling my secretary as I started to dictate this letter that when I am your age I hope that I may be looking as well and vigorous as you do and that at least in a small measure as nice things can be said about me as are said about you in the paragraphs under the picture.

When I joined Mexlight at the end of 1947 and after having had more than 34 years in the service of my government, I was really very much convinced that by this time I would have been able really to retire, although I had undertaken a considerable responsibility with Mexlight. I started work in 1900 as a schoolteacher in a rural district in Pennsylvania and next year moved on to Delaware and continued in schoolwork until early in 1914 when I entered the Foreign service. I still remember that in the middle of 1914 I went for a few weeks' training to the Consulate General in Toronto before undertaking my first assignment in the Foreign Service at Fort Erie. I still can recall watching from the roof of the old "King Edward" the departure of Canada's oldest and most popular regiment for Belgium, and it was only a few months afterwards when most of the Princess Pat Regiment were under the sod or rotting on the ground of the terrible battle front of Ypres. As I think I once told you when I went with Mexlight, it was my hope that I could spend part of my time doing some writing-at least three books which have been on my soul for years - but the work with Mexlight has kept me so occupied that I have so far not written a line. It is still my hope that in a bother year or so I may be able to give only a few hours a day to Mexlight and to do this writing which I really feel I must do, or should do.

I am prompted to write you this letter on receiving this picture of you through Mrs. Conway's courtesy, because I, like so many others, have great admiration and respect for your achievements during so many years and because I knpw that you still have an interest in our Company.

Sir Edward Peacock, c/o
Barings Bros.
8 Bishopsgate,
London E.C. 2

March 28, 1952.
Page 2.

I think that Mexlight has justified all the thought and interest which you at one time gave it. Since 1903 it and its subsidiaries have been the principal factor in the electricity situation in Mexico, and they still are today. From the small beginnings in Necaxa Mexlight has gone on and today it produces over 50% of the power in Mexico and distributes somewhat more than that. There is no company in Mexico, whether it be Mexican or foreign, which has done more for the building up of the Mexican economy and particularly of the central area which is the heart of the country, than Mexlight. We have, I believe, gone very far towards the consolidation of the position of Mexlight and laying the foundation for many more years of the same constructive activity in the economy of the country. With the reorganization of the capital structure of the Company which was imperative, with the financing we have received from the International Bank and the Mexican Government (which latter we are endeavoring to keep at an absolute minimum), with the work which has been done to reorganize the administration and services of the Company, and the construction program which we are carrying through and which involves, as you know, the expenditure of over sixty million Dollars in foreign currency and in Pesos. Naturally in Mexico there are many who believe in nationalization of all public services, but the most responsible people in the Government and in business, commerce, and banking, as well as, I believe, the thoughtful public, have no desire to see the private electricity industry nationalized. Fortunately in Mexico the Government and the people have had the experience of the nationalization of the oil industry and of the railway transportation system, and I do not think they have much stomach for further nationalization. On the other hand, whether nationalization may not eventually come, will depend upon the capacity of the Company to continue to do the job which it has been so successfully doing, and most of the time with great sacrifice to its owners to this day.

Mr. Leland's new foundation

I am one of those who believe - and I think there are many Mexicans who share this opinion - that the time has come when the private electricity industry in this country must be put firmly on its feet if it is to continue to do its job, which means of course an adequate return for the Company on its investment. The Company has never earned, and is not doing so now under the tariffs which it has and which are given by the government authorities, an adequate return, and while this was important for the shareholders in the past, it is not so important for the government or the economy. Mexico has developed

March 28, 1952.

Page 3.

so rapidly in recent years, and electricity is the basis of that development, that it is most important that the private electricity industry be given an adequate return on its investment and be able to pay dividends to its shareholders as well as interest on its bonds if it is to continue to do its job. Otherwise it will not be able to secure the additional financing which is now needed in so much greater amounts than in the past. While Mexico's financial resources are developing as are its other resources, the investors here are still interested only in large returns and have certainly no interest either in 5% or in shares which have paid nothing. It means Mexico will continue to need large sums of money from the outside for new construction and distribution work.

It was a happy circumstance for Mexico that for many years England was willing to invest surplus capital in Mexico and elsewhere. The U.S. is now doing what England did before and what I hope England may be able to do again but for years to come the major financing for the electricity industry in Mexico, private and public, will have to come from the U.S. I am glad to say that the Eximbank and the International Bank have shown an understanding policy, but of course such lending for the electricity industry, public and private, from the U.S., will only continue if the government gives proper treatment to the private electricity companies as well as to private industry in general.

I have permitted myself to write you at such length because I thought you would be interested in knowing that Mexlight, while it has its problems and many of them, is getting on well and that the probabilities are that the private electricity industry will begin to get better treatment from the government in the near future than it has had in the past. This is due, of course, to circumstances involved in the whole situation rather than perhaps to any desire to give a reasonable treatment to the Company or to private industry in general. I feel sure that the U.S. is going to follow the policy of only lending where reasonable treatment is given to private industry. There have been many bad examples which have had their effect on private initiative and private property in many countries. I am hoping that the new government in Great Britain will before too long put the steel industry back into private hands because I can assure you that this will have a very great influence in many countries and will

March 28, 1952
Page 4.

go far to counteract the unhappy effect which the nationalization of the electricity industry has had abroad.

I still recall with great appreciation and gratitude the very kind reception which you gave me when I was in London, on a number of occasions, during the reorganization of the financial structure of Mexlight. Your advice and counsel were most helpful in so many ways. I shall always remember this with pleasure. You will therefore appreciate why it has given me such satisfaction to see this item in the SUNDAY TIMES and to see this, though inadequate measure of appreciation which that great paper shows of the services which you have rendered and still are rendering to your country and which so many of us know have their repercussions beyond the limits of your country.

I am hoping that our good friend Dannie Heineman whom you have undoubtedly seen in London during the months when he was in Europe, will shortly be returning to New York where I hope to have the opportunity of seeing him in May. I had hoped to make a trip to Europe this year but my occupations with the Company are such that they do not permit me to do it, but if I am in London for a few weeks next year, which I very much hope, I may be able to have the pleasure of seeing you.

I hope you will forgive the length of this, what we call in the U.S. a "fan letter". but I really could not restrain the impulse to write you, for I am one of those who recognize the constructive service you have rendered over so many years and in so many ways .

With all good wishes,

Cordially and faithfully yours,

George S. Messersmith.

GSM/go