

The pan american airlines

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Juan Trippe: The Man Behind Pan American:

Juan Trippe, founder of Pan American World Airlines, graduated from Yale in 1921. He became bored with working on Wall Street, and after receiving an inheritance, started to work with New York Airways, a commuter service that served the wealthy and powerful. Eventually, with the aid of some of his wealthy friends, Trippe invested in an airline named Colonial Air Transport ("Juan Trippe", 2005).

Trippe's interests lie in servicing the Caribbean, though. As such, he created the Aviation Corporation of America, based in Florida. It was this company that Trippe would use to take over fledgling Pan American Airways. Pan Am's first flight from Key West to Havana took off on October 28th, 1927, and signaled the beginning of an era of evolution for the aviation industry.

Besides Pan Am, Trippe established China National Aviation Corporation, providing domestic service within the Republic of China. He also became a partner in Panagra, the Pan American-Grace Airways, holding a quasi-monopoly for air travel in many parts of South America ("Pan American-Grace Airways", 2005). But, it would be Trippe's Pan Am and his famous

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Clipper planes that would indelibly etch his aviation efforts in the minds of millions of people.

Trippe was known, in the aviation industry, for his innovation. He believed Pan Am was the standard setter, and that air travel should be just for the wealthy, but for the general public as well. He is often credited as the father of the 'tourist class' and saw great potential for expanding his customer base with the development of jet aircraft. Introducing 707s and DC-8s into his fleet, Trippe was able to lower fares and increase passenger numbers (" Juan Trippe", 2005).

It was Trippe's desire to service even more passengers that led to his request of friend Bill Allen of Boeing to produce an even larger aircraft. The end result was the Boeing 747. Yet, despite his best efforts, the oil crisis of the 1970s and airline deregulation, would see Trippe's Pan Am eventually crumble apart (" Juan Trippe", 2005).

History of Pan American World Airlines:

Pan American World Airlines, commonly known as Pan Am, was the primary international air service provider in the United States for approximately sixty years. Pan Am was a cultural icon of the 20th century, and the unofficial flag air carrier of the United States (Shaw, 1997, p. 12 - 13). It was their dedication to customer service and innovations, such as the use of jumbo jets and computerized reservation systems, that would help shape the industry.

Major Henry "Hap" Arnold and a few partners founded Pan American Airways Incorporated in 1927. They had obtained a U. S. mail delivery contract to Cuba, yet did not have the physical assets available to actually do the job. A few short months later, Trippe had formed Aviation Corporation of America, with backing from William Rockefeller and Cornelius Vanderbilt Whitney, along with others. With Whitney at the helm as President, Aviation Corporation had obtained the landing rights for Havana, by acquiring a small seaplane service between Key West and Havana. During the same time, the Atlantic, Gulf and Caribbean Airways Company was established, by New York investment banker, Richard Hoyt ("Pan American", 2005).

It would be these three companies that would merge in a holding company called the Aviation Corporation of the Americas, in June of 1928. Hoyt was named Chairman, Whitney was made President, and Trippe and his partners held forty percent of the equity. Pan American Airways Incorporated was created as the primary operating subsidiary of Aviation Corporation of the Americas, with Trippe positioned as the operational head of the new company ("Pan American", 2005).

The United States government approved the transfer of the original mail delivery contract to Pan Am, without hesitation. The government had feared that the German-owned Colombian carrier SCADTA would have no competition in routes between the US and Latin America. The government further assisted Pan Am by insulating it from American competitors, choosing Pan Am as their 'chosen instrument' for American foreign air routes (Bilstein,

2001, p. 79). This monopoly on foreign airmail contracts allowed Pan Am to expand quite rapidly.

Plans were made to expand Pan Am's service through all of Central and South America. The next decade saw Pan Am purchasing multiple failing airlines in their target territory, as well as the negotiation with postal officials to win airmail contracts in their regions.

Trippe toured Latin America, with Charles Lindbergh, to negotiate landing rights. Within a few short months, Trippe had opened up service down the west coast of South America, all the way to Peru. With the purchase of New York, Rio and Buenos Aires Line, Pan Am opened up a seaplane route along the eastern coast of the continent, including Buenos Aires, Argentina, and Santiago, Chile ("Pan American", 2005).

Pan Am's stock soared, with the development of their South American network. Negotiations with Britain and France, to start a seaplane service between the United States and Europe began in earnest. The British state carrier, Imperial Airways, was eager to partner with Pan Am, however France's Aeropostale was one of Pan Am's competitors in South America, was less eager to help. Eventually, Pan Am was able to negotiate a contract offering services from Norfolk, Virginia, to Europe by way of Bermuda and the Azores. In addition, they obtained another airmail contract, this time servicing Boston to Halifax ("Pan American").

Pan Am's next plan of action was to begin land plane service, over Alaska, to China and Japan. Lindbergh's services were once again called upon, as he

was sent to survey the area, in 1930. Yet, due to the political turmoil in the Soviet Union and Japan, it was determined that that route was not viable. Instead, Trippe focused on developing service from San Francisco to Honolulu, with continuing flights on to Hong Kong and Auckland. By 1934, Pan Am had secured rights to land at Pearl Harbor, Midway Island, Wake Island, Guam, and Subic Bay. By 1935, the company had been awarded the airmail contract between San Francisco and Canton, China ("Pan American", 2005).

Pan Am's 'Clippers' were the only aircraft capable of transcontinental travel, at the time. The airline prided itself on service, and their flight crews formal naval-style uniforms and procession when boarding harkened to this fact (Gandt, 1995, p. 19). As World War II set in, most of Pan Am's fleet was called into military service. This allowed Pan Am to open new routes in central Africa and Iran. By early 1942, Pan Am was the first airline to operate a route that circumnavigated the globe ("Pan American", 2005).

Following World War II, Pan Am's fleet was rejuvenated with faster planes made up of Boeing 377s, Douglas DC-6s and Lockheed Constellations. Competition from began to impact the previously untouched Pan Am. TWA began service to Europe, Braniff to South America and Northwest Orient began service to East Asia (Bilstein, 2001, p. 169). Hoping to reposition itself as America's chosen international carrier, in 1950, Pan Am changed its name to Pan American World Airways, introduced 'economy class' service, and began to offer around-the-world flights.

Significant Accomplishments of Pan Am:

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Trippe had positioned Pan Am as a leader in the aviation industry through a variety of tactics. Airmail contracts had launched the company and expanding passenger service had firmed its hold on the industry. However, competition had intensified during the company's first two decades of service.

To remain competitive, Trippe began investing in new aircraft. Jets and wide-bodied airplanes, such as the DC-8 and 707, were used to increase the number of passengers they could service, while reducing costs. The company was the first to operate 747 service, in 1970, and was one of the first three airlines to take out options on the Concorde, however, did not exercise this option.

Diversification was another competitive option for Pan Am. Trippe bought into the InterContinental Hotel chain, as well as a business jet, the Falcon, as complimentary businesses. In addition, Pan Am was involved in developing a missile-tracking range in the South Atlantic and also in operating a nuclear engine-testing lab, in Nevada (Ray, 1999, p. 184).

It was in 1962 that Pan Am would introduce the next industry innovation. The organization contracted IBM to build PANAMAC, a computerized airline and hotel booking system. Occupying the fourth floor of the Pan Am Building, PANAMAC not only managed Pan Am's flight and hotel reservations, but also was a database of knowledge on geographic areas, airports, aircraft, other hotels, and even restaurants (" Pan American", 2005).

In 1971, Pan Am expanded Terminal 3 of John F. Kennedy International Airport, dubbing it 'Pan Am Worldport'. The largest airline terminal for several years, Worldport was most noted for its flying saucer shaped roof that was suspended far from the outside columns of the terminal, allowing airplanes to pull their noses under the roof, preventing passengers from getting wet as they got on or off the planes (" Pan American", 2005).

Intercontinental routes flourishing, in 1964, Pan Am began providing helicopter service between New York's major airports and Manhattan. Their fleet had grown from 707s, 747s and DC-8s, to include: 720s, 727s, 737s, 747SPs, Lockheed L-1011s, and eventually Airbus A300s (" Pan American", 2005). This diversified fleet allowed Pan Am to meet a variety of needs for the varied routes they serviced all over the globe.

Pan Am was not only a great leader in the aviation industry, but also a leader in humanitarian flights. The company flew approximately 650 flights a week between West Germany and West Berlin. And, in 1966, Pan Am flew Rest and Relaxation (R&R) flights during the Vietnam War, carrying American service men and women to Hong Kong, Tokyo, and a variety of other Asian cities for well-deserved R&R (" Pan American", 2005).

In 1973, the energy crisis dealt a staggering blow to Pan Am. High fuel prices and low demand for air travel were only Pan Am's beginning worries. The Transpacific Route Case was one of the most damaging policies for the company.

Prior to the Transpacific Route Case, the only airlines allowed to fly civilian transpacific routes were Pan Am and Northwest Orient. President Dwight Eisenhower opened the case, in 1959, to investigate opening the transpacific market up to more competition. Although Eisenhower closed the case, Kennedy reopened it in 1961. By 1969, the Civil Aeronautics Board had awarded additional transpacific routes to airlines including:

American Airlines - Australia, Fiji, Hawaii, New Zealand, and Samoa

Continental Airlines - Guam, Hawaii, and Saipan

Northwest Airlines - Hawaii to Asia flights

Trans World Airlines - Hawaii, Japan, and Taiwan

Western Airlines - Hawaii (" Transpacific", 2005).

This additional competition drastically reduced Pan Am's international passenger service as well as profit margins. The large fleet of 747s the company had invested in, while expecting a continued increase in travel demand, would now weigh down the company and eat away at their profit margin.

In response to this new competition overseas, Pan Am worked on further developing their domestic market. Road blocked at winning approval for new domestic routes, it was airline deregulation, in 1979, that would allow Pan Am to expand its service in the United States. However, the gift of deregulation would also be the company's greatest bane.

Trippe had failed to create a strong domestic presence for his airline. He now found himself competing with established carriers in the domestic market, for the routes he wished to enter, plus had to compete with them on international routes as well. In response, Pan Am absorbed National Airlines, in 1980, yet a bidding war caused the company to sell for a much higher price than its worth (" Pan American", 2005).

The two companies were at odds with one another from the beginning. The two disparate fleets caused the company to run inefficiently and ineffectively. Their route networks were incompatible as were the two companies' corporate cultures. Insurmountable debt began to be accumulated. In an effort to recover, the Pan Am Building was sold off to MetLife, in 1981, and in 1985, Pan Am's entire Pacific route was sold to United Airlines. The money from the sales was used to invest in new aircraft, and despite the beginning of shuttle service between Boston, New York and Washington D. C., the financial losses and declining customer service plagued the company (" Pan American", 2005).

The final straw came with lax security on board Pan Am flights. Despite the development of the Alert Management Systems, in 1986, in order to reduce cost and avoid inconveniencing customers, Pan Am kept security at a minimum. The Lockerbie bombing caused Pan Am to be associated with terrorism and brought a \$300 million lawsuit, filed by more than 100 families. By March 1991, the company began to sell off its most profitable routes, and on December 4th, 1991, the airline's last flight from Bridgetown, Barbados to Miami was completed.

In the end, Pan Am was an American icon for more than sixty years. The company skyrocketed into success and set the industry standards for others to follow. With Trippe at the helm, it seemed the company could do no wrong and that the world was truly within its grasp. However, changes in competitiveness in the marketplace, thanks to the Transpacific Route Case and deregulation, coupled with decline in air travel and soaring fuel prices caused the company's ultimate demise.