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## THE MEXICAN LIGHT AND POWER COMPANY, LIMITED

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

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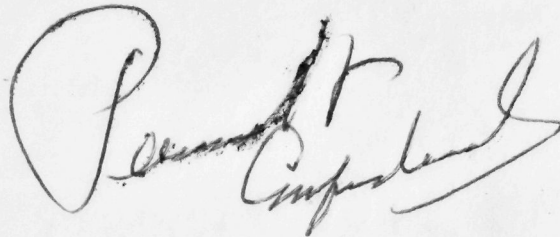
MEXICO, D. F.

November 8, 1950.

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AIR MAIL



Dear Dannie:

This is going to be a briefer note than I would like it to be, knowing your interest in the matter, but I have had a hard and long day but want to write you this before it is over.

We decided last evening to give the contract for the Patla tunnel and auxiliary works to the Empresa de Construcciones Generales. This, as you know, is the new firm organized by Larrea, the Banco Nacional de México and the Société Générale d'Entreprise. This decision was made by Maryssael and myself last evening after our engineers and Le Paige had concluded their final study of the bids which we had received and had unanimously recommended to us that we accept this bid.

It would make a very long story to tell you all about the details of the consideration which we gave to this matter, but the facts very briefly are these. The bid of Rosoff, who is of course a very competent contractor and who has done a lot of big work in the United States and here, as well as elsewhere, was for approximately 58,000,000 pesos. Morrison-Knudsen and the Utah Construction, both of which are highly competent and experienced American firms and among the best in the United States, and who have done a great deal of this kind of work in the United States and in Mexico and elsewhere, bid approximately 35,000,000 pesos each and their bids did not differ very much from each other. The firm of General Henríquez, which is a purely Mexican firm and which has just built the Lerma tunnel for the Federal District, bid around 27,100,000 pesos, and the Aguila firm, which has done work of this kind for the Federal Power Commission and for the Mexican Government, bid approximately 27,400,000 pesos. Empresa de Construcciones Generales, the combination of Larrea, Banco Nacional de México and SGE, bid approximately 21,000,000 pesos.

You can imagine what a problem the wide divergence of the bids created for us, for it meant that although we were going to give these bids careful study, we had to give them even more careful study than we had anticipated. We studied first each bid and then made a comparative study of the six bids. This meant a lot of work and our engineers, etc. spent their nights as well as days on it for about ten days. About three or four days ago the preliminary results of our studies showed that we had to eliminate the three highest

bids,

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bids, which happened to be the bids of the three American firms. In many ways we would have been glad to see one of these American firms doing this work, for they have such undoubted competence and experience, not only in this type of work, but also in the United States and Mexico. The Rosoff bid was practically out from the beginning because it was quite obviously too high, and without going into any details, Rosoff, I think, knew himself that he was bidding too high, but in spite of that he wanted and, I think, hoped to get the job. He pretty well realized from the beginning, however, that he was out. There was very little difference between the bids of the Morrison-Knudsen and Utah companies, but as their bids were almost 10,000,000 pesos higher than the bids of the two Mexican firms coming next, we felt that, as we knew that the two Mexican firms had submitted their bids after the most careful and prolonged study and had recognized capacity, there was no basis whatever for considering the Knudsen and Utah bids. As I have already said, a few days ago Maryssael and I told our engineers that the three American firms were out and that they should confine their further study to the Aguila and Henríquez bids, which were both around 27,000,000 pesos, and to the bid of Empresa de Construcciones Generales. Our people came to the conclusion that there was really no choice between the Henríquez and Aguila bids. They had both about the same competence and experience and responsibility and could do the job. The difference between them was only around 300,000 pesos. It would have created a problem for us to make a choice between these two bids because each had its advantages and the price difference was so small. So far as the Empresa de Construcciones Generales bid was concerned, which of course we considered very seriously from the beginning, as it was the lowest bid and came from a responsible firm, we were concerned about the amount of their bid which seemed to us very low compared with the other bids and which was below what our own estimates had been as to what the work would cost. On the other hand, we knew that the SGE bid had been prepared obviously with the same care as the Henríquez and Aguila bids. The Larrea firm, which is a part of the SGE group, has not had as much experience in this kind of tunnel work as the Henríquez and Aguila firms, but it is a competent firm. Their lack of actual experience on a broad scale in this kind of work was compensated, we considered, by the association with SGE which will contribute this technical assistance growing out of such wide experience in Europe.

Again without going into detail as to the analysis we made of the Aguila, Henríquez and Empresa de Construcciones Generales bids, I may say that our engineers came to the conclusion that the contract should go to Empresa de Construcciones Generales. In order, however, that we might clear up certain points and that there would be no misapprehensions on either side, our people had several conferences after the bids were received with Empresa de Construcciones Generales people, as well as with the other firms. After our engineers had reached the conclusion to recommend to Maryssael and me the acceptance of the Empresa de Construcciones Generales bid, we decided that it would be well for them ~~for them~~ to have a further conversation with the representatives of SGE and Larrea here, which they did, and in that conversation, which took place on Monday afternoon, various points were gone into very fully and any doubts which our engineers had were cleared up and they made the definite recommendation to Maryssael and me.

Maryssael



Maryssael and I, of course, have been following the studies from day to day, and of course Maryssael in particular because he is so much more competent in these matters than I. We arrived at the conclusion last evening that we had all the assurances which we needed to go ahead to sign the contract with Empresa de Construcciones Generales. Maryssael therefore saw the principal representative of the SGE early this morning and told him of our decision and talked things over again, and then Maryssael and I met with Larrea and the representatives of the SGE in my office. We told them that we were ready to go ahead with the signature of the contract for this work with them. I said to them that I knew they appreciated the importance of this work to the company, as well as to the Mexican economy and the government because of the electricity situation and that it was absolutely imperative in the interest of all concerned that this work proceed smoothly on schedule and be completed on time and be a first-class job. We said that we had confidence in their competence to do the job and they were the lowest bidder and were awarding it to them.

Now that all the pain and effort in reaching this decision is over I am very pleased at the result, and so I am sure is Maryssael and so are our engineers. We have been able to accept the lowest bid. I do not see how there can be any objection on the part of anyone to our having awarded the contract to this firm. I do not see how there can be any criticism of us for having done so,

Representatives of the French group who are here wish to leave and had planned to leave on Friday, and as the contract is in shape we should be able to sign the contract tomorrow or at the latest Friday morning, so that the representatives of the SGE can return then to France to make the necessary arrangements for the shipping of the equipment, of which a good part will have to come from France.

I want to tell you very frankly that while I am convinced that Empresa de Construcciones Generales will do a good job for us, I am not sure that they will make any money on this contract. The prices on which they have reckoned for labor are lower than we had estimated, and while they assure us that they are sure that they can get the labor for the prices they have employed in their estimates and really have assurances to that effect, I am not so sure that their labor costs will not exceed what they have anticipated. There is, however, a possibility that even if their labor costs are considerably more than they have estimated, this increased labor cost will not absorb the modest profit which they have estimated for themselves for the operation. One thing I should like to make clear, and that is that we went into all these details with the representatives of Empresa de Construcciones Generales and they have assured us that they have taken into account all the factors which we have pointed out. If they have bid too low it is their responsibility. The representatives of the SGE frankly told our engineers during the last conversation with them prior to our awarding the contract that they were so interested in establishing themselves in this field, and particularly with a job of this kind with an important private firm, and of doing a good job, that they were prepared to work at a lower profit and the risks which it

involved.

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involved. I think this is a wise policy for them and it is one from which I hope Mexlight may get appropriate benefit.

If it were not that the Larrea group has associated with it the SGE we could not have awarded the contract to the Larrea group at the price which they bid. We would, in spite of the lower figure, have been obliged to give the contract to either Aguila or Henríquez, because the work is so important not only for the company but for the Mexican economy that we could not take the risk of not being assured that the work would be well done and on schedule. The Larrea group does not have the experience and does not have all the organization that the other two Mexican groups which bid do have. The association, however, with the SGE makes in many ways an ideal combination.

I do not nourish any illusions that we are going to build this tunnel and the auxiliary works without some difficulties. It is too big a job, so that no matter who would be doing it there would be some difficulties. I believe, however, that the Larrea-SGE-Banco Nacional de México group understand the problem in its realities and I do not anticipate any more difficulties in the actual construction progress than we would have had with another and higher bidder.

This is a long but still very inadequate letter because it gives you a very inadequate idea of all the detailed consideration which we gave to this matter. I think it has turned out very well. We are letting the contract for a reasonable price and to a competent group, and fortunately we have been able to award it to the lowest bidder, and that puts us in a position which we can defend against any and all criticism.

The next steamers are leaving New York on November 10 and 11, and Maryssael couldn't possibly make either of them, so he is planning to leave on the next steamer, which is the MAURETANIA, from New York on the 16th and he is flying to New York I think on the 15th. He is, as you know, a very conscientious person and wants to be away as short a time as is possible, but it is absolutely essential that he should have some rest and I think one of the best ways of assuring that is that he go over by sea and come back that way and I am glad that he has decided to do that. He is planning to be back here by the end of the year at the latest. We have the work so organized that we will be able to take care of things while he is away. I am glad that he can get this trip which has been so delayed and which he needs so much and which is so deserved.

Marion and I are hoping that you and Hettie and Edna and Yvonne will be able to come to Mexico about the time the baby is born, which is now planned in Dallas, and that you can spend the Christmas and New Years holidays with us here. I will be writing you further about this. We think of you often and are looking forward to seeing you. Marion joins in love and good wishes.

Cordially and faithfully yours,

*The telegraphed Sofia yesterday  
about the bid being awarded. This foreff  
is writing a letter on the whole  
matter which will be more accurate than my personal note but I  
wanted you to have the background.*