

**UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLUMBIA**

UNITED STATES OF AMERICA

U.S. Department of Justice

Antitrust Division

450 Fifth Street, NW

Suite 4100

Washington, D.C. 20530,

Plaintiff,

v.

**SIGNATURE FLIGHT SUPPORT
CORPORATION**

Signature Plaza

201 South Orange Avenue

Suite 1100

Orlando, Florida 32801

and

**HAWKER BEECHCRAFT SERVICES,
INC.**

10511 East Central

Wichita, Kansas 67206,

Defendants.

Civil Action No.:

Filed:

Case: 1:08-cv-01164

Assigned To : Roberts, Richard W.

Assign. Date : 7/3/2008

Description: Antitrust

COMPLAINT

The United States of America, acting under the direction of the Attorney General of the United States, brings this civil antitrust action to enjoin the proposed acquisition by Signature Flight Support Corporation ("Signature") of fixed base operations of Hawker Beechcraft Services, Inc. ("Hawker Beechcraft") and to obtain equitable and other relief. The United States alleges as follows:

I.

NATURE OF THE ACTION

1. On February 21, 2008, Signature and Hawker Beechcraft signed a definitive agreement for Signature to acquire Hawker Beechcraft's United States' fixed base operations ("FBO") for \$128.5 million. FBOs provide flight support services—including fueling, ramp and hangar rentals, office space rentals, and other services—to general aviation customers. Signature is the largest fixed base operator in the world and operates FBOs at more than forty-five airports around the country. Hawker Beechcraft operates FBOs at seven airports in the United States. Both Signature and Hawker Beechcraft operate FBOs at the Indianapolis International Airport ("IND").

2. Signature and Hawker Beechcraft are the only two FBOs operating at IND Airport. They compete directly on price and quality of FBO services to general aviation customers. The acquisition would eliminate this competition, creating an FBO monopoly at IND. The acquisition would give Signature the ability to raise prices and lower the quality of services at IND for general aviation customers. Unless the transaction is enjoined, the proposed acquisition is likely to lessen competition substantially in the market for FBO services at IND in violation of Section 7 of the Clayton Act, 15 U.S.C. § 18.

II.

JURISDICTION AND VENUE

3. The United States brings this action under Section 15 of the Clayton Act, as amended, 15 U.S.C. § 25, to prevent and restrain Defendants from violating Section 7 of the Clayton Act, 15 U.S.C. § 18.

4. The defendants are engaged in interstate commerce and in activities substantially affecting interstate commerce. Signature and Hawker Beechcraft provide FBO services to aircraft landing throughout the United States. This Court has subject matter jurisdiction over this action and jurisdiction over the parties pursuant to 15 U.S.C. §§ 22 and 25, and 28 U.S.C. §§ 1331, 1337(a), and 1345.

5. Venue is proper in this district as Signature and Hawker Beechcraft have consented to venue and personal jurisdiction in this judicial district.

III.

DEFENDANTS AND THE PROPOSED TRANSACTION

6. Signature is a wholly-owned subsidiary of BBA Aviation PLC, a supplier of aviation machinery, support, and repair. Signature is a Delaware corporation with its principal place of business in Orlando, Florida. Signature owns and operates more than sixty FBO facilities in the United States, including its FBO operation at IND.

7. Hawker Beechcraft is a Kansas corporation with its principal place of business in Wichita, Kansas. Hawker Beechcraft owns and operates seven FBO facilities in the United States, including its FBO operation at the IND Airport.

8. On February 21, 2008, Signature and Hawker Beechcraft executed a Sale of Line

Service Business Asset Purchase Agreement under which Signature will acquire all of Hawker Beechcraft's FBO assets for approximately \$128.5 million.

IV.

TRADE AND COMMERCE

The Relevant Market

9. 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 usually do not charge separately for services such as conference rooms, pilot lounges, flight planning, and transportation. Instead, they recover the cost of these ancillary services in the price that they charge for fuel. FBOs charge separately for hangar and office rentals, aircraft storage, tie-down and ground services, deicing, and catering.

10. The largest source of revenue for an FBO is fuel sales. FBOs sell Jet A fuel for jet aircraft, turboprops and helicopters, and avgas for smaller, piston-operated planes. At IND, Signature and Hawker Beechcraft sold approximately \$17 million of fuel in 2007, and obtained additional revenues of approximately \$3 million for other FBO-related services.

11. General aviation customers cannot obtain fuel, hangar, ramp and related services at IND except through the FBOs authorized to sell such products and services by the local airport authority, leaving general aviation customers landing at IND no alternatives to the Signature and Hawker Beechcraft FBOs for these services. Obtaining FBO services at another airport would not provide an economically practical alternative for general aviation customers who currently use IND. A small but significant post-acquisition increase in the prices for fuel, hangar space, and other FBO services would not cause general aviation customers to switch to other airports in

sufficient quantities to make such a price increase unprofitable.

12. Thus, the provision of FBO services to general aviation customers is a relevant product market and IND is a relevant geographic market (i.e., a line of commerce and a section of the country) under Section 7 of the Clayton Act, 15 U.S.C. § 18.

Anticompetitive Effects

13. The market for FBO services at IND is highly concentrated, with only two providers—Signature and Hawker Beechcraft. If Signature acquires the Hawker Beechcraft FBO facility, it will have a monopoly in the market for FBO services at IND. Currently, based on fuel sales, Signature has 46 percent of the IND FBO market, and Hawker Beechcraft has 54 percent.

14. Competition between Signature's and Hawker Beechcraft's FBO facilities currently limits the ability of each to raise prices for FBO services. The proposed acquisition would eliminate the competitive constraint each imposes upon the other. This would lead to a monopoly, resulting in higher prices for FBO services, as well as lower quality of service, at IND in violation of Section 7 of the Clayton Act.

15. Successful entry into the provision of FBO services at IND would not be timely, likely, or sufficient to deter the anticompetitive effects resulting from this transaction. Timely entry sufficient to replace the market impact of Hawker Beechcraft would be difficult for several reasons. The entrant would need to get the approval of the airport authority, obtain permits, and construct facilities, all of which require extensive lead time to complete. Successful entry would be unlikely to occur in response to a small but significant and non-transitory post-merger price increase.

V.

VIOLATION ALLEGED

16. The United States hereby incorporates paragraphs 1 through 15.

17. Unless restrained, Signature's proposed acquisition of Hawker

Beechcraft's FBO facility at IND is likely to tend to create a monopoly in the market for FBO services at IND in violation of Section 7 of the Clayton Act, 15 U.S.C. § 18, in the following ways:

- a. Actual and potential competition between Signature and Hawker Beechcraft in the market for FBO services at IND will be eliminated;
- b. Competition in the provision of FBO services at IND will be eliminated; and
- c. Prices for FBO services to general aviation customers at IND will likely increase and quality of service will likely decrease.

VI.

REQUEST FOR RELIEF

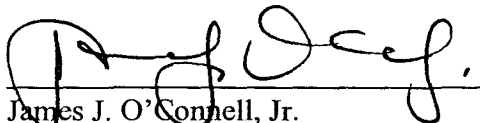
18. The United States requests that:

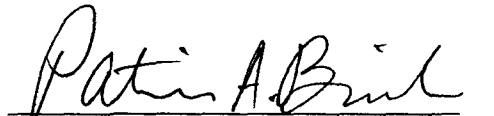
- a. Signature's proposed acquisition of Hawker Beechcraft's FBO facility at IND be adjudged and decreed to be unlawful and in violation of Section 7 of the Clayton Act, 15 U.S.C. § 18;
- b. defendants and all persons acting on their behalf be preliminarily and permanently enjoined and restrained from consummating the proposed transaction or from entering into or carrying out any contract, agreement, plan, or understanding, the

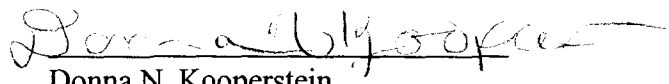
effect of which would be to combine Signature's and Hawker Beechcraft's FBO operations at IND;

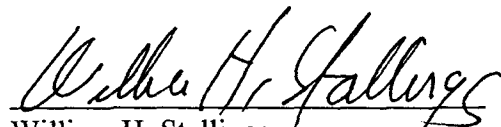
- c. the United States be awarded its costs for this action; and
- d. the United States receive such other and further relief as the Court deems just and proper.

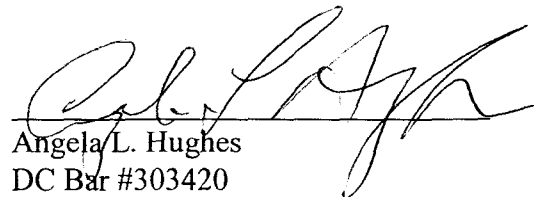
Respectfully submitted,


James J. O'Connell, Jr.
Acting Assistant Attorney General
DC Bar #464109


Patricia A. Brink
Deputy Director, Office of Operations


Donna N. Kooperstein
Chief
Transportation, Energy &
Agriculture Section


William H. Stallings
Assistant Chief
Transportation, Energy &
Agriculture Section


Angela L. Hughes
DC Bar #303420
Michelle Livingston
DC Bar #461268

Trial Attorneys
U.S. Department of Justice
Antitrust Division
Transportation, Energy &
Agriculture Section
450 Fifth Street, NW
Room 4100
Washington, DC 20530
Telephone: (202) 307-6410
Facsimile: (202) 307-2784

Dated: July 3, 2008.