



APLICAÇÃO DO LOGO EM FUNDO BRANCO

## TAM Linhas Aéreas S.A.

**Hangar BRC – S/No. - Cabeceira da Pista – 35 R  
Congonhas  
CEP 04357-080  
Sao Paulo  
Brazil  
Telephone: (+55) 11 5582 8811  
Fax: (+55) 11 5071 1080  
Web site: <http://www.tam.com.br>**

*Public Company*

*Incorporated:* 1961 as TÁxi Aéreos Marília

*Employees:* 7,625

*Sales:* \$1.26 billion (2003)

*Stock Exchanges:* Sao Paulo

*Ticker Symbol:* TANC4.BR

*NAIC:* 481111 Scheduled Passenger Air Transportation;  
481112 Scheduled Freight Air Transportation; 481212  
Nonscheduled Chartered Freight Air Transportation;  
481211 Nonscheduled Chartered Passenger Air  
Transportation; 488190 Other Support Activities for  
Air Transportation

TAM Linhas Aéreas S.A. is Brazil's leading domestic airline. TAM operates a fleet of about 50 Airbus jets and 40 Fokker 100 turboprops, which form a vital commercial air link in a country that takes four hours to cross by plane. The company's TAM Mercosur unit flies to neighboring countries. The family of the late Rolim Amaro owns most (69 percent) of the company's shares. Amaro is credited with building an air taxi operation into Brazil's strongest airline over the course of 30 years.

### *Origins*

TAM was founded on January 7, 1961, as TÁxi Aéreos Marília (TAM), named for a city in the state of Sao Paulo. It was a pilots' cooperative. TAM was eventually acquired by sugar producer Orlando Ometto.

Ometto's right hand man was Rolim Adolfo Amaro, who joined TAM in 1963. Amaro soon after left to work for Viação

Aérea Sao Paulo (VASP), according to a profile in *Airways* magazine. In 1968, he was flying for a farm owned by a bank, which financed the purchase of his own tiny Cessna 140.

Amaro and his brother Joao started another air taxi service, Araguaia TÁxi Aéreo (ATA), in 1971. It ferried laborers in the states of Goiás and Paraná. By 1973, notes *Airways*, the enterprise was operating ten planes.

Amaro became a half owner of his former employer, TAM, in 1971. Two years later, local farmer Sebastiano Maia bought in. TAM's fleet was soon upgraded with Cessna 409s and even Learjets, notes *Airways*. TAM carried 2,800 passengers in 1972 and 18,000 in 1975. Headquarters was relocated to Sao Paulo.

### *TAR Formed in 1976*

Around this time, the Brazilian government began promoting air service to the small communities that had been abandoned by the major airlines in the age of the jet. Five smaller airlines were assigned exclusive rights to one of five regions, and TAM was earmarked for the wealthiest and most populous, the Região Centro-Oeste.

TAM Transportes Aéreos Regionais (TAR) was established on May 12, 1976. VASP received a holding in the company in exchange for contributing a fleet of six 160-seat EMB-110 Bandeirantes, plus facilities at seven local airports. In July 12, 1976, the new venture began flying its first route, Sao Paulo-Ourinhos-Maringá.

In November 1976, Amaro bought out his partners. Amaro, often called "Commandante," was known for his emphasis on customer service. "The customer is king," was his motto, notes *Air Transport World*. A red carpet was typically rolled out for passengers as they deplaned.

TAM replaced its fleet of Bandeirantes with 48-seat Fokker F27s turboprops in the early 1980s. In 1982, TAM Jatos Executivos was created to market Cessna Citation business jets.

### *A New Name in the Mid-1980s*

TAM adopted the name TAM Linha Aérea Regional on August 1, 1986, reports *Airways* magazine. With a democratic

### Key Dates:

- 1961:** Táxi Aéreos Marília air taxi service is formed.
- 1971:** Rolim Amaro becomes a partner in Táxi Aéreos Marília.
- 1976:** TAM Transportes Aéreos Regionais (TAR) is formed; Amaro acquires the rest of air taxi service.
- 1986:** TAM is renamed TAM Linha Aérea Regional.
- 1996:** TAM acquires LAPSA.
- 1998:** A Miami route is launched.
- 2000:** TAM and TAR merge; sales exceed \$1 billion.
- 2001:** Amaro dies in midst of a major expansion program.
- 2003:** TAM code shares with VARIG.

government in power, the air market was liberalized and TAM was free to begin connecting major cities via downtown airports, which business travelers found to be a great convenience. TAM was allowed to begin flying the Sao Paulo-Rio "Air Bridge" in 1989.

TAM bought an interest in the regional airline assets of VOTEC in 1986. A new company was formed around them called Viação Brasil Central. In 1996, it was renamed Transportes Aéreos Meridionais. TAM's Central operation connected some very remote spots in Brazil with a fleet of Cessna Caravans.

TAM began flying a pair of Fokker 100 twin-jets in October 1990. These allowed the airline to offer jet service from the downtown airports. The Brazilian aviation market was deregulated further in the early 1990s. This allowed for more growth, and TAM was soon operating 53 Fokker 100s.

*Air Transport World* named TAM its Regional Airline of the Year for 1995. However, with a route network of 2,140 miles, TAM stretched the definition of "regional airline," noted the magazine. The airline had revenues of about \$330 million in the 1994 fiscal year, when it carried 1.6 million passengers (one-quarter of them on charter flights). The company then had 1,400 employees.

In September 1996, TAM acquired 80 percent of LAPSA, Paraguay's troubled national airline. Renamed Transportes Aéreos del Mercosur (or TAM Mercosur), it became the unit responsible for flights to countries neighboring Brazil.

On October 31, 1996, the company suffered its worst disaster when a Fokker 100 jet crash on takeoff, killing 90 people. This and later incidents would tarnish the jet's reputation in the eyes of the public, and they were eventually replaced.

In the late 1990s, TAM joined LAN Chile and TACA in the pooled purchase of 120 Airbus jets. TAM acquired 60 A320s and five of the larger A330s, one of which were used to open TAM's first international route to Miami in December 1998. Service to Paris was launched in the next year.

### **TAM and TAR Merge in 2000**

Transportes Aéreos Meridionais and Transportes Aéreos Regionais were merged in late 2000 to form TAM Linhas Aéreas. The combined company had about 8,000 employees.

TAM was the only Brazilian airline to turn a profit in 2000, according to *Aviation Week & Space Technology*. After losing BRL 83.7 million in 1999, the carrier posted net income of BRL 41.4 million (\$17.6 million) as passenger count rose from less than 8 million to 10.4 million. Sales were more than \$1 billion. At the 2001 Paris Air Show, TAM announced orders for 20 Brazilian-made Embraer Regional Jets and 20 Airbus A318 airliners.

TAM launched a major international expansion in early 2001 by taking over routes to Buenos Aires and other destinations abandoned by VASP. TAM acquired Argentina's tiny Aerovip airline later in the year.

TAM's charismatic founder Rolim Amaro died in a helicopter crash on July 8, 2001. His widow, Noemy, headed the board of directors after his death. Amaro was succeeded as the company's president by his brother-in-law and longtime TAM employee Daniel Madelli Martin.

International services extended to Zürich and Frankfurt in May 2001. TAM also had marketing arrangements with American Airlines and Air France. Most of the international routes were cut after September 11, 2001, however. KLM Royal Dutch Airlines NV began a code-sharing arrangement with TAM on the Sao Paulo route in the winter of 2002-03. The flights were operated by TAM.

TAM lost BRL 607.5 million in 2002 on sales of \$1.7 billion. Its passenger count was about 14 million. TAM was hurt by the devaluation of the Brazilian real. The cargo division, TAM Express, accounted for about 10 percent of sales. In the cost-cutting that followed, TAM began unloading its fleet of Fokker 100 jets and cut 524 jobs. The airline did take delivery of two new Airbus jets worth \$71 million each.

### **VARIG Cooperation in 2003**

TAM began merger talks with VARIG in February 2003 as both airlines struggled in a weakened Brazilian economy. They began selling seats on each other's aircraft through a code-sharing arrangement, which helped both of them gain more of the market.

TAM managed a net profit of BRL 173.8 million (\$59 million) on sales of \$1.26 billion in 2003. The company had focused on subsidiary TAM Mercosur's flights to neighboring countries—particularly Paraguay, Uruguay, and Bolivia—rather than long haul routes, reported *Aviation Daily*.

Company president Daniel Martin stepped down in August 2003 during merger negotiations with VARIG. He would be replaced by Marco Antonio Bologna.

In the summer of 2004, TAM added 15 new regional destinations to its offerings by partnering with local airlines Passaredo, Trip, and OceanAir. The airline was soon cleared to launch routes to Lima, Peru, and Santiago, Chile. Ten Airbus 320 jets were ordered to accommodate TAM's new growth. The company was considering an initial public offering for 2005 to raise at least \$100 million. Only 0.5 percent of shares had been available on the Sao Paulo exchange.

By this time, merger talks with VARIG were no longer a priority, though the two airlines were continuing their code-

sharing arrangement. TAM was leading Brazil's domestic aviation market with more than a one-third market share.

### ***Principal Subsidiaries***

TAM Jatós Executivos; TAM—Transportes Aéreos Del Mercosur (Paraguay).

### ***Principal Divisions***

Centro Técnico TAM; Services Academy.

### ***Principal Competitors***

Gol Transportes Aéreos SA; Viacao Aerea Rio Grandense SA (VARIG); Viacao Aerea Sao Paulo (VASP).

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—Frederick C. Ingram