

**Juan Terry Trippe, Founder of Pan Am World Airways
and InterContinental Hotels: Aviation Genius, Financial Wizard and Hotel Pioneer**

By Stanley Turkel, MHS, ISHC

Juan Trippe was the founder and guiding hand behind Pan American Airways, one of the most successful and famous airlines in U.S. aviation history. What is less well known, he also developed the InterContinental Group Hotel Company which operated 222 hotels from 1946 to 1996. Only 18 of these hotels were in the United States.

In 1964 Juan Terry Trippe was the chairman and founder of a billion-dollar conglomerate including the mightiest international airline, hotels, missile ranges, business jets and a massive New York City office building. Pan Am was flying jets to Europe 214 times a week, up from 170 flights in 1958 in propeller plans carrying half as many passengers. In 1966, traffic increased by 25 percent with service to 118 cities and a net profit of \$132 million. By 1970, InterContinental Hotels Corporation, a completely-owned subsidiary, was operating sixty hotels in some fifty countries, a total of approximately 20,000 rooms.

In the history of American commercial aviation, there was no airline more influential, important, and better known than Pan American World Airways. It was not the first American passenger airline, nor did it ever meet with much success in the domestic market, but Pan Am (as it was more commonly known), represented a new adventurous image of the United States to the world. When filmmaker Stanley Kubrick produced his landmark vision of the future in the 1968 movie “2001: A Space Odyssey,” he envisioned Pan Am as the space carrier that would take men and women regularly into space.

Pan Am’s history is inseparable from the life and career of Juan Trippe, the company’s founder and guiding visionary for five decades. Trippe, a former navy pilot, had shown early interest in passenger aviation with an aborted attempted to start a charter service for wealthy socialites in New England in the early 1920s. Within a few years, Trippe’s primary focus, like many other entrepreneurs, shifted to the Caribbean and Latin America. With the help of financiers such as Cornelius Vanderbilt Whitney and William A. Rockefeller, Trippe formed the Aviation Corporation of America on June 2, 1927, to offer air services into the Caribbean.

Trippe had competition from two other companies. One, the Atlantic, Gulf, and Caribbean Airways, formed on October 11, 1927, was headed by Richard Hoyt, a New York broker. The second had been founded by several army officers including Major Henry H. “Hap” Arnold, who would later head the U.S. Army Air Force during World War II. Concerned that a German-run airline that operated in Colombia would expand, Arnold formed an airline called Pan American Airways Incorporated on March 14, 1927.

In 1927, Charles Lindbergh was the most famous young man in the world and everybody’s hero. Lindbergh was besieged with job offers but chose to work for Juan Trippe. They first met in 1926 at Teterboro Airfield in New Jersey when the 24-year old Lindbergh was chief pilot for the Robertson Aircraft Corporation. Trippe said that he was present at Roosevelt Field on May 20, 1927 and saw Lindbergh take off on his attempt to reach Paris non-stop. A month later, Trippe watched the Lindbergh ticker tape parade in New York from the Union Club.

After Charles Lindbergh’s goodwill tour of the 48 states and another through Central America, he came to work for Pan American as technical advisor and pilot of the survey flights through Latin America. With Lindbergh on board, the U.S. government looked very favorably at Pan Am, and viewed it as its “chosen instrument” to facilitate economic expansion into Latin America and the Caribbean. The U.S. government, in fact, awarded Pan Am every foreign airmail route for which bids were invited. These included flights to Havana, Cuba; San Juan, Puerto Rico; Nassau in the Bahamas; Mexico City, Mexico; and Santiago, Chile.

The airline inaugurated its first passenger flight on January 9, 1929, from Miami to San Juan by way of Belize and Managua. The 2,000-mile journey lasted about 56 hours, including two overnight stops.

Pan Am’s heyday was in the 1930s when it operated its famous Clipper Ships in an ocean-wide network with a fleet of 25 flying boats that crisscrossed both the Pacific and the Atlantic oceans. The service flourished in the late 1930’s delivering both mail and passengers, and gained a reputation as one of the most dependable and elegant air services in the world.

In its 19th Annual Report covering the year 1946, Pan American World Airways reported that it was diversifying into the hotel business: “Anticipating the need for additional hotel accommodations, particularly clean, modern accommodations for travelers of modest means,

your company immediately after V-J Day undertook to sponsor that development of such facilities in all Latin American countries. A subsidiary, InterContinental Hotels Corporation, was organized to assist in raising capital for the design and construction and ultimately the management and operation of individual hotels in important traffic centers.” With an Export-Import Bank credit of \$25 million for hotel financing, Trippe tried to interest hotel companies like the Statler Hotels Corporation to undertake hotel development in Latin America. When none could be found, a reluctant Pan Am agreed to take up the challenge, reserving the right to assign the package to an existing hotel company if an interested one could be found, a search which continued to proved fruitless. Nevertheless, Juan Trippe was eager to commence hotel development. At the time, he served as a director of New York’s Waldorf-Astoria Corporation and was a good friend of its chief executive, Lucius Boomer. Boomer, at sixty-seven years of age, was a hotel pioneer himself who had in the 1920’s introduced a series of hotel innovations such as the six-day work week, a floor reserved exclusively for women guests, employment of women as front desk receptionists and clerks, Spanish-speaking clerks and maids to cater to Latin American guests. Boomer had an impressive hotel-keeping career behind him as chief executive of the McAlpin Hotel, Bellevue Stratford in Philadelphia, the Willard in Washington, the Windsor in Montreal, the New York Sherry Netherland and the Lennox in Boston.

By 1947, the board concluded that the Pan American name did not reflect a worldwide hotel company and selected “InterContinental” over “International”. Unfortunately, Boomer was killed in an air crash on June 26, 1947 while vacationing in Norway. He was succeeded by Byron Calhoun, who had worked his way to the top over a thirty-five year hotel career in the Midwest, focused attention on employee training, guest room design and, most important of all, the utilization of InterContinental Hotel Corporation’s management services to owners of existing hotels. The first two hotels operated by InterContinental were the eighty-five room Grande in Belem, Brazil (1949) and the 400 room Hotel Carrera in Santiago, Chile (1950). Next was a management agreement for the 220 room Hotel El Prado in Baranquilla, Columbia (1950).

In 1951, IHC purchased the 270-room Reforma Hotel in Mexico City, Mexico. InterContinental grew along Pan Am’s routes becoming the first international hotel company to operate in Asia/Pacific, Africa and the Middle East. Past president of the American Hotel & Lodging Association Kirby Payne told me that his father Phyl Paine was the 2nd GM of the Grande Hotel in Belem, Brazil which was built at the turn of the century. Each of the four floors had a single telephone which was under the supervision of a phone attendant who would run to summon

guests from their rooms when a call arrived. Kirby said that floor attendants were also responsible for keeping the GM's son from hitting guests with his tricycle. The hotel's laundry was in the building's colonial-style central courtyard where twenty laundresses washed by hand. They also used hand irons heated with hot charcoal embers in them. The hotel had its own ice plant where big containers were lowered into brine. Rooms were cooled by window air conditioners as was the bar. A very popular sidewalk café gave the place a vaguely European feeling despite the heat and humidity which go with an oceanfront city one degree south of the equator. Kirby said that maintenance built a tree house with electricity and running water for him. The hotel's losses were turned to profit in the first year and this was doubled in the second year of ICH operation. The hotel was run by ICH for 17 years during which time it served as the first posting for young GM's who went on to important careers with the company.

During the prohibition years when the sale of alcoholic beverages was forbidden in the United States, hotelkeepers had to learn how to make a profit from selling rooms and food without wine and liquor sales. Many accounting innovations were introduced by three Hungarian immigrants, the Horwath brothers and Louis Toth. Horwath and Horwath ultimately had offices in all principal U.S. cities. When InterContinental turned to them for help, they assigned William Busquets as senior auditor. Busquets converted the books to the Uniform System of Accounts for Hotels which had recently been developed for the American Hotel Association by Horwath and Harris, Kerr, Forster.

Before anyone else, Trippe believed in airline travel as something to be enjoyed by ordinary mortals not just a globe-trotting elite. In 1945 other airlines didn't think or act that way. Trippe decided to introduce a "tourist class" fare from New York to London. He cut the round-trip fare more than half to \$275 (\$1,684 in today's dollars which makes current pricing a bargain). This went over like a lead balloon in the industry where air fares were fixed by a cartel, the International Air Transport Association who didn't want to hear about the tourist class. Incredibly, Britain closed its airports to Pan Am flights that had tourist seats. Pan Am was forced to switch to remote Shannon, Ireland. The industry's aversion to competition and making travel affordable was to have a long life as Sir Freddie Laker, would discover in the 1970's and Virgin Atlantic nearly a decade later.

By 1953 IHC had doubled in size with hotels in Bermuda, Montevideo, Bogota, Maracaibo and Caracas. Perhaps the most spectacular hotel was the 400 room Tamanaco in Caracas which

opened in 1954. The V-shaped Tamanaco featured tiered garden terraces at the ends of each floor, an indoor/outdoor restaurant and bar, a free-form swimming pool surrounded by a ring of cabanas overlooking views of the city below and the nearby mountains.

Finally, in 1952, Trippe's relentless attacks on IATA forced all airlines to accept the inevitability of tourist class. However, flying the oceans was still mostly for the rich and famous. Trippe saw that the jets being introduced by Boeing and Douglas could mark the end of that and he ordered many new jets. In October 1958, a Pan Am Boeing 707 left New York for its first scheduled flight to Paris. The jet age had begun and the transformation was dramatic. The 707 flew almost twice as fast at 605 MPH as the Stratocruiser, the civilian version of the B29 it had replaced.

In 1955, IHC became the major owner of the 550 room Hotel Nacional in Havana, Cuba (still in operation) and was generally considered to be one of the top ten hotels in the world. Their partners were the United Fruit Company (35%) and Cuban interests (18%) which purchased an option covering the thirty-four year unexpired term of a lease which had belonged to the Kirkeby Hotel group, a U.S. company specializing in resort operations. The hotel's casino was subleased to a group headed by Meyer Lansky, a Florida entrepreneur with close ties to organized crime.

Pan American also played a key role in shaping the economics and eventual design of a new generation of wide-bodied jets. By defining requirements for size and passenger capacity, Trippe influenced the shape of Boeing's new aircraft- called the 747- which was capable of carrying as many as 490 passengers.

By the time Trippe retired in 1968, Pan Am was flying to 85 nations on six continents. When Trippe died in 1981, his vision of a world where more people flew for less money had become a reality. After a steady and sustained rise as the most important American airline, Pan American's fortunes began to dim in the 1970's. Economic problems related to over-expansion and recession forced the company into debt. Deregulation and its consequences only added to Pan Am's woes. Although the company attempted to break into the domestic market by acquiring National Airlines (in October 1980), its problems only grew. Through the 1980s, it slowly sold off all its assets and was operating at a huge loss. In 1990, Pan Am sold off its major hub in London and the routes that it served to United Airlines. Although the airline operated for a very short while on emergency funding from Delta Air Lines, it collapsed into bankruptcy in December 1991.

Despite a dramatic fall from grace, Pan American left behind a legacy unmatched by any other airline in the history of U.S. aviation. Pan Am's China Clipper services, its expansion into South America, its pioneering partnership with Boeing, its ambitious routes such as its round-the-world jet service inaugurated in October 1959 and its development of an unprecedented worldwide hotel company, all made Pan Am one of the greatest U.S. companies.

During the fifty-year period from 1946 to 1996 under Trippe's direction, InterContinental Hotels developed and managed hotels all over the world:

	<u>No. of Hotels</u>
South America	17
Caribbean	13
Central America	10
Mideast	32
Africa	18
Europe	80
Far East	31
Canada	3
United States of America	18

This article is excerpted from my book "Great Hoteliers: Pioneers of the Hotel Industry" to be published at the end of 2007.

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