

September 21, 1950.

PERSONAL AND CONFIDENTIAL.

Dear Nat:

Maryssael and I returned to Mexico City yesterday and I am taking my first opportunity to write you about a conversation which we had with Kilberry.

I think when it comes to Diesel engines, production methods and market possibilities Kilberry knows what he is talking about and certainly he represents good people and good interests. It is true that the Atlas engine, with which he is now so closely associated, is one which is well known here in Mexico and for which there is already a good market. I do not think he is as adequately and as accurately informed on production methods and possibly sales methods in Mexico as he is on the other phases of the problem.

Maryssael and I spent well over two hours with Kilberry while we were in New York and went into every phase of the matter with him. It was very useful that Maryssael could be present during the conversation for he has, of course, knowledge of certain aspects of the problem which I do not have. I think I can say safely that we both think that Kilberry is a man of real capacity and that he is in earnest about this matter. As he is associated with good people at home that is important. The National Supply Company is one of the most important companies in its field in the United States. The two Diesel engine companies that he is associated with are also very good companies. When it comes to Diesel engines and their production he knows what he is about. What I like particularly is that he is thinking only of the production of small Diesels for the present and working into a larger picture gradually. That is not only wise but essential.

His idea is, as you know, to manufacture only a small part of the Diesels here to begin with and to do the assembling here, bringing the other parts from the United States. He seems to think that Industria Electrica would be interested in a contract of this kind. I think it would appeal to Industria Electrica for one reason only and that is that it would give more employment to their plant and equipment for the next few years. I do not believe that Industria Electrica would be interested in any such arrangement for partial production and assembling of Diesels for more than a few years. Industria Electrica is designed and intended as a plant for the production of electrical equipment and they had no thought of anything else. It is

true

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true that some of their tooling can be used for the production of some Diesel parts. I understand that Industria Electrica has a small foundry and they might be able to make some casings for Diesel engines but I think the foundry is small. There are, of course, other foundry facilities available in Mexico City on a much larger and adequate scale.

Kilberry seems very certain that Industria Electrica would be interested. I am not so sure. It is a matter which would have to be explored thoroughly with them and Kilberry of course would be the one who would have to do that. He seems to have taken it for granted pretty much that Industria Electrica is or would be interested, but so far as I can gather he has discussed this only in the most casual fashion. So far as Industria Electrica is concerned, before they could determine their own position and interest they would have to know exactly what was to be done.

I do not think that this is a matter in which Maryssael and I can be of very much use and that we should get too much into the picture here. I think whatever study Kilberry makes of the matter, whether it is with Industria Electrica or others here, it should be on his own account. As to whether Sofina should take an interest in this matter or not I am not able to say. The only thing I do know is that this market for Diesel engines is here and that if some American firm does not adequately enter the field through at least the initial stages of local production here in Mexico, the Mexican market will gradually be lost to European manufacturers who will more and more get into the picture. If Kilberry really works out something which is practicable then I think it is a good business in which Sofina can take a financial interest and I think it would probably be a profitable interest.

I told Kilberry frankly, however, that I did not see how the Sofina engineering services could be of much use in such an operation or how Sofina could get anything out of the operation of such a company through fees for engineering services. In the first place this would be a Diesel engine operation in which the Sofina engineering staff has not specialized. So far as plant construction, etc. is concerned there would hardly be any need for such engineering services. So far as fees for purchasing, etc. are concerned I do not see where there would be anything in it for Sofina because the purchasing operations could be carried on, and probably should be carried on, by the company itself. Sofina, of course, if it invests a certain amount of money, could be interested in the management. The more I think of it, I do not see any way in which Sofina could advantageously participate in such an operation as the production of Diesels except through a capital participation in the company. Whether this would interest Sofina or not I do not know.

I told Kilberry that you were in Venezuela and would be back in New York and that I would be writing you some of my views to have them in your hands when you returned to New York.

I gathered from one of your letters, or in any event from our conversation in New York recently, that you thought there might be some place for Sofina services in connection with such a company or perhaps some services in connection with purchasing. So far as I can see such a company organized

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to produce Diesels and distribute them in Mexico would not need the services of outside people for either engineering or purchasing, as these are functions which would in their very nature in such an operation have to be carried through by the company itself.

Hoping you had a good trip to Venezuel and to see you here or in New York before long,

Cordially and faithfully yours,

G. S. Messersmith