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INFO: RIO DE JANEIRO

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DEPARTMENT OF STATE BUREAU OF INTER-AMERICAN AFFAIRS AUG 17 1964

1964 AUG 17 AM 11 12

FROM : Amconsul SÃO PAULO

DATE: August 11, 1964

SUBJECT: Port Reorganization Decree Meets with Some Reservations

REF : CERP, D-16

The recent decree establishing directives for the reorganization of the port system has been greeted by the São Paulo Federation of Industries with applause and some reservations. The cost of transport and port services has been of continuing concern to local industry.

In an analysis of the measure, Sr. Oswaldo PALMA, a director of FIESP-CIESP, made the following points:

1. The 90-days given the National Department of Ports and Navigable Waterways to present studies on the reorganization of the port system are insufficient in view of the importance of the subject.

2. The establishment of corporations for the commercial operation of the ports is salutary, but care must be taken that port corporations do not become political tools as did the federal railway system (Rede Ferroviaria Federal S.A.).

As in the case of the Rede Ferroviaria Federal, the government is to have 51 per cent of outstanding shares in the new port corporations and thus will have the power to elect the administrators who will undoubtedly be subject to the same pressures from which the Rede Ferroviaria Federal suffered. Since sufficient private capital is unlikely to be found to undertake the large investment required, government help is necessary, but past errors must be avoided. The New York Port Authority is an example to be followed.

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FORM 4-62 DS-323

Drafted by: ECON:ERHessler/id 8/11/64 Contents and Classification Approved by:

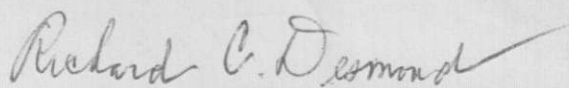
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3. In establishing port corporations, administrative continuity should be assured; and directors should include representatives of industry, commerce, agriculture, and cattle-raising.

In conclusion, Sr. Oswaldo Palma said that the goal should be a sense of free enterprise with profit the aim of the undertaking, utilizing it for development and the creation of employment.

For the Minister Consul General:



Richard C. Desmond
Consul

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