THE HISTORY OF BRANIFF IN PERU

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# TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>LIST OF TABLES</th>
<th>iv</th>
</tr>
</thead>
<tbody>
<tr>
<td>LIST OF ILLUSTRATIONS</td>
<td>v</td>
</tr>
</tbody>
</table>

### Chapter

1. **INTRODUCTION** | 1
2. **BEGINNINGS OF BRANIFF IN PERU** | 4
3. **DEVELOPMENT OF BRANIFF AIR SERVICE IN PERU** | 25
4. **BRANIFF INTERNATIONAL AS A CORPORATE CITIZEN** | 46
5. **CONCLUSIONS** | 66

**BIBLIOGRAPHY** | 70
## LIST OF TABLES

<table>
<thead>
<tr>
<th>Table</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>I. Passengers Enplaned</td>
<td>34</td>
</tr>
<tr>
<td>II. Tons of Freight Enplaned</td>
<td>39</td>
</tr>
</tbody>
</table>
## LIST OF ILLUSTRATIONS

<table>
<thead>
<tr>
<th>Figure</th>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.</td>
<td>Braniff LAD Routes</td>
<td>69</td>
</tr>
</tbody>
</table>
Braniff International was selected for analysis in this study, because it is the major airline based in the Southwest having routes to Latin American countries. In addition, Braniff achieved the twentieth anniversary of its service to Latin America at the time of this study. This time interval offered an ideal opportunity to appraise the growth, development and use of Braniff's services, and the contributions made by a single United States firm in the air transportation industry to a specific market. The availability of data and the cooperation of Braniff officials and staff provided an excellent environment in which to obtain the needed statistical information, as well as the personal impressions of individuals who were vitally involved in the development of international routes for Braniff. Of greater long range importance, and another major reason for selecting Braniff, is its unique position as an interior airline initially serving many land-locked cities of the United States. The certification of this airline to serve foreign nations directly opened up wide possibilities of further service of this nature and enabled these interior cities to become important international ports via air transportation.
The concentration in this analysis on Braniff service to Peru within the Latin American international efforts of this airline stemmed in part from the interest of the author created by a most interesting trip to that country. Peru is a country peculiarly oriented to air transportation. Not only is ground transportation inadequate but also distances are long and the terrain rugged, making air travel, by far, the most desirable form of transportation. The Peruvians have recognized the importance of air transportation to their country, both nationally and internationally, and as a result of this, have built the most modern airport in South America in Lima—the beautiful Jorge Chavez International Airport. Other considerations that led to this focus on Peru were her strategic location, her status as a developing nation, her growth in industrialization, her many and varied sites of interest for tourists, her need for air service, her concentrated markets, and her historically close ties to the United States and to American corporate interests.

The central effort of this study is directed toward an analysis of the origination, development, and current status of Braniff International service to Peru. Included will be the operational aspects, the corporate relations of Braniff with Peru, the economic contribution of Braniff to Peru, and its corporate citizenship in that Latin American country. To set the stage for this analysis, a brief history of
Braniff and its interest in Latin America seems to be in order.
CHAPTER II

BEGINNINGS OF BRANIFF IN PERU

The history of Braniff in Peru is an exciting modern saga of a large corporation, inspired by intensely dedicated and imaginative men, that penetrates an ancient continent and a new air world. The economic reality of a business firm developing its markets affords a glimpse of history in the making. Not only are dollars and cents involved but also the dreams of men and the interplay of political and social forces.

In the relatively short history of commercial aviation, and the even shorter effective past of international operations, the names of a few airlines and a few pioneers of aviation are outstanding. Among these are Braniff International and its founder Tom Braniff. Braniff International today is one of the eleven major trunk lines in United States domestic operations and one of five major United States international carriers.¹

Very evident today are the vision and business acumen of Thomas E. Braniff who founded Braniff Airways in 1928 and

was, until his death in 1954, its president. The brightly colored jets of this airline can be seen in the greater part of the Western Hemisphere, and in other areas of the world. Tom Braniff was convinced that airline service was the economical way to bring together the vast southwest territory of the United States, then later to tie it to the large industrial cities of the north and east. In June 1928, with one single-engine, four-passenger Stinson Detroiter, he began service between Oklahoma City and Tulsa, flying one round trip daily. By 1929 the little plane was flying three round trips daily between the two cities. That same year Braniff bought out the Universal Aviation Corporation, thereby expanding operations into Texas, Kansas, and Missouri. In 1930 Braniff purchased two seven-place Lockheed Vegas to extend service to Wichita Falls, St. Louis, Kansas City and Chicago and began flying the mail between Dallas and Chicago in 1934. With the purchase of the Long and Harmon Air Service in 1935, Braniff acquired mail contracts between Dallas, Fort Worth, Austin, Amarillo, San Antonio, Houston, Corpus Christi and Brownsville. Now their motto read: "Great Lakes to the Gulf". At the beginning of World War II (1941), Braniff had twenty-eight airliners. Of these, over half of the DC-3's were transferred to the Army Air Force,
necessitating curtailed service for Braniff because of the lack of equipment.²

During World War II Braniff, under contract to the Army, flew the "Banana Run" between Brownsville and Panama for the defense of the Canal Zone. In the critical first six months, Braniff moved over six and one-half million pounds of top priority cargo for Uncle Sam. Braniff also trained military pilots in instrument flying and held schools for Army mechanics and radio operators. Military aircraft were maintained at the Braniff base in Dallas.³

The end of the war brought a tremendous boom in civil air transportation, both nationally and internationally. Braniff had had the foresight to apply for routes to Latin America as early as 1943, and this application was granted in 1946.⁴ The economically and socially important task of tying the Western Hemisphere together could only be accomplished effectively through air transportation. Braniff Airways realized the prominent part of American carriers in gaining new markets for United States products as well as opening markets for Latin American producers in the United States. The Latin American countries, with little capital of their own to invest, could also build their economies through the tourism promoted by United States carriers.

²Braniff Airways Story (Dallas, 1963).
³Ibid.
⁴Ibid.
The opening of Braniff's international routes in 1948 carried tremendous potential in industrial and recreational possibilities. Coupled with the extension and development of domestic routes, Braniff International Airways grew in twenty years (1948-1968) to be one of the ten largest international air carriers. As of early 1970, with a fleet of over seventy jet aircraft, Braniff serves Central and South America and Hawaii. An interchange agreement with Pan American Airlines provides service to London and Frankfurt, Germany. Braniff has a contract with the United States Government to carry military personnel and material to and from the Far East. Braniff's operations since 1946 have, indeed, become global in nature.

Although Braniff is one of the two major United States carriers serving South America, it is the only one flying routes on the west coast. Since its acquisition in 1967 of Panagra Airlines, it is the only American airline operating in Peru. Peru is a developing South American country of thirteen million people located strategically for airline service extending to the rest of South America, and air service is needed for her to exploit her own resources. Ground transportation in Peru is still in the developing

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5Braniff International Public Relations Department, News Release Files, December 1969. Hereafter cited as NRF.
6NRF, December 1969.
stage. The ancient Incas had built many foot roads to tie their vast empire together, but these were not maintained by the Spanish, and few were added during the colonial period. In 1850 Peru was probably "as deficient in land transportation facilities as any country in the world." At that time Peru began to build railroads with the help of foreign capital and engineers. Railroads are expensive to build, particularly over the rugged Peruvian terrain, and almost as expensive to operate. "Although they fulfilled their function for a while, they have not been able to meet the needs of the country in its transition to a modern economy." Peru started to build highways about 1926, and these are now her main transportation system. However, in 1962 66 per cent of Peru's 36,554 kilometers of highways were unpaved. As in the building of railroads, the highway engineers have found that Peru's topography presents constant problems. It is difficult to keep the roads open and repaired because of landslides and "huaycos", mud flows or soil slumps. New highway construction would stimulate economic development.

As of 1962 Peru was depending on ocean-going vessels to carry 95 per cent of her foreign trade, in spite of the fact that she had few suitable natural harbors. At some of the

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9 Ibid., p. 269.
10 Ibid., p. 270.
ports "ships must anchor off the coast and transfer their
cargo to lighters before it can reach the shore."\textsuperscript{11} Callao,
the most important port in Peru, handles over half of the
total value of all imports and exports. San Juan can berth
large iron ore ships, and the port at Ilo has been remodeled
by Southern Peru Copper Corporation to serve their mine.
These three ports account for almost all of Peru's foreign
shipments.\textsuperscript{12}

In view of the developing state of ground transportation,
it has remained for air transportation to open the interior
of the country to economic advances. One of the pioneers
in aviation in Peru was an American, Elmer J. Faucett, who
arrived here in 1920. He loved to fly and brought several
planes with him to begin Peru's first commercial airline.
This company failed, but "Slim" Faucett remained in Peru.

His greatest achievement was the first flight over
the Andes from Lima to Iquitos, via Chiclayo. On
October 5, 1922, he left Chiclayo and headed east.
All went well until he reached a point just sixty
miles from Iquitos, when misfortune forced him down
on a sand bar in the middle of a river. Three
months later, after effecting the necessary repairs,
Faucett finally completed his flight to Iquitos and
collected the prize money offered by the Peruvian
government to the first person to accomplish this
feat.\textsuperscript{13}

In 1928 he formed the current company, Compania de Aviación
Faucett, and made it into a successful airline. At first
Faucett flew Stinson biplanes, but for several years

\textsuperscript{11}\textit{Ibid.}, p. 280. \textsuperscript{12}\textit{Ibid.}, p. 282. \textsuperscript{13}\textit{Ibid.}, p. 279.
preceding and during World War II, he manufactured his own planes. Much like the eight-seat Stinson Detroiter, these little orange planes can still be found in use in remote areas of Peru. Although this was the beginning of domestic air transportation in Peru, it was the international flights that really stimulated her participation in wider and more varied world markets.

During World War II international air traffic was curtailed through the elimination of the German airline franchise, a result in part of American influence. When the Peruvian government cancelled the Lufthansa franchise in 1941, Assistant Secretary of State Welles advised the United States Ambassador in Peru, Norweb, that he should express to the President of Peru on behalf of the United States Government

hearty concurrence in the position which the President of Peru has taken to the effect that aviation services in this hemisphere should not be operated by non-American interests. . . . This action makes a real contribution to continental solidarity and to continental defense.14

As revealed in several other exchanges of notes between the State Department and Norweb through May of 1941, the United States Government was prepared to give financial assistance to Peru to improve landing fields and navigation

facilities and to install communication and meteorological units
for the purpose of preventing the penetration of non-American interests into Peruvian aviation and [this assistance] would be contingent on assurances that the Peruvian Government would not extend franchises to such elements.\(^\text{15}\)

As an interesting side note to the above aid, it seems logical to assume that Elmer Faucett, was influential in promoting the American viewpoint with the Peruvian Government. As indicated in one dispatch, Faucett would receive
certain priorities on materials . . . which will take care of the needs of his expanding services for the next year by building additional planes in his own factory and for which the above mentioned materials are essential.\(^\text{16}\)

But Faucett was a domestic carrier, and in the development of Peruvian international air transportation, Braniff International is a key factor. The interest of Braniff in acquiring South American routes developed in the early 1940's, in part as a result of the company's wartime experience of flying to Panama. Furthermore, Braniff's appraisal of the traffic and profit potentials of the Latin American market indicated the desirability of entering the area. The route case that Braniff prepared and presented to the Civil Aeronautics Board in 1943 reflected in-depth study in various pertinent

\(^{15}\text{Ibid., p. 505.}\) \(^{16}\text{Ibid., p. 506.}\)
areas. International and local air transportation in Latin America, from 1940 to 1943, was analyzed by mileage, traffic and revenues. These studies indicated the decisive role which aviation was playing in the commerce of Latin America. During World War II the flow of trade dwindled between Latin America and Europe and increased between Latin America and the United States. This was a predictable situation, but interested businessmen wanted this trend to continue after the war. War-stimulated economies in South America fostered new areas of business, and these were expected to grow after hostilities ceased. Braniff, serving the large mid-west area of the United States, anticipated increased activity along the routes for which they were applying. Although Braniff applied to the Civil Aeronautics Board in 1943 for routes to serve South America at the cessation of the war, post-war market analyses were not available until December 1946. Braniff's appraisals of the market were reported to its stockholders in May 1947. Therein, the figures for Pan American Airways Latin American operation for the first eleven months of 1946 were revealed, indicating a substantial United States-Latin American market. Its total revenues for this division (not including Pan Am's subsidiaries or affiliates) were $45 million. This revenue level takes on

added significance when compared with the total figures covering the operations of TWA, American Overseas Airlines and Pan American Airways over the North Atlantic between the United States and Europe. The total revenues of TWA, AOA and PAA on their North Atlantic service were $37 million. Another comparison presented in the stockholders report showed the number of passengers carried in Pan American's Latin American Division and those carried by Braniff domestically in the first eleven months of 1946. Pan American performed 468 million revenue passenger miles carrying 662,402 passengers while Braniff performed 193 million revenue passenger miles carrying 535,743 passengers domestically. This comparison indicated that the average passenger in Latin American operations was carried a much greater distance than in domestic operations. It was Braniff's conclusion that three factors appeared to account for Pan American's greater profit with a lower revenue passenger load factor: "(1) substantially higher proportion of cargo revenues, (2) greater yield per revenue passenger mile, (3) greater average length of haul per passenger."\(^{18}\) The long-haul characteristics of this market were further emphasized by the Civil Aeronautics Board

decision which said, in part, "... the primary purpose of the Braniff route to South America—via Havana is to accommodate long-haul traffic to South America ...."19

On May 22, 1946 Braniff’s application for 7,719 miles of international air routes to Central and South America was approved by the Civil Aeronautics Board. In granting these routes the Board said,

... it is of the utmost importance in authorizing additional services to South America that the task be entrusted to a strong carrier keenly interested in its establishment and capable of achieving the maximum development of the traffic potential of the area to be served. The record shows that Braniff long has had a deep interest in the establishment of service to Latin American countries.20

The route awarded to Braniff extended from Houston to the Canal Zone via Havana and thence to Rio de Janeiro and Buenos Aires via Bogota, Quito, Guayaquil, Lima, La Paz, and Asuncion. From Asuncion one branch of the route went to Rio de Janeiro, another to Buenos Aires. The Civil Aeronautics Board felt that the establishment of this route by Braniff would provide competitive air transportation service to major traffic points in South America. With this new route pattern, Braniff could provide direct air service between the main cities of South America and the mid-section of the United States.

20Ibid., p. 914. 21Ibid., p. 915.
By 1946 Braniff Airways, which had started in 1928 with one airplane, was an international airline poised on the threshold of a new air age. Braniff had the route certification from the Civil Aeronautics Board, but much hard work and negotiating remained to be done. The next step in establishing Braniff in Peru was the consumation of a bilateral treaty between the governments of Peru and the United States. This procedure was simplified by the Chicago Conference of 1944.

During the war the Allies had achieved a high degree of uniformity in operating practices and in the use of instruments to facilitate navigation and communication. It had become apparent before the end of the war that for safety and efficiency, legal and commercial agreements, as well as the technical aspects of global aviation, would have to be standardized. In order to maintain and to develop further this standardization, the United States proposed an air conference, not only to discuss technical matters but also to devote attention to legal matters. As at the previous air conferences of Paris, 1919, and Havana, 1928, the question of freedom (not subject to the control of any state) versus sovereignty (subject to the sovereignty of the subjacent state) of the air was again discussed at Chicago. Through the years since 1919, it had been the practice of various governments, including the United States,
to recognize that every state has "complete and exclusive sovereignty over the airspace above its territory."  

The conference at Chicago established by international agreement that this concept would be accepted and written into aviation law. Also resolved at the Chicago Convention of 1944 was the "Standard Form of Agreement for Provisional Air Routes" to be used in multilateral and bilateral treaties. This form simplified the wording of treaties, and, at the same time, assured each country of protection under international law by outlining the exact wording to be used.  

The Chicago Convention set the stage for the post-war growth of commercial aviation in international service.

On December 27, 1946 a bilateral treaty between the United States and Peru was signed, designating Braniff International Airways, Inc. as the authorized United States carrier to serve Peru over the prescribed routes set forth in the annexes of the treaty.  

The bilateral treaty granted Braniff commercial entry to Peru as well as transit rights—that is, the right to fly over the sovereign nation of Peru. The annexes (specific details added to a legal

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23Ibid., p. 27.

24U.S. Statutes at Large, LXI, Part III, 2586 (1947).
document) contained the description of the explicit route awarded to Braniff by the Civil Aeronautics Board.

Braniff had the route authorization from the Civil Aeronautics Board; the bilateral treaty was successfully negotiated and signed between the two interested countries; the remaining legal requirement was an operating permit to be issued by Peru to Braniff. Braniff requested said permit in early 1947 in order to establish international air service between the United States and Peru.

The United States Embassy in Lima, in a note to the Peruvian Minister of Foreign Relations, advised him that Braniff International Airways was the airline designated by the Government of the United States of America in "accordance with the provisions of the Treaty Concerning Air Transport signed on December 27, 1947." On March 25, 1947 the Government of Peru issued the Operating Permit to Braniff by passing Supreme Resolution No. 262. This resolution contained the conditions and requirements allowing this foreign corporation to operate in Peru. The wording of the permit followed closely the wording of the bilateral treaty.26


26 Republic of Peru, Supreme Resolution No. 262 (Lima, 1947). Braniff International Legal Department Files.
Peru granted Braniff International a five year extendable Operating Permit to load and unload international passengers, cargo, and mail at the airports in Lima, Tulara, Chiclayo, and Arequipa. However, the Civil Aeronautics Board awarded only the stop at Lima in Peru to Braniff. Therefore, in order not to be in violation of the United States certificate, Lima is the only city served in Peru. In addition to the usual requirements for adherence to Peruvian laws and regulations, the permit specified that Braniff must prepare installations necessary for its activities at the airport of Limatambo (serving Lima) and employ within Peru for its ground activities, the percentage of Peruvian personnel required by Peruvian law. The permit was non-transferrable and might be cancelled by the Peruvian Government after a one year's notice. Beyond the limitations on ground personnel employment, the only other important restriction in the permit required all international flights to land at Limatambo Airport for customs and other inspections. (The interpretation of international flights meant flights from the United States and/or the Canal Zone to points in Bolivia, Chile, or beyond.)

In August, 1946, Braniff International Airways dispatched its first company flight to survey the Latin

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27 Republic of Peru, Operating Permit, (Lima, 1947). Braniff International Legal Department Files.
American routes. The purpose of this trip was to "investigate flying operations, traffic communications and navigation systems, and ground facilities" over the 7,719 miles of air routes certificated to Braniff by the Civil Aeronautics Board. The arrangements concluded on this trip were preparatory to inauguration of passenger service by Braniff. During this pre-inaugural time, unsuccessful attempts were made to contract for the use in Latin America of certain "navigational, communications and terminal facilities owned and operated by other airlines." Unable to arrange for use of existing facilities, Braniff had to delay commencement of regular service until it could construct its own navigation and communication system and terminal facilities.

Braniff had to obtain land, erect buildings, telephone lines and radio towers. The company also built diesel electric power plants in duplicate; and installed communications equipment and navigational transmitters in duplicate. This dual system allowed the standby unit to come on automatically at the same strength as the original in the event of failure of the main transmitter. To construct the physical facilities for this communications network, Braniff had to surmount many problems--every screw and piece of wire

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had to be sent from the States; the men had to endure cold weather, high altitude, heat, and jungles. The network started in Panama, with the erection of an aerophare; a navigation and communication installation was built in Esmeralas, Ecuador; and later, this invisible line was connected to similar installations at La Paz and Santa Cruz, Bolivia, and Campo Grande, Brazil.

R. V. Carleton, who was in charge of Braniff's construction crew, recalls that,

Part of it [the material for the radio installations] was purchased in the United States and part of it was fabricated in Braniff's own radio shops. All of it had to be carefully packed and catalogued to insure that some technician . . . wouldn't lack three feet of wire or a few odd nuts and bolts in order to complete his job. Since practically every item that went into these stations was manufactured in the United States, and with no replacements available in South America, it is obvious that this task was painstakingly handled.  

When completed, Braniff's communication network would "stretch across jungle, mountain ranges, and ocean" and would "provide the three major types of radio navigation—communication for ground to air and ground point to ground point, and guidance of planes by radio."  

The extension and development expenses incurred in 1947 in order to establish operational schedules to Lima amounted

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32 NRF, December 31, 1947.
to $484,222. The communications and navigation system for
the Panama to Lima sector alone cost $200,000. This was
a considerable amount to spend before operations were even
started, but all of it was necessary in order to begin
flights. Braniff overcame the many roadblocks placed in
its path, not only at great monetary expense, but also at
the expense of valuable time. More time was consumed by
the necessity to acquaint the pilots with the new routes.
Braniff's enviable safety record (no fatal accidents in
South America) was and is the result of constant training
and use of latest techniques, equipment, and communication.
"Braniff required all pilots to fly a new route twice in
the cockpit and be completely familiar with all airports
and navigation facilities." The South American operation
was no exception.

Another roadblock was the continuing denial of the use
of existing airport facilities belonging to other airlines.
Agreement was finally reached in April 1948 between Braniff
and "CORPAC", a Peruvian government company, for the rental
of their buildings at Limatambo.

In September and October, 1947, Braniff's United States
competitors in Latin America requested the Civil Aeronautics
to suspend Braniff's certificate for five years or change it

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33NRF, May 13, 1948. 34NRF, April 2, 1948.
35NRF, April 30, 1948.
in such a manner that would have made it impossible for Braniff to operate in Latin America. (The complainants hoped to sustain their pre-war monopoly of United States international air service to Latin America.) One request would have limited Braniff's flights south of Balboa, Canal Zone, and another would have limited flights north of Balboa. Commenting on the nature of the petitions, the Civil Aeronautics Board said,

> It seems obvious that where a certificate has been issued at the conclusion of extended proceedings fully complying with the procedural requirements of the Act (Civil Aeronautics Act of 1938) and affording all interested persons, including the petitioners, fullest opportunity to be heard, that proceedings for suspension or amendment of such certificate so as to withdraw substantially the rights conferred thereby, should be undertaken only where the clearest reasons exist for such proceedings.\(^{36}\)

The Civil Aeronautics Board dismissed the petitions on May 4, 1948 and stated that Braniff's certificate had been "lawfully issued and [was] in full force and effect."\(^{37}\)

The competing airlines further opposed Braniff's operation by trying to induce Congress to withhold appropriations for payment of air mail service. In a telegram sent to Senator Guy Gordon, Chairman, Subcommittee on Post Office Affairs of the Senate Appropriations Committee, Braniff requested that the committee take no action on its international airmail application until the company had an

\(^{36}\text{NRF, May 4, 1948.}\) \(^{37}\text{NRF, May 4, 1948.}\)
opportunity to present facts in connection with its South American certificate. The telegram further states:

We have already invested $4,000,000 in this project relying upon the good faith of the United States Government as represented in our certificate of convenience and necessity issued by the Civil Aeronautics Board and approved by the President all in exact accordance with the Congressional Act of 1938 known as the Civil Aeronautics Act. Furthermore such action would be detrimental to the interests of the Western portion of the United States in the interests of which this direct, fast, one-company operation served as the principal justification for the issuance of our certificate. Such service has never heretofore been available to the territory served by us. Moreover such action would have serious adverse effect upon relations with those countries in Latin America which would be benefited by this proposed service and which have looked forward to its inauguration . . .

Congress, in May 1948, appropriated the necessary funds for Braniff's airmail service to Latin America. This action followed the resolution by the Civil Aeronautics Board of the above mentioned petitions.

The Board . . . repeatedly upheld its 1946 decision by granting Braniff approval of non-stop services on its route [i.e., Lima to Rio de Janeiro], establishing the mail pay rate and . . . by its action in dismissing the petitions.39

The communications problem was solved by construction of Braniff's own network; attempts to annul the certificate were overcome; the mail pay formula was set; personnel had been employed and trained in South America. Finally, Braniff could inaugurate services between the United States

and Peru. The inaugural flight left Houston on May 21st, 1948 with many distinguished persons aboard, including some of the governors of the states that Braniff served at that time, publishers, government officials, bankers, and businessmen. Regular service started on June 18, 1948.  

40 NRF, April 18, 1948.

41 Lima Peruvian Times, June 18, 1948, Supplement II.
CHAPTER III

DEVELOPMENT OF BRANIFF AIR SERVICE IN PERU

In the two decades since Braniff began airline service to Peru, it has shown remarkable growth. In June of 1948 the original route certification granted Braniff by the CAB was partially implemented with the first scheduled flight to Lima, Peru. At this time the termination of the route was in Lima with intermediate stops from the United States in Havana, the Canal Zone, and Guayaquil.\(^1\) In 1949 additional routes covered by the basic route certification were implemented with the extension of service to La Paz, Bolivia. This route was made possible by Braniff's use of Aerojet JATO (jet assist take-off). R. V. Carleton, then a senior pilot with Braniff, directed Braniff's JATO tests early in 1949 at La Paz, highest commercial airport in the world. These successful tests resulted in the authorization of DC-4 service between the 13,400 foot high airport at that city and Lima, Peru.\(^2\) Again, as on the Balboa to Lima route, it was necessary to construct radio towers and install

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\(^1\)Civil Aeronautics Board, Latin American Route Case, Docket 525 et al., VI, No. 59, (Washington, 1946), p. 915.

\(^2\)NRF, January-June, 1950.
a navigation and communications system. This was a difficult construction project at this considerable altitude.³

After La Paz service was established, the next route extension was the non-stop segment from Lima, Peru to Rio de Janeiro, Brazil in March of 1949. (Unless otherwise prohibited, most route certifications permit non-stop flights to be scheduled between any two cities on a given route at the airline's discretion.)⁴ In March of 1950 Braniff extended service from Lima to Asuncion, Paraguay and Buenos Aires, Argentina.⁵

The development and establishment of what was then the longest non-stop flight in the world—the 2,500 mile route from Lima to Rio de Janeiro, across the immense mid-section of South America—was a spectacular accomplishment. It was necessary to build navigation and communications stations at Santa Cruz, Bolivia and Campo Grande, Brazil in order to fly safely across the vast stretches of Brazilian jungle. On the second Lima-Rio pilot qualification flight, several CAA men from Washington were also aboard.

Although the radio installation crew had been in Camp Grande only three days on the date of this flight, the aerophare was on and working perfectly. [The men from Washington] . . . were impressed with the excellent operation of our communications and

³Carleton, op. cit., p. 3.

⁴Tom Robertson, Vice President, Regulatory Proceedings, Braniff International, Interview, Dallas, March 1970.

⁵NRF, January-June, 1950.
aerophare facilities and also with the short time spent in setting them up. The very excellent performance of our radio communication and navigational equipment was a source of constant amazement to everyone who had an opportunity to witness it.

While we were planning the installation, we were told that we would have very erratic performance across the Altiplano, due to the interference caused by mineral deposits, extremely high terrain, and such. We were also told that our stations at Santa Cruz and Campo Grande would not put out normal signals because the jungle seems to act as a sponge and absorbs a large percentage of the signal strength. In spite of these gloomy predictions, our equipment is performing even better than we anticipated and it provides a very essential element of the operation. Without good radio equipment, the best planes and crews in the world would be up against great odds flying this particular route. 

With the inauguration of this non-stop flight, Braniff's Latin American routes totaled 6,554 miles. In 1969, twenty years later, Braniff's Latin American route miles totaled 15,956.

Reflected in this increase is the Braniff acquisition of Panagra Airlines in 1967. This consolidation of the two airlines operating on the west coast of South America, was accomplished after many years of meetings and discussions between the CAB, Braniff, and the owners of Panagra--W. R. Grace Co. and Pan American Airways. As early as 1954 the CAB proposed that the routes of Braniff and Panagra should

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6 Carleton, op. cit., p. 12.
7 NRF, January-June, 1949.
8 Braniff International Planning and Information Department Files, Dallas.
be merged.\textsuperscript{9} In 1957 Charles Beard, then President of Braniff, stated in a press conference that "Braniff is willing to explore fully the acquisition of Panagra with both owners."\textsuperscript{10} In 1963 Pan American Airways offered to buy from W. R. Grace Co. its 50 per cent ownership in Panagra for $10.6 million. Braniff immediately countered this by filing with the Civil Aeronautics Board notice of its intention to oppose this purchase. At the same time Braniff advised the CAB "that its Board of Directors had authorized an offer of $22 million for 100 per cent of Panagra's shares."\textsuperscript{11} Three months later a majority of the CAB decided to disapprove the purchase by Pan American Airways of 50 per cent of the stock of Panagra from W. R. Grace Co. At the same time, the Board expressed the tentative view that "the public interest would best be served if Pan American and Grace were to sell their stock in Panagra to Braniff Airways."\textsuperscript{12}

Forbes Magazine, in an analysis of Braniff's stock position in October 1963, conjectured upon the proposed merger. Their conclusion was that Panagra had been "entrenching itself in South America since 1928" while Braniff was a "relative newcomer". "Where Braniff goes it alone, Panagra has benefited from its association with its

\textsuperscript{9}NRF, April 29, 1963. \textsuperscript{10}NRF, March 12, 1957. \textsuperscript{11}NRF, April 29, 1963. \textsuperscript{12}NRF, July 17, 1963.
two parents. But if Braniff could absorb Panagra, that would be a different matter."^{13} The legal, monetary, and operational details were finally solved, and on October 20, 1966, Harding Lawrence, President of Braniff, announced the culmination of negotiations.^{14} On February 1, 1967 the Latin American operations of Panagra were merged into Braniff's, and the combined airlines continued service under the Braniff International name.

A brief background of Panagra Airlines is necessary to fully understand the changes that occurred in Braniff's operations upon the acquisition of Panagra. Panagra Airlines was founded the same year as Braniff, 1928, in Peru by Harold Harris, an American World War I pilot who had gone to Peru as a crop duster. "In the summer of 1928 Harris got the backing of Pan American Airways and W. R. Grace and Company, and in September the Peruvian Airways Corporation was formed, with Pan Am and Grace each contributing half of the original capital of one million dollars."^{15} In February 1929 the name of the airline was changed to Pan American-Grace Airways—by use, shortened to Panagra. Legend has it that the Altiplano Indians called all planes "Panagras" as

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^{15}Martha Zahrt, "PANAGRA, Founded Same Year as BRANIFF - 1928", *The BI B-Liner*, (Dallas, January, 1967), 7.
these were the first ones that these primitive people had ever seen. This simple fact points to a long and proud history in South American aviation for this airline. Panagra began scheduled service on September 13, 1928 with a single-engine Fairchild monoplane carrying four passengers and a small sack of mail. The plane "took off from a racetrack in Lima and landed in a soccer field in Talara, Peru", a distance of 600 miles. Later that same month Panagra flew from Lima to Guayaquil, Ecuador where letters and greetings were delivered to United States President-elect Herbert Hoover who was visiting there aboard the battleship Maryland. At this time, as there were no airports yet built on the west coast of South America, Panagra used amphibian aircraft on many flights and became the principal carrier on routes from the Canal Zone to Argentina via Colombia, Ecuador, Peru, Bolivia and Chile.

Panagra pioneered its airtrails not only by performing many daring flying feats but also by building airports where none existed, setting up weather and communication stations, and training local personnel to operate an airline. Panagra's prestige grew in the Southern Hemisphere for other reasons, too. "The South Americans were proud that the building of the airline was accomplished with the help of hundreds of their own citizens, many of whom rose to

\[16\text{Ibid., p. 7.}\]
positions of high responsibility with the company." The local citizens also respected the North Americans who came to work for Panagra, because they showed "a high dedication to the interests of the countries where they worked."

Panagra created a successful operation partly as a result of this "close identification with the areas it served."

Through the years Panagra eventually turned over the airports and stations to the government in the countries where they were located—"for the use not only of Panagra but also the military and other commercial airlines."¹⁷

Harold Harris' dream of an airline on the west coast of South America became a vital reality. From the first flight of 600 miles Panagra grew to become the principal carrier over a 5,972 mile network of routes. The merger with Braniff enhanced both airlines from the standpoint of increased and more efficient service between North and South America, as well as combining their many skills and talents to help develop the growing economies of the South American nations. The merger eliminated wasteful and inefficient duplication of service and, at the same time, provided the passenger with greater selection of flight arrival/departure times. For Braniff, the merger also meant the addition to the system of several cities heretofore not served—Santiago and Antofagasta, Chile, and Cali, Colombia.

¹⁷Ibid., p. 7.
as well as Quito, Ecuador, certificated to Braniff but to which service had never been implemented. At the time of the merger Panagra owned approximately 20 per cent of Faucett Airlines so this property passed to Braniff, too.

Braniff's growth in twenty years is reflected in both total route miles and number of cities served. This growth in the early years stemmed partly from the fact of concentration in Peru. At first, Peru was the farthest and ultimate point of service on the Latin American route. Later, as the route was expanded to serve other important South American centers, Peru was the main base of operations from which personnel, equipment, and other essentials in a growing business could be drawn. To illustrate this point, Captain Carleton, in describing the construction of the navigation and communication systems, said,

Every DC-4 and DC-6 scheduled from Dallas to Lima between November 15 [sic] and February 15, 1949, carried between two pounds and two tons of Braniff equipment destined for Bolivia or Brazil. The responsibility of unloading this equipment, clearing it through customs, and reloading it on subsequent special cargo flights to La Paz, Santa Cruz, Campo Grande and Rio fell upon the Lima staff. In addition to all the equipment that went into Lima by air, we made several shipments by boat which has to be cleared through customs at Callao, trucked to the Limatambo Airport and loaded in the airfreighters to points south.  

18Ibid., p. 2.

19Carleton, op. cit., p. 3.
Braniff's growth is also reflected in the increase in number of flights between the United States and Peru. Braniff began service to Lima in 1948 with three roundtrip flights per week—two in DC-4's and one in the then new DC-6.\(^{20}\) In 1959 such round trip flights had increased to five; and in 1966 to eight; and in 1968 to twenty-one—a steady, impressive growth curve.\(^{21}\)

In 1949 the Latin American Division of Braniff (LAD) contributed only 2.4 per cent of the total number of passengers flown by the Braniff system. In 1959 the number flown in LAD was 2.2 per cent of the total. This grew slowly to 3.1 per cent in 1966. After the acquisition of Panagra by Braniff the number of passengers carried in LAD increased in 1968 to 6.3 per cent of the total number carried by the whole system. This latter shows the impact of Panagra on Braniff by increasing the number of passengers carried in two years by more than 100 per cent.\(^{22}\) Lima claimed 55 per cent of the passengers enplaned in Braniff's LAD in 1949, but the 1959 figure showed only 14.8 per cent of LAD passengers boarded in Lima. In 1949 Braniff LAD

\(^{20}\)NRF, February 8, 1951.

\(^{21}\)Braniff Schedule Folders Files, Regulatory Proceedings Department, Dallas, 1956-1968.

\(^{22}\)These figures are compiled from Civil Aeronautics Board Form 41, Schedule C, filed by Braniff International in 1949, 1959, 1966 and 1968, copies of which are in the Braniff International Computer Center, Dallas, Texas. Hereafter cited as CAB Form 41, Schedule C. See also Table I.
TABLE I

PAASSENGERS ENPLANED

<table>
<thead>
<tr>
<th></th>
<th>1949</th>
<th>1959</th>
<th>1966</th>
<th>1968</th>
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<tr>
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<td>2,159,869</td>
<td>4,963,842</td>
<td>6,025,693</td>
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<tr>
<td>LAD</td>
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<td>157,429</td>
<td>382,864</td>
</tr>
<tr>
<td>LIMA</td>
<td>2,702</td>
<td>7,218</td>
<td>20,014</td>
<td>69,418</td>
</tr>
</tbody>
</table>


served the cities of Havana, Balboa, Guayaquil and Lima, but by 1959 the traffic was spread out between the above four cities as well as Rio de Janeiro, Sao Paulo, Buenos Aires, Asuncion, La Paz and Bogota. Therefore, Lima's share of total passengers boarded in LAD was reduced as the total was comprised of the traffic at ten cities rather than from four as in 1949. The number of Lima passengers declined to 12.7 per cent of LAD in 1966. This 2 per cent decline from 1959 reflects the almost offsetting impacts of two important events. First, the lucrative and busy Havana stop was cancelled by Castro when he severed diplomatic relations with the United States. Second, in this same year the addition of a long-awaited Braniff route to Mexico City and Acapulco was achieved. This route accounts for a heavy share of the traffic in the LAD of Braniff and is
henceforth calculated in the LAD reports and percentages. Again showing the impact of the acquisition of Panagra, the Lima percentage of LAD passengers grew to 18.1 per cent in 1968, an increase of 40 per cent in two years.\textsuperscript{23}

Braniff has always maintained a good volume of business in the freight department in Latin America. This is not accidental. Since the inception of service to South America, Braniff has solicited the business of firms already shipping to Latin America and not using air transportation, or at least not using Braniff, and also has developed new customers for the areas served by its routes. To develop new international customers, Braniff has also helped these potential customers to develop their own new markets. Braniff's cargo department also helped "manufacturers who did not have a market in Latin America or Latin Americans who did not have a United States market for their goods."\textsuperscript{24}

To promote both cargo and passenger traffic, Braniff founded the Braniff Business Bureau. This bureau helped United States businessmen to obtain information on trade possibilities in Latin America, and it provided detailed market and commodity analyses on request. For example:

A firm in Kansas wanted information on the fishing industry along the west coast of South America, with particular emphasis on swordfish and the tuna markets. A detailed report made by the manager of Peru was sent to the firm. It covered the number of firms engaged in fishing, 

\textsuperscript{23}Ibid.  \textsuperscript{24}NRF, June 29, 1950.
total monthly output, Peruvian laws governing the industry, location of unexploited fishing areas, current rate of trade with the States, and probability of transportation facilities for frozen fish. The firm replied that the information was exactly what they had been trying to obtain.25

Braniff offered similar service in Latin America to encourage Latins in doing business in the United States. Braniff's Business Bureau aided companies needing research material on long range problems as well as present economic conditions, markets and supplies in any Latin American country served by Braniff. A Braniff official summed it up this way,

Some of the chief barriers in smooth international commerce have been distance, time, and communication. We feel that the obligation of the air transport industry is not only to break down these physical barriers, but it is also our duty to encourage international commerce by lending all possible forms of aid to businessmen at both ends of the lines.26

Supplementing the Business Bureau, a representative for Braniff traveled constantly between the States and Latin America soliciting cargo. He carried samples of goods between potential sellers and buyers.

By spending several weeks in each country talking directly with heads of business firms, governmental people, and consumers, he not only knows the market conditions in Latin America, but is able to translate the problems and suggest solutions to North American businessmen who cannot get "on-the-spot" information which is so often the difference between success and failure in foreign selling.27

27 NRF, June 29, 1950.
Braniff also instituted its "personalized service" for cargo. An increase in freight shipments, stimulated by the Braniff Business Bureau, necessitated a smooth, fast freight-movement operation. Special inter-American cargo personnel were stationed in Dallas, and they knew at all times exactly where a certain shipment was, for what flight it was scheduled, and when it would be delivered.\(^{28}\) This personalized service was one reason for the great strides in tonnage of cargo shipped via Braniff. In the early years in Peru, and in all of Latin America, the number of tons of freight enplaned increased at a faster pace than the number of passengers enplaned.

In 1949, the first full year of Braniff's operation in Peru, Lima enplaned eleven tons, almost one-third, of the total thirty-six tons of freight enplaned in LAD. The LAD total in this year was a mere 2 per cent of Braniff's total tons of freight enplaned. Lima's total had grown to twenty tons enplaned in 1959. In 1966 LAD accounted for 10.7 per cent of Braniff's total tonnage shipped while Lima claimed 8 per cent of this. Two years later LAD carried 13 per cent of the total tonnage. This was a small increase compared to the increase in number of passengers carried during these two years. This might indicate that Panagra's traffic was heavier in passengers than in freight, and vice

\(^{28}\)Ibid.
versa, that Braniff's pre-merger traffic was greater in the freight area than that of Panagra. Noteworthy, however is the jump in tonnage enplaned in Lima in 1968. This figure is 15-1/2 per cent of the LAD total while the corresponding figure for 1966 was 8 per cent. This might indicate that of all the freight business that Panagra did in Latin America, the major part of it was in Peru.\(^{29}\)

The growth indicated above is really larger and stronger in view of the competitive picture. At the time of Braniff's inaugural flight to Peru, May 1948, there were four other airlines serving Lima. Although two of these were Peruvian, only Peruvian International was flying outside the country. Faucett Airlines, then and now, was licensed to fly only within Peru. The other two airlines serving Peru with international flights were Panagra and British South American Airlines.\(^{30}\) One year later Panair do Brazil, a subsidiary of Pan American Airways, and Avianca (Aerovias Nacionales de Colombia, S.A.) added service to Lima on international flights.\(^{31}\)

The increased number of airlines serving Lima ten years later in 1959 reflects the growth in the Latin American air travel industry. A total of sixteen airlines landed at

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\(^{29}\)CAB Form 41, Schedule C, 1949, 1959, 1966 and 1968. See also Table II.


\(^{31}\)Ibid., 1949.
TABLE II
TONS OF FREIGHT ENPLANED

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<th>1966</th>
<th>1968</th>
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<td>41,619</td>
<td>71,475</td>
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<td>LAD</td>
<td>36</td>
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<td>4,464</td>
<td>9,350</td>
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<tr>
<td>LIMA</td>
<td>11</td>
<td>20</td>
<td>363</td>
<td>1,457</td>
</tr>
</tbody>
</table>


Lima, and included in this number was Faucett Airlines, steadily growing but flying only within Peru. The other airlines serving Peru in 1959 were: AF--Air France, APA--Panama Airways, APSA--Aerolineas Peruanas, AVIANCA--Aerovias Nacionales de Colombia, S.A., BN--Braniff International Airways, CEA--Ecuadoran Airline, CPA--Canadian Pacific Airline, KLM--Royal Dutch Airlines, LAN--Linea Aerea National de Chile, LANICA--Lineas Aereas de Nicaragua, S.A., LAV--Linea Aeropostal Venezolana, PANAGRA--Pan American-Grace Airlines, PAB--Panair do Brazil, TAN--Transportes Aeros Nacionales, S.A. (Peruvian).\(^{32}\) The roster of companies serving Peru in 1966 was little changed, but there were eighteen airlines landing at Lima at the new Jorge Chavez International Airport. The list included: Air

\(^{32}\)Ibid., 1959.
France, Aereolinas Argentina, Avianca, British Overseas Airline, Braniff, Ecuadoran Airline, Faucett, Canadian Pacific, Aerolineas Peruanas, Panamanian Airline, Iberia (Spanish), Royal Dutch Airlines, Lufthansa (German), Lan Chile, Lloyd Aereo Boliviano, Lansa Airline (Peruvian), Panagra, and Varig (Brazilian).\textsuperscript{33} Few changes were noted in 1968. One Ecuadoran airline was substituted for another, and Panagra was now merged with Braniff.\textsuperscript{34} These airlines represent not only the flow of traffic between continents (inter-regional) but also between the countries in South America (intra-regional). As Braniff grew so did the competition for the market area served.

Braniff, like other growing companies, reflected this growth in a variety of ways. The obvious indicators are increases in traffic and revenue. Another yardstick of growth that is more difficult to pinpoint, but nevertheless a valid clue to growth, is the change in internal organization. Braniff, at the time of its inauguration of international air service, was growing steadily under the strong leadership of Tom Braniff who was President and also Chairman of the Board of Directors. The company had four other officers: Executive Vice President, Charles Beard; Operations Vice President, R. C. Shrader; Secretary-Treasurer, C. G. Adams; and a General Counsel. It should

\textsuperscript{33}\textit{Ibid.}, 1966. \textsuperscript{34}\textit{Ibid.}, 1968.
be noted that Charles Beard also headed the Sales Department as well as the Regulatory Proceedings Department. Moreover, he prepared the Latin American route case presented to the CAB in 1943. There were individual country managers in the LAD, and these men reported to Charles Beard.35

As business grew, so did the administrative staff. In the 1940's, for instance, three key men were employed by Braniff, and today they are Vice Presidents in charge of their departments. Walter Henshel is Vice President of Public Relations; Tom Robertson is Vice President of Regulatory Proceedings; and Charles South is Vice President of the South American Division. These three men represent the Braniff policy of not only hiring well-qualified men but also the policy of promoting employees within the company. This policy is likewise followed in the Latin American Division and partially accounts for the employee loyalty to Braniff. An unsolicited comment by a former Braniff employee, who is now living and working in Peru, indicated that one of Braniff's greatest strengths in employee relationships lies in this fact of promotion within the company.

Over the years the basic administrative organization did not change very much. As has been noted, some additional Vice Presidents were added as the Braniff business expanded.

35Braniff Airways Story, (Dallas, 1963).
In 1954, upon the death of Tom Braniff, Charles Beard succeeded him as President and served in this capacity until his retirement in 1965.

However, a major reorganization was instituted in January of 1967. This marked the merger of Panagra and Braniff with an addition of 1,300 employees to Braniff's 8,618 employees. At this time, Harding Lawrence, who became President in 1965, pointed out that the "company is reorganizing for leadership, retooling for maximum efficiency of its support personnel, a greater utilization of its planners and analysts, and most important of all—to provide the best possible service to its customers."37

The administration of the Latin American Division was reorganized to include a Vice President in each South American country served by Braniff (see Figures 1 and 2). He directs the airline's operation in each country. The Vice President-South America has overall responsibility for directing the operations of the merged company in South America. His office is in Dallas. Directly under him, based in Lima, Peru, is a Staff Vice President who is responsible for sales and services in South America. The Regional Vice Presidents, located in each country, report


37 Ibid., p. 2.
ADMINISTRATION — SOUTH AMERICA

VICE PRESIDENT
SOUTH AMERICA
CHARLES S. SOUTH

CORPORATE STAFF

STAFF VICE PRESIDENT
SOUTH AMERICA
ROBERT C. BOOTH

DIRECTOR SERVICES
SOUTH AMERICA
JOSEPH MCCORMICK

MGR. BUDGETS & COSTS
SOUTH AMERICA
CORBY FOX

REGIONAL VICE PRES.
ECUADOR
JOSE SAVADO

REGIONAL VICE PRES.
PERU
JAMES T. SCHULTZ

REGIONAL VICE PRES.
ARGENTINA-BRAZIL-
CHILE
HARRY SAPPLES

REGIONAL VICE PRES.
COLOMBIA-
PARAGUAY
JUAN UCROS

REGIONAL VICE PRES.
COLOMBIA-
PARAGUAY
JUAN UCROS

REGIONAL VICE PRES.
PARAGUAY
JUAN UCROS

REGIONAL VICE PRES.
PARAGUAY
JUAN UCROS

Fig. 1—Administrative structure: LAD and Braniff International, January 1967.
Fig. 2—An example of the regional field marketing organization of a South American country—(Peru) Braniff International, January 1967.
directly to the Vice President-South America. It is significant that the Vice President in each country is a national citizen of that country (with the exception of Paraguay at this date). Braniff not only fulfills its legal requirements in hiring a certain percentage of nationals but also strives to place them in the top positions.

Thus in twenty years of air service to South America, Braniff has become a major carrier and on the West Coast, the sole United States carrier. The growth of cargo and passenger totals attests to the vision of Tom Braniff in selecting this area for expansion.

\[38\] Ibid., p. 2.
CHAPTER IV

BRANIFF INTERNATIONAL AS A CORPORATE CITIZEN

Throughout its twenty-two years of service to Peru, Braniff has participated in many facets of that country's economy. Of most direct impact has been the employment of an increasing number of Peruvians and the wages and salaries paid these workers. Similarly, Braniff has steadily enlarged its purchases of local commodities and its use of local services and professionals. Another contribution to Peru has been the direct taxes paid, as well as the indirect taxes on material and labor purchases.

Indirectly, Braniff has perhaps made even greater contributions to the Peruvian economy. As a primary link from an underdeveloped country to the United States, Braniff has stimulated the export of Peruvian culture and products and has exposed these to the markets in the United States. The availability of rapid transport into Peru has stimulated the growth of industry and has attracted the investment of considerable foreign capital to Peru. For example, there are thirteen motor vehicle assembly plants operating in Peru. They are: Chrysler, Fiat, Ford, General Motors, Isuzu, Industria Automotriz Peruana (Rambler, Renault, and Peugeot), Leyland Triumph, Motor Peru (Mercedes and
Volkswagen), Nissan and Toyota, Volvo, International Harvester and Scania Vabis. The last three firms assemble heavy commercial vehicles.\(^1\) Although the development of such assembly plants cannot be directly traced to the activities of Braniff or other airlines, the availability of air transport facilities must have been a factor in the placement of these plants. As evidence of this, Braniff carries a large volume of auto parts and machinery to Peru.

Beyond these efforts, Braniff has also carried out special promotional endeavors which have stimulated tourist travel and enhanced the natural tourist attractions, such as the Inca ruins at Machu Picchu. In a post-war world which has seen the rapid expansion of air travel for both business and pleasure, Braniff has been one of the prime movers of people and cargo between the United States and Peru. In view of the underdeveloped state of ground transportation and the geographical limitations of the ocean and the Andes, development of air travel was almost a necessity for Peru to enter the world markets for tourism.

Peruvian law requires that at least 80 per cent of the employees of a foreign company operating in Peru must be Peruvian nationals.\(^2\) With the growth of Braniff operations


\(^2\) Republic of Peru, Decree Law No. 17262, (Lima, 1947) Braniff International Legal Department Files.
in Peru, there has been a nearly parallel growth in the number of employees on the Braniff payroll in Lima. From 1959 to 1966, before the Panagra merger, Braniff employment in Peru nearly doubled from 63 to 120 workers, while the number of passengers enplaned almost tripled. By 1968 Braniff employment in Peru, largely reflecting the Panagra merger, more than tripled, from 120 to 409 employees. At the same time, passengers enplaned tripled again. The total Peruvian employment of Braniff in 1968 accounted for nearly one-fourth of Braniff's employment in all of Latin America. These employment figures clearly reflect the importance of the Lima, Peru base to the Latin American operations of Braniff International Airways. The ratio of Peruvian employment to the total Braniff employment in Latin America is disproportionately large as compared to the ratio of passengers enplaned in Lima to the Latin American total which was only 18 per cent; it similarly, outweighs the tonnage enplaned at Lima which was approximately 15 per cent of the Latin American total.

It is obvious that the Lima base is a primary element in the entire Latin American operations of Braniff. In fact, traveling over the Braniff routes, one is impressed by the size and quality of staff and facilities which Braniff has developed at its Lima base. Since its other primary route

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extensions to Buenos Aires and Rio de Janeiro feed out of Lima, it is not surprising that Lima occupies such a central and strategic location in the Braniff Latin American system. This position is also reinforced by the quality of the airport which has been developed at Callao (Jorge Chavez International Airport), facilities which appear to exceed those available at any other Latin American city.

Braniff has provided training and education to permit upgrading of personnel and the advancement of Peruvian workers into steadily higher paying jobs. A management training program is conducted regularly in Lima, and some employees attend advanced programs in Dallas. The maintenance school that is operated continuously by Braniff is, more or less, the post graduate school of the Collique Aviation Training School. The Peruvian Air Force is the main sponsor of this school where pilot and mechanical training are the specialities. In addition to the management and maintenance courses offered by Braniff, cabin attendants are trained in Lima and Dallas. There is also instruction in ground operations, and other training is available in ticketing, reservations, and tour planning. Nearly every person in a responsible position in airlines in South America has had some training in Braniff's program. It is recognized throughout Latin America as the best
source of qualified airline personnel. This policy had paid clear dividends to the Peruvian workers at Braniff as evidenced by the advance in average annual wages from $2,137 in 1959 to $4,705 in 1968. These advancements were made in spite of a relatively high level of worker availability and a generally low level of wages in the country. In addition to the steadily rising wage level paid by Braniff, the airline has also contributed to the workers' benefits including retirement, indemnization, and insurance.

The Labor Ministry in Peru is very active, and virtually all facets of labor relations come under the scrutiny of the Ministry. Individuals, as well as companies, can go to the Ministry with complaints. Labor is generally unionized in Peru so that such unions roughly divide into two basic types—empleados (white collar) and obreros (blue collar). Braniff deals with many unions but has never had any difficulty maintaining a full working force.

The total annual employment expenditures, including wages and the above mentioned benefits, amounted to $155,396 in 1959 but advanced 43 per cent to $361,885 in 1966, and

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4 Joseph McCormick, Director Services, South America, Braniff International, Interview, Dallas, March 1970.

5 Information supplied by Edward Swatek, Braniff International, Financial Services Department, Dallas, December 1969.

6 Ibid.
then jumped sharply with the Panagra merger to $1,924,367 in 1968. Of this total, direct wages and salaries paid accounted for approximately 77 per cent. Although figures are available for only those permanent employees hired by Braniff, two other facts must be kept in mind. This figure does not include pilots or cabin attendants or those engaged in building facilities for Braniff.

In addition to wages paid, Braniff must, according to Peruvian law, pay 10 per cent of the payroll each month to the government. The government (out of this fund) then pays the employee's pension upon his retirement. Beyond the basic wages and benefits paid, Braniff has made other recurring expenditures of funds in Peru.

Braniff purchases a variety of materials in Peru, especially passenger food, and stationery, printing and office supplies. In total, such purchases, at only $6,377 in 1959, increased to $21,818 in 1966, and jumped sharply to $415,307 in 1968 after the merger with Panagra. Of

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7 Ibid.

8 Edward Sanchez, Manager Budgets and Costs, South America, Braniff International, Interview, Dallas, March 1970.

9 Ibid., (In 1969 this amount was increased by the Peruvian government to 12 per cent.)


11 Information supplied by Edward Swatek, Braniff International, Financial Services Department, Dallas, December 1969.
this latter amount, more than 75 per cent was spent for passenger food service. Braniff has consistently introduced Peruvian products to its airline passengers. Those riding the domestic flights of Braniff are made acquainted with Peruvian silver products and Peruvian glassware. Of course, the Latin American customers of Braniff are exposed to the excellent seafood from Peru, as well as other food delicacies boarded at Lima. Braniff also purchases small quantities of fuel and oil for ground equipment, maintenance material and supplies in Peru. In total, these purchases of materials and supplies amounted to $431,111 in 1968 or 9.6 per cent of total Braniff expenditures in Peru. In addition, Braniff buys large quantities of aircraft fuel from the Government of Peru. In 1968, $461,846 was allocated from the Head Office for the purchase of this item in Peru.12

Another large bloc of Braniff expenditures in Peru are made for services, rentals (landing fees are included in this account), and a miscellaneous group of such items as advertising, tariff schedules and time tables, and other promotional and publicity expenses.13 Of note in these expenditures have been the charges for rentals and landing fees; advertising; personnel expenses; telephone, telegraph and cable charges (included in this account are

12Ibid. 13Ibid.
the overflight charges); and expenses for other services. Landing fees have accounted for the largest portion of expenditures within this entire category and, together with rentals, rose from $81,096 in 1959 to $271,326 in 1966, and to $908,556 in 1968.\textsuperscript{14} Measured by pre-merger standards the second largest expenditure was for other services. However, since the merger, personnel expenditures have now clearly risen to second place, and in 1968 amounted to $458,796. Of considerable note is the expenditure for traffic commissions (paid to tour operators, travel agents, ticket agents and freight forwarders) which in 1968 totaled $250,224.\textsuperscript{15} Telephone, telegraph and cable charges and overflight charges have been substantial throughout Braniff's history in Peru, rising more than ten fold to a 1968 level of $196,948.\textsuperscript{16} As a bloc of expenditures these payments for landing fees, overflight charges, utilities, commissions, rentals, and services amounted to $105,927 in 1959, $399,724 in 1966, and $1,481,264 in 1968 or 33 per cent of all Braniff spending in Peru. The composition of the rental expenditures account should be clarified as it is the largest item in this category. This account now totals over $900,000 and, outside of wages, is the single most important expenditure of Braniff in Peru. These rentals cover expenditures for a ticket office at the Crillon Hotel and the District

\textsuperscript{14}\textit{Ibid.} \hspace{1cm} \textsuperscript{15}\textit{Ibid.} \hspace{1cm} \textsuperscript{16}\textit{Ibid.}
sales and reservations office on the second floor of the Gran Bolivar Hotel in Lima, as well as the extensive space occupied by Braniff ticket areas, club rooms, and office rooms at Jorge Chavez International Airport. Landing fees, however, claim the largest amount in this account. In 1968, of the $908,556 paid out, $846,855 of this was for landing fees in Lima. The importance of this item can be demonstrated by the fact that in 1966, landing fees and rentals were more than one-fourth of Braniff's expenditures in Peru, and even in 1968, after the merger with Panagra, landing fees and rentals still amounted to more than 21 percent of Braniff's spending in Peru. 17

Another item of considerable significance, though not in dollar volume spent in Peru, has been the advertising, promotional, and publicity expenditures, both in Peru and allocated to the Peruvian office from expenditures made in the United States. Expenditures made in the United States which relate to the Peruvian operations, including advertisements, are, for income and expense relationships, allocated to the Peruvian office. Seminars for travel agents and television commercials are the type of expenditures included in this category. From a modest $17,492 allocated from the head office in 1959, expenditures accelerated rapidly to $73,309 spent in Peru and $57,758 allocated to

17 Ibid.
Peru in 1966, for a total of $131,067. This total advanced still further to $168,775 in 1968, but by far the largest proportion of this latter amount was allocated from the head office.18 This large expenditure for advertising and publicity indicates Braniff's long-term commitment to Peru and is representative of its effort to encourage airline travel to Peru.

Another sizable bloc of expenditures in Peru has been in direct payroll and other taxes, as well as clearance, customs, and duties. Such taxes amounted to $21,822 in 1959 or nearly 7 per cent of total expenditures in Peru. Total direct taxes paid rose quickly to a level of $70,951 in 1966, but also of importance, were the taxes allocated from the head office, amounting to $45,148 in the latter year. By 1968, with the merger, direct taxes paid in Peru amounted to $165,305.19 In a nine year span, taxes paid, both directly and from the head office, increased more than five fold.

Other miscellaneous expenditures in Peru have amounted to relatively small totals, but the total of all expenditures paid directly into the Peruvian economy have more than tripled at each time interval from 1959 to 1966 and then to 1968. If all expenses attributable to the Peruvian operation, both spent directly in Peru and allocated from

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18Ibid. 19Ibid.
the head office, were totaled, the amount in 1959 would reach $936,754 while in 1966 this amount was $2,272,132, and in 1968 it was $8,061,281. In this latter year, such expenditures were 9 per cent of the total operating expenditures attributable to the Latin American Division of Braniff and approximately 3 per cent of the operating expenses of the entire Braniff system.20

Direct expenditures by Braniff in 1968 injected $4,465,854 into the Peruvian economy. Such an expenditure equals more than 1 per cent of the value of total exports and 10 per cent of the value of the sugar exports from Peru to the United States.21 Such direct expenditures are, of course, only a small part of the total contribution of Braniff to Peruvian economy, for by the very nature of its business, it has stimulated tourist and business trade with a resulting heavy expenditure of funds from these sources as well.

Important as the direct expenditures may be, the basic business of any airline is to move people and cargo, and Braniff's real contribution to Peru is the enlargement of that country's economic and financial horizons. As an international airline Braniff is one of those responsible for the sharp increase in tourist trade by providing the

20Ibid.

requisite means of transportation. However, Braniff in recent years has moved far beyond just transportation and has decided that other elements to attract the tourist are needed to spur air transportation to Peru.

Announcement was made in May of 1968 of Braniff's program to increase Latin American first class hotel accommodations. Market surveys were initiated to determine what was needed and solutions sought to problems that have long deterred hotel development in South America. Many countries desire the benefits from increased tourism, but they have been slow to develop the facilities needed and demanded by the affluent traveler. As a result, United States airlines "have taken the initiative in many areas to develop adequate facilities for their passengers." 22 Most of the Latin American governments have been slow to spend money on promotion of tourist travel, but many of these "administrations have made it easier for foreign capital to invest in new tourist facilities," such as hotels, clubs and resort areas. 23 Peru confirmed in 1968 an Incentive Decree which offered far-reaching duty and tax exemptions, including a provision that companies or individuals may invest profits or earnings tax-free, for specified periods, in the stocks


23 Ibid.
and bonds of hotel companies. Braniff's building program in Peru calls for spending $1.6 million in developing and building tourist facilities.

The first result of Braniff's endeavor has been the recent opening in Lima of Tambo de Oro, Restaurant and International Market. Tambo de Oro is owned by Improtur S.A., a Peruvian subsidiary of Braniff International, and represents a joint undertaking by United States and Peruvian talent. This beautiful restaurant has been created in a palatial old residence built in 1950 on the foundation of an 18th Century Colonial home. In conjunction with the restaurant, a market of fine shops has been filled with new products and old artifacts to please the tourist. Improtur S.A. also built a new hotel thirty miles south of Lima. This resort facility, Santa Maria Beach Club Hotel, is located on "the hillside of a breathtakingly beautiful cove" and offers the traveler the most luxurious of accommodations. Braniff has used native craftsmen and local products wherever possible to make this Beach Club Hotel truly a Peruvian creation.

"Already in operation and being expanded is a charming country inn called Granja Azul, located thirty miles east of Lima."28 This inn was formerly locally owned, and Braniff has become a minority partner. This resort area offers the tourist private bungalows, swimming pools, a golf course and horseback riding. Braniff has also made commitments to build another resort hotel at the Lima Golf Club. In addition, Braniff has encouraged the recently opened Unicorn Discotheque in Lima, affording the tourist a gay night life.29

Braniff has leased an old Roman Catholic monastery to be remodeled into a hotel to serve the Cuzco area. Mountainous Cuzco, the capital of the Inca empire, desperately needs up-to-date hotel accommodations in order to compete in the lucrative tourist market. Cuzco has much to offer the world traveler—interesting native arts, beautiful scenery, ancient ruins—but must also have modern facilities to attract them.30 When Braniff acquired Panagra Airlines, the purchase included, as has been noted, about 20 per cent of Faucett Airlines owned by Panagra. Faucett has a daily flight connecting Lima and Cuzco, and

28Ibid., p. 49.
29Charles South, Vice President, South America, Braniff International, Interview, Dallas, October, 1969.
30Ibid.
the majority of tourists are carried on this route. An overnight stay in Cuzco is necessary for the tourist to be ready to make the trip to the fabulous ruins of Machu Picchu. What more logical place for a tourist facility such as Braniff plans to build than in Cuzco?

In a recent article, "Tourism Beyond the Rio Grande", Terrence Cullinan, states that the three primary reasons for the Latin American tourism industry being underdeveloped are:

(1) misconceptions of Latin America by outsiders (primarily U.S. citizens); (2) poor relationships—including excessive costs and lack of services—with those tourists who do come; and (3) lack of interest in and support for tourism by Latin American governments. 31

Braniff's twenty year history in Peru has been one of continual effort to promote understanding, tourism, and cooperation with the Peruvian government. These efforts have been recognized by Peru and acknowledged by awarding Braniff International a gold medal in 1950 for cooperation in promoting tourist trade during the Lima Fair. 32 In 1957 Braniff was awarded the Orden del Merito in "recognition of distinguished services to civil aviation in uniting Peru more closely with its sister Latin American republics and the United States." 33 Again in 1963, the city of Lima

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32 NRF, February 9, 1950. 33 NRF, May 2, 1957.
awarded the gold medal to Braniff in "justified recognition of Braniff's valuable contributions to the progress and welfare of the municipality."^34 In April 1969, in a private conversation with the author, a highly-placed Peruvian government official glowingly praised Braniff International. He was especially enthusiastic over the things Braniff has done and is doing to promote tourism in Peru.

In order to foster better understanding between Peruvian and United States citizens, Braniff has carried on a variety of projects. Each year since 1950 Braniff has provided travelships for Latin American students. These travelships consist of a round-trip ticket aboard Braniff for those students with scholarships for a full year of academic study in the United States.^35 Another project is the "Concierto Entre Las Americas". Through the sponsorship of Braniff and the Dallas Symphony Orchestra, a program was instituted to introduce Latin American artists, compositions, and instruments to North American audiences. In addition to the concert series in the United States, concerts were conducted in Latin America by the Dallas Symphony directors. Braniff also helped Latin American musical groups to participate in forums and lectures with these directors while they were in Latin America.^36

In mid-1950 the Braniff Business Bureau was established to help United States businessmen obtain information on trade possibilities in Latin America. As noted earlier, this bureau "provided similar service in Latin America to encourage Latins in doing business in the U.S." To inform more United States citizens about Peru, Braniff, as early as 1948, engaged James A. Fitzpatrick of Hollywood to produce a series of travelog films featuring the highlights of a trip to Peru. A constant production of films has kept this film library up-to-date. Braniff has always stood ready to help Peruvians in an emergency. On occasion, and with CAB permission, Braniff has flown seriously ill patients from Lima to Minneapolis. In 1950 Cuzco was severely damaged by an earthquake, "the worst in modern times." An unusual set of circumstances enabled Braniff to fly supplies from Argentina to Peru. At the time of the earthquake, Tom Braniff and his guests were in Buenos Aires, having arrived on Braniff's inaugural flight to Argentina. When Eva Peron, wife of Argentina's President, offered to send aid to Peru, Tom Braniff immediately offered to fly it there.40

During the decade of the fifties, Braniff pursued policies designed to increase tourism and cooperation.

Under Charles Beard's leadership, Farmer Friendship Tours were organized. He interested South American cattlemen in coming to the State Fair of Texas and the Pan American Livestock Exposition; commissioned three outstanding Latin American artists to create the menu covers for the Latin American Division; and started negotiations to buy Panagra Airlines.

The soaring sixties ushered in a dynamic era. With a solid foundation upon which to build, Harding Lawrence, Braniff's third and present President, "jetted" the airline into a new dimension. It is, as Harding Lawrence stated in April 1965, "the company's intention to rededicate and direct all of its energies, equipment, know-how and organization toward creating an exciting new dimension in airline transportation." The time had come to implement fully those policies of understanding, tourism and cooperation--the new hotels and other tourist accommodations were planned, and some built, with a degree of cooperation between Peruvians and United States citizens never before experienced; the Panagra merger was finalized; the era of plain planes was over; Braniff's fleet was converted to full jet aircraft; and a new emphasis on cultural understanding was achieved through the Braniff art collection. Braniff has assembled a collection of art from ten South American

41NRF, April 19, 1965.
countries. This collection represents some artists already known abroad, but for the most part, it is a show-case for young artists who have yet to gain international "reclame". Braniff International, in collaboration with the University of Texas, is now sponsoring this Latin American art collection. It has been shown in many of the cities that Braniff serves in the United States.\footnote{Thomas M. Cranfill, "The Braniff International Airways Collection," \textit{Texas Quarterly}, VIII (Autumn, 1965), 2.}

Early in the new decade of the 70's Braniff has already shown the continuation and expansion of its policies to promote understanding, tourism and cooperation. Through Braniff's good offices, the Hoblitzelle Foundation in Dallas, Texas arranged to return to Peru three large 17th Century paintings. These works of art were purchased over fifty years ago from the then owner of the Torre Tagle Palace in Lima and have been in the United States since then. Braniff had the paintings restored and reframed, and transported them to Peru. They were returned by President Harding Lawrence to the Torre Tagle Palace on February 16, 1970, in an impressive show of cultural goodwill between the United States and Peru.\footnote{Lima \textit{El Comercio}, February 16, 1970.} The ceremony was described in the Lima newspaper, \textit{La Prensa}, as follows:

\footnote{\textit{La Prensa}, February 16, 1970.}
"El Presidente Velasco hablo en terminos muy cordiales de la amistad del pueblo peruano par con el norteamericano." canto ayer el Presidente de Braniff International, Harding L. Lawrence, a la salida de su entrevista con el Jefe del Estado.44

Through all these endeavors, Braniff has proven its intense interest in Latin America, and especially Peru. It has made a significant contribution in the form of direct expenditures but, more importantly, has been a prime instrument in the growth and development of the Peruvian economy. Braniff has participated extensively in—and is a part of—the civic, social and cultural life of the country.

44Lima La Prensa, February 17, 1970.
CHAPTER V

CONCLUSIONS

The record of Braniff International in Peru illustrates some of the most favorable and desirable features of private United States corporate activities in a foreign land. Absent from Braniff's nearly a quarter of a century of service have been any of the unfavorable aspects often attributed to American businesses abroad. In fact, Braniff operations may be close to the model for a service carrier. Braniff has worked well with the Peruvians, has made a contribution toward opening United States markets for Peruvian products, and, in turn, has opened Peruvian markets for United States exports. Although small in the beginning, one cannot overlook the very sizable direct expenditures of Braniff in Peru, currently about $8 million a year, as well as the strong indirect benefits of the employment of more than 400 Peruvian workers and the rather lavish advertising conducted in the United States to lure tourists and businessmen into Peru. Beyond a doubt, Braniff's efforts, along with those of other airlines serving Peru, have vastly enlarged the tourist industry and show promise of even greater enlargement in the future.

Of considerable importance beyond these direct benefits, has been Braniff's very commendable role as a corporate
citizen, staying free of political entanglements but constantly supporting the economic, cultural, and social progress of the country. While the Peruvian and Latin American operations of Braniff have not yielded a net return until recently, the fact of Braniff flying internationally to Peru has bolstered the growth of Braniff International, not only in its Latin American operations but also domestically. The experience of Braniff in flying its international operation in Latin America was undoubtedly a factor in the steady increase of Braniff operations elsewhere and its ability to obtain new route certifications. Braniff International has also benefited from its Peruvian route by its ability to compete with other international carriers and its demonstrated willingness to take those direct and indirect steps so necessary for success in dealing with countries and customers. To some extent, its favorable record probably was a factor in obtaining the necessary permissions to merge with Panagra.

Of considerable importance to Braniff and the midwest sector of the United States is the potential for developing inland ports served through air transportation and capitalizing upon the greater cargo capacities of modern day aircraft and the trend toward containerization in the shipment of high value-low bulk commodities. In effect, Braniff has pioneered this development for the Southwest, especially from Latin American cities. As in 1943, today Braniff is
the only international carrier serving the heartland of the United States and most of the important points in Latin America.

Bolstered by its merger with Panagra, Braniff International steps into the new decade of the seventies with the capacity and willingness to serve, which auger well for further improvements in air transportation both to the United States and to the Latin American countries. Braniff's new program for hotel and specialty tourist construction seems to point toward an even greater growth of tourism in Peru where the majority of such facilities have been planned and constructed. With such an enlightened corporate attitude and willingness to invest in needed facilities, Braniff will be leading the way toward greater air transport relationships in Peru and other countries in which the airline serves. These new facilities can only mean further growth potential for Peru, enhancing the partnership within which Peru and Braniff International have been engaged for nearly a quarter of a century.
MAP OF BRANIFF INTERNATIONAL ROUTES IN LATIN AMERICA

1948
1967
1969

Fig. 3—Braniff LAD routes
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