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Articles

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INTRODUCTION

LOOKING AT TWO SNAPSHOTS, albeit from a distance, gives an overview of how concentrated the gaming industry in Nevada has become:

- In 1998, 23 publicly held corporations owned 65 casinos that grossed more than $12 million that year from gaming. These casinos grossed 75.48% of the state's total gaming revenue that fiscal year.
- In 2012, 22 publicly held corporations owned 70 casinos that grossed more than $12 million that year from gambling, pulling in 78.0% of that state's total gaming revenue that fiscal year.

On the surface, that doesn't look like much change: publicly held companies still number about the same, and they still control approximately the same market share in Nevada. But in the ensuing 14 years, a fundamental shift had changed the structure of casino ownership in Nevada, and particularly along the Las Vegas Strip, as casino ownership became concentrated in the hands of fewer, larger operators.

In 1998, as seen in Table 1, there were 21 casinos in the Las Vegas Strip corridor earning more than $12 million annually, owned by a total of 12 companies, including two casinos that were co-owned by two companies each. In addition, six major casinos were not owned by companies that the Nevada Gaming Control Board qualified as "public": the Hard Rock Hotel, the Frontier, Imperial Palace, Westward Ho, the San Remo, and the Sahara. The company with the largest Strip presence, Circus Circus Enterprises, owned four properties outright, with a 50% stake and a management contract for a fifth. Counting the four non-corporate-owned casinos, nine companies owned only a single casino in the Strip corridor; three owned all or shares in two; one owned three; and the last, Mirage Resorts, owned three properties and had a 50% interest in a fourth. That's a fairly good distribution of ownership.

Looking ahead to 2012, the picture had changed (see Table 2).

Here, the picture is clearly different. Unlike in 1998, no casinos were owned by non-publicly-traded companies in the Strip corridor. There are two powerhouses: MGM, owning ten casinos; and Caesars Entertainment, owning nine (in 2012, the Gaming Control Board considered Slots-A-Fun as part of Circus Circus, potentially boosting MGM's total to 11). The remaining seven owners had one casino license each, though both Wynn (Wynn and Encore) and Las Vegas Sands (Venetian and Palazzo) operated two interconnected resorts. And four casinos in the Strip corridor—the Hard Rock Hotel, Palms, Treasure Island, and Hooters—were not owned by publicly traded corporations.

This means that now two companies control between them 19 resorts, about 59% of the total market by property count. Moreover, since the unaffiliated resorts tend to be smaller than the ones owned by Caesars and (particularly) MGM, the companies' total market share is likely higher (since the companies do not separate out Strip earnings in their financial filings, and the Gaming Control Board aggregates all area results in its reports, it is beyond the scope of this analysis to determine the precise market share of each company). Clearly, it's a misnomer to call this a monopoly, or even a

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TABLE 1. PUBLICLY TRADED CORPORATIONS OWNING LAS VEGAS STRIP CASINOS, 1998

Company	*Aztar*	*Boyd*	*Circus Circus*	*Coast Resorts*	*Harrah's*	*Hilton*
Casinos	Tropicana	Stardust	Circus Circus Excalibur Luxor Monte Carlo* Slots-A-Fun	Barbary Coast Gold Coast	Harrah's	Bally's Flamingo Hilton LV Hilton

Company	*MGM Grand*	*Mirage*	*Primmadonna*	*Rio*	*Riviera*	*Starwood*
Casinos	MGM Grand NY-NY**	Boardwalk Mirage Treasure Island Monte Carlo*	NY-NY**	Rio	Riviera	Caesars Palace Desert Inn

*JV between Circus, Mirage; **JV between MGM, Primmadonna.
All casinos earning more than $12 million in annual gaming income.
Source: NEVADA GAMING CONTROL BOARD, 1998 NEVADA GAMING ABSTRACT.

duopoly, since there are several other ownership interests in the Strip corridor, including two larger, well-financed international gaming giants, Wynn Resorts and Las Vegas Sands.

The overall impact of the consolidation spree that led to the emergence of the two Strip behemoths, however, may have significant impacts on the companies themselves, the Nevada gaming industry (whose continued health is of vital significance to the larger state economy), and the visitors who, at the base of it all, drive the gaming and tourist economy of Southern Nevada. Examining these impacts more closely will provide some much-needed perspective on whether concentration of ownership in the Las Vegas Strip market into so few hands was, in retrospect, a sound or unsound series of decisions.

In fact, it appears that the impact on the individual operators has been negative; for the industry as a whole, it has been neutral to negative; and for customers, it has also been neutral to negative. The accelerated concentration in casino ownership on the Las Vegas Strip in the period 2000–2005 did not destroy the industry, but it did not help it weather the economic difficulties it was to face, either, and indeed likely contributed to those woes.

THE CONCENTRATION CHRONOLOGY

Concentration in the Las Vegas Strip (and national) gaming industry didn't happen overnight. Instead, from a Las Vegas perspective, it was a process that began in 1998, when Harrah's Entertainment acquired Showboat, Inc. At the time, this didn't seem like a major move—Harrah's owned only a single Las Vegas casino, as did Showboat, but it

TABLE 2. PUBLICLY TRADED CORPORATIONS OWNING LAS VEGAS STRIP CASINOS, 2012

Company	*Boyd*	*Caesars*	*Colony*	*LV Sands*	*MGM*
Casinos	Gold Coast	Bally's Bill's Caesars Palace Flamingo Harrah's Imperial Palace Paris Planet Hollywood Rio	LVH	Venetian	Aria Bellagio Circus Circus Excalibur Luxor Mandalay Bay MGM Grand Mirage Monte Carlo NY-NY

Company	*NV Prop*	*Riviera*	*Trop LV*	*Wynn*
Casinos	Cosmopolitan	Riviera	Tropicana	Wynn Las Vegas

All casinos earning more than $12 million in annual gaming income.
Source: NEVADA GAMING CONTROL BOARD, 2012 NEVADA GAMING ABSTRACT.

was a harbinger of things to come. Harrah's had, at the time, an empire of a dozen casinos, which it had grown organically with new construction since the 1980 merger of Harrah's into Holiday Inns, Inc. With the gaming properties spun off as Harrah's Entertainment in 1995, the company had become a solid company with a broad regional base and, thanks to the just-launched Total Gold (soon to be Total Rewards) program, a commitment to an interconnected player loyalty platform. Showboat had its Boulder Highway flagship casino, an Indiana riverboat, an Atlantic City casino, and the management contract for Sydney's Star City casino.

Upon buying Showboat, Harrah's immediately sold the Las Vegas property (which was renamed the Castaways, but which within a decade had been closed and demolished) and ditched the management contract, keeping the Atlantic City and Indiana properties, which were incorporated into Harrah's Total Rewards system.

The Showboat acquisition evidently whet Harrah's Entertainment's appetite for addition by acquisition, leading to a series of purchases that saw the company increase its national reach and its Las Vegas footprint over the next seven years, starting with the acquisition of the Rio Hotel and Casino, a property in the Strip corridor but off Las Vegas Boulevard, in 1999. The following year, riverboat operator Players International followed, with Harvey Casino Resorts' casinos added to the fold in 2001. After that, Harrah's bought a Louisiana racetrack and consolidated its ownership of Harrah's New Orleans, which was just a pause before the moves that changed the company completely, giving it a new name and an expanded focus. In 2004, Harrah's bought Binion's Horseshoe; it quickly sold the Downtown Las Vegas gambling hall, but retained the rights to the Horseshoe name in Southern Nevada and kept the World Series of Poker. Harrah's seized on the poker tournament's brand, running satellite tournaments throughout its portfolio of properties. In the same year, Harrah's acquired the separately owned Horseshoe Gaming Holding Corporation, which owned casinos in Mississippi, Louisiana, and Indiana.[1]

So far, so good: at this point, Harrah's was already a company with a broad reach of properties across the country and a small presence in Las Vegas, with only the less-than-glamorous Harrah's on the Strip and the off-Strip Rio.

Then, in a merger announced in July 2004 and completed in 2005, Harrah's bought Caesars Entertainment, a company that, through its own pickups, had grown since its genesis in Hilton Hotels' gaming division with the acquisition of Bally Entertainment, Grand Casinos, and Caesars World. Harrah's Entertainment now had six properties in the Strip corridor: Rio, Harrah's, Caesars Palace, the Flamingo, Bally's, and Paris (before the acquisition, Caesars had sold the Las Vegas Hilton). The following year, Harrah's increased its international presence with the purchase of London Clubs International. Then Harrah's sold off a few non-core properties in its national portfolio while doubling down on the Strip. In 2005, it bought the Imperial Palace, a budget-oriented casino between Harrah's Entertainment possessions Harrah's and the Flamingo, and two years later, it bought the Barbary Coast from Boyd Gaming, giving the company a solid block of real estate on the west side of Las Vegas Boulevard from Harrah's south to Paris. Then, in 2010, the company reached even further, with the acquisition of Planet Hollywood.

All of this buying was premised on the assumption that real estate on the Las Vegas Strip was at a premium, as was the 2008 acquisition of Harrah's by private equity firms Apollo Management and TPG Capital. The belief that Las Vegas land was the most valuable asset possible in the gaming universe—to the exclusion of international expansion opportunities—was, as the subsequent recession demonstrated, a critical strategic error. None of the steps that Harrah's took to assemble its Strip empire seemed, at the time, audacious; yet, when taken together, they gave the company a portfolio of nearly half of the Strip's casinos, and saw formerly independent properties like the Rio, Planet Hollywood, and Imperial Palace end up under a corporate umbrella. When, in 2011, the company renamed itself Caesars Entertainment, its imperial ambitions were only confirmed.

But Caesars is only half the story of the consolidation of the Las Vegas Strip's casino market. The other side begins with Kirk Kerkorian, who in 1967 bought the Flamingo and, two years later, opened the International. Both casinos were subsequently bought by Hilton Hotels, beginning its

[1] *Caesars Entertainment Corporation Company Profile*, University of Nevada, Las Vegas (UNLV) Center for Gaming Research, <http://gaming.unlv.edu/abstract/fin_het.html>.

involvement in the gaming industry. Kerkorian stayed in the game, however, and in 1973 built the original MGM Grand. After selling that casino and its Reno cousin to Bally's in 1986, Kerkorian bought several casinos on the Strip, including the Desert Inn (1986), Sands (1988), and Marina (1989). Kerkorian didn't own the Sands for long, and he sold the Desert Inn to ITT-Sheraton in 1993, but he used the Marina as the cornerstone of a new, larger MGM Grand at the corner of Las Vegas Boulevard and Tropicana. In 1997, MGM partnered in a joint venture with Primmadonna Resorts, owner of three casino hotels on the Nevada/California border at Primm, opening New York-New York across from the MGM Grand on the Strip.[2]

Two years later, MGM Grand acquired Primmadonna, giving it 100 percent ownership of New York-New York, but that was only a prologue. In 2000, the company bought Steve Wynn's Mirage Resorts for $6.4 billion.[3] In one fell swoop, the company's Las Vegas presence ballooned from two casinos to seven and half, with Downtown's Golden Nugget, the Mirage, Treasure Island, the Bellagio, and 50 percent of Monte Carlo absorbed. Reflecting its new identity, the company changed its name to MGM Mirage.

Three years later, MGM Mirage downsized slightly when it sold the Downtown and Laughlin Golden Nuggets, but in 2005, the company just about doubled its Strip footprint with the purchase of the Mandalay Resort Group. The erstwhile Circus Circus Enterprises' Las Vegas assets included its Strip namesake, the Slots-A-Fun casino, 50 percent (and management) of Monte Carlo, Excalibur, Luxor, and Mandalay Bay.[4]

MGM Mirage then closed the Boardwalk and began construction of CityCenter, a project that it believed would change the nature of the Las Vegas Strip. Along the way, due to financial problems brought on by over-expansion and the recession, the company sold Treasure Island for $775 million in 2008. Following the opening of CityCenter, and amid rumors that the Mirage was an acquisition target, the company in 2010 changed its name to MGM Resorts International.

Coming without about a month of each other, the two mega-transactions of 2005—MGM Mirage buying Mandalay Resort Group and Harrah's buying Caesars—trigged mild concerns about antitrust issues in the press. In some markets, such as Detroit, the companies were required by statute to divest properties. In others, the companies made strategic decisions to offload casinos that didn't fit within their larger plan for growth.

In Las Vegas, some raised concerns that overconcentration would damage the market as a whole. Nevada, unlike some other states, does not have any cap on the total number of licenses a property can have statewide or within a single market. Instead, the relevant statute[5] specifies that, "the board and commission shall consider whether such multiple licensing is in the best interests of the State of Nevada, having due regard for the state's policy concerning gaming."[6] Specifically, the decision to grant multiple licenses should consider a variety of factors, including the overall viability of the proposed new properties, that don't directly address market concentration. One criteria, however, does: the Commission, in its licensing, must consider, according to the statute, "What would the result of the multiple licensing be of the percentage of interest of the applicant to similarly situated competitors on a statewide, countywide and geographical location basis" in a variety of categories, including the total number of slot machines, total number of table games, gross revenue, number of rooms, number of employees, and total payroll.[7]

There are two other statutorily mandated red flags for a merger:

8. Would acquisition pose problems or create a monopoly?
9. Would acquisition pose problems in any of the following categories:
   (a) Becoming so large as to become its own supplier of goods and services required by the licensee in all of its operations.
   (b) Establishing employment practices inimical to the welfare of the gaming industry.

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[2]*MGM Resorts International Company Profile*, UNLV Center for Gaming Research, <http://gaming.unlv.edu/abstract/fin_mgm.html>.
[3]*Id.*
[4]*Id.*
[5]Nev. Rev. Stat. § 3.070.
[6]Nevada Gaming Commission, Regulation 3: Licensing: Qualifications, <http://gaming.nv.gov/modules/showdocument.aspx?documentid=2949>.
[7]*Id.*

(c) Establishment of control in method of play or percentage realized from play that would be inimical to the welfare of the gaming industry.
(d) Without cause, the establishment of a seasonal operation or reduced number of shifts per day, inimical to the economy of the area.[8]

Unlike in other states, many of these questions have answers that are purely subjective; there is no definition of what "problems" an acquisition might cause, and what exactly constitutes a monopoly—presumably, its technical definition would be one entity owning all non-restricted gaming locations in the state. With those rather vague criteria, it isn't surprising that all of the acquisitions of the late 1990s/mid-2000s received regulatory approval.

The lack of greater regulatory rigor regarding concentration within markets like the Las Vegas Strip, however, speaks to the bigger issue: no one at the time seemed to care. One commentator, when asked for his perspective by the Las Vegas Sun, opined that "the consumer can get better service with a big company…I see it as a vehicle to help the consumer and give them a better deal."[9]

There were, of course, bigger questions that should have been asked: what would the impact on the companies themselves, and the market as a whole, be? That they were not seriously asked at the time of the mergers does not mean they are not valid questions. Indeed, economist Bill Eadington in 2011 wrote that, "One could argue, especially in retrospect, that what was occurring in Las Vegas by mid-decade was clearly 'irrational exuberance' on the investment scene."[10]

But looking more deeply at the impacts of the Strip's consolidation, we can begin to develop criteria to allow, in the future, for a more circumspect approach to mergers within the gaming industry.

THE IMPACT ON INDIVIDUAL OPERATORS

The first area of impact to explore will be on the individual operators. Those who ran gaming companies in the late 1990s and early 2000s had a variety of growth strategies they could pursue. These included: acquisition of rival properties; expansion into new markets, both domestic and international; and growth by building additional properties and adding supply to mature markets. While the two other Strip-based gaming giants, Wynn Resorts and Las Vegas Sands, chose the latter two options as their primary strategies (and continue to pursue the second option, expansion into new markets, today), MGM and Caesars chose to grow, particularly in Las Vegas, through acquisitions.

Benefits to growing on the Strip through consolidation were three-fold. First, as a "real estate play," buying both casinos and the land surrounding them promised great dividends. With land prices on the Strip rising with, seemingly, no end in sight, the present seemed the best time to invest heavily in Las Vegas real estate. Some land could be used to build new resorts, and land currently used for low-density, low revenue units, like MGM Grand's Grand Adventures theme park, could be repurposed for higher yields: in that case, condominiums. If a company could buy properties like Mandalay Bay and, on some of the land surrounding the core asset, build high-rise, high-density residential units, it could both drive more business to the core asset and provide a new revenue stream in the form of condo sales and/or management fees for leasing units. There was also the potential for new casino developments, for imploding older casino resorts to build newer, denser, more profitable ones, and the possibility of constructing non-gaming amenities, such as arenas, on excess land (the latter explains Harrah's purchase of large tracts between its East Strip properties and Koval Lane).

The second reason for buying multiple Las Vegas properties was that it promised economies of scale, both for labor and for purchasing power. This includes combining back-of-the-house and support functions for Strip resorts, which would lower unit costs for all of the resorts. Why have 10 in-house web design or legal departments (for example) when one office could perform the function for the entire portfolio? In addition, buying in bulk quantities could create volume discounts, and the additional clout given by suddenly controlling so

[8] *Id.*
[9] Liz Benston, *Harrah's, Caesars Ink Deal*, LAS VEGAS SUN, July 15, 2004, <http://www.lasvegassun.com/news/2004/jul/15/harrahs-caesars-ink-deal/>.
[10] William R. Eadington, *Analyzing the Trends in Gaming-Based Tourism for the State of Nevada: Implications for Public Policy and Economic Development*, 15 UNLV GAMING RES. & REV. J. (2011).

much business could make negotiations with vendors and suppliers easier.

Finally, buying some of the competition would mean less competition. In theory, casinos compete by bidding to attract customers based on a mix of superior product offerings, better customer service, lower prices, and more generous casino complimentaries. Marketing subsumes a large portion of the average casino's budget: in 2012, for example, comp expenses accounted for nearly 28% of gross casino revenues for large Las Vegas Strip casino resorts.[11] Being able to eliminate competitors through acquisition could, theoretically, mean that casinos could lower customer service levels (i.e., get by with fewer employees and slower service) and rein in their comp expenses. With fewer options, disgruntled customers would have less potential to bring their play (and spend) elsewhere.

Those are three possible justifications for consolidation. Did those involved believe that the potential benefits were worth the risks? And is there any way to "keep score" by assessing the outcomes? As responsible managers, the directors and officers who orchestrated the mergers that led to consolidation on the Las Vegas Strip were motivated, first and foremost, by their directive to "drive shareholder value." At the end of the day, they wanted to increase their company's total value and position it for future growth. From that perspective, it should be easy to determine whether consolidation has helped individual companies by comparing its stock price before and after the merger(s).

This simple approach, however, is complicated by several unfortunate intrusions of reality. Harrah's, after its 2006 leveraged buyout, was no longer publicly traded, so that kind of before-and-after comparison isn't possible for more than a year after the merger was completed. And the recession, particularly from 2008 to 2010, hammered casino stocks (and not without reason), making it difficult to assess just what impact consolidation had on the stock price.

But it might be worth examining, to see what the immediate impact of consolidation was for MGM. Initially, it was moderately favorable. In February 2000, before the Mirage Resorts acquisition was announced, MGM Grand's stock price was approximately $10.50/share. By the middle of April, about a month after the announcement, it had climbed to over $14/share, and by June, it was close to $17/share. In 2004, the June announcement of the Mandalay Resort group merger did not appreciably move the stock price: it remained in the $21 to $22/share range for much of the year. But as the Las Vegas Strip real estate market heated up, the stock price soared, to $36/share by December 2005. By November 2007, MGM Mirage was trading near $90/share.[12]

Table 3. Approximate Stock prices in dollars, 2004–2013 (selected data points)

	MGM	*Wynn*	*LVS*
Dec-04	36	67	48
Dec-05	36	55	39
Dec-06	56	94	89
Oct-07	90	150	140
Dec-08	13	43	7
Mar-09	2	16	2
Dec-09	11	67	15
Dec-10	15	104	46
Dec-11	10	110	42
Dec-12	11	114	44
May-13	15	140	57

Source: Google Finance.

From there, recessionary woes and slumping gaming and non-gaming revenues on the Las Vegas Strip contributed to a collapse of the stock price; plummeting through 2008 as if in free fall, by March 2009 it was (briefly) below $2/share. By the end of the year, it had recovered to over $11/share, where it remained for the next three years. Recently, the MGM has improved its position, with the stock trading in the area of $15 for much of 2013 (through May).[13]

It would be easy to blame the stock collapse on the recession, writing it off as completely unrelated to over-expansion within the Las Vegas Strip. Indeed, other companies suffered similar stock woes during the recession (see Table 3 and Figure 1). Wynn Resorts, for example, saw its stock price decline from over $150/share in October 2007 to under $16/share in March 2009. But since then, the company has rebounded; by the middle of 2011, it had passed its pre-recession peak and even broken the $160/share mark, and despite a subsequent retreat

[11] *The Average Big Las Vegas Strip Casino, 2012*, UNLV Center for Gaming Research (2012), <http://gaming.unlv.edu/reports/bigstripcasino2012.pdf>.
[12] <https://www.google.com/finance?q=NYSE:MGM>.
[13] <https://www.google.com/finance?q=NYSE:MGM>.

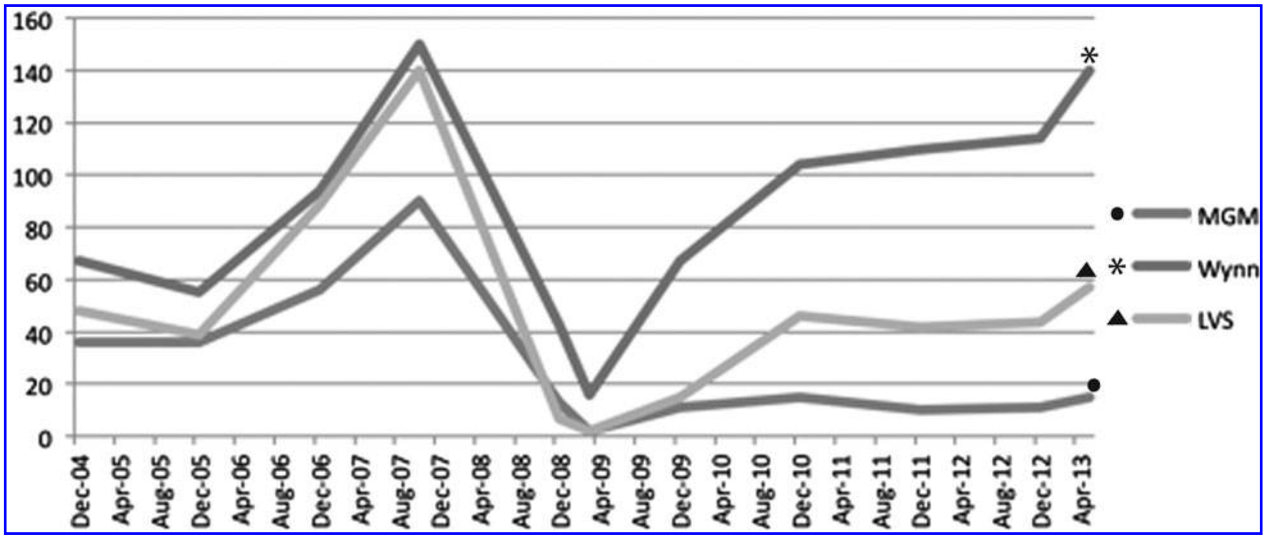

FIG. 1. Approximate stock prices in dollars, 2004–2013 (chart). Source: Google Finance.

from that high water mark, is still trading near $140/share in May 2013.[14]

Las Vegas Sands, which owns the Venetian and Palazzo on the Strip, has a similar, though more muted, trajectory. In October 2007, its stock price was near $140/share; by March 2009, it was trading at less than $2/share. Since then, it has never regained its pre-recession peak, but has consistently remained above $50/share for the past several months.[15]

So from a stock price standpoint, it seems that investing heavily in a Las Vegas-centric acquisition strategy has not delivered shareholder value. The history of Caesars Entertainment Corporation's stock, which returned to trading in February 2012, is instructive. After slumping through much of 2012, with its price falling below $5/share for a period, in 2013 it has rebounded, and is now trading just above its early value of $14/share.[16]

If the impact of the mergers on stock prices are negative or, at the very least, ambiguous, it makes sense to evaluate that impact on other factors. Indeed, this is the strategy that MGM's chief executive officer (CEO) Terri Lanni eventually embraced. In his message to shareholders in MGM Mirage's 2004 annual report, Lanni sounded the theme of "momentum." He highlighted the company's recently signed merger agreement with the Mandalay Resort Group and plans to develop Project CityCenter as two of the "most significant announcements in Las Vegas history," which positioned his company "like no other company to take advantage of unsurpassed growth opportunities in the most dynamic gaming and entertainment market in the world."[17]

The merger was part of an overall growth strategy, according to Lanni, that would make the company more competitive and, ultimately, more profitable:

> The gaming industry in America is maturing, and international expansion, while exciting in select markets, remains challenging. As a result, your company has pursued a growth strategy that calls for maximizing the assets we currently own and seeking prudent development opportunities and strategic acquisitions.
>
> Upon completion of our merger with Mandalay, MGM MIRAGE will be the world's leading gaming and leisure company. The combination will result in a well-capitalized company uniquely situated to invest in its current portfolio in addition to creating new projects in the United States and around the world. We believe this is an outstanding transaction for the shareholders of both companies.[18]

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[14] <https://www.google.com/finance?q=NYSE:WYNN>.
[15] <https://www.google.com/finance?q=NYSE:LVS>.
[16] <https://www.google.com/finance?q=NYSE:CZR>.
[17] MGM Mirage, 2004 Annual Report 2 (2005).
[18] *Id.* at 3.

TABLE 4. KEY METRICS OF FINANCIAL STRENGTH, MANDALAY RESORT GROUP

Year	*Rooms*	*Casino SF*	*Slots*	*Tables*	*Net Revenue*	*Net Income*	*Income/Revenues*	*Basic Earnings/Share*
2002	18,799	580,700	10,565	481	2,354,118	115,603	4.91%	1.71
2003	19,916	580,700	10,062	475	2,491,099	149,847	6.02%	2.40
2004	19,916	580,700	9,970	464	2,809,143	229,062	8.15%	3.41

First four columns are for Las Vegas Strip alone; second four are for the entire company.
Source: Mandalay Resort Group 10-K Filings.

A year later, Lanni was equally bullish, though he shifted the emphasis from a strictly "shareholder value" message to one that stressed a broader justification for the purchase:

> As we considered the merger with Mandalay Resort Group, we saw a company that matched ours in many ways. By combining, we would be able to offer the widest possible array of choices for our customers and position ourselves to better take advantage of the boundless opportunities for resort development on the Las Vegas Strip and elsewhere. To do so, we had to be certain that our new colleagues from Mandalay were made to feel welcome and secure in their positions within MGM MIRAGE. The success of the merger can be measured in many ways—tremendous revenue growth and industry-leading profit margins, for example.[19]

In Lanni's words, the success of the merger would be measured in two ways: revenue growth and profit margins. Let's examine both metrics for the companies separately and combined.

In the three-year period 2002–2004, the Mandalay Resort Group had an approximate average of 19,544 rooms on the Las Vegas Strip (including its half-interest in the Monte Carlo). Its overall casino size remained constant at 580,700 square feet and approximately 10,000 slot machines and 470 table games. Table 4 has precise numbers for each of these metrics, as well as the key drivers that Lanni highlighted: overall revenues and profit margins, here expressed as net income divided by net revenues. In addition, basic earnings per share is added as an additional metric of the utility of consolidation.

Since the financial filings do not separate out Las Vegas Strip vs. non-Strip earnings, it is not possible to say exactly how much of the total revenue and ultimate profit margin came from Las Vegas earnings, but it was no doubt significant. For both income/revenues and basic earnings/share, the pattern is clear: profitability is increasing, with earnings per share nearly doubling over the period and income/revenues increasing by 66 percent.

MGM MIRAGE's metrics show a slightly different trajectory over the 2002–2004 period, as shown in Table 5. While the income/revenues ratio remained above the Mandalay Resort Group's, basic earnings per share failed to grow.

So, on the eve of the merger, Mandalay Resort Group had gross revenues of $2.8 billion, while MGM Mirage had gross revenues of $4 billion. Profitability, measured as net income divided by net revenues, was 8 percent and 10 percent, respectively. Applying Lanni's formula, one would expect to see both increase following the merger. Table 6 shows what happened.

In fact, the total net revenues of MGM Mirage in 2005, $6.1 billion, was less than the combined 2004 revenues of the separate companies, $6.8 billion. True, by the following year the company had notched an increase to $7.2 billion, but this is likely because of the over-heating Las Vegas market rather than any synergies delivered by the merger. Similarly, in 2005 income/revenue fell to 7.2 percent, and while it soared in 2007 to 20.6 percent, it fell in the following year to negative 11.9 percent. If crediting the merger with the 2007 number, we must also blame the merger for the 2008 number.

In sum, looking at the financial performance of the companies separately and combined shows that, in the period shown, the merger did not deliver the benefits Lanni had claimed it would.

In addition, the merger, by providing the company with vast tracts of un- and under-developed land on the Las Vegas Strip, gave MGM the potential to conceive and execute CityCenter. This 76-acre development project, hailed as "transformative" for both the

[19]MGM MIRAGE, 2005 ANNUAL REPORT 2 (2006).

Table 5. Key Metrics of Financial Strength, MGM MIRAGE

Year	*Rooms*	*Casino SF*	*Slots*	*Tables*	*Net Revenues*	*Net Income*	*Income/Revenues*	*Basic Earnings/Share*
2002	19,649	735,500	14,259	657	4,031,295	292,435	7.25%	1.85
2003	19,648	735,500	13,996	666	3,908,816	243,697	6.23%	1.59
2004	20,577	735,500	13,032	657	4,001,804	412,332	10.30%	1.48

First four columns are for Las Vegas Strip alone; second four are for the entire company.
Source: MGM MIRAGE 10-K Filings.

Table 6. Key Metrics of Financial Strength, MGM MIRAGE, Post-Merger

Year	*Rooms*	*Casino SF*	*Slots*	*Tables*	*Net Revenues*	*Net Income*	*Income/Revenues*	*Basic Earnings/Share*
2005	36,845	1,195,000	20,304	1,027	6,128,843	443,256	7.23%	1.56
2006	37,605	1,182,000	20,063	1,020	7,175,956	648,264	9.03%	2.55
2007	37,696	1,182,000	19,335	994	7,691,637	1,584,419	20.60%	4.88
2008	38,055	1,186,000	18,564	981	7,208,767	−855,286	−11.86%	−3.06

First four columns are for Las Vegas Strip alone; second four are for the entire company.
Source: MGM MIRAGE 10-K Filings.

company and the market, in fact did not significantly grow visitation or revenues when it opened in December 2009 and, before its opening, nearly ended in failure. Though the Aria casino resort has gained traction in recent years, the guiding premise of the project—that the next horizon for Las Vegas gaming companies was the development of residential and mixed-use projects in the tourist corridor—has been proven false. By enabling CityCenter, one could argue, the concentration of so much Strip real estate in one operator's hands was a strategic misstep.

Yet MGM wasn't the only company to swell itself through acquisitions. What about the other? Originally, its leaders were equally bullish on the prospects for higher profits through acquisition. Harrah's CEO Gary Loveman offered three reasons for the acquisition of Caesars Entertainment; his justification can be more broadly applied to the company's overall policy of expansion through purchase of existing assets: "These are the right assets for the development of our strategy. Second, we believe these assets are worth more in our hands than in our incumbent's hands and third, we believe we've acquired them at a reasonable price.[20] Loveman, then, based his (and his company's) decisions to acquire such a large Las Vegas footprint on three factors: those assets' utility for future development; the ability of Harrah's to manage the properties better than their current owners; and the belief that they were acquired at a good price. How well did subsequent events bear out these assumptions?

First, we must determine how well the acquisition sortie dovetailed with Harrah's Entertainment's overall strategy. In its 2004 10-K report, the company reported that, "Harrah's Entertainment's strategy for sustainable growth draws on the combined strength of our broad geographic diversification, customer rewards program, financial strength, innovative technology and focus on superior customer service. "[21]

There isn't much room there for an expansion of the company's Las Vegas footprint. Indeed, in its 2003 annual report, CEO Gary Loveman signed his name to the statement that, "The linchpins of our growth strategy are the company's unparalleled geographic breadth, marketing expertise, technological innovations, financial strength and delivery of great customer service by dedicated employees."[22] This would indicate that the moves Harrah's pursued over the next two years—namely, dramatically increasing its exposure to Las Vegas, forgoing expansion into Asia, and exponentially increasing its debt load—was not part of a long-term strategy.

Indeed, the 2003 annual report devotes a page to explicitly explaining what would drive the company's future growth:

> In just 10 years, we've grown into one of the world's largest gaming companies through a focus on strategic expansion and acquisition.

[20]Liz Benston, *Harrah's, Caesars Ink Deal*, *supra* note 8.
[21]Harrah's Entertainment, Inc. 10-K Report (2004), <http://www.getfilings.com/o0001047469-05-005121.html>.
[22]Harrah's Entertainment. 2003 Annual Report (2004).

> But the Harrah's growth story is hardly at an end. Opportunities for growth abound in the United States—in Indian Country, where we're exploring new tribal partnerships, and in states considering the introduction or expansion of commercial casino gaming. And across the Atlantic, we're poised to take advantage of exciting possibilities in the United Kingdom raised by the gaming liberalization legislation recommended by the U.K. government.
>
> The Harrah's growth story: We've only just begun.[23]

Again, there is no mention of exponentially increasing the company's presence on the Las Vegas Strip. The acquisition of Caesars Entertainment, then, was not part of an existing long-term strategy, particularly since its expanded the company's presence in two markets where it already had invested significantly, Las Vegas and Atlantic City.

It's possible, though, that in response to changing market conditions, the company shifted its strategy. Whatever the motivations, Harrah's now began investing in Las Vegas real estate in a big way, buying more than twenty parcels behind its core East Strip properties as well as the small Bourbon Street hotel and casino on Flamingo Road, which it closed and imploded, and the Barbary Coast, which it swapped with owner Boyd Gaming for another site on the Las Vegas Strip. Harrah's now focused on a master redevelopment plan that would tie together the company's various resorts in a way, CEO Gary Loveman explained in May 2006, similar to Disneyland.[24] Although Loveman offered no specifics, in September, details of Harrah's Las Vegas plans trickled out. As assembled on VegasTripping.com, the company's strategy appeared to be to implode, in phases, both the Imperial Palace and Harrah's, building a new "Harrah's America" mega-resort there; expanding the Flamingo to the Barbary Coast site and further east; rebuilding and rebranding Bally's as the Horseshoe Las Vegas.[25]

Whether that strategy would have worked had the recession not happened is unknown, but it is an example of the more grandiose vision that consolidation enabled in Las Vegas. Similar to MGM's development of CityCenter, Harrah's pursued grand, and capital-intensive, designs. By 2013, it was clear that the major redevelopment of Caesars' Strip properties would never take place, with the expansive Harrah's America plan being replaced by the more modest Linq, a retail/entertainment district between the Flamingo and the former Imperial Palace (now renamed The Quad) and the redevelopment of the former Barbary Coast/Bill's into the high-end Gansevoort Las Vegas, with the massive tracts of land behind the casinos held for surface parking and potential future developments.

The second rationale given for Harrah's unwonted Strip buying spree was that with its Total Rewards customer loyalty program, the company would be able to run the resorts it acquired more profitably, with the added benefit of lower back-end costs due to consolidation of back-of-the-house services. It is difficult to objectively determine just how well this theory was borne out by actual events, since the decline in revenues faced by all of Harrah's Las Vegas properties in the late 2000s is due primarily to the recession, rather than problems with Total Rewards integration. While it's possible to argue that the properties would have declined more had they not been part of Total Rewards, that kind of statement is inherently unfalsifiable, and shouldn't be given much consideration. From the data available, it seems clear that Total Rewards did not immunize Harrah's/Caesars against the malaise that afflicted Las Vegas from 2008 to 2011. Indeed, the debt load brought on by consolidation and the subsequent leveraged buy-out impeded the company from responding to the new recessionary pressures, forced it into a deferred maintenance cycle that diminished the perceived value of its properties, and forestalled (for a short time) reinvestment in its portfolio.

The third rationale for acquisition, that Harrah's received good value for its purchases, it similarly debatable. The company paid a "reasonable price" relative to what? Loveman did not specify. In fact, the opportunity costs of investing so heavily in

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[23] *Id.*

[24] Jeff Simpson, *Jeff Simpson on Harrah's Plan to Transform the Center Strip,* LAS VEGAS SUN, May 28, 2006, <http://www.lasvegassun.com/news/2006/may/28/jeff-simpson-on-harrahs-plan-to-transform-the-cent>.

[25] Chuckmonster, *Harrahs To Blow Up Everything Except Caesars, Flamingo and Paris*, VEGASTRIPPING (Sept. 21, 2006, 12:57 AM), <http://www.vegastripping.com/news/blog/1400/harrahs-to-blow-up-everything-except-caesars-flamingo-and-paris/>.

Strip real estate, even if it did not so heavily load the company with debt (to the extent that, after other Strip-based operators have returned to profitability, it continues to lose money on a quarterly basis), were significant, and involved moving away from the strategy that had guided the company to impressive growth and financial stability over the previous two decades.

While the rationales for consolidation on the Strip and the bar for success that Loveman set were more subjective than those Lanni did, it appears from the perspective of 2013 that, even from a generous reading of those rationales, concentration on the Las Vegas Strip did not help Caesars Entertainment. In fact, by diverting resources that could have been used to penetrate the Asian market, pursue other development opportunities, or maximize a smaller Strip footprint, concentration appears to have been the wrong strategy. Because much of the debt load that has slowed the company was taken on by the leveraged buy-out rather than the expansion strategy itself, however, it is difficult to say conclusively just how much of a misstep Strip expansion was. Thankfully, Harrah's did not begin its massive East Strip redevelopment project in 2007; had it done so, it would have been in the early stages during the worst years of the recession and probably would have forced the company into bankruptcy.

In general, it appears that neither of the two companies that chose to acquire massive Strip portfolios have really benefited from it. In MGM's case, the promised boost in overall revenues and profit margins did not materialize, and in Caesars', none of the three rationales given for expansion on the Strip has been achieved (to the extent that they can be objectively determined at all). These companies' acquisition of such large segments of the Las Vegas Strip market, in the end, was not beneficial to them.

IMPACT ON THE INDUSTRY AS A WHOLE

If the concentration strategy has not, to date, delivered the dividends to the two companies that was originally promised, it's still possible that the consolidation of ownership on the Las Vegas Strip has been beneficial for the industry as a whole. In theory, the more successful the consolidation, the more difficult for those companies on the outside. Larger companies could use their economies of scale and pooling of back-end labor to run more efficiently than single-owned resorts; they then could offer rooms, dining, and entertainment (in theory) at lower costs, effectively undercutting the competition. Indeed, that's what public administration professor William Thompson alluded to when he stated that the mergers would provide, "a vehicle to help the consumer and give them a better deal."[26] His biggest concern was that casinos not part of the combination, like the Sahara and Riviera, would find it difficult to compete—not that either consumers or the big companies themselves could be negatively impacted by consolidation.

Again, because of the ensuing recession, it is difficult to separate out the fallout from concentration from the general malaise of the past several years. Looking at the general revenue trend in the period 1998–2012 (Table 7), it appears that there have been larger forces shaping the Strip's economic destiny. Concentration occurred at the mid-point of the Las Vegas Strip's 2003–2007 boom, when gaming revenues soared despite a contraction in the number of slot machines and a decrease in the overall number of properties.

The impact of the recession, from which the Strip's gaming revenues have still not recovered, is apparent here. But it is also interesting that even before the start of the recession, gaming revenues were no longer rising at the rate which they had been earlier in the decade. The concentration of resorts under MGM and Caesars did not, even before the start of the recession, cause any noticeable rise in gaming revenues. From a purely revenue-generation standpoint, it is clear that the Great Concentration did not engender any benefits for the Las Vegas Strip as a whole: it is possible that the combined companies were able to secure a greater slice of the revenue pie for themselves, but they did not grow that pie.

But it is possible that concentration could have helped the Strip without increasing revenues. One of the justifications for super-sizing Caesars and MGM was that with their mega-stables of resorts, the companies could drive down back-of-

[26]Benston, *Harrah's, Caesars Ink Deal*, *supra* note 8.

Table 7. Las Vegas Strip Reporting Area Game, Slot, and Total Revenues, 1998–2012

Year	*#Loc*	*# Games*	*Game Revenue*	*# Slots*	*Slot Revenue*	*Total Revenue*	*% Δ*
1998	44	2,316	1,844,678	55,581	1,940,350	3,812,630	0.09%
1999	44	2,562	2,250,757	60,169	2,206,197	4,488,657	17.73%
2000	43	2,683	2,392,702	61,433	2,380,945	4,805,059	7.05%
2001	44	2,677	2,280,570	61,867	2,393,837	4,703,692	− 2.11%
2002	43	2,566	2,186,144	58,930	2,439,002	4,654,808	− 1.04%
2003	44	2,595	2,165,026	57,548	2,558,574	4,759,607	2.25%
2004	45	2,620	2,414,300	56,035	2,864,537	5,333,508	12.06%
2005	44	2,710	2,777,651	55,448	3,171,258	6,033,595	13.13%
2006	41	2,718	3,159,584	52,372	3,435,441	6,688,903	10.86%
2007	38	2,701	3,228,487	49,891	3,502,333	6,827,887	2.08%
2008	42	2,737	2,821,047	50,158	3,214,871	6,126,292	− 10.28%
2009	43	2,736	2,656,451	49,476	2,808,617	5,550,192	− 9.40%
2010	42	2,802	2,904,826	49,352	2,789,753	5,776,570	4.08%
2011	43	2,817	3,099,492	48,698	2,888,527	6,068,959	5.06%
2012	42	2,741	3,223,270	46,364	2,908,471	6,207,230	2.28%

Data includes number of locations, games, slots, game revenue, slot revenue, total revenue, and annual percentage change in total revenue.
Source: Nevada Gaming Control Board, UNLV Center for Gaming Research.

the-house expenses. Did they actually do so? Table 8 examines how general and administrative expenses tracked in the period 1998–2012.

As can be seen, interest payments began climbing rapidly in the period after consolidation—rising to over $1.6 billion in fiscal 2006, as overall general and administrative expenses broken the $8 billion barrier.

The numbers provide the raw data, but looking at the percentage change gives the context. Table 9 examines the changes in the percentage of total interest expenses, "other" expenses, and total general and administrative expenses. As can be seen, interest expense, which had been falling from its turn-of-the-millennium peak, had been falling before the merger wave, when it began to rise again. And total general and administrative expenses rose as well, though not as rapidly as they would later in the decade.

Total general and administrative expenses rose more sharply in the period 2006–2008 (i.e., pre-recession) than they had in the earlier part of the decade. This signals that, overall, the mergers did not drive down general and administrative expenses for the Las Vegas Strip as a whole.

On a qualitative level, there is conflicting evidence as to whether concentration has helped or hurt the Strip market. Treasure Island, which billionaire Phil Ruffin bought from MGM MIRAGE in 2008, was able to weather the worst of the recession

Table 8. Las Vegas Strip Reporting Area, General and Administrative Expenses, Net Income before Federal Income Tax

	Interest	*Other*	*Total G&A Expenses*	*NI before FIT*
FY98	355,016,030	736,926,026	4,280,638,095	1,134,328,500
FY99	726,490,641	920,715,360	5,182,092,784	876,587,138
FY00	1,103,493,878	1,261,548,953	6,567,298,320	496,841,799
FY01	1,417,991,135	1,030,103,785	6,827,152,666	554,428,461
FY02	1,188,124,549	1,398,962,375	7,001,423,019	(33,541,881)
FY03	1,107,657,101	1,068,074,897	6,646,523,901	845,391,717
FY04	1,157,878,424	1,320,170,396	7,062,701,442	1,325,046,548
FY05	1,187,086,239	1,380,964,187	7,583,636,578	1,803,736,903
FY06	1,604,545,938	1,608,511,426	8,469,265,843	2,110,643,824
FY07	1,678,149,046	1,568,764,555	8,658,521,898	2,297,481,525
FY08	2,115,571,482	1,996,565,129	10,061,731,907	721,181,848
FY09	2,727,968,923	6,808,210,384	15,453,284,434	(6,778,293,613)
FY10	2,676,024,160	2,773,112,695	11,467,783,408	(3,432,514,103)
FY11	3,007,197,013	3,396,732,518	12,587,135,512	(3,996,656,422)
FY12	2,991,566,001	1,331,588,473	10,278,702,854	(1,212,990,361)

Source: Nevada Gaming Control Board, UNLV Center for Gaming Research.

TABLE 9. LAS VEGAS STRIP, PERCENTAGE CHANGE FOR GENERAL AND ADMINISTRATIVE EXPENSES, 1999–2012

	Interest %	*Other %*	*Total %*
FY99	104.64%	24.94%	21.06%
FY00	51.89%	37.02%	26.73%
FY01	28.50%	−18.35%	3.96%
FY02	−16.21%	35.81%	2.55%
FY03	−6.77%	−23.65%	−5.07%
FY04	4.53%	23.60%	6.26%
FY05	2.52%	4.60%	7.38%
FY06	35.17%	16.48%	11.68%
FY07	4.59%	−2.47%	2.23%
FY08	26.07%	27.27%	16.21%
FY09	28.95%	241.00%	53.58%
FY10	−1.90%	−59.27%	−25.79%
FY11	12.38%	22.49%	9.76%
FY12	−0.52%	−60.80%	−18.34%

Source: Nevada Gaming Control Board, UNLV Center for Gaming Research.

while continually reinvesting in its physical plant and offering competitive prices to visitors. The Riviera, on the other hand, has not fared so well, with its annual loss widening from $13 million in 2010 to $16 million in 2011.[27] The owners of the Tropicana invested substantially ($141 million) in 2010–2012, renovating over 1,300 hotel rooms, remodeling the casino and convention area, opening new restaurants, and partnering with two successive companies to create a nightclub complex. In 2012, the casino lost $44 million; by 2012 the Tropicana had pared its annual loss to $34 million.[28] This was hardly a sign of great improvement, but with revenues increasing and the operating loss shrinking, the hotel appears to be on the right track.

If Mandalay Resort Group and MGM MIRAGE had not combined, would the companies separately have been able to handle current Las Vegas climate better? It is possible but not certain. Mandalay would still not have access to Asia, though on a percentage basis, both companies would have had less exposure to Las Vegas with their broader U.S. portfolios (MGM sold the MotorCity casino in Detroit, in which Mandalay had an interest). Neither company on its own would have attempted a project on the scale of CityCenter, which would have meant capital diverted to other purposes, including better maintaining and enhancing existing resorts.

For Harrah's Entertainment and Caesars Entertainment, neither of which had any exposure to Asia, it is likely that both companies, separately, could have weathered the recession better; certainly Harrah's would have gotten through the recession better with only two casinos in Las Vegas and Atlantic City, respectively, and could have taken advantage of depressed prices to acquire a third property and rebrand it as a Horseshoe. In other words, the company could have better adhered to the strategy outlined by Loveman in 2003 and 2004 without having assembled such a large Strip portfolio. For the Strip as a whole, that would have meant a more vibrant competitor in Harrah's, though Caesars, without Harrah's Total Rewards network, might have had a more difficult time finding customers for its properties.

In general, the evidence seems to suggest that the Strip, as a whole, would have been better off with more owners of fewer casinos than two large companies dominating the market. There is definitely a benefit to the market in having a company like Harrah's with a strong nationwide loyalty network to funnel visitors to the Strip, but whether having one or two companies with such a network dominate the Strip provides a benefit to the market at large that justifies the concentration remains to be proven.

THE IMPACT ON THE CONSUMER EXPERIENCE

One of the justifications most frequently advanced for the accelerated concentration of ownership on the Las Vegas Strip was the benefit to the public. As has been mentioned above, in theory at least, with back-end expenses spread across a greater number of frontline positions, companies with larger holdings can deliver superior customer service and lower prices. Larger companies also have a better strategic position to negotiate with vendors and suppliers, leading to further cost savings. This is not a trivial point in the Las Vegas Strip gaming/resort market, where expenses for a variety of goods and services, from laundering of linens to food and beverage to slot machines, constitutes a significant portion of expenses.

Yet concentration can also potentially have a negative impact on the consumer experience. With fewer separate owners competing for business,

[27] RIVERIA HOLDING CORPORATION. 10-K REPORT (2011).
[28] TROPICANA LAS VEGAS HOTEL & CASINO, INC. ANNUAL 10-K REPORT (2012).

TABLE 10. LAS VEGAS VISITORS, TOTAL OCCUPANCY, AND AVERAGE DAILY ROOM RATE, 2003–2012

Year	*Visitors*	*Occupancy*	*ADR*	*%Δ*
2003	35,540,126	85.00%	82.48	–
2004	37,388,781	88.60%	89.78	8.85%
2005	38,566,717	89.20%	103.12	14.86%
2006	38,914,889	89.70%	119.66	16.04%
2007	39,196,761	90.40%	132.09	10.39%
2008	37,481,552	86.00%	119.19	−9.77%
2009	36,351,469	81.50%	92.93	−22.03%
2010	37,335,436	80.40%	94.91	2.13%
2011	38,928,708	83.80%	105.11	10.75%
2012	39,727,022	84.40%	108.08	2.83%

Source: Las Vegas Convention and Visitors Authority.

prices tend to be higher. This is true both for visitors booking leisure trips through the Internet and, to a much more serious degree, for business and convention groups. There is a tremendous difference between negotiating for a block of rooms with seven or eight companies and doing so with four. Smaller groups in particular may have been hurt by overconcentration.

Table 10 examines the trend in visitor volume, occupancy rates, and the average daily rate of a Las Vegas hotel room. If concentration truly leads to "a better deal" for customers, we should see a noticeable drop in room rates after 2005.

As can be seen, room rates actually rose at a greater rate after concentration on the Las Vegas Strip than before. The great drop in rates in 2008 to 2009 was not because of cost savings engineered by concentration and passed on to customers—it was because of the decline in visitation, which, when combined with the continued addition of new room product to the market, led to profoundly lower occupancy rates. Room rates correlate far more strongly with occupancy rates than with any other factor: as occupancy rates increase, room rates increase, and when they fall, room rates fall. This is not a hard concept to grasp—indeed, it is nearly intuitive—but it raises the question of why many people in 2004 and 2005 thought that an unrelated factor, consolidated ownership, would trigger a decline in overall room rates.

Along with higher room rates, the other bugaboo faced by Las Vegas visitors in the post-consolidation era is the rise of resort fees. These mandatory add-ons are not restricted to Las Vegas. Typically, they cover goods and services of small to marginal value to most guests: a copy of the local newspaper, "free" local calls, a bottle of water, and free parking are among the amenities some hotels list. Some of the items, though, are of value to certain guests: these include wifi access and a pass for the hotel gym. On the whole, however, guests forced to pay resort fees find themselves with a pig in the poke, the beneficiaries of services that they didn't ask for and may not use.

Resort fees surfaced in the period 2001–02 in generally higher-priced markets nationwide, and started to gain traction in Las Vegas in 2009.[29] For hotels, the fees are a way of "painlessly" adding revenue—revenue that is not subject to the room-rate commissions charged by online booking sites. The revenue impact can be substantial. For example, in the third quarter of 2010, MGM Resorts generated more than $20 million from resort fees.[30] At the height of the recession, resort fees seemed like a boon to casino executives bedeviled by falling revenues—particularly for a company that had borrowed too much to finance expansion to meet a market that had evaporated.

Initially, MGM Resorts did not charge resort fees at all of its properties: the high-end resorts, particularly the Bellagio and Aria, did not assess the fee, while others did. But, with the company needing revenue and revenue per available room dragging, by January 2011 the company introduced the fee at Bellagio, making it omnipresent throughout its Las Vegas portfolio of resorts.[31] If customers wanted to stay at an MGM hotel, they had to pay a mandatory, extra fee of $5 to $25 per day, often for services they had no desire to use.

There's no direct correlation between consolidation and the appearance of resort fees in Las Vegas: yes, MGM Resorts was on the early slope of the bell curve in adopting them, but a range of "independent" casinos, from the Venetian/Palazzo to Treasure Island, adopted them as well. But it certainly makes it easier to implement the fee if management knows that, with one fell swoop, all of its properties can make the fee a standard part of a Vegas vacation.

Indeed, Caesars Entertainment sought to differentiate itself with a blanket policy of not charging

[29]David G. Schwartz, *Las Vegas' Resort-Fee Game Gets Interesting*, VEGAS SEVEN, Feb. 9, 2010.
[30]Liz Bentson, *The Next to Charge a Resort Fee in Las Vegas: Bellagio*, LAS VEGAS SUN, Nov. 10, 2010, <http://www.lasvegassun.com/news/2010/nov/10/next-charge-resort-fee-las-vegas-bellagio>.
[31]*Id.*

resort fees at any of its Las Vegas properties. In early 2010, it began an aggressive advertising campaign highlighting this policy.[32] It may have been a public relations success, but in early 2013, the company reversed course, and on March 1, it began charging mandatory resort fees at all of its properties. In a May 1, 2013, conference call, CEO Gary Loveman said that, "we became persuaded that the time had come to institute those fees ourselves," after a prolonged analysis of the question.[33] And, with that decision, virtually every Las Vegas Strip property had a resort fee.

Issues stemming from consolidation extend to the gaming floor as well. For serious gamblers, one of concentration's most inimitable effects has been the proliferation of lower game odds. The game of blackjack is a flashpoint for such concerns. Starting in 2005, Harrah's Las Vegas began offering 6/5 blackjack.[34] In essence, this is a modified version of the classic casino game in which players are paid 6 to 5 instead of 3 to 2 for a "natural" blackjack, i.e., a ten-value card and an ace. This results in a 20 percent lower payout on blackjacks, skewing the overall odds of the game.

In a competitive market, one casino offering such odds might be shunned by serious gamblers. In addition, casinos might be hesitant to introduce a game with reduced (for the player) odds because of fears that they might see a reduction in business. But with the ability to introduce such games at ten properties, the risk to the owner seems lower. Indeed, by 2010 all of Caesars Entertainment's properties were offering 6/5 blackjack, substantiating the concerns of gamblers that consolidated ownership would lead to worse odds for players.[35] Of course, it would have been just as easy for a larger group of owners to imitate a single casino whose bottom line was improved by 6/5 blackjack, but the perception of players—right or wrong—is that concentration has led to the quicker proliferation of games like 6/5 blackjack.

Thus, looking at both room rates and game odds shows that concentration has not helped, and may have hurt, the overall consumer experience on the Las Vegas Strip. Are there any benefits from the consolidation trend to visitors? In fact, there may be at least one area where concentration has likely improved how visitors to Las Vegas spend their time in the city: loyalty programs.

Being able to accrue points and receive benefits from ten resorts, each with its own roster of restaurants, entertainment, and other amenities, is, all other things being equal, better than being able to do so at one or two resorts. Without concentration, we would not see programs like Caesars Entertainment's Buffet of Buffets, which grants Total Rewards members access to eight buffets across its Strip portfolio for 24 hours, starting at $49.99. Offering a wide array of options to customers, with many places to both earn and spend points, is a bonus for customers. Whether the added utility of the broader scope of two large loyalty programs makes up for the lower prices and greater diversity that might have been found with a larger number of operators, however, is not a given.

CONCLUSIONS

While there are some areas where concentration has benefited the Strip, for the most part it did not deliver the benefits that its architects had promised, and it likely exacerbated the recession's impact. It is difficult to ascertain the exact nature of concentration's role in the industry's recession and post-recession woes, but examining data from the period just after the final concentration boom of 2004–05 and before the recession suggests that it did not lead to significant growth in revenues, and that, in fact, MGM Mirage, at least, saw a decline in its profit margins following its merger with the Mandalay Resort Group.

Individually, the transactions passed muster with the companies' boards of directors and shareholders and gaming regulators. Collectively, however, their impact on the operators themselves, the industry as a whole, and the consumer has been a net negative. It's unclear whether this means Nevada regulators need to reevaluate the criteria they use to determine if an acquisition would "pose problems" or if legislators need to create a statutory definition of

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[32]Schwartz, *supra* note 28.
[33]*Caesars Entertainment Management Discusses Q1 2013 Results—Earnings Call Transcript*, SEEKING ALPHA (May 1, 2013, 22:10), <http://seekingalpha.com/article/1392251-caesars-entertainment-management-discusses-q1-2013-results-earnings-call-transcript>.
[34]Liz Benston, *Blackjack With Poorer Payouts Making Headway in Vegas*, LAS VEGAS SUN, June 18, 2010, <http://www.lasvegassun.com/news/2010/jun/18/blackjack-paying-6-5-making-headway>.
[35]*Id.*

over-concentration, either as a percentage of the market or an absolute number of resorts, gaming positions, or hotel rooms.

For operators, the lessons should be clear: while the individual decisions to assemble such large portfolios of Strip resorts and real estates were supported by mounds of analysis, those who pursued the acquisitions seem to have lost sight of the larger picture—which is that in addition to the easily quantifiable potential benefits of concentration, those acquisitions presented risks as well. Even if the recession had not intervened, it is likely that concentration would not have delivered the promised dividends. That it loosened inhibitions for both companies to undertake projects that, in MGM's case, left it moments from bankruptcy (but which Harrah's never built as originally proposed) was an unforeseen drawback.

In essence, the history of the concentration trend on the Las Vegas Strip suggests that just because an operator can do something, it is by no means certain that it should. Companies that pursued a more balanced Strip strategy have been rewarded with stronger balance sheets, while those who went "all in" have, hopefully, developed decision-making processes that will avoid similar errors in judgment in the future.