

SE Business - Opinion & Analysis
HD **One.Tel ghost still haunts Packer**
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The pictures that flashed across Australian TV screens over the weekend of James Packer front and centre of a team of heavyweight influential and successful businessmen flanking Prime Minister Tony Abbott in the ambassadorial caravan around Asia is an image the casino mogul would undoubtedly enjoy.

Basking in the success of his Australian and Macau-based casino **operations**, the last thing Packer would appreciate is the reopening of the wounds he sustained in 2001 as a result of his joint foray with Lachlan Murdoch into ill-fated telephony group One.Tel, which cost the pair as much as \$1 **billion** in total.

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The battle between One.Tel's various liquidators and Packer/Murdoch has been simmering quietly for many years, but this week it seems a settlement could be reached that could cost the **billionaire** duo an estimated \$40 **million** to \$50 **million** - a fraction of the \$244 **million** the liquidators had originally sought.

Creditors lost \$338 **million** in One.Tel's collapse and have recovered only \$71 **million**, or 21¢ in the dollar.

The largest creditors are Optus, which lost \$66 **million**, Cisco Systems, which lost \$55 **million**, and Telstra, which lost \$49 **million**.

It wasn't Packer's largest financial misstep but it was the most sensitive, in part because of the backlash he sustained from his father, Kerry.

The then young pair claimed at the time of One.Tel's collapse to have been **profoundly** misled by serial entrepreneur and One.Tel founder Jodee Rich, who in turn insisted that the **company** failed as a result of Packer and Murdoch pulling out of a capital raising.

Considering the current worth of these dynastic heirs, the potential payment to One.Tel's creditors is a drop in the bucket. But the reputational pain is far greater than any financial discomfort. The ghost of this calamitous investment decision is a reminder that for Packer in particular, his business career has been polarised between genius decisions and costly mistakes.

Packer's **acquisition** binge on a series of second-grade casino properties in Las Vegas, Canada and Pennsylvania in the **lead**-up to the global financial crisis lost Crown more than \$2 **billion** and wiped out a large portion of the gain he had just made from the stellar and well-timed decision to sell most of his Australian media assets.

The Packer and Murdoch scions teamed up again in 2010 to acquire 18 per cent of the Ten Network, the share price and operational performances of which have been abject disasters.

While both men joined the Ten board, Packer resigned soon after, and Murdoch took the role as chairman.

But despite many commentators calling this a strategic blunder, media insiders suggested Packer had two agendas in Ten.

The first was to close down its sports-only digital channel, One, which was operating in competition with Foxtel and Fox Sports, which he part owned through Consolidated Media Holdings.

In this regard, the plan was a winner. One was relaunched without sport and Packer sold his Foxtel and Fox Sports interests to Rupert Murdoch for a healthy price.

Packer and Murdoch's other agenda to turn around Ten's financial fortunes has (to date) been a failure.

Murdoch's reputation has also been damaged by the foray into Ten, but its significance is less. Murdoch was always the heir apparent to his father to take over the running of the News Corp and 21st Century Fox empire.

A few weeks back, he rejoined his father and became the prodigal son, taking the position as joint chairman of both Murdoch senior's companies and resigning his chairmanship of Ten.

There has been plenty of speculation that Ten may be taken over by interests associated with Murdoch, and plenty of denials from the News Corp camp that this is under consideration.

But for Packer, one can only question why he would bother to retain a **stake** in Ten. Maybe he has faith that its fortunes could recover, or maybe he doesn't want headlines about the loss he sustained on this investment.

Over the past couple of years, Packer has been busy remaking himself as one of Australia's most successful businessmen. Now it's all about gaming but, more importantly, all about **China**.

Indeed, Packer is making the lion's share of his fortune out of his joint venture in Macau, which is now beginning to pay dividends to his Crown Resorts.

It is no accident that he is standing shoulder to shoulder with Abbott promoting the closer trade ties with **China** - and using the opportunity to lobby for a relaxation of visa rules for wealthy **Chinese** to visit Australia so they can roll the dice at his Australian casino.

Packer, who last year successfully broke the exclusive stranglehold Echo's Star casino had in NSW and is looking to push into the Brisbane market, has come a long way from the days when he was starry eyed about taking on the telco giants in Australia.

He summed it up in an interview with Forbes magazine: "I've made a bunch of mistakes in my life. I've had my ups and downs.

"Business is good right now, but now my personal life is a disaster."

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