

CHERRY PICKING

Secret player, motive behind MGM's Vegas gamble

Business EXCLUSIVE

By HILARY KRAMER

MGM Mirage looked like the big winner after Mandalay Bay accepted its \$4.8 billion takeover offer last week.

But the one holding all the chips is a little-watched company called International Game Technology, which encouraged the deal to crap out Mandalay, an erstwhile competitor.

IGT is the largest slot-machine manufacturer in the world, controlling 70 percent of the market and bringing in over \$2 billion in annual revenue.

MGM and IGT also share a patent for cashless slot machines, which are becoming more popular in Las Vegas. The technology uses printed tickets with



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bar codes for both payment and payouts instead of coins.

Mandalay recently threatened the virtual monopoly of IGT and MGM by developing its own proprietary slot technology. Sources said IGT encouraged MGM chief Kirk Kerkorian's "all-in" buy to keep Mandalay out of the game.

"An MGM acquisition of Mandalay is a big coup for IGT because Mandalay was trying to promote competition," lamented an industry insider.

"IGT influenced the merger. Everyone believes that," confirmed another industry veteran, who requested anonymity. "But, as one of my colleagues said, 'I would never walk on a casino floor again if I said anything negative about IGT.' Casino people are terrified of IGT."

An IGT spokesman would not comment on the merger. But at a recent Goldman Sachs Gaming Conference, IGT indicated that the takeover was good for business because Mandalay would become a customer and not a competitor.



Cashless technology is especially important to IGT because the new slot machines do more than take money. The machines allow IGT to track the gambling habits of customers and use that data to hook more players.

"IGT has done a great job. Like every large market-share holder, they need to make sure they maintain their position, and therefore control of data is very important," said Peter de Raedt, president of the Gaming Standards Association. That's also why Mandalay was

eager to get into the \$30 billion slots business. By developing its own technology and upgrading old machines, Mandalay didn't have to depend on IGT.

Mandalay's newly formed company, called Revive Partners, went before the Nevada Gaming Commission for approval last month. After the MGM merger, however, the future of Revive is in question.

Critics believe Revive will be shut down or be integrated into IGT, which could have a chilling effect on other casinos inter-

ested in getting into the slots business.

"Others in the industry often argue that IGT's behavior stifles and hinders the opportunities for the creation and integration of new ideas and technologies," said Brian Herrington, an attorney with Howard & Howard specializing in the gaming industry.

"If that's the case, then it would appear to make it all the more difficult for smaller entities to play a role in the industry."