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8 UNITED STATES DISTRICT COURT
9 CENTRAL DISTRICT OF CALIFORNIA

1 UNITED STATES OF AMERICA,)
2)
3 Plaintiff,) Civil No. 72-2901
4)
5 v.)
6) Filed: Dec. 5, 1972
7)
8 PACIFIC SOUTHWEST AIRLINES;)
9)
0 AIR CALIFORNIA, INC.; and)
1)
2 WESTGATE-CALIFORNIA CORPORATION,)
3)
4 Defendants.)

5 COMPLAINT

6 The United States of America, plaintiff, by its attorneys,
7 acting under the direction of the Attorney General of the United
8 States, brings this civil action to obtain equitable relief
9 against the above-named defendants and complains and alleges
0 as follows:

1 I
2 JURISDICTION AND VENUE

3 1. This complaint is filed and this action is instituted
4 against the defendants under Section 15 of the Act of Congress
5 of October 15, 1914 (15 U.S.C. §25), as amended, commonly
6 known as the Clayton Act, in order to prevent and restrain the
7 violation by the defendants, as hereinafter alleged of Section
8 7 of that Act.
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IV

TRADE AND COMMERCE

7. An important and economically significant demand for transportation services within the California air corridor has been generated by the interaction, interconnection, and interdependence of the Northern and Southern California economic and population complexes. Absent the existence of highspeed, low-cost surface transportation between Northern and Southern California, a specialized air transportation network has developed catering specifically to facilitating the flow of persons between Northern and Southern California.

8. Air transportation in the California air corridor has become increasingly important to the economic activities centered in Northern and Southern California, and in turn, to national and world commerce. California air corridor air passenger transportation services are inextricably interconnected with, are a part of, and significantly affect the flow of interstate and international trade and commerce to, from, and through the Northern and Southern California economic and population centers.

9. PSA carried 5,334,926 passengers generating more than \$80 million in passenger revenues during the year ending June 30, 1971. AirCal carried 810,957 passengers generating more than \$19 million in passenger revenues during the same period. PSA and AirCal directly compete in transporting passengers in the California air corridor: between the San Francisco metropolitan area (including satellite airports) and the Los Angeles metropolitan area (including satellite airports); between the San Francisco metropolitan area (including satellite airports) and the San Diego metropolitan area; and between the city pairs of San Diego-San Jose, San Diego-Oakland, San Diego-Sacramento, and Ontario-Sacramento. PSA and AirCal are potential competitors in other city pair markets.

1 10. The business of providing scheduled air passenger
2 transportation in the California air corridor is highly con-
3 centrated. Presently, ten air transportation carriers offer
4 scheduled passenger service between Northern and Southern
5 California in the California air corridor. In the year ending
6 June 30, 1971, the four largest air carriers provided scheduled
7 air transportation services for approximately 97 percent of the
8 passengers utilizing such services in the California air corridor.
9 PSA is the leading air carrier in the California air corridor,
10 and in that period carried 70 percent of the passengers utilizing
11 scheduled air transportation services in that market. AirCal
12 is the second leading air carrier in the California air corridor,
13 and in the same period carried 11 percent of the passengers
14 utilizing air transportation services in the California air
15 corridor. If the proposed acquisition of AirCal by PSA is
16 consummated there will remain only nine air carriers operating
17 in the California air corridor and concentration among air
18 carriers providing scheduled air passenger transportation
19 therein will be significantly increased; the combined share of
20 PSA and AirCal will be 81 percent, and the share of the four
21 largest air carriers will be increased to 99 percent.

22 11. Customers of PSA and AirCal regularly utilize interstate
23 communications including the mails, telephone, and telegraph
24 to carry on their business with, and to obtain the services
25 provided by, those air carriers. PSA and AirCal regularly
26 utilize interstate communications including the mails, telephone,
27 and telegraph to conduct business with customers and with
28 suppliers located in states other than California.

29 12. Both PSA and AirCal passenger flights between Northern
30 and Southern California cross the California-United States
31 Pacific Coast boundary (3-mile limit) and fly over international
32 waters. Both PSA and AirCal frequently engage in chartered

contract flights across state lines.

13. PSA sells tickets through, and pays commissions to, numerous travel agents located in states other than California, and advertises its air transportation services in several of the United States in addition to California.

14. Both PSA and AirCal have borrowed substantial dollar amounts of capital and have purchased, leased, and taken delivery of aircraft and substantial dollar amounts of other services, supplies, and equipment from suppliers of such services and commodities located outside the State of California. Both PSA and AirCal have provided personnel training services to air carriers located outside the State of California, and PSA has leased aircraft to air carriers for use outside the State of California.

15. PSA and AirCal are subject to the jurisdiction of the Federal Aviation Administration with respect to safety regulation and flight operations generally, and the Federal Communications Commission with respect to radio transmissions. Because the intrastate air transportation services provided by PSA and AirCal significantly affect the interstate air transportation services provided by other air carriers, the exercise of jurisdiction by these agencies over these aspects of the intrastate operations of PSA and AirCal is essential to the effective regulation of interstate air transportation generally.

16. By virtue of their entire operations, both PSA and AirCal are engaged in, and their activities affect, interstate commerce.

V

VIOLATION ALLEGED

17. On July 6, 1972, the defendant PSA and Westgate entered into an agreement whose effective date for execution has been prescribed by the parties to occur sometime between October 2,

1 1972 and December 29, 1972, whereby PSA will acquire from
2 Westgate approximately 81 percent of the outstanding common
3 shares of AirCal.

4
5 VI

6 EFFECTS

7 18. The effect of the aforesaid acquisition may be sub-
8 stantially to lessen competition or tend to create a monopoly
9 in violation of Section 7 of the Clayton Act in the following
10 ways, among others:

- 11 (a) actual and potential competition between PSA and
12 AirCal will be permanently eliminated;
- 13 (b) competition generally in the California air
14 corridor scheduled air passenger transportation
15 market will be substantially lessened; and
- 16 (c) concentration in the California air corridor
17 scheduled air passenger transportation market
18 will be substantially increased.

19 PRAYER

20 WHEREFORE, plaintiff prays:

21 1. That the aforesaid agreement described in paragraph 17
22 of this complaint be declared to be illegal in violation of
23 Section 7 of the Clayton Act.

24 2. That a permanent injunction be issued against the
25 defendants and all persons acting on their behalf, preventing and
26 restraining them from carrying out the aforesaid agreement, or
27 any similar plan or agreements, the effect of which would be to
28 merge, consolidate, or in any other way combine the businesses of
29 PSA and AirCal.

30 3. That pending final adjudication of this complaint, a
31 preliminary injunction be issued against the defendants and all
32

1 persons acting on their behalf, preventing and restraining them
2 from taking any action in furtherance of the agreement described
3 in paragraph 17 hereof, or any similar plan or agreement.

4 4. That the defendant PSA and all persons acting on its
5 behalf be enjoined for a period of ten years from directly or
6 indirectly acquiring any interest in, or merging, consolidating,
7 or combining with, any other corporation engaged directly or
8 indirectly in scheduled air passenger transportation in the
9 California air corridor.

0 5. That plaintiff have such other and further relief as
1 the Court may deem just and proper.

2 6. That plaintiff recover the costs of this action.

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