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Being James Packer was never going to be easy, but since the collapse of One.Tel, it's got a whole lot harder. With his father back in control and his own giddy rise to power a distant memory, a question mark lies over the future of the heir to the Packer dynasty. Richard Guillatt reports.

On Boxing Day last year, as most Australians observed the ritual of the post-Christmas family barbecue, James Packer was boarding a Qantas flight at Sydney Airport, bound for Los Angeles. Even casually dressed in a jumper, T-shirt, long pants and loafers, the heir to Australia's largest fortune was hard to miss; at almost two metres tall, with a lantern jaw and a big-boned frame, he was this day looking decidedly overweight. Taking a seat alone in first class, the 35-year-old media mogul proceeded to immerse himself in the literature of Scientology, the cosmological "religion" devised in the 1950s by American pulp science-fiction writer L. Ron Hubbard.

For much of the flight, Packer focused intently on a fat paperback copy of Dianetics, Hubbard's rambling philosophical manifesto. Occasionally he would peruse other pamphlets from the church, or put on a set of headphones to listen to a Scientology CD on a portable player. As the hours passed on that long transpacific flight, Packer's attention rarely shifted from his Scientology studies - although he did order a succession of Paddle Pops, which he sucked on ruminatively. For a man who stands to inherit several billion dollars, he cut a rather forlorn figure.

The purpose of the trip, it's believed, was a visit to his good friend Tom Cruise, the Hollywood star who is Scientology's most famous recruit - and who, just two days after Packer's arrival, reportedly attended Scientology's lavish end-of-year bash at the Shrine Auditorium. Whether Packer accompanied him is not known, but shortly after the event he flew back to Sydney, again in first class, again casually dressed. Sitting alone in the Los Angeles Airport departure lounge, with a pair of large headphones clamped around his ears, the young mogul seemed lost in private thought. "I actually felt a bit sorry for him," recalls someone who saw him that day.

When the jet touched down at Sydney Airport many hours later, it was the middle of the morning, January 1. James Packer had just seen in his New Year, alone at 10,000 metres.

It's scenes such as these that have fuelled the overheated rumours that swirl around James Packer in the wake of his personal and business debacles over the past two years.

Has he lost the plot? Joined a cult? Been sidelined by his fearsome father, Kerry? The Packers themselves - the quintessential example of a media family that abhors media scrutiny - aren't talking. But it's hard not to contrast the lonesome figure on those Qantas flights with the young swashbuckler who cut a swath through the euphoric business world of the late 1990s - vanquishing the Murdochs in a war over rugby league, racking up billions in paper profits in the internet boom, then capping it all off with an end-of-millennium wedding attended by every A-list powerbroker from Prime Minister John Howard down.

Now the marriage is over, the boom has busted and James Packer finds himself stereotyped as the idiot son - the kid who lost \$375 million of Dad's money on the disastrous mobile phone company, One.Tel.

As the gossip columns run nonstop updates on his ex-wife's love life, he has retreated into a world that some of his old mates find baffling - attending "clearing" sessions at the Church of Scientology, jetting overseas to hang out with movie stars, and reportedly taking a bit part as a medieval samurai in a Hollywood blockbuster.

Looming in the background, as always, is the hulking shadow of Kerry Francis Bullmore Packer. The 65-year-old patriarch, who handed the reins of the company to his son five years ago, has risen from his deathbed - again - to take back control. Whether the old man has lost confidence in his son, and how long James can stomach being relegated to second fiddle, are questions with profound implications for Australia's most powerful media dynasty. Some are openly predicting James will cash in his chips and flee the family obligations, just as his uncle Clyde did 30 years ago. Others scoff that he is too ambitious and too determined to opt out now. Both sides agree on only one thing.

"The whole key to James Packer is his relationship with his father," says one former Packer executive. "It's all about proving himself to his father. The whole thing. That's the key."

Place yourself, for a moment, in James Packer's world. Your childhood home was a Victorian mansion on a sprawling walled compound in one of Sydney's most exclusive neighbourhoods, a place staffed by servants and frequented by prime ministers, sporting legends, television stars and captains of industry. Your mates at nearby Cranbrook School were the scions of Sydney's wealthy elite, although even in that rarefied company you stood out. For a certain awe and fear has attached itself to the Packer name, thanks to the three generations of tough, brawling men who created the family's media empire.

Now you are 35 and - ostensibly, at least - atop that empire. You drive to work every morning from your \$4 million split-level apartment overlooking Bondi Beach, cruise into the city headquarters of Publishing & Broadcasting Limited (PBL) and take the lift up to the executive chairman's office on the third floor. In here, the levers are pulled on a \$6 billion global business that incorporates Australia's No1 television network, its biggest casino, its most profitable magazine company, an internet arm, financial services and vast property holdings. If the phone rings, it could be any one of a far-flung network of powerful figures with whom you're on first-name terms - from millionaire adman John Singleton to Liberal Party powerbroker Michael Kroger, from broadcaster Alan Jones to Telstra chairman Bob Mansfield, from Lachlan Murdoch in New York to Tom Cruise in Los Angeles.

Yet while you might appear master of this universe, one glance through the door of the neighbouring office would dispel that illusion. For there sits the still-imposing figure of the man who has cast such a giant shadow over your life - Australia's richest man, Kerry Packer. Dad. The old bull has already died once and come back to life. He's had his kidney replaced, his arteries unclogged and a heart bypass, but he's still throwing his weight around. In fact, right now there's a purge on and some of your mates are getting sacked.

No one who has worked with Kerry and James Packer doubts for a moment that the two men love each other deeply. Newcomers to the business have been surprised to see James unselfconsciously kiss his father goodbye in front of colleagues. The old man's legendary violent

temper - he's been known to motivate his executives by hurling a cricket ball at them or jocularly pulling a handgun out of his desk drawer - has created a widespread assumption that his wrath as a father would be ferocious. Yet many who've worked at the company profess they've never seen Kerry and James Packer have a row.

"I was never in a meeting where I saw them have a confrontation," says Daniel Petre, who ran the Packers' internet company and sat on the board of PBL from 1998 to 2002. John Singleton, a long-time Packer confidant, says: "Kerry's a normal bloke. It's not his fault he's big and frightening-looking."

Equally, few deny that it's a relationship built on an unstable fault line, one that runs all the way back to Kerry's own rough upbringing at the hands of his domineering father, Sir Frank. And since May 2001, when the One.Tel mobile telephone company collapsed and took \$375 million of Packer money with it, the fault line has been under some seismic pressure.

James Packer virtually staked his reputation on One.Tel within a year of being made executive chairman of PBL in 1998, gambling on the company against the advice of several older hands at PBL. "...We're going to show all those doubters that they were wrong," he once told Lachlan Murdoch. "And we're going to be right on this and we're going to be vindicated." Packer believed that, just as newspapers and magazines had made millions for his grandfather and television had made billions for his father, digital media would usher in a new golden era at the company under his leadership. And in the heady first months of the new millennium, when the value of PBL's shares approached \$10 billion, it seemed he was right.

When it all went down in the tech crash of early 2001, James Packer suffered what some friends and acquaintances describe as a nervous breakdown. "He cracked," says one former PBL executive bluntly. Others dispute this, pointing out that by the end of 2001 Packer was well enough to play a pivotal role in the Optus/Foxtel cable television truce. But Packer's own remarks suggest a very dark time: he described nightmares and sleepless nights spent mulling over the One.Tel disaster, and after disappearing for nearly two months - much of it in Europe on a holiday with his new wife Jodie - he reappeared in August 2001 looking pale and pudgy. At a briefing for industry analysts at the Sydney Hilton,

he reportedly said he hadn't slept properly for weeks, and left the meeting so preoccupied that he walked for two blocks in the wrong direction.

"James was completely f...ed," says another former PBL executive. "He went from one of the most confident executives in the world to a complete mess."

Eight months after One.Tel collapsed, Jodhi (she changed the spelling of her first name in 2002) walked out on their 2 1/2-year marriage, which is when Packer began seeing more of Tom Cruise, whom he had befriended two years previously. Cruise, whose own marriage to Nicole Kidman had recently ended, is understood to have suggested that Packer try Scientology, a blend of self-help therapy and cosmology based on the theory that human psychological problems stem from an alien invasion several millennia ago. By December, the gossip columns were gleefully reporting that Packer was attending therapy sessions at the Scientologists' Glebe headquarters and its Celebrity Centre International in Los Angeles.

For those close to the action, though, the most significant turn in the saga was the reaction of Kerry Packer. While his son was in Europe wrestling with his demons, word soon spread that Packer Snr, who'd resigned from the executive ranks in 1996, was back in charge of PBL. And what struck many in those months after the One.Tel disaster was the difference between Kerry Packer's actions and those of Rupert Murdoch. Murdoch's company had lost even more money than the Packers in One.Tel, but he publicly shielded his son Lachlan from blame, saying the investment was a collective decision. By contrast, Kerry Packer told analysts the investment was a "f...-up" that would not be repeated, and his son took the full brunt of the blame for getting involved. By early 2002, PBL executive John Alexander had been appointed to a powerful new position, and he continued the purge which has seen most of the Nine Network's top executive ranks - including several of James Packer's mates - exit the building.

PBL insiders point out that the old man didn't have much choice - the company's share price was plummeting and James, as executive chairman, had to take it on the chin. Some of Kerry Packer's mates insist he can't share responsibility for One.Tel because he was too ill to know much about it, having had a heart bypass in 1998, artery surgery in 1999

and a kidney transplant in 2000. "Kerry was so crook during that whole period that he wasn't around," says John Singleton.

That's not how several ex-PBL executives remember it, however. They recall that only a year before the tech crash, Kerry was sinking hundreds of millions into telecommunications companies in India and singing the praises of his son's vision of entertainment, telephones and the internet converging. Then after One.Tel's demise, they say Packer Snr seemed keen to distance himself from the debacle

"The way it was treated was, 'James, you're an idiot,'" says one former PBL executive. "Here's a father who's prepared to let his son take the blame for this whole thing ... That tells you something."

Not everyone shares that view. James himself told The Australian Financial Review: "I don't have a problem with the way my father treated me about One.Tel." And some who have seen the two men recently support that contention.

"I saw them together in November and, notwithstanding the rumours, there was no tension," says Brian Powers, former managing director of Australian Consolidated Press. "I think James is quite happy to work on major initiatives that interest him, with Kerry being as involved as he likes in running the company."

But the smooth succession that Kerry Packer tried to engineer for his son has foundered, and a familiar scenario of generational rivalry now simmers below the surface. It's a story with historic parallels in the family, because those with long memories recall how, in his later years, Sir Frank Packer browbeat and humiliated his older son Clyde so much that in 1974 - when Clyde was only a few years older than James Packer is now - he quit the family company, never to return. Later, Clyde sold up all his interests, paving the way for his younger brother Kerry to take over. "I was sick of lugging this Packer persona around with me," he explained, after moving to LA.

More than a few people have been reflecting on those events as they watch Kerry reassert control over the company he has ruled with an iron fist for most of the past 30 years. Not even James Packer's friends accept his public assurances that he is happy with the situation. "You and I

would not want to be in his job right now," says one. "It must be a nightmare."

When James Packer was 14, his sports-fanatic father took him out to the backyard of the family's sprawling compound in Bellevue Hill and presented him with a new contraption set up near the cricket pitch: it was an American-made, fully-automated pitching machine designed to fire baseballs at speeds of up to 190kmh. Young James - whose cricket training had already incorporated private coaching from former Test cricketer Barry Knight, and backyard jousting with legends such as Tony Greig and Clive Lloyd - was about to have his batting skills honed, Packer-style.

Very few human beings have ever faced a 190kmh cricket ball, for the simple reason that no bowler has ever hurled one that fast. But Kerry Packer insisted that his son face the onslaught of these lethal projectiles, and drove home the point by grabbing a bat himself and thwacking a few of the hurtling balls around the backyard to prove it could be done. Later, when Barry Knight turned the speed down to a slightly less terrifying 160kmh, Kerry charged up to the machine and turned the dial to maximum, yelling, "What are you trying to do, turn him into a wuss or what? Come on, he's a man! Turn it up a bit!"

Gerald Stone, the former Nine Network television executive, cites this story in his book *Compulsive Viewing* as an example of the competitive spirit that fuels the relationship between Kerry and James Packer. Love and rivalry often vie for dominance in father-son relationships, of course, but in this case that's magnified by money and the mythical aura that surrounds Kerry Packer. James was seven years old when his father took over the family's \$100 million television and magazine empire in 1974; in the years it took James to "bludge" (his own word) through Cranbrook School, his father became the lord of televised sport, took on the British establishment with World Series Cricket and created a media and property empire valued at several billion dollars. As James was making his first tentative steps into the business world in his early 20s, his father was pulling off one of the great deals in Australian history - selling the Nine Network to Alan Bond for \$1.05 billion dollars, then buying it back less than three years later for \$200 million.

Little wonder that those who know James Packer say his attitude to his father borders on idolatry. "James knows enough about the business to

know that his father's success has not come as some sort of fluke," says Richard Walsh, who ran the Packer magazine stable from 1986 to 1996. "James is in awe of that, and like many children of famous people he's trying to balance this awe of his parents with carving out his own life. But James never had the option of saying, 'I want to be a successful stockbroker', or whatever. It's part of the family tradition to go into this business."

Even as a teenager, Packer was conscious of his dynastic burden - at school he would jocularly quote the old adage that the third generation squanders what the first and second generations have built up. "He mentioned it, so he understood the pressures on him and the expectations," recalls Peter Roebuck, who taught cricket and history at Cranbrook and is now a sports columnist. (Technically, of course, the Packers had already defied that proverb, for it was James's great-grandfather R.C. Packer who started the family fortune with Associated Newspapers in the 1930s, and his grandfather Sir Frank who built it up through *The Australian Women's Weekly* and *The Daily Telegraph*.)

Packer's schoolmates at Cranbrook are still among his closer associates today: Chris Hancock, who, until recently, shared Packer's Bondi apartment; Ben Tilley, now a futures trader; David Gyngell, son of the television pioneer Bruce Gyngell, who is running the Nine Network; and music producer Andrew Klippel, son of the great sculptor Robert Klippel. It was a privileged circle that tried to make light of its wealth - a former schoolmate recalls how Klippel and Packer would stand in the library looking at a map of the world and joking about which countries they would buy.

"He was generous and easygoing - a nice guy, but I thought quite easily led," recalls the former student. "There was this almost ridiculous obsequiousness around him, people laughing at every joke he made. I got the impression he was quite sheltered and susceptible to being conned." It's a description you still hear today - that Packer has an emotionally vulnerable core around which he has constructed the hardened exterior that family duties demanded. When Nene King, former editor of *Woman's Day* and *The Australian Women's Weekly*, developed a raging marijuana habit following the death of her husband, James offered to accompany her to a Narcotics Anonymous meeting.

"I thought that was amazing," says King. "Obviously I didn't take him up on the offer, but the fact that he volunteered showed what a wonderful boy he is." And clearly Packer worships his mother, the redoubtable and gentle Ros, about whom he once said: "I adore her. I'd do anything for her." It was Kerry Packer, though, who dominated his son's upbringing, much of it focused on toughening him up. Peter Roebuck recalls that James was ruthless on the cricket field and was disappointed when he was not made Cranbrook's skipper. "James asked me about it once and I said, 'Yes, James, you would have been a fine captain, but I'm not sure anyone would have played us the next year.'"

Kerry Packer's own miserable childhood has achieved almost folkloric infamy: sent off to boarding school at five, he suffered dyslexia and polio, was derided as a "boofhead" by his father and was never properly trained to take over the family business. "I think Kerry was a much more loving father than Sir Frank ever was," says Gerald Stone. "Sir Frank used to box his sons, knock the shit out of them. Kerry certainly believed in tough love, but it was love, and he gave James a lot more respect." James's first car might have been a lowly Ford Escort, but it was an Escort fitted out like a limo, and his 21st birthday present was a metallic-blue Mercedes sports coupé. His first home was a \$2.8 million house bought by his father on a block neighbouring the Packer family mansion; older sister Gretel also got a nearby spread.

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Dyslexic like his dad, James Packer was an average student who never even contemplated going to university. ("Why would he want to go there?" Kerry Packer once snapped. "To learn how to smoke marijuana?") Instead, the young heir was sent to the family's Northern Territory cattle station, Newcastle Waters, for a year of jackarooing, to London to work for the Rothschild investment bank, and then back to Sydney to work in the advertising department at Consolidated Press. It was typical of Kerry Packer that in searching for a suitable mentor for his 24-year-old son, he eventually chose Al "Chainsaw" Dunlap, a ruthless American ex-paratrooper who arrived as chief executive soon after Packer bought the Nine Network back from Alan Bond.

Dunlap spent two years slashing and burning his way through the Packer empire with young James at his side; in his book, *Mean Business*, he later boasted he had fired "many people who had been close to the family". Since those glory days, Dunlap's reputation has been sullied by allegations of shonky accounting practices during his tenure at Sunbeam Corp in the US, charges he settled by paying a \$US500,000 fine. But his brief reign with the Packers had a deep impact on James Packer, who in 1992 said: "Al is emotionless." He meant it as a compliment.

Dunlap never quite succeeded in getting the young Packer to ditch his playboy pursuit of fashion models, Penthouse Pets and pop singers, which persists to this day despite one broken engagement and a failed marriage.

But he did convince him to drop his "Jamie" moniker, and by 1994 James was a director of the Nine Network and chief executive of Australian Consolidated Press, the Packer publishing company. Those accustomed to Kerry's brutal rawness were often surprised by his urbane self-assurance. When the Nine Network's veteran newsreader Brian Naylor threatened to retire in the mid-1990s, 28-year-old James was dispatched to Melbourne to unleash a charm offensive; over dinner at Maxim's, Packer disarmed Naylor by seating himself next to the 65-year-old newsreader's wife, Moiree, and solicitously including her in all their discussions, ending the long evening by saying he'd love to do it again. Naylor signed on for another three years.

In private, however, it was a blokey scene in which Packer mixed with rugby players, laid five-figure bets on golf games with his mates and accompanied his father to the Las Vegas casinos. Achievement was measured in dollars, and as a twentysomething, Packer was already making millions on property deals with John Singleton and his friend Theo Onisforou. "Kerry and James, growing up in the environment they do, it's hard to be normal," comments one former Packer executive. "I've heard James say on many occasions, 'He who dies with the most money wins.' I think that's tragic."

Money and sport have been the traditional focus of the Packer males, and James has not broken the mould - he can avidly discuss cricket and rugby league, but his interest in books is so negligible that he only managed to read the first third of Paul Barry's biography of his father. In interviews, he sometimes lapses into hoary cliché ("A change is as

good as a holiday"; "If you're not going forwards, you're going backwards"; "Actions speak louder than words") as if grasping for the comfort of a familiar phrase. More than a few executives who've worked with him see his surface cockiness as a contrivance to mask his self-doubt. "He's one-dimensional, James," says one. "He's born powerful, so he likes people who say, 'F... you.' But that's no way to form relationships."

Like his father, Packer has an aggressive side that can be intimidating at close quarters. At the Nine Network's 2001 program launch party in Sydney, he shocked many in the 600-strong gathering by bearing down on The Sunday Telegraph's gossip columnist, Ros Reines, and subjecting her to an expletive-packed diatribe about one of her column items. The Packers are acutely sensitive to media intrusion, notwithstanding the millions they've made from The Australian Women's Weekly, Woman's Day and A Current Affair: when New Idea last year obtained photographs of James Packer and Gabrielle "the Pleasure Machine" Richens in Los Angeles, the magazine was pulped at the last minute, reportedly after a senior PBL executive called the Seven Network, which co-owns the company that publishes New Idea.

By 1995 it was clear that James Packer had a keen head for figures. Brian Powers, the chief executive who replaced Dunlap, says he realised how numerate Packer was once they started investigating the Sydney and Melbourne casinos. "He could sit down on the casino and tell you every key ratio and key driver in the business - the winning percentages on the high-rollers for the last three months, what those figures were last year, what they are winning per slot machine - all of that." And in 1995, when the Murdochs tried to steal rugby league from the Packers by creating Super League as a rival to the Nine Network's Australian Rugby League, he got his chance to show how tough he could be in a full-blown corporate war.

Packer was at the epicentre of the counter-attack, which unfolded over two intense months of all-night meetings at ARL headquarters, desperate Learjet flights to sign up interstate teams and insane bidding wars laced with threats and bluff. One manager later recalled Packer's scornful threat to the players who'd signed with Super League: "These bastards will never play for Australia again." In one memorable meeting at his Bondi apartment after an almost sleepless night, Packer offered 18-year-old player Adam Ritson a million-dollar contract while dressed

in pyjama shorts and a T-shirt. Later he offered Newcastle captain Paul Harragon more than \$2 million over four years, a deal so unbelievable that Harragon bussed his team down to Sydney to re-sign with the League.

"He was crucial to it," recalls Gary Burns, who was the Nine Network's sports chief at the time. "You can imagine - it was two great families at war, and particularly the two young princes. Not that it ever got personal - I think he quite likes Lachlan. But the money was flowing like lava rivers, the vultures were circling, and it was very, very stressful. He handled it very well - extremely well."

A month after the Murdochs lost, James Packer was elevated to managing director of PBL. Within three years, he'd led the successful bid to take over the Crown Casino, forged an alliance with Bill Gates's Microsoft to launch the ninemsn internet site, and been elevated to executive chairman, the post his father had vacated only two years previously. It was a giddy ride that was about to head into the stratosphere, as internet mania gripped the business world and Packer fell under the spell of the persuasive Jodee Rich, ex-Cranbrook boy and mobile telephone salesman extraordinaire. Packer's initial private stake in Rich's fledgling One.Tel company had reportedly reaped him a paper profit of nearly \$30 million by late 1998, and a few months later he made the fateful decision to invest PBL's money in the company.

Why Packer developed such a brotherly bond with Jodee Rich is a question that still rattles around the business community, now that Rich's duplicity has been so thoroughly exposed. In the matey world of the Packers, loyalty comes first, and James often mouths Alan Jones's "pick and stick" dictum - you pick your mates and stick with them. But living in your father's shadow is not a recipe for self-confidence, and many who know Packer say that he is prone to falling under the spell of slightly older guru figures. Jodee Rich promised, with One.Tel, to help Packer make a bold move of his own.

"Everyone knows he loves and admires his father, feels very under the shadow and eclipsed by his father's talent, feels his father is a genius in the areas of magazines and television," says Richard Walsh. "Here was an opportunity, like the casinos, to find a space he could explore that wasn't his father's. To buy some land somewhere else and develop it. So that's totally natural."

Like most people, Walsh is quick to point out that Packer was far from alone in succumbing to high-tech euphoria in late 1999. But even before James sank \$375 million into One.Tel, senior executives within PBL questioned his judgement of people. In the late 1990s, he and his father visited India and met the persuasive Vinay Maloo, head of Himachal Futuristic Communications, who claims he is religiously forbidden from telling lies. Within a couple of years, the Packers had invested \$350 million in Maloo's company, most of it since written off. Another of the Packers' Indian joint-venture partners, stockbroker Ketan Parekh, has been arrested for his alleged role in a major stockmarket swindle.

To be in the inner circle during the go-go years, however, was quite a blessing. Jodee Rich and Brad Keeling achieved infamy for their \$6.9 million bonuses at One.Tel in 2000. And Daniel Petre, the former Microsoft executive who ran the Packers' internet operations, was paid \$1.58 million to work a three-day week in 1998/99, with 35 million stock options as a sweetener. "James was besotted with Daniel and his connection to Bill Gates," recalls one PBL executive from that time. "He was desperately looking for areas to leapfrog his dad's achievements, something he could badge as his own ... He thought Jodee was going to make him billions."

And for a while there, the billions seemed to materialise. In late 1999, One.Tel's market value reached \$5.3 billion, and the Packers' new internet company, ecorp, was heading towards a market value of \$6 billion. PBL's own share price topped \$16, and Telstra contemplated buying the company for \$10 billion. Asked if James got caught up in the euphoria, John Singleton replies: "It would be hard not to. You'd think, 'In six months I've made more than Dad, and his dad, and his dad.' That wasn't James's opinion," adds Singleton, "it was the market's." Says one former PBL executive: "It's very unlikely that James ever said that out loud. But would he think it? No question. He would relish the fact."

It was on this triumphal high that James married Jodie Meares, a 27-year-old fashion model, a year after breaking up with model/actor Kate Fischer. The wedding was a pre-millennial extravaganza featuring 750 guests crowding the marquees of the Packer compound's gardens in Bellevue Hill. Elton John sang Can You Feel the Love Tonight, Prime Minister John Howard chatted with Kerry Packer, Dom Perignon flowed

like water and fireworks lit the sky. It was a party so grand, no one really cared about the massive hangover just around the corner.

Kerry Packer, upon learning in May 2001 that One.Tel had burned through nearly \$1 billion and was teetering on bankruptcy, is said to have requested that Jodee Rich's right testicle be delivered to him. What the old man said to his son behind closed doors few have been privy to. Despite the vivid rumours circulating through the business community, those close to the Packers insist that the patriarch, who has lost millions at the blackjack table and hundreds of millions on bad judgements of his own, may not have nursed his grievance for long.

"I think he would not be unforgiving," says Kevin Weldon, a Sydney investor and long-time Packer associate. "He might be upset, he might say a few four-letter words ... but in the cold light of day they are remarkably close." Gerald Stone, who has faced Packer's wrath more than most, says he can be surprisingly magnanimous when you screw up big-time.

With or without his father's wrath, though, the One.Tel collapse clearly crushed James Packer. When the company went down, so did a large measure of his personal fortune and self-belief, along with his carefully orchestrated succession. "I think Kerry is shaken with James's judgement, and therefore with his own judgement," says one former PBL executive. "...He made James the key decision-maker in the company."

"[James] is not a person who has a high level of confidence," comments Richard Walsh. "If he was, he might have stood his ground and said, 'Well, I can take some of the blame, but not all.'"

James Packer is said to be furious that his considerable successes - the casino, the defeat of Super League, ninemsn, the alliance with Foxtel - have been all but forgotten. For this he blames the media, which has hungrily tracked his fall from grace. Publicly, his utterances have had an occasionally plaintive tone.

In December 2001, he telephoned 2UE morning broadcaster Alan Jones and delivered a gushing on-air tribute in which he thanked Jones for being "the best friend anyone could hope for". After his marriage collapsed last year, he suggested to The Sunday Telegraph that he and Jodhi might reconcile, describing her as his "soul mate"; five weeks later,

she was photographed canoodling with her new boyfriend at Palm Beach, a stone's throw from the Packer family's weekend retreat.

Packer's turn to Scientology has been further grist for the rumour-mill, a by-product of his friendship with Tom Cruise. "...I admire him enormously," Packer said of Cruise last year, "the way he behaves, his humility, his values, his decency, and the way he has managed to be the biggest star in the world and also one of the nicest guys." Like Packer, Cruise is dyslexic, and he credited Scientology with fixing his disorder. Packer has been seen visiting the religion's Sydney headquarters several times - most recently with his girlfriend, Erica Baxter - and has travelled at least twice to New Zealand to visit the set of Cruise's new film, *The Last Samurai*.

Packer's interest in Scientology is apparently no great concern to his father, who is said to view it as a fairly harmless self-help tool. In fact, James is said to be looking better than he has for nearly two years, and is currently overseeing the creation of the family's nascent financial services group, Challenger International. The problem is that Kerry Packer, having been jolted back into action by the One.Tel crash, has discovered there's still fun to be had at 65 and is back at the helm.

A senior management source at PBL scoffs at the notion that James Packer has been sidelined. It was Packer's own decision to take responsibility for One.Tel, this source insists, and his father's renewed activism simply reflects the fact that, since the internet bust, the company's focus has shifted to the television and media assets which have long been the old man's passions.

Some of those who know James Packer, however, are prepared to acknowledge his difficulties. "If you look at PBL's most important strategic investments - Foxtel, ecorp, Crown Casino - they were all things James was crucial to," says Daniel Petre. "Yet what gets played out in the media are his failures, which he finds very hurtful. On top of that, you have the situation where there's a father who is a major shareholder and very much wants to be hands-on, and a son who also wants to have an impact. That's got to be hard."

Another former Packer executive is more blunt: "For three years, Kerry had to sit there and watch his son look like a genius while he looked like

the old guard. James was out there doing all this new stuff, and Kerry would have felt insignificant. Now he's back, and he loves it."

More than a few of James Packer's friends have wondered what the outcome will be. Says one who saw him late last year: "If you talked to him at that stage you might have thought, 'Well, if the old man dies, he might sell some of it off and spend six months of the year on the West Coast making movies with Tom.'"

What James will do after the old man dies is a subject that divides all who know him. Some see him cashing in his chips and moving far away to strike out on his own, perhaps as a merchant banker. Others cannot conceive that he would throw away a chance to prove himself equal to his father at running the family company. Certainly he's unlikely to move anywhere while Kerry Packer is still alive, for to do so would be a monstrous betrayal. So James Packer must bide his time, waiting to see how strong the old man's heart really is.

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