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AIR MAIL

THE MEXICAN LIGHT AND POWER COMPANY, LIMITED

(COMPANIA MEXICANA DE LUZ Y FUERZA MOTRIZ, S. A.)

DIRECCION TELEGRAFICA }
CABLE ADDRESS } "MELIPOCO"

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FILE:		Messersmith	

W. Bachrach

Dear Dannie:

This is Saturday afternoon, late, and I have already spent the whole of it dictating, but I want to get this letter off to you at the earliest possible moment, as I fear that you may be leaving for Belgium although I still hope that you may not do so. This is the beginning of a three day holiday and most everything here is shut up until Wednesday, but a good many of us in the company are going to be very busy because we have a lot of things before us. I have written several letters recently which give you an idea of the things we are working on. Everything is developing normally and satisfactorily.

One of the problems before us is this problem of the additional local financing which we will have to do in view of our decreased earnings because of the drought, and increased thermal generation. You will recall that Maryssael and I discussed this in the bank before we returned to Mexico and found it very understanding, but naturally before the loan agreement is signed a few weeks hence they will have to know that we are able to proceed with the tempo of the construction program as originally planned, as this is absolutely essential not only for the company but for the meeting of the needs of the Mexican economy. Since our return Maryssael and I have had a number of conversations in the Nacional Financiera and in other government circles and while it is not a problem which will be solved without difficulty, the Mexican authorities are so fully understanding of the whole situation and also of the need of not letting up on the construction program that I am sure that they will find a solution through which the Nacional Financiera, or the government, or the banks here will be able to lend us in one way or another the minimum of 12,000,000 pesos which we need if we slow up some of the work not in the World Bank program and which is not necessary to increase production. I will not go into detail as we have not reached any final arrangements, but I did want you to know that the government continues to be fully understanding of our problem that we need this money at a reasonable rate of interest. The way in which they are looking at this matter is a further indication of the importance which the government gives to this problem of electricity and of the knowledge and understanding which they have of it.

We are, of course, tremendously busy with the preparations for meeting the negotiations for the new labor contract and we are really working almost night and day on this, for the negotiation will be the most important one of its kind that we have had in the history of the company, both for the company and for the Mexican economy. Fortunately the circumstances are such

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that I think we can get proper and adequate decisions in this important matter because the importance of the implications are well understood. This does not mean that it is going to be an easy matter, because it is going to be, in the very nature of it, extremely difficult, but what Maryssael and I are doing is to plan our procedure in such a way that the government and the public will understand that we have handled it in the best possible way and that we can have their complete understanding and support. This is, of course, absolutely essential when one has to meet syndicate leaders who have no interest whatever in the economy of the country and not even in the interest of the workers whom they are supposed to represent. I do not go into details about these matters but I will keep you informed of developments as they become more concrete.

I have wanted to write you about this matter of my joining the Board of Sofina this year. We have discussed this at such great length that I need not go into much detail. I now have to tell you that much as I would like to be on the Board of Sofina and much as I am pleased that you and your associates want me on the Board, and much as I should feel honored to be on it, I have come to the conclusion that the considerations which applied before are unfortunately still controlling. Several of the weekly journals here have recently written articles attacking the company and the government and me and Sofina, and in the latter respect they stated that I am the President and/or a member of the Board of Sofina. This is sufficient to show you how unreasoned and unreasonable all this criticism is, but it is the facts that we have to face. We have been able to establish an extraordinary position for Mexlight. It is an entirely new position for Mexlight. It is a position, I believe, if we maintain it, which will establish the long-range future of the company. I can't do anything which would in any way affect that position. There is no getting away from it that we will continue to get attacks from various sources because Sofina has the service contract for Mexlight and at the same time is so large a holder in one way or another of its securities. These attacks will come from security holders as they recently have, and they will come from sources here in Mexico, and there will be concealed if not expressed criticism in other quarters. It is entirely correct and proper that Mexlight should have this completely proper service contract with Sofina, but this does not mean that it will not be subject to attack, and there is no getting away from it that we would be more subject to attack, both Sofina and Mexlight, as well as myself, if I am actually on the Board of Sofina.

Then, too, we are a foreign company operating completely in Mexico, and not only must we get more broad participation in the holdings of the securities of Mexlight, but we must solidify and strengthen the situation which we have established so considerably already that Mexlight is not controlled and operated by any one group of its holders. That Sofina, because of its investment in Mexlight, should have an important voice in its management and operation is entirely correct because that is practice and proper. On the other hand, because of the conditions under which we operate and the importance of meeting those conditions for all holders of the securities of Mexlight including Sofina, it is in the interest of all that there should be no appearance that Mexlight is not operated independently by the Board of Mexlight. If I were to join the Board of Sofina now and at a time when

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we are solidifying a sound and happy position there is no doubt that it might have some unfavorable repercussions and certainly it would at least give the basis for attacks which we already have and which we realistically must foresee.

There is really nothing to be gained by Sofina by my being on the Board at this time. I do not wish to say anything egotistic and you will understand, but I think you know that out of my deep friendship and affection for you and because of the consequent interest that I have in Sofina I have been able to do things that are of material value to Sofina during the last years. I confidently express the opinion that I would not have been able to do what I have been able to do in Mexico if I had been on the Board of Sofina. Regrettably I have come to the conclusion that I might undo some of this work if I were to join the Board of Sofina now. Again, I doubt if I would have been able to do what I was recently able to do in England in connection with Barcelona if I had been on the Board of Sofina. I think the fact that I was not on the Board gave weight to thoughts which I expressed during my recent trip to England and which seem to have borne good fruit.

Furthermore, I really want to be helpful in the matter of Cade and I think I can be helpful, but I am confident, knowing the various aspects of the situation in the Argentine and elsewhere as I do, that my capacity to be useful in that matter would be very much lessened if I were on the Board of Sofina.

It is well known to all concerned that I have this deep affection and admiration for you and that we are good friends. It is also well known that I have had an interest in certain fundamental economic and political matters over a long period of years and that I have not failed to express my views whenever I thought it useful. It is known, however, that I have been objective and that I have had no interest at stake of my own. I feel that not only so far as Mexlight is concerned, which is predominant, but also so far as what I can do in the matter of Barcelona and Cade is concerned, would be seriously prejudiced or, at least definitely decreased if I were on the Board of Sofina.

When I last saw you in New York I felt that the time had come when I could safely accept being on the Board of Sofina and it gave me pleasure to think that I could do so. You may think that what I am saying now in this letter is a complete reversal of that position. It is not, in fact. These thoughts were always in my mind, as you know, for I have expressed them to you. What has happened is that I have come to know that I was wrong and that the time has not yet come for this. I would like to think that this is as much of a disappointment to you as it is to me. I have put so much of myself into Mexlight and it means so much for Mexlight and for the Mexican economy, and I would say also for Sofina, that I simply cannot permit myself to do anything which is not entirely helpful, and as I have tried to make clear, I am now so definitely of the opinion that it would not be helpful, but definitely the contrary. I hope that before another year has passed sufficient water will have run under the bridge that you and your colleagues

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can safely take me on the Board, but now it would frankly be against the best interests of all concerned. I am sure that you all will appreciate this situation.

I want to take this opportunity to make reference to the lettergram which Bachrach sent to FINASPOR for Wilmers under date of March 14, in answer to Sofina's lettergram No. 39 of March 8. I have not seen this lettergram from Sofina but I gather that in it there was reference to the desire that the use of Mexlight as an example be made in connection with Barcelona propaganda. Apparently some time ago Brussels had taken this matter up with you, and while I was in New York, and you had answered that it would not be propitious to do this at this time. Apparently Brussels, in its lettergram of March 8, No. 39, has again proposed this idea and it has been made clear in Bachrach's lettergram of March 14 that you are of the opinion that any such use of the Mexlight example must be postponed.

You are one hundred per cent and more correct and wise, as you invariably are. What we have been able to do for Mexlight is too precious for the company and its owners and for the Mexican economy and for Sofina to run the risk of publicizing what has been done for the purpose of using it to the advantage of other particular or general situations. It is too precious a thing and too important a thing to prejudice in any way. A position is not secure until it has been consolidated. We have done a very important thing in Mexico for all concerned, including Mexico, by wise handling of a vital problem. The important thing for all concerned now is to consolidate that situation and we would not be doing any service to Mexlight or to Mexico or to Sofina by endeavoring to exploit this situation even with the best purpose in mind. This position which Mexlight has attained in Mexico has to be consolidated and that is more important than any incidental use which can be made of what has been done.

We do not need the Mexlight example to strengthen the Barcelona situation. The Barcelona situation would be a weak one indeed, which it isn't, if we needed to support it in this way. Besides that, any propaganda which appears in the Barcelona matter in one way or another will be attributed to Sofina and associated companies, and therefore by using Mexlight in Barcelona propaganda or argumentation we would be giving complete support to those who say that Mexlight is simply a Sofina company, owned, controlled and completely dominated by Sofina, and that would do harm not only to Mexlight, but to Barcelona also. We just have to face the realities in these matters and I am afraid that that was not considered, or at least adequately considered, when the suggestion under reference was made.

I am afraid also that another aspect of this matter was not considered when the suggestion was made. Mexico is one of the few countries which broke diplomatic relations with Franco Spain and one of the few countries which has not reestablished such relations, and one of the very, very few countries that has no intention of doing so. I think you know that some years ago the feelings in Mexico were so strong that the Mexican Government even permitted the formation of a Spanish Government in exile here, and it is still the principal focus of the activities of the Spanish opposed to the Franco regime. All sorts of efforts are being made now by the Franco regime

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to make it appear that the Mexican Government will reestablish diplomatic relations, etc. with Spain. This is farfetched. The feeling in the Franco regime against Mexico is as strong as the feeling here in Mexico is against the Franco regime. To use Mexlight and its treatment in Mexico as an example of proper treatment of foreign capital would be like the red flag to a bull, in Spain. It would undoubtedly lead to attacks on Sofina that it had used some insidious and improper means to influence this position in Mexico. And here in Mexico the use of Mexlight as an example in this connection, and particularly in Spain, would be deeply resented.

I will not go into further detail, but I cannot tell you how happy I was to see this lettergram of Bachrach of March 14 expressing your views that this is no time to use Mexlight in connection with any propaganda.

There is so much that I would like to write you but this is the end of a long afternoon and I am as fatigued as Mrs. Hall, who has been taking dictation for hours.

I am glad to say that Marion, who has had a really bad attack of gripe, feels much better today. I was glad to hear that the family are well. Marion joins in affectionate good wishes to you all.

Cordially and faithfully yours,



Sunday. I have another long day of dictation before me. We are making a very carefully planned program of publicity in connection with the coming negotiations with the Syndicalists and I am handling this myself. The Government wants to help us but we have to prepare public opinion so it can really help us. *gbs*