IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF KANSAS

UNITED STATES OF AMERICA, *Plaintiff,* v. AMR CORPORATION, AMERICAN AIRLINES, INC., and AMR EAGLE HOLDING CORPORATION, *Defendants.*	)	Civil Action No.: Filed:

COMPLAINT

The United States of America, plaintiff, by its attorneys, acting under the direction of the Attorney General of the United States, brings this antitrust action to enjoin AMR Corporation and its two airline subsidiaries, American Airlines, Inc. and AMR Eagle Holding Corporation (together, "American"), from monopolizing and attempting to monopolize airline passenger service to and from Dallas/Ft. Worth International Airport ("DFW") in violation of Section 2 of the Sherman Act, 15 U.S.C. § 2.

American dominates DFW and charges monopoly fares on many DFW routes. When small airlines try to compete against American on these routes, American typically responds by increasing its capacity and reducing its fares well beyond what makes business sense, except as a means of driving the new entrant out of the market. Once the new entrant is forced out, American promptly raises its fares and usually reduces its service. Through its predatory and

monopolistic conduct, American deprives consumers of the benefits of competition in violation of the antitrust laws.

INTRODUCTION

1. American is the second largest airline in the United States, offering service throughout the country. In 1998, American operated over 850 aircraft, earning more than $1.7 billion in operating profit on passenger ticket sales exceeding $15 billion. American concentrates its operations at "hub" airports at which it offers multiple daily flights to and from dozens of other cities.

2. American operates its largest and most profitable hub at DFW, which is the third largest airport in the United States serving over 55 million passengers annually. American is by far the dominant carrier at DFW, offering over 700 flights daily to more than 100 destinations. In 1998, American's service to and from DFW accounted for nearly $2 billion in annual revenues.

3. American has monopoly power in many of its routes from DFW. For many of the destinations it serves from DFW, American is the only nonstop carrier; it seldom competes with more than one other nonstop carrier on any route. Because it faces so little competition, American can and does charge fares on DFW routes that are significantly higher than the fares it charges on other routes where its faces more competition.

4. These high fares make entry into DFW routes attractive to start-up airlines with relatively low costs (known in the industry as "low cost carriers" or "LCCs"). When an LCC enters a route, it offers fares that are substantially lower than the fares the incumbent hub carrier

has been charging, attracting not only consumers who have been paying the higher fares, but also consumers who previously could not afford to fly.

5. Beginning in 1993, American became concerned that LCCs would begin to offer service on DFW routes at fares lower than it had been charging and, once established, would expand low-fare competition to more DFW routes. American adopted a strategy to prevent LCCs from developing a toehold at DFW: if an LCC began to offer service on a DFW route, American would add capacity and lower fares on the route until the LCC was driven out of the market.

6. American realized its strategy would be costly in the short run but concluded that short-term losses were good "investments" if they forced an LCC out of the DFW markets it was serving, thwarted future expansion by the LCC into additional DFW routes, or deterred entry into DFW routes by other LCCs. As the chairman and CEO of American put it in 1996, "[i]f you are not going to get them [LCCs] out then no point to diminish profit." American pursued its strategy, however, because it knew that once LCCs were driven out of DFW routes, it could reduce its service and raise its fares, thereby recouping its short-term losses through future supracompetitive fares.

7. American successfully used its strategy against Vanguard Airlines, Sun Jet International, and Western Pacific, each of which attempted to challenge American on certain DFW routes. In each instance, American added flights and reduced fares, losing money as a result. While consumers benefited temporarily from the capacity increases and fare decreases, in each instance, the LCC was driven out of some or all of the DFW routes it was serving; in each instance, American substantially raised fares after the LCC exited; in most instances, American

reduced its service after the LCC exited; and in every instance, American solidified its power to charge high fares on DFW routes well into the future.

PARTIES AND JURISDICTION

8. The United States files this complaint and institutes this proceeding under Section 4 of the Sherman Act, 15 U.S.C. § 4, to prevent and restrain American from continuing to violate Section 2 of the Sherman Act, 15 U.S.C. § 2.

9. AMR Corporation is a Delaware corporation with its principal offices at DFW. AMR Corporation owns 100 percent of the common stock of American Airlines, Inc. and AMR Eagle Holding Corporation ("American Eagle"), and those two companies are wholly owned and controlled subsidiaries of AMR Corporation.

10. American Airlines, Inc. is a Delaware corporation that has its principal place of business at DFW. American Airlines, Inc. operates large passenger turbojet aircraft in airline passenger air service throughout the United States and between cities in the United States and numerous international destinations.

11. American Eagle is a Delaware corporation that has its principal place of business at DFW. American Eagle operates turboprop and small jet aircraft in airline passenger air service in numerous U.S. cities.

12. American is engaged in interstate commerce and in activities that substantially affect interstate commerce. The Court has jurisdiction over this action and over the defendants pursuant to 28 U.S.C. §§ 1331 and 1337. Venue is proper in this district under 15 U.S.C. § 22 and 28 U.S.C. § 1391(b).

RELEVANT MARKETS, ENTRY BARRIERS, AND MONOPOLY POWER

13. Airlines provide regularly scheduled service between a city of origin and a city of destination. Such origin-destination combinations are known in the industry as "city pairs." Airlines may offer city-pair service on a "nonstop" basis or on a "connecting" or "one-stop" basis that requires a passenger to make one or more stops en route and perhaps change planes on the way. Passengers traveling on a particular city-pair route do not view service in alternative city pairs as a reasonable substitute: they are unlikely to substitute travel to a different destination in response to a fare increase for the city-pair service they desire. Unless travelers' destination cities are located close to their origin cities, few will regard other modes of transportation (*e.g.*, automobile, bus, or train) as reasonable substitutes. Airline passenger service in a city pair constitutes a relevant market for antitrust purposes.

14. Many passengers do not regard connecting or one-stop service as a reasonable alternative to nonstop service. Connecting or one-stop service typically takes significantly longer than nonstop service. Time-sensitive passengers, such as persons traveling on business, are unlikely to substitute connecting or one-stop service for nonstop service in response to a fare increase for nonstop service. Airlines can and do charge higher fares for nonstop service. Thus, for a substantial number of passengers, nonstop airline passenger service in a city pair constitutes a relevant market for antitrust purposes.

15. Airlines use restrictions on fares, such as advance purchase and Saturday-night stayover requirements, to distinguish between business passengers -- who often cannot make travel plans in advance, must be able to change travel plans on short notice, and have little choice but to pay the high fares for unrestricted tickets -- and leisure passengers -- who

ordinarily can make reservations well in advance and tend to be more price conscious. Using sophisticated computer software, known in the industry as “yield management” programs, carriers determine for each flight how many seats to hold back for high-fare passengers making reservations on short notice, and ration seats for low-fare leisure passengers who are less profitable for the airlines.

16. Since deregulation of the airline industry in 1978, the major airlines, including American, have tended to concentrate a large portion of their respective operations at certain airports, known as “hub” airports. Carriers operate “spoke” routes that emanate from these “hubs” to numerous other endpoints. On spoke routes, hub carriers carry both “local” traffic (passengers traveling between the hub and the spoke city) and “connecting” traffic (passengers traveling between two spoke cities and transferring at the hub). Such hub-and-spoke systems allow an airline to consolidate connecting passengers traveling from numerous points of origin via the hub to any other endpoint in the system.

17. Once an airline has established a hub at an airport, several structural and strategic factors combine to present high entry barriers to any other airline that might try to enter spoke routes emanating from that hub:

a. Operation of a hub provides significant economies of scale and scope for the airline that operates it. A hub-spoke configuration allows an airline to serve more city pairs with any given number of airplanes than simple point-to-point service would allow because passengers can connect at the hub to virtually any other route served from the hub. In addition, because the hub airline can combine local

and connecting traffic in each hub-spoke city pair, it can operate more flights than if it carried only local passengers.

b. By providing more departures to more destinations, the hub carrier attracts a disproportionate share of the hub airport's passengers. This happens for several reasons, including the preference of many travelers to use the carrier with the most flights in a city pair (so that the passenger can change departure times if travel plans change), marketing programs (such as frequent flyer programs) that create loyalty incentives for consumers to concentrate their travel on the dominant airline in their home city, and graduated sales commission practices that create incentives for travel agents to encourage passengers to use the locally dominant airline.

c. A hub carrier enters into contracts with local businesses that commit them to use the hub carrier for all or substantially all of their air travel in exchange for modest discounts, thus making it more difficult for smaller airlines that serve fewer destinations to attract business customers.

d. An airline seeking to enter another carrier's hub must be prepared to make substantial non-recoverable financial investments, including commitments for ticket counters, gates, luggage handling, aircraft servicing, advertising, and other promotions.

The effect of these entry barriers is exacerbated by the ability of a hub carrier to reduce its fares or increase its seating capacity and frequency of service virtually overnight, responding to expected entry before such entry can be successfully implemented.

18. As a result, hub carriers often have substantial market power in city pairs served from their hubs. With respect to many spokes, a hub carrier will have no competition. With respect to a spoke running to another carrier's hub, both hub carriers are likely to provide nonstop service, but no other carrier is likely to do so. Because of this market power, a hub carrier is often able to charge higher fares on its hub routes than it could charge on routes where it faces meaningful competition. These higher fares are commonly referred to as a "hub premium."

American's DFW Hub

19. For most airline passenger service to or from the Dallas/Ft. Worth area, DFW is the only available airport. The only other airport in the area used for commercial interstate airline service is Dallas Love Field, but the geographic scope and nature of service at that airport are restricted by federal statute. Under the Wright Amendment, Pub. L. No. 96-192, 24 Stat. 35, 48-49, as in effect during the period relevant to this Complaint, no ticket on an aircraft with more than 55 seats could be sold for flights to or from Love Field unless the other endpoint of the ticketed travel was within Texas or a contiguous state. City pairs that could have been served by large jet aircraft from Love Field will be referred to in this Complaint as "Wright Amendment city pairs," while other city pairs for which Dallas/Ft. Worth is an endpoint, including DFW-Wichita, are referred to as "DFW city pairs."

20. American earns a substantial hub premium in DFW city pairs. American's dominance of DFW is demonstrated by the following:

a. American carries 70% of all passengers who travel nonstop in DFW city pairs;

b. American carries 58% of all passengers who travel in DFW city pairs;

c. American carries 77% of all passengers originating in DFW who travel nonstop in DFW city pairs; and

d. American carries 65% of all passengers originating in DFW who travel in DFW city pairs.

The next largest carrier serving DFW is Delta Air Lines, Inc. ("Delta"), which carries 16% of all passengers who travel nonstop in DFW city pairs. No other carrier accounts for more than 4% of such passengers.

21. American's operations at DFW present substantial barriers to entry to any other airline that might try to enter or expand operations there. American operates many more flights at DFW than all other carriers combined, attracts a disproportionate share of DFW originating passengers, offers a frequent flyer program to passengers and commission incentives to local travel agents, and has entered into numerous contracts with local businesses.

22. No major airlines are positioned to challenge American's dominant market position in DFW city pairs. Delta operates a small hub at DFW but does not prevent American from exercising market power on DFW city pairs. Moreover, Delta has gradually decreased the size and scope of its DFW operations over time and is unlikely to expand them. Southwest Airlines, Inc. ("Southwest") offers service from Dallas Love Field in some Wright Amendment city pairs, but is not likely to provide service in DFW city pairs.

23. American has monopoly power in most of its DFW city pairs and faces little current competition and little prospect of entry on those routes. Its monopoly power allows it to charge supracompetitive fares. American's fares on DFW city pairs are substantially higher than its fares on otherwise comparable routes where it faces competition. American also can restrict

output in DFW city pairs: it can limit the number of seats it makes available at low fares, making far fewer available than consumers would be willing to purchase.

AMERICAN'S RESPONSE TO LCCs

24. The only airlines that might be in a position to undercut American's monopoly power in DFW city pairs are LCCs. These small, start-up airlines have much lower operating costs than major hub carriers, such as American. American recognized the threat posed by LCCs and adopted a predatory strategy designed to preserve its monopoly in DFW city pairs.

25. American identified the LCC threat to its monopoly power in 1993. At that time, several LCCs were entering the airline industry, using their relatively low operating costs to charge substantially lower fares than the hub carrier on some routes. Although LCCs typically sought to carry a large number of low-fare passengers -- the kind of passengers often turned away by American -- American recognized that LCCs had the potential to expand their operations, become even more efficient, and set up a competing "mini hub." This could endanger American's market power and hub premium in DFW city pairs. Indeed, in 1993, American determined that $3.6 billion in "AA revenue was . . . at risk" annually because of LCCs, and it estimated potential annual systemwide revenue losses due to LCCs in the range of $586 million to $1.47 billion.

26. The growth during 1994 and 1995 of ValuJet, an LCC based at the Atlanta airport, Delta's largest hub, confirmed American's worst fears about LCCs. In response to ValuJet's entry, Delta initially sought to retain higher fare local and connecting passengers. ValuJet successfully attracted enough traffic with its low fares to operate at profitable "load factors" (*i.e.*, the number of passengers carried on a flight, expressed as a percentage of the total

available seats). Over time, ValuJet expanded, gradually eroding Delta's ability to charge high fares in many Atlanta spoke markets. However, the 1996 crash of a ValuJet plane in the Everglades and the subsequent grounding of all ValuJet aircraft halted ValuJet's expansion.

27. Estimating the impact of ValuJet's growth on Delta to be $232 million in lost annual revenue, American concluded that "clearly we don't want that to happen to [American] at DFW." To that end, American employees devoted substantial effort to studying the LCC threat to American's DFW profits, culminating in a presentation of a "DFW LCC Strategy" in February 1996.

28. At that meeting, American's senior management reviewed, revised, and approved the strategy that the company had gradually developed over the preceding several years: when an LCC entered a DFW route and it appeared that the LCC would be economically viable if American simply followed a profit-maximizing business strategy, American would instead saturate the route with enough additional capacity at low fares to keep the entrant from operating profitably. American also would take further steps, such as matching the LCC's connecting fares with its own nonstop fares, to keep traffic away from the LCC. To evaluate the success of its strategy and determine whether to intensify its response, American would investigate the financial resources of LCCs, determine their break-even load factors, and conduct head counts at the departure gate to monitor their passenger loads.

29. This DFW LCC Strategy differed markedly from American's strategy in city pairs where it competes with Southwest, which has the low costs of an LCC but is large, financially secure, and has a substantial scale of operations at its Dallas Love Field base. Knowing that Southwest was too well-established to be driven out of those city pairs, American did not

saturate the routes with capacity or match the lowest Southwest fares for all of its available seats. Instead, American set fares and capacity so as to maximize its profits on the assumption that it would have to compete with Southwest over the long term.

30. In applying its DFW LCC Strategy, American deliberately disregarded its usual standard for evaluating route performance -- a profitability measure it calls "FAUDNC" -- as well as its usual practice of seldom tolerating FAUDNC losses on DFW routes for extended periods of time. The vast majority of American's DFW routes are FAUDNC "positive," that is, profitable, on an annual basis. Each month, American's senior management reviews the small number of its routes that are FAUDNC "negative" for the prior twelve-month period and typically prescribes operational, pricing, or marketing changes, which may include reducing service or exiting the route altogether, in order to improve performance. With respect to routes served by LCCs, however, American was willing to add flights and/or reduce fares even though the effect would be to reduce FAUDNC profitability substantially or even to turn a FAUDNC positive route into a FAUDNC negative route.

31. American recognized that its DFW LCC Strategy could prove unprofitable in the short run. It concluded, however, that "[t]he short term cost, or impact on revenue [of the LCC strategy] can be viewed as the investment necessary to achieve the desired effect on market share." Both the purpose and the effect of American's DFW LCC strategy were to drive LCCs out of DFW markets so that American could subsequently recoup its "investment" and preserve its monopoly fares. This recoupment strategy was at the heart of American's response to LCCs. As its then chairman and CEO stated, "[i]f you are not going to get them [LCCs] out then no point to diminish profit."

APPLICATION OF AMERICAN'S EXCLUSIONARY STRATEGY

Vanguard Airlines

32. Vanguard Airlines ("Vanguard"), which began operations in late 1994, commenced nonstop service from DFW to Kansas City with three daily round trips in January 1995. At the time, American operated eight round trips, carrying 65% of the passengers in the market at an average one-way fare of $108. Delta offered six round trips. In response to Vanguard's entry, American matched Vanguard's fares on all of its DFW-Kansas City flights, reducing its average one-way fare to $80 by April 1995, at which time Vanguard cut back its service to one round trip. Delta withdrew all of its service in May 1995. From May to July 1995, American added six more round trips. American's documents indicate that it intended its additional flights "to drive [Vanguard] from the market."

33. In December 1995, Vanguard withdrew its remaining nonstop DFW-Kansas City service. American immediately began reducing its service, going from 14 to 11 daily round trips in February and to 10 by July, and increasing its fares. During the ensuing six months, American's average one-way fare ranged from $112 to $147, as much as 80% higher than in the prior year when Vanguard was providing nonstop service.

34. After Vanguard's ceased its nonstop service, American made substantial profits on the DFW-Kansas City route. Indeed, according to American's documents the route went from being one of American's "worst performer[s]" when American added flights in response to Vanguard to being the "best in the west" after Vanguard withdrew its nonstop service.

35. In September 1996, Vanguard announced that it would expand its DFW operations on October 1 by introducing nonstop service between DFW and Kansas City,

Cincinnati, and Phoenix. Vanguard's announced service represented a significant expansion of its DFW operations, with new nonstop service to three cities (Kansas City, Phoenix, and Cincinnati), continued nonstop service to Wichita (which Vanguard had inaugurated in 1995), and potential connecting service via Kansas City to eight cities (Chicago, Minneapolis, Des Moines, Denver, Salt Lake City, San Francisco, Seattle, and Los Angeles).

36. Within days of Vanguard's announcements, American planned the following schedule changes and service additions:

a. In DFW-Kansas City, American would add two new round trips as of October 1 (advancing the commencement date of two round trips that had already been scheduled for November in order to undercut the viability of Vanguard's one-stop DFW-Kansas City service via Wichita) and a third as of November 1, for a total of 13 round trips in the market.

b. In DFW-Wichita, where American had operated nine round trips with small commuter aircraft, American would substitute five new jet round trips for four of its commuter flights -- the largest introduction of jet service by American in any market since at least 1994, increasing its seating capacity on the route by 35%.

c. In DFW-Cincinnati, a route American had abandoned as unprofitable in 1994, American would begin nonstop service on December 1, with three round trips.

d. In DFW-Phoenix, American would accelerate the addition of two planned seasonal frequency increases, from November 1 and November 27 to October 1.

37. In addition to carrying out this plan, American also matched Vanguard's fares on selected flights in DFW markets (DFW-Chicago and DFW-Des Moines) that Vanguard served

only on a connecting basis, even though American's service was nonstop. The flights on which American offered the matching fares operated at times that "bracketed" the flight times of the Vanguard connecting flights.

38. Vanguard quickly abandoned its plans, pulling out of DFW-Cincinnati and DFW-Phoenix in November 1996. In DFW-Kansas City, Vanguard reduced its service to a single daily nonstop flight in one direction, with a single daily one-stop flight in the opposite direction. Vanguard exited DFW-Wichita in December 1996.

39. After Vanguard announced that it would be exiting the three DFW spoke routes, American promptly increased its fares on those routes. By June 1997, American's seating capacity in DFW-Wichita had decreased by 30%, returning to the level American had maintained before it learned of Vanguard's planned DFW expansion, and its average local one-way fare had increased by more than 50 percent, to over $90 from approximately $60. In DFW-Phoenix, American's average fares, which had fallen by roughly 30% during Vanguard's brief appearance in the market, increased quickly to pre-existing levels after Vanguard exited. American's fares in Cincinnati rose by 60%-80% after its first month of operation.

40. Unable to sustain its proposed DFW operations, Vanguard subsequently pulled back to Kansas City, where it began to establish a mini-hub. Today, Vanguard serves DFW only from its Kansas City hub; it no longer provides nonstop service on any other DFW city pair.

Sun Jet

41. Sun Jet began operations in the fall of 1993 with flights between Newark and selected Florida markets. In 1994, Sun Jet entered DFW with limited scheduled airline passenger service to Newark, Long Beach, and Tampa/St. Petersburg. During 1994 and 1995,

American paid little attention to Sun Jet, but as American developed its DFW LCC Strategy, it began to see that Sun Jet was a "major" threat to American because Sun Jet's DFW route structure "presents hubbing opportunities at DFW." While American's Strategy indicated it should not adopt an aggressive response at that time, American decided it would reconsider if Sun Jet "increases frequency or adds spokes from DFW." An internal American follow-up analysis also recommended reconsidering American's "moderate" approach "in the event [Sun Jet] adds frequencies on existing routes or adds new DFW spokes."

42. In October 1996, Sun Jet began to offer a third scheduled round trip in DFW-Long Beach. In November 1996, Sun Jet announced that it would begin DFW-Oakland service. In mid-November 1996, American revised its previously "moderate" response to Sun Jet by removing restrictions from its DFW-Newark and DFW-Tampa/St. Petersburg fares (*i.e.*, making more seats available at its lower fares) and by substantially matching Sun Jet's DFW-Oakland fares. At the same time, American began to consider re-entering the DFW-Long Beach route -- which it had abandoned as unprofitable in l994.

43. American finalized its decision to re-enter Long Beach in December and commenced service with three round trips on Janaury 31, 1997, substantially matching Sun Jet's fares, and added a fourth round trip in August 1997. American entered Long Beach even though its entry was likely to reduce its profits by diverting passengers from American's flights between DFW and other airports in the Los Angeles area. In fact, American's profitability on flights to other Los Angeles airports declined as a result of its entering into Long Beach.

44. Sun Jet did not commence service in DFW-Oakland, and soon began reducing its other DFW operations, exiting DFW-Tampa/St. Petersburg in March 1997, DFW-Newark in

December 1997, and DFW-Long Beach in January 1998. Sun Jet does not currently serve any DFW city pairs. American maintained its four DFW-Long Beach flights but raised fares by over 30% within two months of Sun Jet's exit.

Western Pacific

45. Western Pacific entered DFW-Colorado Springs in April 1995 with two round trips. At that point, American operated five frequencies with 100-seat jet aircraft and Delta operated three frequencies. Prior to Western Pacific's entry, American's average one-way fare on the route was more than $150.

46. American added two more round trips in July 1995, for a total of seven, and matched Western Pacific's fares on the American flights leaving at the same time of day. By the end of 1995, American concluded that it had Western Pacific "pretty much in check with enplaned load factors of 30.1%" and, indeed, Western Pacific dropped down to one frequency in January 1996 as a result of extremely low load factors. American's senior management nonetheless decided at its February 1996 DFW LCC Strategy meeting to step up the pressure. American concluded that it should "get [Western Pacific] out before they are encouraged to put [the second] frequency back in COS-DFW." In April 1996, American implemented this strategy by making more seats available at lower fares on American flights departing near Western Pacific's flight times. In June 1996, American added one frequency (to reach eight) and further increased its capacity by operating larger aircraft on the route. In September 1996, American expanded its fare match to all of its flights and intervened in its yield management system to ensure that lower fares were always available. American also maintained its summer high-season frequency level through the fall and winter. In March 1997, Western Pacific tried

increasing its frequency to three daily round trips, but American further increased its frequency to nine round trips and substituted planes with greater capacity.

47. Thereafter, during the summer and fall of 1997, Western Pacific significantly reduced its DFW-Colorado Springs service and, on October 15, 1997, exited DFW-Colorado Springs altogether. Western Pacific later collapsed into bankruptcy. For the period of September 1996 through June 1997, when Western Pacific was competing on the route, American's average one-way local fares ranged from $81 to $105. By February 1998, American had reduced its service on the DFW-Colorado Springs route to six round trips and increased its average fare to $137.

PREDATORY NATURE OF AMERICAN'S STRATEGY

48. American undertook its exclusionary conduct with the intent of driving Vanguard, Sun Jet, and Western Pacific out of the DFW city pairs that they served, preventing them from entering other DFW city pairs in competition with American, and discouraging other LCCs from commencing service in DFW city pairs. American's LCC strategy was successful in excluding or stifling competition in numerous DFW spoke routes. American implemented its strategy in spite of the fact that it was not profitable except as a means of excluding or stifling competition.

49. In order to increase capacity in response to LCCs, American had to allocate additional resources to the LCC routes, thereby increasing its cost of serving the routes. The cost of those resources includes operating and ownership costs of the additional aircraft allocated to the LCC route, and labor, fuel, food, sales, and other costs that would not have been incurred on the route absent the capacity increases. The cost to American of its capacity increases in LCC markets includes all such costs.

50. The additional revenues American obtained as a result of adding capacity on its Kansas City, Wichita, Long Beach, and Colorado Springs routes pursuant to its LCC strategy were less than American's costs of adding the flights, as demonstrated in various ways, including the following:

a. On each route, American's revenues on one or more of its added flights were below that flight's variable costs;

b. On each route, as a result of adding capacity, American's total revenues on the route fell below American's total cost of serving the route, and the capacity additions worsened American's profit performance; and

c. On each route, American's operations were unprofitable under its own measure of route profitability after it added capacity, and the capacity additions made American's operations more unprofitable.

51. American has been able to obtain and preserve a monopoly in numerous DFW city pairs, and there is a dangerous probability that American will succeed in obtaining and maintaining a monopoly in other DFW city pairs, by driving LCCs out and deterring LCCs from entering those markets.

52. American has been or will be able to recoup the costs of its predatory strategy by, among other things:

a. reducing its capacity and increasing its fares to monopoly levels following the exit of an LCC from a DFW city pair;

b. preventing expansion by LCCs into other DFW markets in which American has monopoly power; and

c. establishing a reputation as a carrier that will employ predatory strategies to drive an LCC out of DFW city pairs, thereby deterring future entry by other LCCs into DFW markets.

53. As a result of American's predatory conduct, consumers have been and will be denied the benefits of competitive service and lower fares in numerous DFW city pair markets.

CLAIMS FOR RELIEF

First Claim for Relief: Monopolization

54. Plaintiff incorporates the allegations in paragraphs 1 through 53 above.

55. American possesses monopoly power in the provision of airline passenger service in various DFW city pairs and nonstop service in such DFW city pairs. Through the conduct described herein, American has willfully maintained that monopoly power by anticompetitive and exclusionary predatory conduct. American has acted with the intent to maintain its monopoly power, and its illegal conduct has enabled it to do so, in violation of Section 2 of the Sherman Act, 15 U.S.C. § 2.

Second Claim for Relief: Attempted Monopolization

56. Plaintiff incorporates the allegations of paragraphs 1 through 53 above.

57. American has willfully engaged in a course of conduct, including anticompetitive and exclusionary predatory actions, with the specific intent of monopolizing airline passenger service in various DFW city pairs and nonstop service in such DFW city pairs, and there is a dangerous probability that, unless restrained, it will succeed in obtaining monopolies in violation of Section 2 of the Sherman Act, 15 U.S.C. § 2.

PRAYER FOR RELIEF

WHEREFORE, plaintiff prays:

1. That the practices described above be adjudged in violation of Section 2 of the Sherman Act.
2. That a permanent injunction be issued preventing and restraining the defendants and all persons acting on their behalf from engaging in the predatory acts described and imposing restraints on American to remedy the effects of its past predation.
3. That plaintiff have such other and further relief as the nature of this case may require and as this Court may deem just and proper.
4. That plaintiff recover the costs of this action.

Dated: May 13, 1999

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