

UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLUMBIA

UNITED STATES OF AMERICA,
U.S. Department of Justice
Antitrust Division
325 Seventh Street, N.W.
Washington, D.C. 20530,
Plaintiff,

v.

SIGNATURE FLIGHT SUPPORT
CORPORATION,

Signature Plaza
201 South Orange Avenue
Suite 1100
Orlando, FL 32801,

AMR COMBS, INC.,
8001 Lemmon Ave.
Dallas, TX 75209, *and*

AMR CORPORATION,
4333 Carter Boulevard
Fort Worth, TX 76155,

Defendants.

Civil Action No.:

File CASE NUMBER 1:99CV00537

JUDGE: Royce C. Lamberth

DECK TYPE: Antitrust

DATE STAMP: 03/01/99

N. MAYER-WHITTINGTON
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U.S. DISTRICT COURT
DISTRICT OF COLUMBIA

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COMPLAINT

The United States of America, by its attorneys, acting under the direction of the Attorney General of the United States, brings this civil action to prevent the proposed acquisition by Signature Flight Support Corporation ("Signature") of the competing flight support operations of AMR Combs, Inc. ("Combs").

I.

NATURE OF THE ACTION

1. Fixed base operators ("FBOs") provide flight support services -- including fueling, ramp and hangar rentals, office space rentals and other services -- to general aviation customers from facilities at airports. General aviation customers include charter, private and corporate aircraft operators. Signature and Combs own and operate FBOs at various airports around the country. Combs' operates 13 FBOs, including FBOs at Palm Springs Regional Airport ("PSP Airport"), Bradley International Airport ("BDL Airport"), and Denver Centennial Airport ("APA Airport").

2. Currently, Signature and Combs are the only two FBOs competing at PSP Airport and BDL Airport. As the only two FBOs operating at PSP Airport and BDL Airport, Signature and Combs compete head-to-head on price and quality of services to general aviation customers. The acquisition would eliminate this competition, reducing the number of competitors from two to one, creating FBO monopolies at both PSP Airport and BDL Airport. The acquisition would give Signature the market power to raise prices and lower the quality of services to PSP Airport and BDL Airport general aviation customers. Accordingly, the proposed acquisition of those two FBOs is likely to lessen competition substantially in the market for FBO services at PSP Airport and BDL Airport in violation of Section 7 of the Clayton Act, as amended, 15 U.S.C. § 18.

3. At APA Airport, there are presently two competing FBOs, one of which is a Combs FBO. By early 2000, when a new FBO facility is constructed, Signature had planned to enter the market as the third FBO. General aviation customers at APA Airport would benefit

from this additional competition by increased choice and lower prices for fuel and hangar rentals. Signature's acquisition of the Combs FBO will eliminate this additional competition from a third FBO. Accordingly, Signature's proposed acquisition lessens potential competition substantially in the market for FBO services at APA Airport in violation of Section 7 of the Clayton Act, as amended, 15 U.S.C. § 18.

II.

JURISDICTION AND VENUE

4. This action is filed pursuant to Section 15 of the Clayton Act, as amended, 15 U.S.C. § 25, to prevent and restrain the violation by the defendants, as hereinafter alleged, of Section 7 of the Clayton Act, as amended, 15 U.S.C. § 18.

5. All defendants are engaged in interstate commerce and in activities substantially affecting interstate commerce. Signature and Combs provide FBO services to aircraft landing throughout the United States and overseas. AMR, through its ownership of American Airlines, Inc., operates large passenger turbojet aircraft throughout the United States. Signature, Combs, and AMR Corporation consent to jurisdiction in the District of Columbia for purposes of 15 U.S.C. § 22 and 28 U.S.C. § 1391(c).

6. This Court has jurisdiction over the subject matter of this action and jurisdiction over the parties pursuant to 15 U.S.C. §§ 1331 and 1337. Venue is proper pursuant to 28 U.S.C. § 1391(c).

III.

DEFENDANTS AND THE TRANSACTION

7. Signature is a wholly owned subsidiary of BBA Group PLC, a British holding company. Signature is a Delaware corporation with its principal place of business in Orlando, Florida. Signature owns and operates 42 FBOs in the United States, including operations at PSP Airport and BDL Airport.

8. Combs is a wholly owned, indirect subsidiary of AMR Corporation. Combs, a Delaware corporation headquartered in Dallas, Texas, owns and operates 11 FBOs in the United States, including operations at APA Airport, PSP Airport and BDL Airport. Combs also manages two FBOs in Mexico and is an equity partner in an executive aviation center in Hong Kong.

9. AMR Corporation is a Delaware corporation with its principal place of business in Fort Worth, Texas, and is a party to the agreement to sell Combs to Signature.

10. Signature proposes to acquire the stock and assets of Combs for approximately \$170 million.

IV.

TRADE AND COMMERCE

The Relevant Market

11. FBO services include the sale of jet aviation fuel ("Jet A fuel") and aviation gasoline ("avgas"), as well as related support services, to general aviation customers. FBOs do not charge separately for many services, such as use of customer and pilot lounges, baggage handling, and flight planning support. FBOs recover the costs of these services in the price that they charge for fuel. There are some services for which FBOs do charge separately, such as hangar rental, office space rental, ramp parking fees, catering, cleaning the aircraft, arranging

ground transportation, and maintenance on the aircraft. General aviation customers generally buy fuel from the same FBO from which they obtain other services.

12. The largest source of revenue for an FBO is its fuel revenues. FBOs sell Jet A fuel for jet aircraft, turboprops and helicopters, and avgas for smaller, piston operated planes. At PSP Airport, Signature and Combs sold approximately \$3 million of fuel in the year ending September 1998. Signature and Combs obtained additional revenues of approximately \$2 million at PSP Airport for other FBO-related services. For the same period at BDL Airport, Signature and Combs sold \$5.4 million of fuel and earned additional revenues of approximately \$11 million for providing other FBO-related services. At APA Airport, fuel sales for 1997 were approximately \$20 million.

13. The provision of FBO services to general aviation customers at each of the airports (PSP Airport, BDL Airport, and APA Airport) is a relevant market (*i.e.*, a line of commerce and a section of the country) under Section 7 of the Clayton Act. General aviation customers cannot obtain fuel, hangar, ramp and other services offered at an airport except through an FBO authorized to sell such products and services by the local airport authority. Thus, general aviation customers have no alternatives to FBOs for these products and services when they land at PSP Airport, BDL Airport, or APA Airport.

14. FBOs at other airports would not provide economically practical alternatives for general aviation customers who currently use PSP Airport, BDL Airport, or APA Airport.

Although there are other airports in the same regions as PSP Airport, BDL Airport, and APA Airport, those other airports are not economically viable substitutes for general aviation customers flying into PSP Airport, BDL Airport, or APA Airport. The location, convenience

and facilities of PSP Airport, BDL Airport, and APA Airport draws customers. General aviation customers have chosen PSP Airport, BDL Airport, or APA Airport because of its proximity to their ultimate destination (whether their residence, business or other place); using a different airport would significantly increase their driving time. There are not enough general aviation customers who have selected PSP Airport, BDL Airport, or APA Airport as their airports who would switch to other airports to prevent anticompetitive price increases for fuel and other services at PSP Airport, BDL Airport or APA Airport.

Competition and Entry

15. The market for FBO services at PSP Airport is highly concentrated, with only two providers -- Signature and Combs. If Signature acquires the Combs FBO facility, it will have a monopoly for the market for FBO services at PSP Airport.

16. The market for FBO services at BDL Airport is highly concentrated with only two providers -- Signature and Combs. If Signature acquires Combs FBO facility, it will have a monopoly for the market for FBO services at BDL Airport.

17. Signature's acquisition of the Combs FBO at PSP Airport and at BDL Airport would eliminate competition in the market for the provision of FBO services to general aviation customers at PSP Airport and BDL Airport. The existing competition between Signature's and Combs's FBOs limits the ability of each to raise prices for fuel and other FBO services. The proposed acquisition would eliminate the constraint each has on the other.

18. The prospect of new entry will not prevent a post-merger price increase or service decrease at PSP Airport or at BDL Airport. The financial opportunity that would be created by the anticompetitive effect of this merger would not be great enough to induce a new entrant to

make the investments needed to enter the FBO business at PSP Airport or at BDL Airport. There are significant sunk costs involved in building an FBO at PSP Airport or at BDL Airport, including the cost of building hangar and ramp facilities. The revenues a new FBO operation would have to generate to achieve an acceptable rate of return on such an investment exceeds the revenues a new entrant would likely earn. In particular, a new entrant would have to achieve a large enough share of market revenues to be able to cover the fixed (including sunk) costs of entry and be profitable at pre-merger prices. And, the airport authorities' minimum operating standards, which require an FBO to provide other services beyond hangar rental, fueling and maintenance, effectively raise the minimum viable scale of entry, making entry more difficult. Therefore, new FBO entry on a scale sufficient to prevent a post-merger price increase or service decrease is not likely to occur at PSP Airport or at BDL Airport.

19. The market for FBO services at APA Airport is presently highly concentrated, with only two competing FBOs. Signature, however, is poised to enter as a third, independent competitor. Signature signed a detailed letter of intent with a real estate developer in September of 1998 to enter as the tenant operator of an FBO facility at APA in 2000.

20. For general aviation consumers, the addition of a third, independent FBO at APA Airport would increase consumer choice, and would have likely resulted in increased price and quality competition to the benefit of general aviation customers at APA Airport.

21. Signature's acquisition of Combs significantly lessens the potential for competition among three FBOs at APA Airport. Entry by a different firm to become the third independent FBO is not likely because Signature is one of only a few firms positioned to make the necessary commitment for a start-up operation on the scale desired by the airport's board.

V.

VIOLATION ALLEGED

22. Unless restrained, Signature's proposed acquisition of Combs's FBOs at PSP Airport, BDL Airport, and APA Airport is likely to substantially lessen competition and restrain trade unreasonably in the market for FBO services at PSP Airport, BDL Airport, and APA Airport in violation of Section 7 of the Clayton Act, in the following ways:

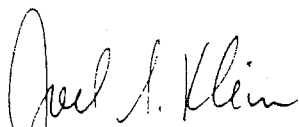
- a. Actual competition between Signature and Combs in the market for FBO services at PSP Airport and at BDL Airport will be eliminated;
- b. Concentration in the market for FBO services at PSP Airport and at BDL Airport will increase significantly -- creating monopolies at PSP Airport and at BDL Airport;
- c. Competition generally in the market for FBO services at PSP Airport and at BDL Airport will be substantially lessened;
- d. Prices for fuel and other FBO services sold to general aviation customers at PSP Airport and at BDL Airport will increase and service will decrease;
- e. Potential competition in the market for FBO services at APA Airport will be substantially lessened; and
- f. Prices for fuel and other FBO services sold to general aviation customers at APA Airport will not benefit from the potential competition.

V.

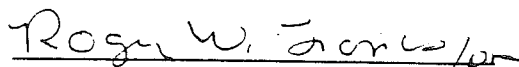
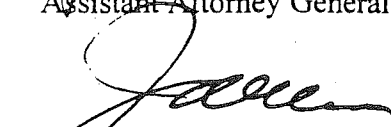
REQUEST FOR RELIEF

The United States requests: (a) adjudication that Signature's proposed acquisition of Combs's FBOs at PSP Airport, BDL Airport, and APA Airport would violate Section 7 of the Clayton Act; (b) preliminary and permanent injunctive relief preventing the consummation of the proposed acquisition; (c) an award to the United States of the costs of this action; and (d) such other relief as is proper.

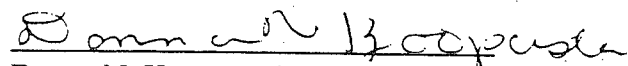
Dated this 1st day of March, 1999.




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