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November 6, 1949.

Dear Philip:

I am not sure that I have ever written you in acknowledgment of your very courteous and interesting letter of June 23 returning to me the notes for the lecture which I delivered at the Air War College over a year ago. I read your comment with much interest. I was scheduled to speak again at the fall course of the College this October, but I had to beg off as the work of Mexlight was so exhausting and absorbing that I did not have the time to prepare so important a talk. I have, however, agreed to appear before the College this coming spring.

Colonel Kenneth Gibson, who is, together with General Anderson, in charge of the courses at the Air War College, tells me that Lord Tedder made a very interesting and helpful talk during the last courses just ended. Colonel Gibson is going to England again in the near future on a quick trip by air. If he should approach you to invite you to appear before the Air War College I hope very much that you may be able to accept. It is, in my opinion, the most important and in many ways the most effective of our high strategy schools. Selected High-ranking officers of the Air Force and a certain number of selected high-ranking officers from other branches of the service are in the school. I do not know what the plans of the direction of the school are so far as inviting personages from Britain to speak, but should they ask you I sincerely hope that you may be able to accept, for I know that you could make a very real contribution to the discussions. I also have the selfish personal thought that it would give us an opportunity to see you, and perhaps also in Mexico City. That would be wonderful.

I am glad to say that after two years of hard, exhausting, patient work we are over the worst part of the road so far as Mexlight is concerned. On November 3 we got the report of the Tariff Commission on our tariffs, and while this does not give us the rate of return we hoped for, it does give us the rate of return provided for in the Electricity Law and does give us a safe basis for operation. On the same day we received the report of the Tariff Commission approving the plan of reorganization, including the effects of devaluation. We have also been able to maintain, after a rather severe struggle, the adjustment clause for increased labor costs, fuel costs, taxes, etc. in our tariffs and those of the other private companies. As a matter of fact, all the things which by government action in

Mexico

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Mexico were necessary for maintaining Mexlight and the private electricity industry in Mexico on a sound basis have now been established. This means that we can now go ahead with final formulation of the reorganization plan and circular, as all the appropriate clearances have been secured. I do not know about the British Treasury and the Bank of England but I feel confident there will be no difficulty there.

The delays have tried the patience of all of us and have been serious in some ways, but I must frankly say that I would rather have had these delays and have everything fully considered and discussed by the Mexican authorities before their decisions were made. It means that everything that the government has agreed to do has been done only after the most painstaking and thorough examination of every factor, and that is always a firm basis for the future in a matter of this kind.

As you know, the delays which we have experienced have made it necessary for us to ask our first mortgage bondholders and of Mex-electric, whose bonds are due on February 1, 1950, to extend until August 1, 1950. The call for the appropriate meetings will go out in a few days and the meetings are to be held in Toronto about the middle of December. I cannot see that we should have any difficulty in getting the assent of the holders of these first mortgage bonds for the extension, because this extension is a part of the whole operation which will place their investment on a firmer and sounder basis than it has ever been before.

The definitive tariffs of the company will be published by the government not later than the first week of December and as soon as they have been published we can issue the plan and circular to our security holders and the meetings of the eight respective groups will be held in Toronto in January or February. The plan is a good and sound one and has been impartially and carefully formulated and will have the approval of the International Bank, of the First Boston Corporation, of the National Trust and of the Mexican Government, as well as of the company. It is as carefully considered and studied a plan and as equitable as any I am familiar with. It will not please everyone, but that we know would be impossible. What we have to make our security holders understand is that there are no changes possible in the plan. The plan stands or falls as it is and if it is approved by all the classes of security holders at the meetings soon to be held it will mean the consolidation of the future of the company. If the plan fails to get the approval of the eight classes of security holders it will mean that we will not get the long-term loan, that the International Bank will lose interest in us, that we will not be able to get any capital, that we will not be able to carry through the program of absolutely indispensable new works, and the inevitable consequence will be receiverships and all kinds of difficulties which may definitely endanger the future of the company and the investment

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of its owners. That is a bald statement of the facts. I tried to make this position clear to as many of our holders as we could conveniently reach during our trip to England and the Continent in the spring of this year. I am sure that Mr. Binder and his associates have been making and will make the advantages of approving the plan clear to our holders abroad so that we will have no difficulties.

I talked with Dannie over the telephone yesterday and he tells me that he is coming down here for a brief visit on November 12, and Brosens, who will be on his way from Buenos Aires to Brussels, will arrive here at the same time and we will have a week together here. I am delighted that Dannie is coming, for he will be interested in all that he sees here and I think he will enjoy his stay. I am glad that Brosens is coming as it will be his first opportunity to see the installations of Mexlight.

My wife and I have many happy memories of our all too short stay in London. We look forward to the time when we may see you and Lady Swinton again and we both take this opportunity to send you our warm regards and good wishes. In spite of my many occupations I follow developments in the world picture as much as I can and I have often thought how stimulating and interesting it would be to have the opportunity to talk things over with you. I hope that may not be too far in the future.

With all good wishes,

Cordially and faithfully yours,