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FOREIGN SERVICE DESPATCH

837.06/6-2055  
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FROM : AMEMBASSY, HABANA

1272

DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

June 20, 1955

DATE

REF : Embassy's Despatch No. 955 of March 31, 1955 (Page 29)

5 For Dept. Use Only	ACTION ARA*4	DEPT. I N A/REP-2 RM/R-2 OLI*6 P-1 L*2
	REC'D 6/25	F OTHER O LAB*5 USIA*10 OCB

SUBJECT: Consolidated Railroads Labor Dispute.

DEPARTMENT OF STATE  
BUREAU OF  
INTER-AMERICAN AFFAIRS

On June 7 the Cuban government made public its decision in the dispute between the Consolidated Railroads and its workers over attempts by the Company to lay off workers and lower wages. The Government decision was arrived at after study of the report on the financial situation of the Road that it had requested from the Accounts Tribunal. The decision was published in the Official Gazette for June 8 as Decree No. 1535 of the previous day. Five clippings of the decree from the Gazette are enclosed with this despatch. The report of the Accounts Tribunal has not been made public.

Decree 1535 is lengthy; important points in the order in which they are covered in the decree are:

In its fiscal years 1952-53, 1953-54, and in the first half of the present fiscal year the Company lost \$7,525,309.82.

Special tariffs granted by the company to certain sugar mills were justified and in accordance with the law-decree (No. 1486 of June 10, 1954) on National Economic Plan for Transport. (This is important: one of labor's principal arguments against the company was that it was granting preferential rates and rebates to certain sugar mills.)

The possibility of subsidizing the Road is rejected, because the total of wage and salary payments is too greatly out of proportion to income.

Up to the amount of \$600,000 a year, and for not longer than three years, the company, instead of paying certain taxes to the State, must pay the amount of these taxes to the Land Transport Retirement Fund to finance retirements authorized by the decree.

The Railroad is permitted to eliminate "unnecessary positions and unproductive services" and to cut down its staff, but persons so separated must be eligible for pensions from the Land Transport Retirement Fund and

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preferably be sixty years of age or more and their pensions must be covered by the \$600,000 payments (the decree is not very precise here) to be made by the Railroad to the Fund in lieu of paying taxes.

A tri-partite government-labor-company committee will report to the Minister of Labor within 90 days on the manner in which the collective agreements between the company and its workers may be revised "in order to mitigate the economic charges on the economy of the Company produced by those agreements."

Till the revision of the collective agreements and beginning retroactively on May 20, salaries and wages will be paid "on the basis of time actually worked" and positions that become vacant in the company need not be filled. All provisions in present agreements contrary to these two points are suspended.

An 8% reduction in wages and salaries of all employees of the company goes into effect retroactively to May 20. The Company's port and maritime workers are exempted. //

In further part payment of its debt to the company the government will give it Certificates of Credit against the Treasury in the amount of \$500,000. (In February the government had paid the Company \$700,000 on this account. Certificates of Credit against the Treasury are not negotiable; they bear 1% interest and presumably can be used to back a loan). A transitory provision provides for a similar issue of \$200,000 worth of Certificates to the company, apparently in addition to this \$500,000.

A special commission of the First Minister, the President of the Accounts Tribunal, and the Ministers of Finance, Labor, and Transportation is to report to the Executive Power within six months on the strengthening and rationalizing of the country's general transport system, the strengthening of the Land Transport Retirement Fund, the liquidation of the indebtedness of the State and the Ferrocarriles Occidentales to Consolidated, and cognate matters.

Quickly upon the announcement of the government's decision strikes broke out with apparent spontaneity along the Consolidated system. Traffic was seriously disturbed, and in the next two days must have been cut by more than half. At least two derailments, in which no one was seriously injured, were laid to sabotage. The military authorities took action to protect railway property, made

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some arrests, tried to get workers back on their jobs, and in general did a good police job.

The CTC announced that the strike was not authorized. The constituted leadership of the Railway Brotherhoods took no action to support the strike as such, but it was clear that it considered the strike natural if not official; and while it quickly moved to discuss the dispute with the Minister of Labor and other government officials, it refrained from gestures to end the stoppages. That at the top of the CTC and the Brotherhood there was plenty of sympathy for the strike was apparent from statements and actions of local Railway Brotherhood leaders and from the strong statements against the government's decision made by Jorge CRUZ Perez, Secretary-General of the Camaguey Federation of the CTC. Cruz Perez is a member of the House of Representatives, and it is probable that he was motivated in part by the knowledge that this position carried a political obligation to act with particular vigor (and afforded immunity from arrest as well). At the same time, Cruz Perez is close to Eusebio Mujal, CTC Secretary-General (who though on leave from that post since May 1 and absent from Cuba the week of June 13 has had a part in CTC discussions with the Minister of Labor on the Consolidated problem) and to CTC headquarters and is responsible enough so that he would not have taken so strong a line if it had been out of harmony with CTC thinking.

At first sight it is a bit surprising that the government's decree on the Consolidated Railroads was not better received by labor. As the Embassy's reports from the beginning of Consolidated's present difficulties will bear out, a general wage decrease and the retirement of fewer men than the Company had first tried to dismiss was considered by Embassy contacts, including those from labor, an inevitable and reasonable solution.

One factor that has contributed to misunderstanding about the settlement has undoubtedly been the fact that the report of the Accounts Tribunal has not been published. While it was in the hands of the government for study, rumors had circulated as to its findings. For the most part these rumors were to the effect that the Tribunal had largely found on the side of the Company, but rumors also ran that the Company had been found out in serious accounting and other malpractices by the Tribunal.

Mujal informs the Embassy that Company and labor representatives were allowed to read the Tribunal's report but were not permitted to have copies of it or to make notes while they read. He alleges that the Tribunal found that the Company was carrying cattle for one shipper entirely free of charge and that in the case of a sugar central, it charged one rate to the shipper, then entered a lower rate on its books. Nothing of this, he complained was allowed to be reflected in the government's decree. (The Embassy does not pass Mujal's charges on to Washington as fact).

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Mujal told the Embassy that the most serious aspect of the government's decree was that provision suspending the collective agreements. Under this provision he said he feared the Company would be able to do just what it wanted and fire whom it pleased. There was, for example, no protection written into this provision against the dismissal of union officers from their jobs. Another serious shortcoming, in Mujal's view, and one which the Railway Brotherhood has called to public attention in a statement to the papers, was the provision that men should be paid only for time actually worked. In an industry like the railway industry, where men have frequently to be transported distances to and from their jobs, this will work an injustice, Mujal alleges; and, of course, it will indeed if the provision is enforced literally. Moreover, the Embassy may add, the provision would seem to end payment for vacations and holidays. (It will be recalled from Despatch No. 546 of December 1, 1954 that one of the Company's principal contentions is that it makes 40.65% of its wage and salary disbursements without receiving any service in return. In large part the contention--see Despatch No. 546--is specious). The Railway Brotherhood has publicly impugned the constitutionality of the decree, and apparently with some good reason on its side. The Brotherhood says that the decree changes existing laws and law-decrees, which, when the national congress is meeting, as it is at present, can only be done by the congress.

It is probable, however, that what has served most to spark the strike was simply rank and file workers' resistance to a wage cut and to the threat of dismissals. In addition, it is quite possible that unfounded rumors as to why the report of the Accounts Tribunal was not published have fed the spirit of resistance. The observations on protection of union officers that Mujal made, as well as arguments regarding vacations, have their merit; but so much so that a strike over them hardly seems necessary when there is a powerful union in the field.

Early in the morning of June 15 the strike was ended by an agreement signed between the military commander for Camaguey province, the representative of the Ministry of Labor in the province, and Jorge Cruz Perez, Calixto SANCHEZ Whyte, Secretary-General of the Aviation Workers Federation, who had arrived in Camaguey a few hours before as a special representative of the CTC, and Manuel PARRADO Rodes, a Camaguey railway labor leader.

The agreement said that service would be immediately normalized, that the company would cancel certain orders it had issued in reprisal against the strikers, and that there would be immediate discussion with the Minister of Labor regarding "the interpretation of the application of the said (government) decision".

Several sidelights on this agreement are of interest: it is illustrative of how labor problems are handled in Cuba that the

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Company was not a party to the agreement - although the agreement provided for certain definite action from the company - and that the military commander in Camaguey was a very important party to the agreement - although it would be difficult to find where in the procedure for handling labor disputes there is any legal place for him. This second observation furnishes a sidelight, as well, on the comparative ultimate importance of the military and civil authorities in Cuba, especially outside the capital.

A further point revolves around the Camaguey military commander. At the start of the strike he was Col. PEREZ Coujil. Midway in the strike Pérez Coujil was replaced by Col. DEL RIO Chaviano. Del Río was till then commander in the southern half of Oriente and is quite unpopular there because of his severity and arbitrariness. More recently, he has become more hated as a result of charges aired in the press, and reported by the Embassy, which make it almost indisputable that he butchered wounded revolutionaries after the Moncada Barracks assault of July 1953.

Pérez Coujil had not been acting with any noticeable lack of vigor at Camaguey. However, the newspapers carried reports that he had phoned President Batista pressing at least part of the strikers' case and asking for a personal hearing for them. It is rumored that Batista, angered at these representations by a military commander, seized an opportunity to get Del Río out of Oriente, where he is a political liability, and to punish Pérez Coujil's misjudgment. This story is apparently believed at the CTC where Batista is alleged to have declared to Pérez Coujil that while the decree might be discussed after the strike and clarifications or amendments made, it could not be modified ("revised" might be more accurate for his meaning), and it must be upheld by the authorities. In any case, Del Río's arrival in Camaguey considerably disturbed labor leaders.

As of this writing some contacts in the Workers' Palace believe that the situation on the Consolidated system is still serious. They say that employees of the Railroad have been angered over the last two weekends by receiving paychecks or pay with the 8% retroactive reduction in them. They say, also, that the Del Río appointment has aroused resentment. They add that the strike leaders, who formed a clandestine committee in Camaguey, apparently believed that the decree would be suspended if the strike was ended and are angry that it was not.

The Embassy would make allowance for the point of view of these contacts. If their apprehensions prove unfounded, however, the Embassy would expect the Minister of Labor to prepare a decree or decrees defining what was meant by time actually worked and allowing pay for certain travel to and from work, for vacations, etc. Another decree might protect trade union leaders.

Consideration is called for of the way in which the Batista

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government has handled this case. So far, the Embassy would say, it has acted in a way that is fair to the Company and respectful of the rights of labor. It would seem to have shown a fine sense of the possibilities of the situation. Against the recent background of the Grau and Prió regimes, when so much was given to labor in similar situations, regardless of the merits of a case or of economics, the government could hardly have permitted Consolidated Railroads to make the wholesale dismissals it tried to make last autumn; not, that is, without seriously compromising its position vis-a-vis the labor movement, many rank and file workers, and liberal opinion outside the country. Also, the government might reasonably have wondered whether the Company was not attempting, as an opening move, to lay off more workers than it absolutely needed to.

On the other hand, the government could not completely have conceded labor's case either last fall, or last February, or this month, without jeopardizing the confidence of native and foreign investment, actual or potential, and at the same time dooming Consolidated to bankruptcy and its properties to the neglect and decrepitude that all travellers from Habana to Camaguey notice on that part of the line that belongs to Ferrocarriles Occidentales.

The strike that followed on the announcement of Decree No. 1535 the government handled with sufficient firmness to demonstrate that nowhere would it let the situation get out of hand. At the same time, it took no such drastic or arbitrary action as might have betrayed a fundamental anti-labor bias or an ambition to control labor dictatorially.

In summary, the government has handled the Consolidated dispute in such a way as to contribute further to confidence in its desire and ability to treat investors fairly; from the labor point of view - pending, perhaps, its final word on pay for necessary excessive travel to work, vacations, etc. - it cannot fairly be said that the government has showed any inclination to be repressive or to sacrifice unfairly the gains of labor to the interests of capital.

For the Chargé d'Affaires, a.i.:

*Juan de Zengotita*  
Juan de Zengotita  
First Secretary of Embassy

Enclosures: *11/14/2*  
Five clippings of Decree No. 1535  
Two copies of translation.

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