The Rise and Fall of the Most Experienced Airline in the World

The Story of Pan American World Airways

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Pan American World Airways dominated the airline industry for over fifty years. As one of the most influential businesses of its time, this forgotten airline still influences our modern transportation practices. Pan American unequivocally defined modern airlines. Pan American reached its peak in the 1960s, with over 150 destinations in 86 countries. Yet, like many major corporations, Pan American collapsed. By January 11, 1991 Pan American, deep in debt, sold off its assets, and eventually declared Chapter 11 Bankruptcy. A company which reigned in the airline industry ceased to exist, seemingly overnight. Pan Am defined the standard of modern aviation by pioneering new routes, utilizing new innovations, and inventing international passenger service, something we take for granted when we choose to travel. Ultimately, “The World's Most Experienced Airline” had failed due to poor management, outdated service, rising oil prices and terrorist attacks. 1

When Pan American Airways was created on March 14, 1927, it was never meant to be a superpower. The founders of Pan Am, Air Corps Majors Henry H. "Hap" Arnold and Carl A. Spaatz, were veteran airmen of WWI. The majors continued to view Germany as a potential military threat following the war. The sole purpose in the creation of Pan Am was to provide a counter to SCADTA, a German owned Colombian airmail carrier. SCADTA was viewed by the majors as a tool used by Germany to assert dominance in Colombia, Panama’s neighbour.2 This concerned the majors, as the U.S still had military troops present in Panama in 1927. Following the construction of the Panama Canal in 1914, it was vital for the U.S to maintain control of the canal. The Panama Canal was the only means of transport between the Pacific and Atlantic oceans, barring the long journey around South America. Arnold and Spaatz believed the threat the German airline presented to the U.S by their presence in Colombia was imminent. The two desperately wanted to get an American aircraft in South American skies, yet they lacked the money and more importantly, the landing rights to do so.3


While the majors were lobbying for investors to join their cause, Juan Trippe, the future CEO of Pan Am, was amassing assets. Trippe, a naval pilot and businessman from New York, established the Aviation Corporation of the Americas (ACA) on June 2nd, 1927. Trippe’s desire was to be the first international airmail flight from Miami, FL to Havana, Cuba, on his own international airline, ACA. ACA was financed by two wealthy Wall Street investors, Cornelius Vanderbilt Whitney and W. Averell Harriman. These two financiers provided Trippe with the $250,000 necessary to purchase American International Airways and the service rights into Cuba. Trippe then purchased landing rights in Miami and Havana. Trippe was very close to reaching his goal of completing the Miami to Havana flight; however, he lacked a crucial element: a plane. Due to the shortage of quality runways in 1927, many of the world's aircraft were flying boats. These twin or quad engined aircrafts were reliable, sturdy, and could take off from anywhere in the world. However the boats were prohibitively expensive, slow, prone to mechanical issues, and could only be used to fly in and out of bodies of water. Using the last of the financier’s funds, Trippe chartered a Fairchild FC-2, a flying boat, from a small Dominican Republic carrier. Trippe finally possessed all of the requirements to complete the first international flight on his own international airline. The United States Government approved Trippe’s ACA with little hesitation as the government shared the same fears of the majors. Germany was using SCADTA as a tool.

Pan American Airways, who had yet to find a landing contract, merged with ACA on June 23, 1928, and the major financier of Pan American, Richard Hoyt, was appointed as president of the newly formed airline. Yet Trippe held 40% equity in the company; therefore, he was appointed as operational president. Trippe was placed in charge of Pan Am, which was the operational airline functioning under ACA, the parent company. By the early 1930s Pan American was rapidly expanding air mail routes to South American countries, such as Brazil, Argentina, and establishing routes to Columbia, the hub of SCADTA. Up until the stock market crash of 1929, ACA was the the

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4 See Appendix I
most wanted stock in America. Trippe officially changed the name of ACA to Pan American Airways Corporation in 1931.⁶

To compete with a growing industry, Pan Am began passenger service in 1936. Pan Am’s first major purchase to accommodate passenger services was six Boeing 314 flying boats. The arrival of these large, lumbering aircraft allowed Pan Am to create several new routes in the Pacific, a market they pioneered. A new route was pioneered between San Francisco and Singapore.⁷ Because of Pan American’s extensive use of the flying boat in this era, the Pan Am aircraft were dubbed “clippers” after a type of fast ocean-going ship.

While Pan Am was pioneering new routes, the United States was pioneering new war machines. With the outbreak of World War II, Pan Am was pressed into military service.⁸ Clippers were flying cargo and essential supplies to the battlefront, trailblazing all the while. In January 1942, Pan Am completed the first circumnavigation of the earth by a passenger airliner, and followed that achievement by becoming the first airline to fly a president abroad.⁹ As the war came to a close, the use of aircraft for passenger transport was increasingly common, efficient, and less expensive than sailing. Pan Am stepped up its advertising game, proclaiming itself the “Most Experienced Airline in the World.” In January of 1950, the airline changed its name to Pan American World Airways. The company purchased several new aircraft, and was expanding rapidly. Pan Am’s board report of 1958 stated an annual revenue of $313 million dollars.¹⁰

Pan American World Airways was officially in its heyday. Juan Trippe was constructing several structures to extend Pan Am’s power and reach throughout the world. In 1960, Pan American obtained a missile range in the Atlantic. Trippe then went on to build Worldport, Pan Am’s luxury terminal at New York’s JFK airport to accommodate new jet aircraft. This terminal was the first to

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⁶ Gandt, Skygods: The Fall of Pan Am. (11-16) From this point on, Pan American will be referred to as Pan Am
⁷ Pan Am to Singapore.” Time, June 2, 1941.
⁸ After WWII, Pan American aircraft were officially part of the CRAF (Civil Reserve Air Fleet)
incorporate jet bridges, eliminating the need for passengers to walk across the tarmac.\textsuperscript{11} Pan Am also created their own luxury hotel chain, Intercontinental, to accommodate guests and employees abroad.

In a partnership with IBM in 1964, Pan Am designed PANAMAC, a supercomputer which booked hotel and flight reservations for Pan Am customers. This computer was housed in the Pan Am building, which at a cost of $115 million, was the largest commercial office building in Manhattan until the World Trade Center.\textsuperscript{12} This building was just another expression of Pan Am's growing influence in the corporate world. By 1966, Pan Am carried over 6.7 million passengers, and flew to destinations in 86 countries on every continent except Antarctica. Pan Am had a fleet size of a 150 aircraft, a gigantic number for the day and age.\textsuperscript{13} However, this age of expansion was about to come to a grinding halt. Juan Trippe had seen his company go from small and insignificant to powerful and influential. He had decided it was time to retire. Before departing, Trippe asked his close friend Bill Allen, CEO of Boeing, to produce an aircraft larger and better than any before. Harold Gray was appointed as chairman in 1968, but Gray retired in 1969 due to a cancer diagnosis.\textsuperscript{14} Trippe, still a board member, choose Najeeb Halaby, Pan Am’s Washington lobbyist, for the position of chairman and CEO. One of his first moves as CEO was purchasing Boeing's new 747-100, Trippe’s final request. Halaby purchased twenty-five 747s at a total cost of $525 million. With 315 seats, and a cruising speed of 580 mph\textsuperscript{15}, the 747-100 was the largest and most advanced aircraft in the world at the time, and it remained that way for over 4 decades.\textsuperscript{16}

While it may have appeared stable, the 1969 recession hit Pan Am hard, and often near empty 747s flew around the globe.\textsuperscript{17} The board did not approve of Halaby’s overspending on the 747, or his

\textsuperscript{12}\textit{Gandt Skygods: The Fall of Pan Am (41)}
\textsuperscript{13}\textit{Ibid. (12)}
\textsuperscript{17} \textit{Ibid (144)}
poor management style. Halaby could stay, they said, if he found a new operational president.

William T. Seawell, a former Air Force general and American Airlines executive fit the profile of a perfect Pan Am executive, and the board approved.18 Seawell went to work reducing management and cutting operating costs in half. Halaby initially approved of Seawell’s changes, however the two executives began to clash over hiring and firing practices. All the while, Pan Am was suffering immense losses. Pan Am’s annual board report stated Pan Am lost over $18 million in 1973.19 Najeeb Halaby, it was determined, had to go. William T. Seawell took sole control of the airline.

Despite Halabys departure, Pan Am’s popularity in Washington, D.C was at an all time low.20 Pan Am monopolized the market and had poisoned Washington with their own arrogance. Government financial aid to Pan Am was nonexistent. Employees, worried about job security, took a stand for their company through the AWARE21 movement. Pan Am employees sported hats, buttons, and published a full page ad in the New York Times, exemplifying their hardships.22 The federal government showed little sympathy, Pan Am had lost $364 million in the last ten year period, and debts were nearing $1 billion.23 There was nothing they could do.

In hopes of saving money, Pan Am executives began talks with TWA (Trans-World Airlines) for route-swapping. TWA, Pan Am’s biggest competitor, was suffering from the same financial problems. The route swap dictated that only one airline would fly to a certain destination, which therefore resulted in a full planeload, something Pan Am or TWA hadn’t seen in a decade.24 These route swaps saved Pan Am between $17 and $24 million dollars in the first year. Pan Am’s 1976 annual board report stated something astonishing. Pan Am had made money. Not just a meager profit, Pan Am made nearly $100 million dollars in 1976.25 People were traveling again, and the executives were beginning to see the benefits of the route swaps. Seawell had dragged the company from near

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18 Ibid (145)
20 Ibid (168)
21 AWARE (Airmen Worried About Remaining Employed)
22 See Appendix II
23 Ibid (146-147)
24 Ibid (180-181)
bankruptcy to profitability. Pan Am once again had money in its coffers. This money would finance a dream three decades in the making.

After years of wishing for a commercial network, an opportunity finally was made available.\textsuperscript{26} Pan Am would buy another airline, as Seawell determined it was not feasible to build a domestic network.\textsuperscript{27} Pan Am took interest in a little airline, National, which was running a successful domestic operation out of Miami airport. In late 1980, Pan Am merged with National at a cost of $374 million dollars.\textsuperscript{28} Yet within months of the merger, it appeared that National wasn’t living up to expectations. The airline possessed an incomparable fleet, and several thousand National employees had to be brought up to Pan Am’s pay scale.\textsuperscript{29} National wasn’t making a profit, and the financial state of the airline was dire. To make up for the lost capital, Pan Am sold its 50% stake in the Falcon jet company, and also its guided missile range. Pan Am then proceeded to sell its crown jewel, the Pan American office building in Manhattan, to the Metropolitan Life Insurance Corporation for an enormous amount of $400 million dollars. This was the highest amount ever paid for a Manhattan office building.\textsuperscript{30} Despite this sale, the burden of Pan Am’s debt was not eased. Pan Am’s losses in 1980 amounted to $248 million. Seawell, who had recently turned sixty, retired. Seawell’s final act as CEO was the sale of Pan Am’s Intercontinental hotel chain to Grand Metropolitan for a price of $500 million.\textsuperscript{31}

In late 1981, Ed Acker went to work as Pan Am’s fifth CEO. He had previously taken a small Florida airline to from debt to profitability.\textsuperscript{32} The company’s financial state was miserable, yet Acker believed he knew of a way to make it right again. “I’ve sold the Pacific” said Ed Acker over lunch with Marty Shrugue, Pan Am’s vice president, one day in 1985. Shurgue thought he had

\textsuperscript{27} Ibid. (187)
\textsuperscript{28} Ibid. (197)
\textsuperscript{29} Gandt, Skygods: The Fall of Pan Am (199)
\textsuperscript{30} Ibid (208)
\textsuperscript{32} Ibid (216-219)
misunderstood. Pan Am disposed of their entire Pacific division through the sale, which consisted of 18 planes, all routes to Asia and Australia, all Pan Am Pacific employees, and the Tokyo-Narita hub. It was purchased by United Airlines for an exorbitant sum of $750 million, a staggering twenty-two times the division’s value.\textsuperscript{33} The deal shocked the corporate world. With the stroke of a pen, Pan Am’s assets decreased by 21%.\textsuperscript{34} Acker’s abrupt sale wasn’t settling well with the board, and by the late 1980s, they began looking for a new CEO. The airline had lost more than $1.1 billion dollars during his time as chairman.\textsuperscript{35} Consequently, Ed Acker became the fifth chairman to leave the company.

Tom Plaskett, former CEO of Continental Airlines, was a relief from Pan Am’s recent string of presidents.\textsuperscript{36} Plaskett, Pan Am’s new CEO, went to work creating a fresh management team, but his work was halted by the events of December 21, 1988. Terrorists sent a Pan Am 747 plummeting down into the Scottish town of Lockerbie.\textsuperscript{37} When it was discovered that it was a terrorist bombing, passengers stayed away from Pan Am like the plague. Unable to cope with the fallout from the bombing, the airline had to start selling again. Unfortunately, there was nothing left to sell. On January 8, 1991, Plaskett filed for Chapter 11 Bankruptcy. The future of Pan Am looked bleak. A glimmer of hope emerged when Delta, which saw Pam Am’s remaining South American operation as a possibility for expansion, acquired the bankrupt company for $476 million in April, 1991.\textsuperscript{38} Pan Am was saved.

Delta decided to use Pan Am’s South American operations as an experiment to see if it was logical for Delta to commit more resources to the continent. Delta provided Tom Plaskett with $80 million to keep the airline in operation. Pan Am burned through the $80 million, and Delta became

\textsuperscript{34}Ibid (245)
\textsuperscript{36}Ibid (267-268)
\textsuperscript{37}The bombing, which became known as the Lockerbie bombing, killed 259 people. Muammar Gaddafi’s Libyan regime took credit for the act.
concerned, as Pan Am wasn’t turning a profit. Upon realizing this, Delta chose not to further finance Pan Am. Delta pulled the plug. Like it’s financial reserves, “The World's Most Experienced Airline” vaporized.

What went wrong? Pan Am was crippled by poor management, rising costs, and an ever-changing world. “The World's Most Experienced Airline” lacked the ability to function in a modernizing world. It was the airline of yesteryear. While Pan Am strived to be the best in world, they didn’t fit the profile of a modern airline. The pomp and glamour of flying to which Pan Am catered was gone. Although Pan Am was a corporate tragedy, they will always be remembered for quality service, aircraft, and care. Pan Am knew how to cater to a passengers every whim. Pan Am was always first in the industry, and they ultimately defined our modern aviation practices. Pan Am was indeed “The Most Experienced Airline in the World”.

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Appendix Materials

I.

This envelope was among the cargo carried on Pan Am’s first flight between Miami and Havana in 1927. This envelope signifies the beginning of an era. The contents of this letter were part of a great movement that created Pan Am.
II.

Ask our own government why the Postal Department pays the foreign airlines as much as five times what it pays Pan Am for hauling the same U.S. Mail. Not receiving the same pay for the same work costs Pan Am forty million dollars a year.

Ask our own government why the U.S. Export-Import Bank loans money to “underdeveloped” countries like France, Japan and Saudi Arabia at six percent interest while Pan Am pays twelve percent.

Ask our own government why it is opposed to letting Pan Am fly passengers within our country…it just doesn’t make sense. The domestic airlines now have rights to international routes that we pioneered, and the foreign airlines now serve more cities in the United States than we do.

The above is the text from Pan Am’s full page advertisement in the New York Times at the time of the AWARE movement. The AWARE movement is a exemplifies the hardships of running a major corporation, and while enduring these hardships, Pan Am still strived to be the best.
Annotated Bibliography

Primary Sources


This website provides information on the ownership, specifications, and activities of all 45 Boeing 747SP (special performance) aircraft. The aircraft specifications page was what I used to research the seating capacity and speed of the aircraft. I used the 315 seat example because that was the standard seating layout for two classes; economy and first. Business class wasn’t introduced until 1978.


Passed by Congress on October 24, 1978, the airline deregulation act removed government control over airline routes, market entry, and fares. This act was what allowed Pan American to create a domestic system. The Civil Aeronautics Board (CAB), had previously prevented Pan Am from creating a domestic system. This source became helpful in understanding Pan Am’s struggles to create a domestic network.


I used this source mainly to back up my statement that the 747 was the most advanced aircraft until the 787 Dreamliner. While the Dreamliner may not be the largest, it is widely considered the most technologically advanced commercial aircraft in the world. While some may argue that the Airbus A380 is the most advanced, the Dreamliner is the only commercial aircraft with self-righting turbulence control. I was originally going to use my extensive aviation knowledge to source this, but I choose a expert source to do my talking there.


This New York Times article gave a brief account of Harold Gray’s life and work at Pan Am. It is also where I learned he was diagnosed with cancer. The background information on Harold Gray helped me understand where he fit into the Pan Am corporate world.

This New York Times Article provides detailed information on Pan Am’s Intercontinental hotel chain. It also details Pan Am’s sale of the hotel chain to the British Grand Metropolitan. This source became helpful in understanding how Pan Am had a major presence in more than one business field. It also exemplified the extent to which Pan Am had gone to satisfy its employees, and customers.


This Pan Am promotional and marketing film depicts the greatness, ease, and glamour of Worldport. It also showed the structure in great detail. The film provided a great example of the zeitgeist of the time Worldport was constructed. And like Intercontinental, it is another display of Pan Am’s immense power at one time. Thanks to the Youtube for providing a video platform.


This corporate report was mailed to stockholders on a annual basis. This source was a vital piece of information used when I wrote this paper. I mainly used these reports for Pan Am financial data, but they also showed the annual profits, fuel costs, marketing costs, and everything in between. I accessed them through the University of Miami Libraries Digital Collection. They have a huge section devoted to purely Pan Am primary sources. Although most of the sources were Pan Am ads and in flight magazines, these reports ended up being a key piece of history that helped me better interpret the subject of corporate downfall.


See the description for the Pan Am Report for 1978. That description applies to all annual reports.


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https://merrick.library.miami.edu/cdm/compoundobject/collection/asm0341/id/13497/rec/12

See the description for the Pan Am Report for 1978. That description applies to all annual reports.

"Pan Am to Singapore." *Time*, June 2, 1941.

This magazine article was mainly used as evidence for Pan Am’s route to Singapore, which was became a gateway to Asia. As described in the article, Pan Am’s route to Asia also brought diplomats along with it. The article also describes Singapore, a very modern city today, as “dirty, boat-infested”. Like the Worldport film, it painted an accurate picture of the zeitgeist of the era.


This source provided an in-depth description of Pan Am’s route sale to United. My book, Skygods, was the source that gave me the background information on this route sale, but this article put the sale into context for me. The New York Times did a phenomenal job of covering the story, and made my understanding of Pan Am’s sale a lot clearer.
Secondary Sources


Skygods by Richard Gandt was the most important source utilized in this project. The book, written by a former Pan Am pilot, tells the story of Pan Am’s rise and fall in great detail. This source details every aspect of Pan Am’s story, and explains not just how, but why Pan Am fell. Any holes, or unforced errors in this project can be backed up by this source. I read this book cover-to-cover seven times, and it gave me a great understanding of why Pan Am fell. This book was the basis for my entire project.


This source is a creation made possible by a group of veteran Pan Am employees and historians. The Pan Am Historical Foundation provided me with more background knowledge on the topic, and allowed me to look at the topic from more than one point of view. This source, like my book, helped me gain a better understanding of my topic.


This Forbes article supplied the information Delta lacked. The Delta Museum website has a page on the acquisition of Pan Am. Yet it gives only details on the aircraft acquired. It also doesn't mention how Delta turned their backs on Pan Am. This source really improved on Delta’s lacking and provided details, numbers, and dates regarding Delta and Pan Am II. This source was invaluable to understanding how Pan Am fell for the final time.


This Smithsonian Magazine source provided evidence of Pan Am’s achievement to be the first airline to fly a president. This was helpful for citation purposes.


This essay was written as a entry for internet archive, which provides information on thousands of topics. The essay provided a summary of Pan Am’s life as a corporation, and like
Skygods, helped me fill information gaps in my paper. The author, Asif Siddiqi used several credible sources to create the essay.

**Appendix Material Sources**


This letter was originally published in the New York Times on September 23, 1974. I was unable to find a copy of the original newspaper, so I went back to Internet Archive, a previously utilized collection. This advertisement helped me better understand the employee perspective of the AWARE movement.


Although I could not read the contents of this letter, the cover is what mattered. This source was part of that got Pan Am off the ground. Pan Am was originally a airmail carrier. Without things like this letter, Pan Am wouldn’t be here today.
I would like to thank everyone that made this paper possible. Thank you to Jason Quinn for being a fantastic teacher and staff advisor. Also thank you to Eric Angell for grammatically reviewing this paper. I would also like to thank the author of the Pan Am Wikipedia page for giving me the inspiration to pursue this paper and topic. Finally, I thank my dog, Finn, for the long hours that he kept me company while writing this paper.

Any historical or grammatical errors in this document are completely my own.