Iloilo and the Birth of Commercial Aviation in the Philippines

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ABSTRACT

Although mining might have been the most exciting industry in the Philippine economy during the 1930s, sugar was never supplanted as the country's most important export. This made Iloilo a thriving commercial center, and according to *The Tribune*, the Iloilo/Negros region had been "the center of the greatest commercial activity for the last twelve years, accounting for about 60 percent of total government revenues." These circumstances made the Negros sugar barons among the richest men in the country, and among them were the Lopezes who would go on to create what was the first true commercial airline in the country.

KEYWORDS

Iloilo, Baguio, aviation, airlines, Commowealth, Quezon, Lopez, Soriano

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INTRODUCTION

The sugar economy and the prominence of Iloilo as a center of major economic activity could not be undermined as a factor in the creation of new industries in the country, particularly during the period when the Philippines was on its road toward independence from colonial rule. Accordingly, the narrative of this article seeks to establish not only the beginnings of commercial aviation in the country but also the relevance of human agency and historical events in economic and political relations, as well as the significance of Iloilo in the nation's history. Specifically, this article shows how, through one particular actor, Iloilo became a center of the development of air transportation in the country.

After Philippine ports opened up to world trade during the mid-nineteenth century and resulted in the creation of a flourishing sugar economy, the prominent mestizo families of Iloilo became among the wealthiest in the country, and it was within this context that the Lopez family created the first Filipino-owned airline in the Philippines. The end of the Second World War and the ensuing political independence from colonial rule created the circumstances in which the Lopezes based their airline enterprise in Manila, and resulted in its being bought out by its major competitor. But from that major setback, the patriarch of this mestizo family from Iloilo would go on to form what continues to be one of the biggest media empires in the country.

BAGUIO, ILOILO, AND THE BIRTH OF COMMERCIAL AVIATION

Gold mining had been a thriving industry in the Mountain Province since the end of the Filipino-American War, but it was not until 1930, in the wake of the Great Depression, that investments from big mining conglomerates would pour in. These developments made Baguio City the center of the country's revitalized gold mining industry, and set the stage for the creation in December 1930 of the Philippine Aerial Taxi Company or PATCO. On 24 December 1931, the first PATCO flight took off from Grace Park, Caloocan, thereby marking the start of regularly scheduled airline services in the Philippines.[1] PATCO struggled to make a profit at the onset, but through subsidies provided by one of its directors, Don Andrés Soriano, the company was able to purchase a Bellanca "Skyrocket" in early 1933, and on 11 March 1933 at 6:30 a.m., PATCO's new aircraft took off for the first of its regular hour-long flights to Baguio.[2]

Although mining might have been the most vibrant industry in the Philippine economy during the 1930s, sugar was never supplanted as the country's most important export, thereby making Iloilo a thriving commercial center. Accordingly, the Negros sugar barons became among the richest men in the country. Among them were Don Nicolas Lizares, the manager of the Talisay-Silay Sugar Central, who went to Java for a business trip in 1932 and came upon the opportunity to ride on a Koninklijke Nederlandsch-Indische Luchtvaart Maatschappij (KNILM) commercial plane, which they found to be safe and dependable.[3] After that experience, he read up extensively about aviation from books and American magazines, and shared his idea of establishing an airline operation between the Visayas and Manila with two of his brothers-in-law: lawyer/economist Salvador Araneta and Dr. Rafael Santos.[4] Dr. Santos shared the idea of Lizares to their father-in-law, Don Eusebio Lopez, founder of the Lopez Sugar Central Mill Co. As Don Eusebio was already fatally ill at the time, his sons, businessmen and newspaper publishers Eugenio and Fernando Lopez were the ones, who forked out one million pesos in capital to establish the Iloilo-Negros Air Express Co., Inc. (INAEC).[5]

The Lopez family had a strong belief that the vital industries of the country must be kept under Filipino control, as he had always believed that Filipinos could be as good as the Americans at anything.[6] As INAEC was 100 percent Filipino-owned, this differentiated it from PATCO, which was practically owned by American citizens, such as Andrés Soriano and PLDT founder J. E. H. Stevenot. Moreover, the fact that INAEC was based in Iloilo reinforced that city's status as the "Queen City of the South," which was at par with Manila in terms of transportation and communications infrastructure. In fact, Iloilo had already earned the moniker "first in communications," as it had the first long distance telephone service and cables across the sea to Negros Occidental, and was the first city chosen by the Philippine Long Distance Telephone Company (PLDT) to link with Manila.[7] The Lopez-owned bus services also made use of the latest Greyhound buses from America with female conductors and regulated time schedules, and their Iloilo Shipping Company was operating a "first-class modern ferry." This was the same type of philosophy that the Lopezes applied in the selection of their aircraft.

Unlike the gold mining executives who regularly took one-hour flights to Baguio on the very spartan Bellancas, the Visayan socialites required the extra element of comfort for the three-hour flight between Manila and Iloilo. Moreover, the Lopezes also realized that it had to project the reality that air transportation was already a safe and reliable public conveyance, and no longer a technology in its experimental stage.[8]

Therefore, true to the Lopez principle of only acquiring the best available technology for its pioneering businesses,[9] INAEC purchased the latest aircraft from the United States, a 720 horsepower tri-motor aircraft from the Stinson Aircraft Corporation[10] in Wayne, Michigan, and also brought in a "factory" pilot and mechanic.[11] It had space for ten passengers and five thousand pounds of luggage, and the capability to cruise at 120 miles per hour. Its safety was practically guaranteed as it was capable of making a controlled landing even if only one of its three engines was functioning.[12] Unlike the rugged PATCO Bellancas, the Stinson was a true luxury airliner that had amenities similar to what was being used in the United States at the time: elaborate interiors, toilets and lavatories, upholstered seats arranged at single file on either side of the cabin, large windows, and individual ventilators and shaded reading lights.[13] The unit purchased by INAEC had an upgraded air-conditioning system to make it more suitable for local weather, and included radio telephones that could be used to contact PLDT landlines. No expense was also spared as far as equipment and infrastructure was concerned, as the INAEC hangar was built at a cost of twenty thousand pesos and included amenities that were unheard of during those days, such as a passenger waiting area, toilets, and quarters for the aircraft crew.[14] Aside from the main airport at Fort San Pedro in Iloilo, they also constructed three airports in Negros: Bacolod, La Carlota, and Fabrica,[15] which brought their passengers close to their hacienda.

The Stinson aircraft was baptized in Detroit, Michigan, by its mayor, who quipped, "I'll see you in Manila!"[16] He was no other than Frank Murphy, who would sail a few days after that ceremony for Manila to assume his post as the last of the colonial-era governors-general to serve in the Philippines. Murphy would not arrive in Manila until after INAEC's inaugural flight. Nonetheless, his predecessor, Governor-General Theodore Roosevelt Jr., was scheduled to be among the first passengers to make the maiden flight from Grace Park to Iloilo on 3 February 1933.[17] While the governor-general was unable to join the inaugural flight as his wife became sick, there was no shortage of both American and Filipino VIPs to grace the events of the day that marked the official launch of INAEC as a regularly scheduled airline. Iloilo Governor Jose Yulo arrived on a steamer from Manila on 1 February to prepare for the welcome of Senate President and Mrs. Manuel L. Quezon, who were the guests of honor at the arrival of the maiden flight from Manila.[18]

On 2 February, the Stinson plane, piloted by Captain Lee Smith, took off from the Iloilo Airport at Fort San Pedro, and arrived at Nichols Field at 10:40 a.m. after a two-hour and fifty-minute flight, with Mrs. Eugenio Lopez and Benita Lopez among its passengers.[19] Shortly thereafter, Eugenio Lopez and publisher Alejandro Roces were taken by Captain Smith for a ride over the city.[20] An indication that the entry of INAEC was not a threat to PATCO's operations, one of its directors, Major J. E. H. Stevenot, was also among the passengers who went for the joyride. The plane was then transferred to Grace Park, which was to serve as INAEC's permanent airport in Manila. On 3 February 1933 at 9:45 a.m., the INAEC Stinson finally arrived in Iloilo. Among its passengers who boarded at Grace Park were Senator and Mrs. Claro M. Recto, Acting Floor Leader José Zulueta, Representatives Juan Luna and Miguel Cuenco, Mr. and Mrs. Alejandro Roces Jr., Mr. and Mrs. Salvador Araneta, James King Steele, Captain Russell Maughan of the newly created Aeronautics Division, and Major J. E. H. Stevenot. Upon arrival in Iloilo, a special blessing ceremony took place in which Mrs. Aurora Quezon cut the ceremonial ribbon, with Mrs. Soledad Zulueta assisting her.[21] What followed after the ceremonies was an occasion to engage in what was the most pressing political concern at the time.

At the arrival two days earlier of President Quezon's party, which included Senators Gil Montilla and Antonio Belo, a crowd of Negrenses with placards against the Hare-Hawes-Cutting Act were on hand to greet them.[22] This concern made its way into the tea party at the residence of Governor Yulo, which took place immediately after the ceremonies. Despite being too ill to speak at the INAEC ceremony, Senate President Quezon expressed his "anti" views toward the "compromise bill" for Philippine independence that was presented to the Legislature for approval by the independence mission of Sergio Osmeña and Manuel Roxas.[23] Negros sugar barons were actually "pro" Hare-Hawes-

Cutting Act in the ongoing contentions between two factions that were deliberating its approval, as it was the big sugar centrals that would surely benefit from the sugar quotas that would be imposed should it be approved.[24] Panay was also Roxas turf, and it was expected that the personalities here would be among the "pro" supporters. The position of Eugenio Lopez on that issue would be determined by his friendship with the Senate president.

There was actually a close friendship between the Quezon and Lopez families, which became even closer on 14 January 1928 when the newlyweds Eñing Lopez and Pacita (Nitang) Moreno left for their honeymoon in Japan aboard the *President Grant*, and met Aurora Aragon Quezon along with her daughters Baby and Nini, who were on their way to America to visit Quezon who was recuperating in the Pottinger Sanitarium in Monrovia, California.[25] While the two families bonded on that voyage, Nini Quezon Avanceña recalled that Eñing had been a family friend even before then.[26] Nonetheless, according to Lopez family historian Raul Rodrigo, it was during the INAEC inauguration "that Eñing went with Quezon on the Hare-Hawes-Cutting issue … due to his personal loyalty to an old friend."[27]

LOCAL POLITICS AND THE FRANCHISING ISSUE

While Quezon, in his capacity as Senate president, may not have directly intervened in the government oversight over INAEC's operations, it was the function of the legislature to oversee the allocation of property rights to airline companies to operate in their preferred routes. The ideal protection that could be enjoyed by a company engaged in a public service would have been a franchise agreement, whereby the principal would be granted a franchise by the government that guaranteed exclusive rights to operate their businesses within agreed guidelines over a certain time period. In the case of an airline company, such guidelines would involve the rights to operate certain routes without fear of competition. This was a concern for INAEC even before they started operations, as the first franchise bill for an airline company was sponsored by Iloilo Representative José Zulueta in 1932.

Speaking on behalf of a company named “Insular Airways Service, Inc.,” he requested a franchise to operate for a period of fifty years on any air route within the Philippines except the Manila-Baguio route operated by PATCO.[28] As the owners of the entity were not disclosed, nor was there any guarantee that an airline would actually operate, the bill was rejected by the Legislature.[29] Still, Zulueta persisted in his efforts to have a franchising law enacted, and he succeeded at the end of 1932 when he introduced a bill to amend the Public Service Commission Act, which provided that “no aviation public service shall operate in the Philippine Islands without having first secured from the Philippine Legislature a franchise to operate an air service.”[30] Secretary de las Alas opposed the bill, as it tended to promote a monopoly in that a company capable of influencing the Legislature could secure a franchise and block the granting of additional franchises to smaller companies that did not have similar connections.[31] Indeed, this might have been tantamount to the creation of a rent-seeking environment, in which INAEC influenced agents of the government to help them block potential competition. Such an arrangement would have benefited their business, but it also discouraged the continued development of the country’s aviation institutions. Despite the opposition of Secretary de las Alas to Zulueta’s bill, it was approved by the Legislature, and enacted into law by Governor-General Theodore Roosevelt Jr. as Act 4033.[32]

INAEC wasted no time in abiding by the new law, as Senator Gil Montilla from Negros Occidental filed a bill to request a franchise on their behalf a week before their inaugural flight.[33] Among its key provisions were the following: (1) a concession of fifty years to operate between any point within Manila and the provinces of Rizal, Iloilo, Negros Occidental, Negros Oriental, Cebu, Zamboanga, and other destinations that INAEC may select later on; (2) the right to fix rates for the carriage of passengers and cargoes; (3) the right to acquire condemned lands for constructing airport facilities; and (4) payment to the government annually of an amount equal to 1½ percent of gross earnings.[34] Similarly, a bill was also filed on PATCO's behalf for the protection of its Baguio route.[35] Should these bills be enacted into law, the arrangement would be mutually beneficial to both airline companies as PATCO, which was capitalized at two hundred thousand pesos, was granted a fifty-year franchise to exclusively operate the Manila-Baguio route, while INAEC, capitalized at one million pesos, was given a similar franchise to operate two Stinson aircraft between Manila, Iloilo, Negros, Cebu, and other provinces where services are not available.[36] While this was a clear indication that this arrangement gave INAEC a clear advantage with regard to airline routes, there were no misgivings between the two companies since PATCO was more concerned with its synergy with the mining industry rather than the development of a true airline service. In fact, INAEC vice president Salvador Araneta even referred to PATCO president William J. Shaw as "a dear friend,"[37] as these two companies were practically set up by the Legislature to create an oligopoly over the country's commercial routes. All that was needed was the governor-general's signature to enact it into law.

Unfortunately, the deliberations on their franchises were muddled by the entry of Pan-American Airways[38] into the discussions. Although the committee on franchises approved a resolution which stated that there was no need for Pan-Am to have a franchise to operate an international route,[39] there was still apprehension from the side of the local airlines that this foreign company would compete on their domestic routes. As the legislative sessions were about to close toward the end of 1933, the members of both houses were swamped with a wide range of items on their agenda: sugar limitations, cement prices, pork barrel funds, the battle for the house speakership, preparation for the 1934 Senate elections, and of course, the deliberations on the Hare-Hawes-Cutting Act. Still, one item that made the headlines from time to time was the final decision on the following airline franchise bills: (1) the Pan-Am franchise bill to operate between the Philippines and foreign ports; (2) a fifty-year franchise for INAEC to operate two Stinson planes between Manila, Iloilo, Negros, Cebu, and other provinces where air service is not available; and (3) a similar bill to grant PATCO a fifty-year franchise for the Manila-Baguio route, plus other provinces with the exception of the provinces between Manila and Iloilo, Negros.[40] The 9th of November 1933 was a busy day at the Legislature as the speakership of the House was a major issue up for deliberation. However, the Senate managed to pass Bill 325, "granting franchise to the Pan American Airways company to operate certain international air transport services in the Philippines."[41] The main concerns then of INAEC and PATCO were their own twenty-five-year franchise applications. After much deliberation, the lower house and the Senate reached an agreement, and expectations were high that they would both be signed by Governor-General Frank Murphy.[42] On 8 December 1933, however, *The Tribune* announced that the franchise applications of both INAEC and PATCO had been vetoed, as the life franchise was considered too long.

The absence of franchise protection may have left PATCO and INAEC vulnerable to potential competition, yet they were able to successfully expand their operations. Since INAEC's inception, legislators acted on their behalf to push for a franchise bill that would have given a virtual monopoly to a 100 percent Filipino-owned company over air routes between Manila and the Visayas that were patronized by the country's elites. PATCO, on the other hand, was essentially a shuttle service to the country's mining sites, and it became an indirect beneficiary of this legislative agenda as they would have also enjoyed the same monopoly privileges that would have also been awarded to INAEC. Up until this point, however, conflicting motivations of the pro-Lopez legislators and the seemingly pro-American executive branch prevented successive franchise bills from being passed. Adding the idealism and grandstanding stance of certain senators and legislators into the mix of arguments created the recipe for certain deadlock.

The legislative session of 1935 was to be the last of the colonial era, and president-elect Manuel L. Quezon was to assume the leadership of a nation that would become independent within ten years' time. Based on the outcome of the franchise bill deliberations, it could be surmised that the incoming president was in favor of a new order in Philippine aviation. Working until 11:15 on the evening of the 16th of October 1935, the House of Representatives passed three airways franchise bills for INAEC, PATCO, and Pan-Am.[43] Among the provisions, which also applied to PATCO, were an exact definition of protected routes, the right of the Philippine government to make use of their equipment in the event of war or any other national emergency, guidelines on the sale of company stock, and penalties for any violation of the terms of the franchise.[44] As far as Pan-Am was concerned, outgoing governor-general Murphy seemed to know from the start that the Quezon administration would act favorably on their plans. As the Commonwealth inauguration drew closer, incoming president Manuel L. Quezon and incoming vice president Sergio Osmeña promised cooperation on the political front so as not to impede the handling of the economic uncertainty faced by the Philippines. Nonetheless, the thrice-weekly INAEC flights between Iloilo and Manila enabled Eugenio Lopez to establish a greater presence in Manila, thereby paving the way for his greater role in the nation's political economy.

NATIONALIZATION, MODERNIZATION, AND NEW COMPETITION

Central planning became a centerpiece of the Commonwealth government's economic program, in which the government provided the impetus for the development of industries that would have otherwise been provided by American businesses. Among these were public utilities, including transportation. Hence, a proposal was made in 1936 by the president to the assembly for the government to operate its own transportation services.[45] It was not until September 1938 that a specific action was taken on this plan, when the president announced that a vessel owned by the Philippine Interisland Steamship Company (a subsidiary of the American-owned Dollar Line) was purchased by the government. This was followed by an announcement by the National Airways Board that it had completed drafting plans for a merger of domestic airlines into one semi-government-controlled corporation, which will not only serve as a permanent commercial airline enterprise but may also be utilized for military purposes in time of emergency.[46] The Aeronautics Bureau, however, had another idea, as it considered drafting a recommendation for higher authorities on an airways program that would allow Pan-American Airways to acquire PATCO and INAEC because it was believed that further improvements would only be possible if the capitalization of the two companies would be increased.[47] In a conference with bureau officials on 30 May 1936, INAEC manager Carlos Lopez learned of the merger, and did not close himself to the idea of accepting an attractive cash offer as he believed that the government should operate a commercial airline service so that it could rely on the state to provide all the necessary facilities to expand its services.[48] However, he decided that INEAC would do all it could to maintain its routes, and they, along with PATCO, went on to improve local airline standards by installing radio equipment on their planes and providing passengers with facilities required by the Bureau of Aeronautics.[49]

INAEC took the extra step of purchasing the most advanced passenger aircraft at that time. Its new Sikorsky S-43, purchased directly from the factory, arrived at Camp Nichols in February 1937 where it was to be assembled by army engineers.[50] This plane was similar to what Pan-Am had been using on its Florida-South America routes, which was capable of carrying sixteen passengers and a cockpit crew of three, and was capable of top speeds of 322 kilometers per hour.[51] That would cut the travel time from Manila to Iloilo by half, to about one and a half hours. An additional twenty-four thousand pesos was invested to equip the aircraft with a radiophone that could connect with PLDT and with INAEC stations in Davao, Cebu, Iloilo, and Manila.[52] After obtaining a permit from the Bureau of Aeronautics, the INAEC S-43 made its first commercial flight on 22 February 1937 with a full load of passengers consisting mostly of Negros *hacenderos*.[53] Henceforth, INAEC would also use this aircraft for daily flights from Iloilo to Bacolod, as well as a once-a-week flight from Iloilo to Davao via Cebu. The flight to Davao was particularly important to Eugenio Lopez, as it was part of his vision to create a "bridge" to Mindanao, which he saw as a land of great promise.[54] Moreover, this investment was also a reflection of the strong desire of Eugenio Lopez to invest in the latest technologies for his businesses, even if it involved huge start-up costs and uncertain public patronage.[55] The uncertainty in recovering their huge start-up investments was the reason the Lopezes cite to justify the need for franchise protection against open competition, and was probably the reason why it was desirable for the Lopezes to be in good terms with the political establishment. He would, however, be challenged by developments in 1939, when it became apparent that the president needed greater control over the institutions that administered the country's transportation infrastructure, so as to ensure that they would be adequately prepared in case the tides of war, which by then had been spreading all over Europe, would come to the country.

On 23 July 1940, President Quezon personally saw to it that PATCO and INAEC were airworthy and granted them permits to operate their regular schedules.[56] A mere two days after their permit to operate was granted by the president, the PATCO board of directors suspended their operations and grounded all their planes, citing "world conditions" as the main reason for folding up.[57] Less than a month after PATCO ceased operations, the Bureau of Aeronautics learned that a group of businessmen headed by Andrés Soriano was planning to establish a new airline, either with regular routes or charter services,[58] and on 28 February 1941, Malacañang informed the Bureau of Aeronautics that President Quezon approved the application of Philippine Airways, Inc., for a permit to operate a regular airline service between Manila and Baguio effective immediately.[59] Capitalized at five hundred thousand pesos and with Juan M. Elizalde and Ramón J. Fernández among its organizers, the new airline company planned to maintain a regular flight schedule using five Beechcraft cabin planes, two of which were on the way to the Philippines from the United States.[60] It was quite unusual for the creation of a small business to be announced by the president in advance of the concerned government institution, and that made it quite apparent that President Quezon was now an agent acting on behalf of the businessmen behind Philippine Airways, who included one of his former colleagues in the Senate (Ramon Fernandez) as well as one of his closest friends (Andrés Soriano).[61]

When 15 March 1941 came, there was no news item on *The Tribune* about an inaugural flight for Philippine Airways, although there was an announcement for thrice-weekly Baguio flights as well as a Manila-Paracale-Legaspi route for Philippine Air Lines, Inc. (PAL). Realizing that PAL was a company that would be instrumental in the promotion of air transportation in the country, the National Development Company invested in shares worth PHP 150,000.[62]

Unlike the non-overlapping routes between PATCO and INAEC during the past years, however, two airline companies now competed for carriage over common destinations. Even before PAL took over the PATCO Baguio route, INAEC had already commenced flights to that destination.[63] Eugenio Lopez then announced the commencement of regular flights to Baguio the following week at the same rates charged by PATCO.[64] Less than a month later, INAEC was also awarded a contract by Bureau of Posts Director Jose Ruiz to transport mail to Baguio, in addition to their similar services to Cebu, Davao, Bacolod, and, of course, Iloilo.[65]

POSTWAR COMPETITION AND THE END OF THE LOPEZ AIRLINE BUSINESS

When the Japanese invaded the Philippines, Soriano turned over his fleet of trucks and PAL planes to the government as he volunteered for the army service with the rank of captain given to him by President Quezon, and went through a series of promotions to become a full colonel assigned to the quartermaster in Manila.[66] Unsatisfied with a staff assignment, he volunteered for action in Bataan, where he experienced firsthand action, but was eventually pushed into retreat to Corregidor. Upon joining President Quezon in Corregidor, he was designated as secretary of finance, and assigned to coordinate the flight of President Quezon to the United States. The first stop on that escape route was Iloilo, where the Quezon family was graciously hosted by the Lopezes,[67] who were also aided by an airplane in their escape from the war.

An INAEC Sikorsky was particularly useful for the Lopezes at the onset of the war, as Eugenio's sons, Geny and Oscar, were holed up at the Mayflower Apartments with three cousins after driving down from Baguio where they had been relaxing after the national elections held the previous month.[68] On 10 December, they received a cable from their father instructing them to proceed to Batangas the following day, where an INAEC plane would fetch them. They proceeded to Balayan Bay, expecting that the seaplane would land there, but it actually landed in Lipa. The plane was resent the following day, and this time, chief Pilot Henry L. Meider was able to pick them up. Had Geny and Oscar been unable to take that flight, they would have resorted to taking the steamship *Corregidor* of Compañía Maritama, which left South Harbor on 15 December. It struck a mine in Manila Bay, resulting in the deaths of seven hundred passengers. All INAEC planes were destroyed when the Iloilo airport at Fort San Pedro was among the targets attacked by Japanese bombers on 13 December, thereby prompting Meider and the other American INAEC pilots to join the guerillas, after which he journeyed to join the US forces in Australia.[69] In the meantime, Eugenio and his family hid out at the Lopez Central in Fabrica, Negros Occidental, but he decided to surrender to the Japanese in Bacolod who eventually allowed him to return to Manila. He subsequently moved his family to a small house in Baguio City, where he became close with former Speaker Manuel Roxas, who became the godfather of his fourth child and namesake, Manolo.[70] He waited out the war with his family in the summer capital and made his way back to Manila during the liberation.[71]

With his connections to Manila strengthened due to the frequent travels allowed by INAEC flights before the war, Eugenio Lopez decided to base himself in Manila in order “to become a tycoon of national stature instead of simply a regional one.”[72] The idea to revive his airline came at the suggestion of his chief pilot before the war, Captain Henry Meider, who was back in Manila in May 1945 with the rank of US Army major.[73] He told Lopez that the US Army and Navy was going to leave behind USD 1.12 billion worth of equipment, which included fifty C-47 transport planes, the military version of the DC-3.[74] With resources from the Lopez and Moreno families[75] plus the money owed to them by the government for airmail services before the war, Eugenio Lopez bought four of these aircrafts from the Foreign Liquidation Commission, and recruited American veteran pilots.[76] Christened at Nielson Airport with First Lady Esperanza Osmeña as sponsor, the *City of Manila*, *City of Iloilo*, *City of Cebu*, and *City of Bacolod* became the first aircrafts to fly for the newly created Far Eastern Air Transport, Inc., or FEATI.[77] Its inaugural flight took place on 19 November 1945, thereby making FEATI the first airline to operate in the country after the war, and the first major postwar investment by the Lopezes.[78]

In the meantime, undoubtedly benefiting from his close ties with MacArthur and the American citizenship that he received a month earlier, Colonel Andrés Soriano received financing from Trans World Airways (TWA) and several American bankers in November 1945 and was able to revive PAL with his own acquisition of aircraft similar to what had been purchased by FEATI.[79] On 30 January 1946, Soriano was elected PAL president, while former senator Ramón Fernández reassumed his post as company chairman. PAL resumed its operations on 14 February 1946 with a flight from Manila via Legazpi to Cebu—a destination that had been exclusive to INAEC before the war.[80] As Andrés Soriano had thrown his full support behind Roxas during his presidential campaign, the latter's election as president in April 1946 gave PAL a lot of political clout, as the new president supported Soriano's request for government support to purchase new planes.

Another major advantage that PAL got from the government was its designation as the nation's flag carrier. When an airline treaty between the Philippines and United States was signed on 16 November 1946, Roxas selected PAL as the Philippine flag carrier. On 29 November 1946, the first of PAL's regular trans-Pacific flights left for Oakland, California. Subsequently, the government increased investment in PAL from PHP 150,000 before the war, to PHP 2,401,834.12, or 34 percent of total PAL stock in December 1946. Having suggested the purchase of additional PAL shares, Pió Pedrosa, who was commissioner of the budget and technical assistant to President Roxas at the time, was awarded the chairmanship of PAL board of directors, with longtime chairman Ramón Fernández becoming vice chairman. Colonel Andrés Soriano retained the post of president.

One immediate outcome of this development was the sudden animosity between the Lopezes and President Roxas. The president even went to Eugenio's residence at the Mayflower Apartments to work things out, but ended up waiting in vain. The Lopezes had reason to believe that the Roxas administration would be friendly to them owing to the fact that the First Lady, Trinidad de Leon Roxas, was godmother to Fernando's eldest daughter, Yolanda, in both her baptism and her wedding in 1946. And although it was Osmeña who made Fernando mayor of Iloilo in September 1945, Roxas renewed his appointment and even endorsed him as a candidate for senator in 1947. Moreover, as early as May 1945, Lopez had pledged to support the candidacy of Roxas for president. But apparently, the ties of Roxas with Soriano were much stronger.

Hence, despite being at a disadvantage for not being awarded the right to ply the transpacific route to the United States, and with its capitalization limited to what could be mustered by the Lopezes, FEATI, true to its name, continued on its ambition of becoming a regional carrier. Besides drastically adjusting their fares on 15 July 1946 in order to compete with the government-subsidized PAL, FEATI also remained focused on improving the services they offered to the public in order to gain a competitive edge. Despite government subsidies provided to PAL through the National Development Company, as well as the close relationship between Soriano, MacArthur, and President Roxas, FEATI was determined to succeed in its business. Unfortunately, two successive air crashes, in Mt.

Banahaw on 14 December 1946 and Laoag on 14 January 1947, resulted in so much negative publicity from which FEATI was unable to recover.[81] Hence, on 3 May 1947, PAL chairman Pedrosa issued a memorandum to the president to inform him about the purchase by PAL of all FEATI shares belonging to the Lopezes, effectively removing them as a player in the local airline industry.[82] The deal was worth over three million pesos (about PHP 677 million in 2012) and was partially financed by loans from the Bank of America and the Philippine National Bank.

CONCLUSION

The end of the Second World War and the ensuing political independence from colonial rule created the circumstances in which Eugenio Lopez, in great optimism, based himself in Manila, with FEATI as his first major postwar undertaking. Unfortunately, his close relations established with the fellow Visayan president Manuel Roxas did not matter, as the ties of the president with Col. Andrés Soriano gave Philippine Airlines a major advantage in the airline wars, which resulted in Lopez selling out to his competitor. But from that major setback, the patriarch of this mestizo family from Iloilo would go on to form what continues to be one of the biggest media empires in the country.

Although the Lopez businesses are now based in Manila, the significance of the role of the sugar economy and the city of Iloilo in the airline history, and in the history of the nation's political economy in general, could not be overlooked. Even before the inauguration of the Iloilo Negros Air Express Company, patronage involving principals and agents in the nation's political economy—that is, the Iloilo elites and political actors, respectively—became apparent on issues ranging from the future independence of the Philippines, down to the franchising of start-up industries and providing financial support to a favored stakeholder. While this puts an emphasis on the human agency of local politicians during the closing years of the colonial era, historical events beyond their control, such as the Japanese occupation, also determined the trajectory of the airline industry in the country.

Today, the Iloilo Negros Air Express Company (INAEC) still exists as a small Lopez-owned aviation firm specializing in aerial photography and charter flights (inaec.com.ph), which bears the name of the locality that was once the center of the sugar economy, the Philippine elites, and the airline industry. As attention has recently been focused on the Visayan urban centers as livable alternatives to congested Metro Manila, Iloilo could one day regain its prominence as the "Queen City of the South."

NOTES

1 *Philippine Magazine*, 1935.

2 *The Tribune*, 1933.

3 *Philippine Free Press*, 1933.

4 *Philippine Magazine*, 1935.

5 *Philippines Free Press*, 1933.

6 Raul Rodrigo, interview by the author, 24 January, digital recording, Lopez Museum, Pasig City.

7 *The Tribune,* 1933.

8 Ibid.

9 Rodrigo, interview by the author.

10 Founded in 1920 by Edward Stinson (1894–1932), his company created the first airplane with a heated, soundproof cabin, electric starter, and wheel brakes. From "Stinson Aircraft Corporation," US Centennial of Flight, http://www.centennialofflight.gov/essay/GENERAL_AVIATION/stinson/GA2.htm (27 June 2012).

11 Gonzales, Abe S., and Jesus P. Ramos. 1933. "Manila to Iloilo in Three Hours." *Philippine Free Press*, February.

12 Ibid.

13 Ibid.

14 Ibid.

15 Ibid.

16 Ibid.

17 Ibid.

18 Ibid.

19 *The Tribune*, 1933.

20 Ibid.

21 Ibid.

22 Ibid.

23 Ibid.

24 Ibid.

25 Rodrigo, interview by the author.

26 Ibid.

27 Ibid.

28 V. H. Hartendorp, "The Deadlock in Philippine Aviation." *Philippine Magazine*, May 1935.

29 Ibid.

30 *The Tribune*, 1933.

31 Hartendorp, "The Deadlock in Philippine Aviation."

32 Ibid.

33 Ibid.

34 *Tribune*, 1933.

35 Ibid.

36 Ibid.

37 Ibid.

38 There were concerns from the two local airlines that Pan-Am would compete with them on domestic routes if it were to be given a franchise, so there was much legislative deliberation to have their application blocked. As a franchise was not needed for international operations, the arrival of the *China Clipper* in Manila from San Francisco on 25 November 1935 became a celebrated event, and marked the start of regular air services from the United States to the Philippines.

39 Ibid.

40 Ibid.

41 Ibid.

42 Ibid.

43 *The Tribune*, 1935.

44 Ibid.

45 *Graphic*, 1938.

46 Ibid.

47 Ibid.

48 *The Tribune*, 1938.

49 Ibid.

50 *The Tribune*, 1937.

51 Ibid.

52 Ibid.

53 Ibid.

54 *The Tribune*, 1938. This "bridge" concept was the same premise in his decision to venture into power generation and broadcasting after the war. From Rodrigo interview.

55 Another example of this attitude was the introduction of colored television to the Philippines at a time when very few people could afford it. From Rodrigo interview.

56 *The Tribune*, 1940.

57 Ibid.

58 Ibid.

59 *The Tribune,* 1941.

60 Ibid.

61 Ibid.

62 Andres Castillo V., *Philippine Economics* (Manila).

63 *The Tribune*, 1941.

64 Ibid.

65 Ibid.

66 Regidor M. Dioso, "The Spirit of a Soldier: The Life and Career of Don Andres Soriano." *The Manila Chronicle Special Issue*, September 1966.

67 Rodrigo, interview by the author.

68 Ibid.

69 Ibid.

70 Ibid.

71 Ibid.

72 Ibid.

73 Ibid.

74 Rodrigo, interview by the author.

75 Raul Rodrigo, *Phoenix: The Saga of the Lopez Family* (Manila: Eugenio Lopez Foundation, 2000).

76 *Philippine Trends Pictorial Monthly*, 1947.

77 *The Manila Times*, 1945.

78 Ibid.

79 *Paliner* 1946.

80 Ibid.

81 Karl Friedrik K. Poblador, "Air Transportation in the Philippines: Institutions and Property Rights, 1909–1950," MA (History) thesis, University of the Philippines, 2012.

82 Pio Pedrosa, memorandum for the president regarding the purchase by Philippine Air Lines of FEATI shares, 3 May 1947, Manuel Roxas Presidential Papers, University Archives and Records Depository, University of the Philippines, Quezon City.

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