

IN THE UNITED STATES DISTRICT COURT  
FOR THE NORTHERN DISTRICT OF TEXAS

UNITED STATES OF AMERICA,

Plaintiff,

v.

AMERICAN AIRLINES, INC; and

ROBERT L. CRANDALL,

Defendants.

COMPLAINT

(15 U.S.C. §2)

Civil No. CA 3 83-0325D

Filed: February 23, 1983

COMPLAINT

The United States of America, plaintiff, by its attorneys acting under the direction of the Attorney General of the United States, brings this civil action against the above-named defendants and complains and alleges as follows:

I.

JURISDICTION AND VENUE

1. This complaint is filed and this action is instituted against the defendants by the United States of America under Section 4 of the Act of Congress of July 2, 1890, as amended (15 U.S.C. §4), commonly known as the Sherman Act, in order to prevent and restrain violations, as hereinafter alleged, by the defendants of Section 2 of the Sherman Act, as amended (15 U.S.C. §2).

2. Each defendant transacts business and is found in the Northern District of Texas.

## II.

### DEFENDANTS

3. American Airlines, Inc. (hereinafter referred to as ("American")) is made a defendant herein. American, a wholly-owned subsidiary of AMR Corp., is a corporation organized and existing under the laws of the State of Delaware, with its principal business office in Fort Worth, Texas.

4. Robert L. Crandall is made a defendant herein. Robert L. Crandall, at the time of the offense charged, was, and presently remains, President and Chief Executive Officer of American, doing business in the Northern District of Texas.

## III.

### DEFINITIONS

5. As used herein, the term:

- (a) "scheduled airline passenger service" means the provision, at regular times and over regular routes, of air transportation to individuals traveling between an origin city and a destination city;

- (b) "city-pair" means the set of two cities consisting of the origin city and the destination city between which scheduled airline passenger service is the relevant product; and
- (c) "slot" means one arrival or landing operation by an air carrier at a specified airport for a specified hour.

#### IV.

##### TRADE AND COMMERCE

6. In February of 1982, American and Braniff Airways, Inc. (hereinafter "Braniff"), a wholly-owned subsidiary of Braniff International Corporation, a corporation incorporated in the State of Nevada, were engaged in the provision of scheduled airline passenger service in competition with one another in numerous city-pairs. Many of the city-pairs served by both carriers involved the airline transportation of passengers from one state to another.

7. City-pairs for scheduled airline passenger service can be served either by a nonstop airplane operation between the origin and the destination or by an airplane operation requiring a stop, or stops, at an intermediate point, or points. When a stop or connection at an intermediate point is required, the passenger may either remain on the original



aircraft and await its departure to his destination ("through service"); deplane and then board a different flight served by the original carrier ("online service"); or deplane and then board a different flight served by a different carrier ("interline service").

8. In 1981 and 1982, American and Braniff served many of the same city-pairs to and from the Dallas/Fort Worth Regional Airport (hereinafter "DFW") with nonstop airplane operations. In addition, both served many of the same city-pairs for which a connection at DFW was necessary.

9. Many major airline passenger carriers, including American and Braniff, structure the supply of their services around major airports in network configurations or complexes called "hubs." The term derives from the fact that the routes of an airline maintaining a hub operation resemble the hub and spokes of a wheel, with a major airport, such as DFW, as the hub and the routes to other cities radiating outward like spokes.

10. By "hubbing," the carrier can gather passengers from many points and concentrate them at the hub location at a number of times during the day. The carrier can then arrange connections for those passengers to many other locations. Thus, hubbing allows a carrier to serve many city-pairs which might not independently support nonstop service.

11. DFW is one of the largest airports in the United States. By February of 1982, both American and Braniff had established and maintained extensive hubbing operations centered at DFW.

12. Both Braniff's and American's DFW hubs consisted of "feeder" routes, many of which operate between DFW and cities in Texas, Oklahoma or Louisiana, and "trunk" routes to cities generally located a further distance from DFW. Generally, "feeder" routes are short-haul routes that provide "feed" traffic to long-haul "trunk" routes and vice versa. This feed traffic permitted American and Braniff to offer and operate long-haul trunk flights at higher load-factors than either carrier could have attained had they only provided service originating or terminating at DFW without the benefit of feed traffic.

13. The existence of Braniff's and American's hubs at DFW thus provided them with larger traffic (and therefore larger revenue) bases upon which to draw in providing airline services between Dallas/Fort Worth and other cities than carriers which did not have hubs at DFW.

14. Prior to February of 1982, and continuing through the date of this complaint, air traffic control capacity has been limited as a result of the August 3, 1981 strike by the Professional Air Traffic Controllers Organization. The Federal Aviation Administration (hereinafter "FAA"), through a series of regulations known generally as Special Federal Aviation



Regulations (hereinafter "SFARs") No. 44 et seq., formalized its imposition of restrictions on the number of allowable carrier landings per hour, i.e. slots, at approximately twenty-two of the nation's larger airports, including DFW. SFAR 44-1, dated September 2, 1981, reduced the number of slots at DFW during certain hours by an average of forty percent. Prior to February of 1982 and continuing through the date of this complaint, DFW has been a slot-constrained airport.

15. The SFARs also formalized procedures for the allocation of additional slots as they have become available. Initially, additional slots were allocated by the FAA on a "first-come, first-serve" basis. After February 18, 1982, FAA regulations provided for the allocation of additional slots by lottery and also provided for the exchange of slots by trade and sale. The limited availability of slots, however, acts as a significant barrier to entry for any carrier seeking to enter or expand service in any significant number of city-pairs where the origin, destination or connecting airport is slot-constrained.

16. The amount of commerce generated in 1981 in the city-pairs in which American and Braniff operated either nonstop service to or from DFW or service requiring a connection at DFW is estimated to have exceeded \$434 million.

V.

OFFENSE CHARGED

17. On or about February 1, 1982, the defendants American and Robert L. Crandall, acting with specific intent, unlawfully attempted joint and collusive monopolization, between American and Braniff, of scheduled airline passenger service in a number of the city-pairs served by the DFW hub that account for a substantial amount of commerce, as described in section IV of this complaint, in violation of Section 2 of the Sherman Act, 15 U.S.C. §2.

18. The aforesaid unlawful attempt to monopolize consisted of an attempt by defendant Robert L. Crandall, acting as President and Chief Executive Officer of American and on its behalf, to cause Howard Putnam, who at the time of the offense charged was President and Chief Executive Officer of Braniff, to raise the prices charged by Braniff by means of a direct oral request to Mr. Putnam that Braniff do so coupled with Mr. Crandall's assurance that American would do the same.

19. At the time of the defendants' attempt to monopolize, American and Braniff were actively competing for passengers on the basis of price in many city-pairs served by the DFW hub as described in section IV of this complaint.

20. In effectuating the aforesaid attempt to monopolize, the defendant, Robert L. Crandall, attempted to eliminate



competition and thereby monopolize the aforesaid trade and commerce during a telephone conversation with Howard Putnam in which Mr. Crandall proposed that both carriers raise their fares by twenty percent. Throughout the discussion, Mr. Crandall was present in his office at the former headquarters of American in Grand Prairie, Texas; Mr. Putnam was present at the headquarters of Braniff located on the property of the Dallas/Fort Worth Regional Airport in Texas. During the conversation with Howard Putnam, defendant Robert L. Crandall uttered the following words, or words to the following effect:

Crandall: I think it's dumb as hell for Christ's sake, all right, to sit here and pound the shit out of each other and neither one of us making a fucking dime.

Putnam: Well --

Crandall: I mean, you know, goddamn, what the fuck is the point of it?

Putnam: Nobody asked American to serve Harlingen. Nobody asked American to serve Kansas City, and there were low fares in there, you know, before. So --

Crandall: You better believe it, Howard. But, you, you, you know, the complex is here -- ain't gonna change a goddamn thing, all right. We can, we can both live here and there ain't no room for Delta. But there's, ah, no reason that I can see, all right, to put both companies out of business.

Putnam: But if you're going to overlay every route of American's on top of over, on top of every route that Braniff has -- I can't just sit here and allow you to bury us without giving our best effort.



Crandall: Oh sure, but Eastern and Delta do the same thing in Atlanta and have for years.

Putnam: Do you have a suggestion for me?

Crandall: Yes. I have a suggestion for you. Raise your goddamn fares twenty percent. I'll raise mine the next morning.

Putnam: Robert, we --

Crandall: You'll make more money and I will too.

Putnam: We can't talk about pricing.

Crandall: Oh bullshit, Howard. We can talk about any goddamn thing we want to talk about.

## VI.

### EFFECTS

21. The aforesaid attempt to monopolize had, among others, the following effects:

- (a) a dangerous probability of successful joint and collusive monopolization by American and Braniff of scheduled airline passenger service in a number of the city-pairs served by the DFW hub that account for a substantial amount of commerce, as described in section IV of this complaint, was brought about, and was specifically intended to be brought about, as the direct result of action taken by the defendants; and

- (b) a substantial step was undertaken by the defendants to unlawfully obtain monopoly power and restrain trade in the aforesaid trade and commerce.

VII.

PRAYER

WHEREFORE, the plaintiff prays:

1. That the Court adjudge and decree that the defendants have attempted to monopolize the aforesaid trade and commerce, in violation of Section 2 of the Sherman Act;

2. That defendant Robert L. Crandall be enjoined and restrained, for a period of twenty-four (24) months, from serving as President, Chief Executive Officer or in any other position having pricing responsibility or authority, within American Airlines, Inc., or within any other company which provides scheduled airline passenger service;

3. That defendant American Airlines, Inc. be enjoined and restrained, for a period of twenty-four (24) months, from employing Robert L. Crandall as President, Chief Executive Officer or in any other position having pricing responsibility or authority or responsibility for the supervision of any person with pricing responsibility or authority;

4. That defendant American Airlines, Inc. be enjoined and restrained, for a period of ten (10) years

from discussing or communicating with any other company which provides scheduled airline passenger service any matter relating to the pricing of such service;

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

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



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