PROLOGUE

Blue skies threw an early spring day across Sydney as an extremely tall, instantly recognisable man with a buzz cut bounded up the steps to Rockpool, the fashionable lunch place for the business set on Hunter Street in the centre of the city. He was met at the front desk by the restaurant's maître d' and swiftly ushered past the noisy main room and up a set of back stairs that led to a small private dining room on the first floor. The table was laid and a waiter hovered. Another guest arrived soon after, and the need for a private setting was clear. The sons of two of Australia's great media dynasties, James Packer and Lachlan Murdoch, welcomed each other with the backslapping pleasure of old friends. Packer ordered a vodka and after a fleeting hesitation, Murdoch did the same.

It was 1 p.m., 16 August 2012. Packer, newly slim and fit, was in ebullient form. 'I walked to work this morning,' he told Murdoch. 'I went to the gym as well and I'm feeling good.'

Murdoch, nursing an injured ankle after a trampoline accident, wanted details and they chatted easily as they ordered white wine and small serves of calamari and ocean trout.

Then they turned the conversation — as they had so many times before — to Fairfax, the hallowed newspaper company and third force on Australia's media scene. Fairfax was in free fall. Media companies across the globe were in trouble, caught in the teeth of a new-media juggernaut that had brought once proud companies to their knees. It was an industrial revolution. The old guard was sagging under the double bind of high costs and the remorseless onslaught of social media, while the internet was cutting a sharp path through the classified advertising that had once been the monopoly of newspaper firms. Fairfax had fallen fast and far.

'They lost the classifieds to the internet,' said Packer scornfully. 'They just didn't see it and didn't understand it, and now they're finished.'

The previous day, Wednesday 15 August, the Fairfax-owned *The Australian Financial Review* had published a story headlined 'New media stocks put on weight'. It had not escaped Packer's eye. The report was illustrated with a graphic table showing media companies listed by their worth on the stock market. At the top was SEEK, the $2.2 billion online jobs site in which Packer had invested 12 years before. SEEK had decimated Fairfax's newspaper job ads. Next was pay TV company Consolidated Media Holdings, valued at almost $2 billion, and controlled by Packer with 50.1 per cent of the shares. Cons Media, as it was known, held 25 per cent of Foxtel and 50 per cent of Fox Sports. Then at $1.77 billion came the publicly listed REA Group, operator of the realestate.com.au website and 61 per cent owned by the Murdoch family's News

Corporation after a small initial investment made a decade earlier by Lachlan Murdoch. It now dominated real estate advertising, smashing Fairfax's hold on that market. In fourth place, at $1.6 billion, was Carsales.com, an internet company in which Fairfax had once held a small cornerstone stake before selling out to James Packer. Carsales had destroyed Fairfax's monopoly on the car market. Together, these top four companies were worth almost $8 billion. They had a stranglehold on the growth sectors of the media — online advertising for cars, jobs and property, and subscription TV. In fifth place was Kerry Stokes Seven West Media at almost $1.5 billion. Fairfax itself was in sixth place on the list, valued at $1.3 billion, a number that would sink within days to less than a billion dollars. The table told the whole story of what had happened to Fairfax's classified print advertising; it was a shocking indictment of the company's inability to ride the internet wave.

'Lachlan, how much did realestate.com cost you?' Packer demanded, leaning forward and slapping the table.

Murdoch put down his fork. 'Well, I think it was $10 million. But don't forget, $7 million was in comp. And it's worth nearly $2 billion now.'

'Fairfax just didn't see any of this coming. They thought it was all beneath them. They thought we were idiots. You know, I think we killed Fairfax,' James Packer said.

The two men looked at each other for a moment.

'I think so,' said Lachlan Murdoch.

One lifted his glass in a toast. And then the other.

CHAPTER ONE

SEEK AND YE SHALL FIND

In March 2003, the phone rang in the Melbourne offices of the online recruitment company SEEK. It was an odd call. The woman on the phone said her name was Jacquie Murray and that she worked for James Packer. James, she said, would be in Melbourne in a couple of days and would very much like to meet the founders of SEEK. The call was met with hilarity. This was akin to a whale phoning a tadpole. At SEEK, they decided it must be a prank.

The Bassat brothers, Paul and Andrew, and their friend Matthew Rockman had built SEEK from a daydream. By 2003, five years after its launch, it was a serious company, worth $100 million, driven by the boom in online advertising. They were proud of what they had done, and they planned, if they could, to one day overwhelm the classified jobs advertising in Australian newspapers — and at one company in particular, the mighty Fairfax, which owned the greatest streams of classified advertising in the country. It might have seemed a fantasy, but they were focussed and confident, and they thought Fairfax was complacent about the structural challenges posed by the internet. They, on the other hand, were young and they got it.

After five years of starting up and surviving the dotcom crash of 2000 and 2001, when internet companies everywhere flamed out, the SEEK founders had hit their stride. They were used to the peripatetic interest of the big boys in the major media companies. Many had courted them off and on, kicking the tyres or threatening — though not in so many words — to rub them out further down the track. But the interest always seemed to peter out. Now James Packer had called. Or so someone said. They thought it could hardly be Packer: scion of the legendary media dynasty whose family owned the Nine television network, rafts of magazines, Melbourne's Crown Casino, and half shares in an online joint venture, ninemsn, with the global powerhouse Microsoft. The Packers also had a joint venture in Monster, a competitor to SEEK. The Packers were all billionaires. Why would a Packer be personally calling SEEK, except, perhaps, to push them around?

They were sure the phone message was a hoax, probably from their own side. Everyone at SEEK loved a killer practical joke. They had once sent a staff member on an hour-long drive to Frankston for a meeting. When he got there, there was no-one to meet. Everyone roared laughing. Someone was always doing something like throwing a rubber ball at someone else, hitting a coffee cup, spilling it over a hard drive. Andrew Bassat was the prime joker; his brother Paul was deemed the adult supervision. How embarrassing if they turned up at Packer's office and it was a

SEEK practical joke. Finally they rang back to check, to find that James Packer did in fact want to meet them.

A few days later, the two Bassats and Matt Rockman trotted down to the Crown offices for the appointment, not sure what lay ahead. The Packers' company, Publishing and Broadcasting Ltd, was one of the most powerful in the media world and the Packers themselves had a fearsome reputation. Kerry Packer, the patriarch, was the third generation in a line of uncompromising larger-than-life figures, prone to strike terror into those around him. He was known for shoving around governments and prime ministers, and for living his life as he saw fit. His son James was rumoured to be just as bad. The Packer mystique alone was enough to make the three men edgy.

If they expected to enter a lair fit for a king, they were surprised. They were ushered into a pared-back Melbourne office with biscuit-coloured carpet, blonde timber, half-full bookcases and grey velour sofas. The walls were hung with a series of photographs in ubiquitous gold frames — photos of Crown casino under construction. There was not much on the desk. It all looked like business.

James Packer was there, in jeans and a polo shirt, wearing a broad smile. Almost the first thing he said was, 'I really wanted to meet you guys. With ninemsn, we've got this investment in monster.com and it's fucking hopeless. I think you guys have won. Game over. And I'd like to invest in your business.'

Over the years, one or other of the Bassats had held talks on half a dozen occasions with Fairfax; they had talked with the PBL internet subsidiary, ecorp, with Telstra, with Village Ten Online, with Yahoo, and with the Murdoch family's News Limited. But no-one had ever before conceded that SEEK was the leader in online jobs advertising. Paul Bassat was amazed.

> The first thing James Packer says to us is that we've won, rather than, 'We're going to buy you or squash you.' It was totally disarming. In conversations with Fairfax and others it was always, 'Maybe if you like us we can go out on a date.' James was saying, 'Let's just get our gear off and have sex.' He said, 'I think you guys are building a business and I want to be in it. And you are winning.' He had identified the trend; it was 2003 and he clearly understood there was going to be a winner.

Packer told them about his father. Kerry had always wanted to buy Fairfax, he said. It was a company the family hated: its pioneering investigative journalism had targeted Kerry Packer over many years, with exposés of his business dealings and the private world of the very rich. James Packer himself had a visceral loathing of Fairfax for more than a few reasons, but a Fairfax takeover was not on his mind. He planned to take a different form of revenge. 'I think there's a better way: by being involved with the players who are going to take their business off them,' he told his three astonished listeners. Packer was convinced the Fairfax classified print advertising business was going over a cliff. And that was something he wanted to be part of.

James Packer had been avidly chasing internet deals since 1997, after meeting Steve Ballmer, Microsoft's then executive vice president of sales — and later CEO — at a technology conference in the US. James was a man of a different stripe to his father. He had a playboy instinct and a young man's zeal, but he was interested too in businesses outside the tight world of media that his father dominated. He was riveted by the potential of the World Wide Web and Ballmer told him that if he wanted to know more, there was a guy he should meet in Australia: Daniel Petre, who had worked for Microsoft for nine years. Returning to Sydney after meeting Ballmer, James Packer immediately sought out Petre and invited him to lunch, together with Jodee Rich, who was at that time still the most important influence on the young Packer's growing interest in technology.

After that first lunch, James soon invited Petre to another far more important summit: a meeting in a small private room at establishment restaurant Beppi's with James and his father, Kerry. 'Come and talk to me and my dad,' Packer had entreated. Petre was more than willing. A private audience with Kerry Packer to discuss the future as Petre envisaged it was not to be missed.

Petre told the father and son that the internet would take over everything and he explained his views on how quickly the web would transform advertising as well as news. Delighted to find a guru who could help work over his father's obsession with the old world, James Packer invited Petre to join their business and establish an online division. He was determined to push his father towards the internet.

In 1997, the Packer business founded a new company, known firstly as PBL Online and later ecorp, to carry them into the new world with Petre at its helm. One of its first initiatives was ninemsn, a joint venture between Microsoft and PBL that took content from Packer magazines and television and put it online.

With ninemsn, PBL was partnering one of the biggest companies in the world. In another joint venture, the company brought the international online auction site eBay to Australia in 1999 for an initial investment of $3 million. In that same year, ecorp brought Ticketek on board to generate much-needed revenue.

Not all of the companies and joint ventures inside ecorp would do well; some, like the online brokerage business Charles Schwab in which ecorp held a 50 per cent stake, were outright failures. Eventually, 20 per cent of ecorp would be floated in 1999 at $1.20 per share. It soared to a market capitalisation of more than $5 billion before the dotcom crash, and was finally privatised back into PBL at 55 cents a share.

Petre became a central figure in PBL's business and joined the PBL board in 1998. It was his mantra that the traditional media classified advertising model would be gone in two years, and that advertising would migrate to the web. He found that trying to persuade Kerry Packer to trust the web businesses was a lost cause, but James was different.

'Kerry Packer didn't get it,' Petre recalled.

> He thought eBay Australia was rubbish because he thought people wouldn't be honest with each other. And he just didn't get the internet. He was just supporting James. James Packer got it though, and he gave us air cover. The internet was a gold rush back then. Claims were being staked and if you didn't get a claim you were dead. And if you didn't get to be number 1 you were dead. Number 1 gets the very high margin, number 2 gets to do okay and number 3 is basically dead. By the end of the lunch at Beppi's in 1997 — well, you

> can get starstruck a bit. And they asked me to join them.
> The Packers were prepared to bet on this. James' great skill was that he knew something was happening, way back then.

The general public understood little of the online business developing behind the scenes at PBL. Profiles of ecorp chairman Petre and his deputy chairman Jeremy Philips — tagged 'the two wunderkinds' — stayed in the business pages. True to form, the Packers themselves remained in the background, giving out as little information as possible.

What the public did know all about was One.Tel, the mobile phone and internet company started by Packer's school friend Jodee Rich and Rich's friend Brad Keeling. Packer had invested 5 per cent of the initial seed capital of $5 million in 1995. The company floated in 1997; by February 1999, at James Packer's instigation, PBL and News Corp had invested close to $900 million for roughly 40 per cent of the company. A year later international giant Lucent Technologies announced plans to build a European network for One.Tel, and One.Tel joined the ranks of Australia's Top 50 companies. But the company regularly needed more funding. By early 2000, the dotcom crash was under way and One.Tel's costs (including huge salaries and bonuses for executives) and investments on mobile spectrum licences were out of control. As One.Tel struggled with debt, the share price crashed below $1. Still, in late 2000, James Packer gave Rich and Keeling his full-throated support. He would be publicly labelled a fool for it not long after, not least by his own father.

In May 2001, One.Tel blew up after the directors, including James Packer and Lachlan Murdoch, abandoned a $132 million capital-raising. Creditors were owed hundreds of millions of dollars, liquidators were brought in, and News Corp and PBL had lost their money. As directors, Lachlan Murdoch and James Packer declared they had been profoundly misled. It was the start of years of legal action, with damaging and embarrassing revelations gushing like water from a broken pipe. Loyalty and naivety, it seemed, had mixed with bad business practices, greed and ambition.

James would wear the stain of One.Tel for years to come, a hot red burn on his forehead. To the outside world, Kerry Packer seemed to take satisfaction from his son's failure. One.Tel consolidated a message the father had often conveyed: that his son did not know what he was doing. For all the court hearings that would follow, the real agony was the public castigation and the knowledge of the money lost. Other executives and directors across the telephony and internet spectrum of Australia and New Zealand might have overseen massive losses too, but what James Packer learned was that a media tycoon — with all the public exercise of power that entailed — was always under scrutiny, and more so when things went wrong. For James there was nowhere to hide. Lachlan Murdoch's father might have publicly put an arm around his own son to draw him back into the protective web of the family firm after One.Tel, but there was no such tenderness for James Packer. His father was in love with media and as far as Kerry was concerned, the Nine Network and the Australian Consolidated Press magazine empire were the biggest and best businesses in the world; the internet was a fool's game. A devastated James Packer, who had been chief executive of PBL from 1996 to 1998, and executive chairman since then, suffered a complete nervous breakdown. 'I told you you would fuck it up,' his father told him brutally.

Rupert Murdoch, however, spared a moment for Packer. Lachlan Murdoch and James Packer shared a birthday, 8 September. In 2001, four months after the One.Tel implosion, with people thrown out of work and the hounds baying, James was invited to Lachlan's 30th birthday party at a bar in New York. James Packer turned 34 that day. Amidst the speeches Lachlan wished his morose friend a happy birthday too.

At one point in the evening, Packer found himself alone in a corner, talking to Rupert Murdoch. 'I am so sorry,' he told the head of News Corp.

The elder Murdoch, a man from the sink or swim school, replied with more kindness than Packer felt he had a right to expect. 'It's okay, James,' Murdoch said. 'Just make sure you learn the lessons.'

After One.Tel, Packer fled to America to hide in Los Angeles, invited by a new friend, the actor Tom Cruise, who kept watch as he tried vainly to get back on his feet. Packer was at times suicidal. He had campaigned heavily to force his father into taking up a 25 per cent stake in the subscription television company Foxtel in 1998 and to buy Crown Casino in 1999, big investments which one day would define the future of the company. He had pushed hard, backing Petre in the internet ventures — ecorp, ninemsn, eBay and all the rest — through 1997, '98 and '99, and while ecorp might not have been profitable, these deals had firmly positioned PBL as a serious contender in the new web-based landscape. But James Packer would be remembered forever for One.Tel. The public shellacking, especially from the Fairfax newspapers, and the guilt of letting everyone down bit hard. He would never forget the toll it took, even ten years later. James knew the media coverage was partly because he was a Packer, but rather than take it on the chin, his desire for retribution against Fairfax grew, adding to the family lode with which he had been raised. Like his father, James Packer would never forget nor forgive Fairfax.

Packer had imagined that One.Tel could take on Telstra. Now all those dreams were burned. Packer's marriage to Jodhi Meares collapsed under the pressure in 2002, soon after the start of liquidator's hearings into One.Tel. It was a devastating blow.

Tom Cruise held him together on the worst and darkest days, and in Cruise's realm, he turned heavily to Scientology. Back in Australia, the Fairfax newspapers pounded him as every savage detail of the One.Tel debacle came out, amidst often-lurid speculation about Scientology and questions of whether James was suffering from depression. It would take Kerry Packer a year to understand that his son was in serious trouble.

James Packer was out of action for a total of 18 months, and in that interregnum Kerry Packer, who had eased back on the pedal, reasserted himself. In August 2002, eBay offered $120 million to buy out the 50 per cent of eBay Australia and New Zealand that was owned by ecorp. Daniel Petre had already resigned as chairman of ecorp and a director of PBL a year before, in October 2001. With James Packer hardly focussed, mostly in the US avoiding scrutiny and trying to recover from the One.Tel implosion, and Kerry gloating and pointing out the errors and the death of the web, Petre had had enough. But a year after his departure from ecorp, when he heard about the eBay offer, Petre still conveyed his opinion to Kerry Packer that it would be crazy to sell.

Kerry, though, was not interested in reasoned analysis. He had never formed any affection for the business and saw the chance to make a killing. He agreed to sell and did not bother to call his son. Instead, John Alexander, then CEO of PBL's two main media businesses, Nine and ACP, called James in Los Angeles. 'Your dad's sold eBay for over $100 million,' he said, trying to calm Packer by pointing out that after One.Tel, it looked good to make such a big profit with one of his internet plays. It had little impact. 'James' response was one of anger and he remained furious for years afterwards,' Alexander recalled.

Looking back later, James said he wondered at the time how his father would have reacted if his own father, Frank, had got rid of Kerry's cherished television licence two years after acquiring it. 'I thought, "Imagine if Sir Frank had sold out of Channel Nine in 1958",' he said.

James knew the eBay sale was not just about rationalising and striking a fat profit, but was knitted to Kerry's suspicion of a business model he could not understand. He was used to hearing his father shout: 'This is just bullshit.' James would patiently try to show him how to search the web, and then the PC would freeze and Kerry would erupt. When ecorp had been floated in June 1999 Kerry Packer had told John Alexander he didn't understand the business model but knew that PBL had to be in the space. After the dotcom crash, Packer was even more untrusting of these companies that seemed to flourish on nothing but thin air and imagination.

'To be fair to Dad, I'd always say these businesses are going to be huge,' Packer said later. 'But One.Tel had failed. My dad would always say, "You're living in the future, living in Dreamland".'

When James Packer finally returned to Sydney his mind was still on the web. SEEK was now making serious headway in classified jobs online and everyone was talking about it. It was making headlines.

> When I came back from the US, everyone was saying there's still this thing called SEEK. I kept hearing about it because we were in monster.com and we would do all these competitive analyses and SEEK was always better than us. Our people kept saying, 'We'll catch them, we'll catch them.' So I knew about SEEK. I said, 'Well, I want to meet the Bassats and Matt Rockman.' And they came in and we met at Crown. The meeting went well and they said they'd only consider doing 25 per cent, and they said they'd want a big price. And I basically just said yes. Everyone else wanted to buy into Fairfax, but I thought Fairfax was fucked. Daniel Petre had educated me.
>
> By 2000, I was thinking the internet is going to change the world. The classifieds are going online. It's Gordon Moore's [co-founder of the silicone chip company Intel] law that chip capacity doubles every two years. Rockefeller and Buffett talk about compound interest. Chip capacity is the same model, you double and double. Computers are 100 times more powerful every ten years. I was sitting there thinking about this in 2000 and looking at the invention of mobile phones, the internet and pay TV. The internet was nascent and everyone was saying this was just the beginning. And the people who influenced me at that time, like Daniel Petre and Jodee Rich, were saying, 'Your father is an old-fashioned monopolist.' Dad was still very worried about Fairfax. And I had Fairfax attacking me every day. John

> Alexander and I did talk a lot in those days about how to screw Fairfax.

When they met in March 2003, Paul Bassat was struck by James Packer's personal antipathy towards Fairfax, without understanding what the battering and the guilt over One.Tel had done. Nor did he realise then that chasing SEEK was the first big deal Packer had pursued since returning from Los Angeles, or that Packer thought his reputation might never be retrieved. He was fascinated by Packer's determination to attack Fairfax from the outside.

> James had a fairly strong dislike of Fairfax. Basically from the very first meeting at Crown, James said his father always wanted Fairfax. But James thought there was no longer any reason to buy Fairfax. We said we were nervous that if we sold some of our business to him, he would then turn around and buy Fairfax. And he said, 'Why would we buy Fairfax when people like you guys are going to take their classifieds and take all their value?' I think he felt he could get the value without buying the Fairfax business.

Even so, Packer was hardly over the line in buying into SEEK. The SEEK founders demurred; Packer might be a big wheel, but this was their baby and they were on an upwards trajectory. For the first time in their brief history they did not need money, no matter who kicked their tyres. They had investors like the wealthy Besen and Lieberman families in Melbourne and a venture capital fund controlled by Bill Ferris, Joe Skrzynski and Su Ming Wong in

Sydney. A year earlier, they would have jumped at the opportunity; now, a link with the Packers would be a purely strategic play. Over the next week, the three founders talked over their options until finally they made a decision.

They decided they did not want James Packer investing in their business. They had felt bruised after negotiations with ecorp several years before. When the SEEK founders had retreated from a proposal to sell 25 per cent of their company to ecorp in 1999 — wanting to maintain their independence — SEEK was pushed off the ninemsn website. At the time, the two ecorp executives conducting the negotiations, Daniel Petre and Jeremy Philips, had glimpsed the impending threat to newspaper revenue that SEEK represented. They left a meeting with the Bassats fully expecting that one of the big companies would take care of SEEK in the end.

'We were in a cab going back to Tullamarine Airport,' Petre recalled, 'and we thought, these guys are so smart, so focussed. And we thought there was no way Fairfax and News were going to let these guys take out their classifieds. We thought they would squash SEEK. We thought it meant so much, even in 1999, that they would never let it survive.'

Back then, the Bassats had never met James Packer. Doing a deal directly with him now, in 2003, might get them back onto the ninemsn site, with its high traffic, but it mattered far more to stay in control of their own destiny. How to break this news, this rejection, to Packer — that was the challenge. Particularly as they liked him and could see he understood their business.

'James got our space almost better than us in terms of where it could go,' Andrew Bassat said later.

> He could see the potential. He got that newspapers were under threat and the dollars were flowing online. He saw the future and the vision and the big themes. And he had nothing to protect. He did not have newspapers to protect. We got a really strong sense that he was a guy we could trust. But we wanted to keep our independence. He was very respectful and he said, 'You guys have built a great business and I'd like to be part of it and help you along the way.' He saw it could be a *really* great business in five years' time.

The three founders decided Paul Bassat, a lawyer with an effervescent personality who had first conceived the idea for SEEK, could have the job of breaking the bad news to Packer. Ten days after their first meeting at Crown, Bassat flew to Sydney to meet Packer at the Park Street headquarters of the family empire. Bassat had never been good at delivering bad news. He started cautiously.

'Well it was great to meet you, and if it was 12 months ago …'

Packer interrupted: 'I don't think the conversation's getting better from here,' he said.

'No,' said Bassat.

'Why?' Packer asked.

Bassat explained as best he could. They assumed the Packers would want control and they would lose the flexibility they enjoyed. Their views had been coloured by the original negotiations with ecorp, where tough contracts and legal constraints and controls were part of the picture.

'Okay,' said Packer. 'Have you got a couple of hours?'

Bassat did not have a couple of hours, but he agreed anyway. It was clear Packer was not taking no for an answer.

James Packer was positive and upbeat as he drove Bassat to the Nine Network at Willoughby, where he introduced him to one of his closest confidantes, John Alexander. A one-time top editor and publisher at Fairfax, Alexander had been kicked out of the company in 1998 amidst a power struggle. James Packer had phoned soon after to offer him a job and Alexander had risen rapidly at PBL, forming exceptionally close personal bonds with both Kerry and James Packer. Sitting in JA's office, as Alexander was universally known, they shot the breeze about the mutual benefits of a PBL–SEEK link-up, chatting about media and the online rush. Alexander, who had closely supported James in the two years after One.Tel, staying in touch daily, could have killed off any SEEK proposal in a flash with just a word to Kerry Packer. But he backed it from the outset.

It became ever clearer to the Bassats that Packer was not giving up. Over the next weeks the courtship intensified. 'You've said no because of these reasons,' Packer would say to them. 'So if we can address these issues, can we invest?'

'I said, oh well, maybe,' Paul Bassat recalled.

> We had numerous conversations about this: myself, my brother Andrew, Matt Rockman and the SEEK board. James finally convinced us. We found him motivated, passionate, very bullish about our business — possibly the only person as bullish about the business from the outside as us. When we indicated we'd be open to a conversation, James said, 'What do you think your business is worth?' We said about $100 million. We expected to make about $8 million that year and we thought 12 times earnings before interest and tax. We had talked about them buying

> 20 per cent of the company. It was going to be about $25 million. He accepted on the spot and we reached an in-principle agreement. But James had said all along, 'This is my father's company and this will require Kerry's approval. All investments need his approval.'

On Friday 2 May 2003, Paul Bassat and James Packer agreed on the terms by phone. The critical face-to-face meeting with Kerry Packer was set for the following Monday, 5 May. On the Sunday, Paul Bassat asked his brother Andrew what they should wear to meet the legend. Should they wear suits? Andrew Bassat said no, pointing out that every time they had met James Packer they wore casual pants and shirts. They flew to Sydney on the Monday, and sat waiting, somewhat nervously, outside Packer's office suite at his Park Street headquarters. Five minutes later the lift doors opened and Kerry Packer walked out, wearing a suit.

They were brought into Packer's office, with its orange carpet, green sofas, television screens and stuffed animals, the legacy of Packer's love of big game hunting. Pictures of lions and tigers lined the walls. The desk was at the end of the room, overlooking Sydney's Hyde Park. Before Kerry took over, this had been the office his father, Sir Frank Packer, had occupied.

But this was more than just meeting the Packers. Waiting in the room with Kerry and James were John Alexander, Peter Yates, then chief executive of PBL Ltd, and Ashok Jacob, joint CEO of the Packers' private company Consolidated Press Holdings.

The Bassats had expected to be in there for 20 minutes, but two hours later Kerry Packer was still asking questions. He was charming. Not once did he ask about SEEK's financial data.

Instead he wanted to know about and understand the business. He wanted to see how their website worked. Paul Bassat sat down and gave a demonstration on the big PC on Kerry's desk. When they explained the importance of market leadership in classified advertising, Packer cut them off. When he was a young man, he informed them, he had sold real estate advertising for his father against the competition from Fairfax. 'So you don't have to tell me the importance of being number one in classifieds.'

In a later meeting, Packer admonished the Bassats, warning they should be concerned about the power of Fairfax. 'You don't understand, you just don't understand,' he said. 'You're just kids. These organisations are much more powerful than you think.'

It was a theme he would come back to later, asking whether SEEK was worried about Telstra. Paul Bassat said no, earning a swift rebuke. 'Telstra is a very big organisation. I worry about Telstra,' Packer said coolly.

Bassat knew it was a putdown. 'So I said, "Well then, Kerry, *I* worry about Telstra." He was basically saying to me, "You young punks don't understand."'

At the end of that first two-hour meeting, Kerry Packer pushed hard about the size of the shareholding he wanted. The Bassats were interested in selling 20 per cent of SEEK; James Packer wanted 25 per cent. Kerry Packer wanted more, but certainly no less than 25 per cent. The Bassats pushed back cautiously, feeling more than a little outflanked by the feeling of contained power in the room. Suddenly Kerry looked at his watch and announced that he had to go. Could they come back in an hour? The hour gave them breathing space. They phoned Matt Rockman in Melbourne and regained their resolve.

When they returned there was no sign of Kerry Packer; it reduced the stress in the room. The Bassats announced they would go to 25 per cent but no higher. Someone said, 'Well, we'll sell that to Kerry.'

The following day, James Packer phoned again and the details were agreed. PBL would pay $33 million for a 25 per cent stake in SEEK and James Packer would join the board. But before the deal could be concluded, James would have to negotiate the conclusion of ecorp's joint venture with Monster.

It would be three months before the SEEK deal was signed and announced and it would be almost that long before Fairfax found out. During that time, James Packer never let go of the reins. He rang the Bassats almost every day, making sure everything was okay, checking that no-one was beating them up. He remembered the concerns they had conveyed about the 1999 talks with ecorp. They could see Packer was not going to let his fish slip away. Paul Bassat noted the attention to detail.

> I had said to Matt and Andrew, 'I bet we get the term sheet [from the PBL lawyers] and it'll have all sorts of employment things and warranties.' And it didn't. It was just half a page. It was the same story with the contract, it was just straightforward. The point is, James had made up his mind about the investment and he understood that it was our company and we didn't want to wake up and find we were working for someone else. For James, the big picture was getting the deal. The details were less important. He wanted the deal and he wanted to be sure nothing would get in the way. When he came onto the board he was always

> pushing us to grow the business. He was very growth-oriented, very supportive.

For SEEK, in one respect nothing had changed. In other respects, everything had changed. They had the PBL aura now. They were a small dotcom in Melbourne but with the Packers involved.

The founders of SEEK had travelled a long way from the early days of the company, when they might be lucky to have a few hundred job ads on the site in a month, or would find themselves up late on a Friday night typing after an early corporate client faxed over a list of the ads they had placed in the next day's Fairfax metropolitan newspapers. SEEK had begun in the time-honoured way: not quite in a garage, but almost.

It had been an early autumn day, six years before, in March 1997, when the brainwave for SEEK had first struck. Paul Bassat and his wife Sharon were waiting outside a house going to auction in Union Street, East Brighton, on the outskirts of Melbourne. Bassat suddenly realised how frustrated he was with the whole process of looking for houses in the classified pages of the newspaper, then driving around to see what the properties looked like.

Bassat, then 29, was a lawyer working in the commercial and corporate division at Arnold Bloch Liebler. His friend Evan Thornley had set up internet company LookSmart in late 1995 and had asked Bassat to act for him. Bassat knew nothing about the internet, but it encouraged him to find out. By the time he found himself house-hunting in Brighton in 1997, he was in the zone. Standing in the street he thought, 'Why don't we do real estate on the internet?' He headed to his parents' house to use their computer to check out housing on the web. To his astonishment, there were already lots of companies 'doing all this stuff'.

Bassat called his older brother to suggest they start putting together a business proposal. Andrew Bassat, 31, was a management consultant at Booz Allen. He was not an internet user but they were both excited to find advertising already online. They would spend nearly six months creating a plan. The brothers had three basic questions: firstly, was classified advertising a good business? With pens in hand they would comb through the huge Saturday edition of *The Age*, owned by Fairfax, counting the ads. They could see there was a dominant real estate agent in each geographic sector. It seemed to be a good business. Secondly, was classified advertising going to move from print to online? They believed they could see the start of a trend, mainly in the US. Thirdly, they asked themselves, 'Why us?'

Andrew Bassat played devil's advocate. Why would newspapers not be there? Why would newspapers not go online? Why, with their various monopolies carving up the country, wouldn't they just take it all online themselves? He kept thinking about the newspaper companies. They had all the jobs, all the money and all the newspaper brands. They had the revenue. The Bassats were absolutely clear in their minds that classifieds would move online. But they figured that for newspapers to make the same move, it would mean sacrificing revenue. It was expensive to put an advertisement in a newspaper, but it was cheap online. Would shareholders allow that for four or five years until the online model became established?

They convinced themselves there was no-one in a dominant position in the online market, and that the big newspaper companies would be concerned about travelling too far down that track and competing with their existing print revenues. They estimated there was $800 million per annum of revenue in employment classifieds in all papers across Australia; of this, they believed $300 million flowed to Fairfax. They guessed Fairfax's total revenue from real estate, jobs and car ads could be around $700 million. They could not be sure, but these were big numbers. If they could take just a small slice of that pie, it was worth it.

Then the Bassat brothers decided they preferred employment to real estate. It was a more fragmented market, with no huge players. And there were not just the big recruitment firms, but also hundreds of thousands of small and medium businesses that hired their staff directly. They decided in a landscape like that someone, hopefully themselves, could build a dominant player. They looked around at the competition. There were already around 100 players in employment: Fairfax, News Limited and the US company Monster, plus seven or eight other serious players and about 90 little ones.

Paul Bassat spoke to his boss, Mark Liebler, and asked for leave from work for a few months to pursue funding for the new venture. Liebler wanted to know what would happen if he got the funding. 'Well, I will go and run it,' Bassat replied cheekily. 'And if not, I want my job back.'

Liebler agreed. Paul's brother, Andrew, would keep his own job and work on the business plan at night.

In the end, the first and indeed the only people they approached were Matt Rockman, a friend the same age as Paul Bassat, and his father Irvin Rockman, a developer and hotelier known particularly for his Rockman's Regency Hotel in the heart of Melbourne.

The Rockmans invested $750,000 each. Matt Rockman, who had a background in property development and was sales director for Rockman's Regency, decided he too wanted to join the company, and with that they were off. They planned to launch their new website on 16 March 1998, a year after the idea was first conceived. They had no real understanding that they were on the cusp of a new era where the internet, technology, recruitment advertising and the media industry would all overlap. There were a lot of gaps in their plan: for starters, none of the three founders had any experience. Andrew Bassat had a modicum of IT knowledge but his brother Paul and Matt Rockman were fundamentally clueless as far as the technology was concerned. They outsourced the work of building the website to their detailed specifications. They examined sites around the world and agreed that they didn't want it to look like a newspaper. They wanted users to be able to search by type of job and location and to receive a daily email update; they wanted companies and recruitment firms to be able to come to the site and put up their own ads. As with so many start-ups, there were so many things that could go wrong. To anyone else it might have looked like madness, but they were young and they did not see the shades of grey. They had a young man's view of risk, they were hungry, and there was not a lot to lose.

For a month they worked from Irvin Rockman's office in South Yarra. He was supportive, but a little nervous. Over time he would grow to be passionate about the company and would remain chairman of SEEK for eight years. They took an office at St Kilda junction in a shabby building with nothing to recommend it, which they loved. Paul Bassat was nominally CEO, Andrew Bassat handled corporate and strategic development and Matt Rockman was in charge of sales. He would go out to visit recruitment firms and the first question they would always ask was, 'Who are you?' The second question was always, 'What's the internet?'

All three took credit for the SEEK name. Andrew Bassat had combed through thesauruses trying to find a word that worked and which still had a URL available. Given their original plan to cover jobs, real estate and cars, they needed something broad enough for all three. They reserved a few names: The Spot, Gusto and Fig Jam (inspired by the acronym 'fuck I'm good, just ask me'). Then they found SEEK.

When they were ready to launch the site they had a grand total of fewer than 400 ads, mostly from the recruitment firm Chandler & Macleod. They didn't charge much; the strategy was to cut deals wherever they could. 'You can have all the job ads you want for $500 a month,' they would offer. Chandler & Macleod would make photocopies of the ads they were running in Saturday newspapers and fax them over to SEEK on a Friday. The young founders would sit up typing like mad in their Wellington Street office. One of them could not spell very well and on the last night before the launch in March 1998, Andrew Bassat found he had to re-type 50 ads. By the time the site went live, they had already gone home, exhausted. Their first month's revenue was $6880. One year later it was $79,930. It would take four years — until 2002 — to make a profit.

Some days were crazy; someone would be looking for a job in Perth and SEEK would have only three jobs in Sydney. There were good days and bad days. In the first month there were 492 ads on the site and a total of 74 job applications for the month. Their very first job placement, though, happened quickly. They knew about it because they received an email from a young woman who wrote to tell them she had looked for a job as a personal assistant, found one on SEEK, applied successfully, and was now working in a fashion company. Two months later Paul Bassat visited the firm and after introducing himself, struck up a conversation with the woman. He told her she was the first person they knew of to land a job through SEEK. She was delighted. The managing director who had placed the ad, however, had a different view. 'This is fucking hopeless,' he told a protesting Bassat. He planned to stop advertising with them as no other ads had borne fruit. 'The rest isn't working,' he complained.

Every day they were bashed up. Sales staff left, clients left, it was an uphill struggle.

The initial funding provided by the Rockmans in 1997 before the launch was expected to last 12 months but they stretched it to 15 months. By late 1998 they were making $15,000 a month. They had estimated Fairfax had revenue of $250 million a year just from employment ads. SEEK had revenue of $180,000 a year.

Before the launch Andrew Bassat had approached both Evan Thornley at LookSmart and Steve Vamos, the chief executive of ninemsn, to get a presence on their sites. Ninemsn had the biggest online audience in the country, and any way they could reach that audience was worth the cost. Somehow, they had to attract eyeballs to SEEK. Within a month of the launch they had struck a partnership with ninemsn where they paid $7500 a month for a position on the site. A user clicking on 'jobs' would be directed to SEEK.

They finally gained a little momentum but they needed a capital injection, which they drew largely from private investors.

By early 1999 they had 20 people on staff. And then the buzz started and the big end of town came calling, in the person of the ecorp executives — landlords of the ninemsn site where SEEK was a tenant. Daniel Petre and Jeremy Philips were on the hunt for net deals and keen to buy 25 or 30 per cent of SEEK. But the Bassats and Rockman were not comfortable. They did not like the employment contracts they were given to look at, they wanted to stay in charge, and they felt the vibe was wrong. SEEK was valued at around $6 million and it was becoming a tidy little success story. Ecorp was interested in investing $2 million for 25 per cent.

'They were very open,' Paul Bassat recalled later.

> They said, 'We think employment is going to be one of the great categories online, and we want to be in it and a participant. And if you guys say no, we'll do a deal with someone else.' We knew we would lose the ninemsn distribution if we said no, but in the end we said no. We had a lot of conversations between the three of us — we were very informal — and there was Matt's father. We went back to the board and said, 'We don't really want to do this.'

PBL, the owner of ecorp, was an 800-pound gorilla. It had assets to leverage. It had none of the classified print muscle of Fairfax, but it had a great deal of heft given that a third of SEEK's traffic was coming through ninemsn. It was a big risk to reject the overtures, but it was just not a great fit. After to-ing and fro-ing for weeks, followed by a pause while ecorp worked on its own public offering, SEEK said no. Later, in March 2000, ecorp announced it was buying 50 per cent of the international job-site Monster in

Australia. Monster would never beat SEEK, but there was still a downside: SEEK was kicked off ninemsn and replaced by Monster.

SEEK's three big online competitors now were Fairfax's MyCareer site, News Limited's CareerOne, and Monster. None of the four was miles ahead of anyone else.

As SEEK became more visible, others came calling too. In 1999, Paul Bassat and Irvin Rockman had been invited to meet Fred Hilmer, the new chief executive of Fairfax at the Spencer Street offices of *The Age*. Hilmer had been appointed by Brian Powers, chairman of Fairfax since May 1998 and previously executive chairman of PBL and chief executive of the Packers' private company Consolidated Press Holdings. Powers' departure from the Packers to take up with their hated foe Fairfax was one of the more astonishing moves on the merry-go-round of Australian media, and it had provoked a regulatory inquiry into whether Powers was an associate of the Packers and whether he was in a position to control Fairfax — a breach of the laws which kept television and newspaper markets apart. In the end Powers was deemed not in control of Fairfax as he was only one on a board of ten.

Powers was a fast-talking American lawyer and investment banker from Hellman & Friedman in San Francisco with a big personality and ready wit. Hilmer was a former partner at the management consultants McKinsey & Company and Dean of the Australian Graduate School of Management. The choice of Hilmer, with his reserved personality and lack of media experience of any kind, was greeted with astonishment. Powers told one Fairfax editorial executive it was an experiment. Hilmer might have been a McKinsey-style analyst more than a businessman, but he was particularly close to one of the best-connected names on the Australian business scene, investment banker and Fairfax director David Gonski, and it immediately became company lore that Gonski had put Hilmer forward.

The SEEK founders decided meeting Hilmer would be interesting, but they were wary of disclosing too much detail to a company they thought was on the one hand a competitor, but which might also one day be a potential acquirer. Hilmer met them in the boardroom at Spencer Street, an old-style executive suite, wood-panelled and sombre. He told them that as a new media CEO, he had done the rounds of media proprietors to say hello. When he had met Rupert Murdoch, the News Corp boss had told him there were two things Hilmer needed to know about media. The first was that media grew faster than GDP, and the second was that media fragmented.

'I assumed that by quoting Murdoch's statement about the history of media, Hilmer was telling us that he thought there would be a fragmentation of media advertising in favour of the internet, but that it was not an existential threat for newspapers and they would continue to thrive. The meeting was very pleasant and it was the only time I met Fred,' Paul Bassat said later.

Hilmer was not in the business of personally chasing SEEK. Paul Bassat met him only the once; his brother Andrew not at all. In the ensuing years, the Bassats met both Nigel Dews, the intense young geek running Fairfax's digital business, f2 — who was so close to Hilmer that he was nicknamed 'Fred's love child'—and Alan Revell, a traditional newspaper editor who had crossed the boundaries by working as an editor and an executive at f2, and as publisher and editor-in-chief of *The Sydney Morning Herald*. In April 2003, Revell would be appointed commercial director of Fairfax.

'There were a couple of things that were most apparent about Fairfax,' Paul Bassat recalled.

> They were never very aggressive about trying to drive an outcome in their conversations with us. We had a handful of friendly meetings with them with no real follow-up after each meeting. A period of six months or more sometimes passed between each of these meetings. That was a big contrast to our subsequent conversations with James Packer. In our first meeting at Crown, James explicitly said to Andrew, Matt and I that he wanted to invest in SEEK and help us build a bigger business. He then rang us almost daily over the subsequent few months to ensure that the negotiations were on track.
>
> The second thing about our conversations with Fairfax is they never seriously tried to address the concerns that we had. Our goal was to build online at the expense of print and their goal was to defend their rivers of gold. Our interests weren't aligned. As a result, we weren't open to doing the sort of deal that they wanted to do with us: buying a strategic shareholding at a relatively low valuation with board representation and with veto rights.
>
> I think in hindsight the only way Fairfax could have done a deal with us would have been to either buy the business outright at a price that reflected our growth potential, or by taking a passive minority stake that didn't carry with it veto rights or board representation. The combination of their sporadic dialogue with us and their unwillingness to put something on the table that satisfied our

requirements, meant there was no real possibility of a deal with Fairfax being done.

SEEK however, was methodical in pursuing Fairfax's business. After three years, they understood that job seekers would always go to where they could do best, whether it was print or online. They knew SEEK had to be measured against print and to beat it; print was a deep pool to swim in and they were a long way behind the leaders in that field. They focussed on market sectors still on the brink of going online with their advertising, like health care. They changed the sales force structure, paying commissions on advertising volume — not revenue — in hard-to-crack markets, and added differential pricing. Trying to hurt print gave them a different mind-set. They began contacting purely print advertisers, luring them to online trials. They took the battle up to the newspapers.

By early 2000 SEEK was considering a share market float. They might be losing $1 million some months, but losses as a percentage of sales were declining, the business was growing and revenue was growing. They were a few days from signing a prospectus led by Macquarie Bank for an initial public offering (IPO) when the first big shockwaves from the dotcom crash were felt. They dropped the float and buckled down. They had just signed a new deal that guaranteed distribution for the SEEK website. In April 2000, the big search company Yahoo had bought 10 per cent of SEEK for $6 million and it gave them a solid buffer. Yahoo was important strategically, as SEEK had been replaced by Monster on the ninemsn site. Now they were on Yahoo.

Fairfax, still sailing on the rivers of gold, was oblivious to the drumbeat from the shore. SEEK was almost the market leader online: sometimes they were ahead of Fairfax and News Limited, sometimes they slipped back; no-one yet knew who would be the ultimate winner.

'Once we came on the radar,' Andrew Bassat said later, 'I think their Plan A was that we would run out of money — and they didn't need a Plan B because Plan A would occur. Then they would be back in charge.'

In February 2002, SEEK finally made money. It had taken four years and four months from the very start, working out of Irvin's office. They had burned through close to $20 million in capital and they had 150 people in the company. They threw a profit party at the Port Melbourne Yacht Club and flew in staff from Sydney and Auckland. As they celebrated, Andrew Bassat said he wondered what Fairfax and News Limited were up to now that it was clear the internet was not going away. 'It was pretty obvious to us when we first did our sums at the very start that at least 50 per cent of the revenue and 100 per cent of profits at Fairfax came from classified advertising. So once the classifieds came under attack — well, the board should have worked all that out.'

By the start of 2003, problems at Fairfax were biting. Newspaper circulation was falling and advertising followed, particularly the big-money display advertising that had helped make Fairfax untouchable. Unlike the Murdoch newspapers, which could be supported in good times and bad by funnels of money from News Corp's diversified international media and film interests, Fairfax had a narrow base.

Back in September 1999, Fairfax had put its digital businesses into the subsidiary known as f2, backed by $100 million to spend over three years. f2 promptly launched CitySearch, a regional directories site for events, calendars, transport and weather information. Nigel Dews, Fairfax's digital chief, believed Fairfax's branded online classifieds would triumph naturally over outsiders. As far as investing big money in the web went, Dews' focus was on building up CitySearch, not acquiring one of the 'pure-plays', as digital companies like SEEK were known due to their focus on a single agenda. Dews would say later that he always had a close watch on SEEK and that at the start of 2003, he sought a meeting with SEEK's chairman Irvin Rockman. According to Dews he asked whether Rockman might sell a block of shares to Fairfax and a figure of $10 million was canvassed for roughly 20 per cent of the shares. Dews, who had no approval from the Fairfax board for these talks, said later that he discussed the $10 million figure with Hilmer. Rockman, however, promptly doubled the price and Hilmer lost interest. Whether Rockman was testing how far he could push Fairfax, or was just playing cat and mouse, was unclear; he was a man with a sense of humour.

It was an odd notion that Rockman, who remained chairman of SEEK until 2005, would be quietly negotiating the sale of his own shares in the company founded by his son and the Bassats, and would do so with no reference to anyone else. Paul Bassat later poured cold water on the notion that Rockman was doing anything other than playing. 'I would be sceptical that Irvin would ever engage in serious discussions with Fairfax about selling his shareholding.'

Unbeknownst to Fairfax at the time, the doors to SEEK were about to close for good as James Packer arrived. Fairfax took one last brief turn on the dance floor with the Bassat brothers following the appointment of Alan Revell as commercial director in April 2003.

Revell tried to prod Hilmer to focus on SEEK. The discussions at the Fairfax top table revolved around maintaining the company's print advertising dominance. It was a simple equation. If that didn't hold up, there was no dividend. There was a constant debate about the thrusting online classified pure-plays. Should Fairfax buy in or try to kill them? Should Fairfax invest more in its own sites — like MyCareer — or should they just admit the game was up and go after the pure-plays in jobs, real estate and cars?

'I think most directors thought that Fairfax was a big powerful beast and should be able to dominate,' Revell would say later. 'And none of the pure-plays wanted to be owned by someone who would crush them. If you sold 80 per cent of yourself to Fairfax, you wouldn't expect your growth to stay strong for long. The difficulty was that Fairfax made a lot of money out of classifieds.'

There were discussions at Fairfax about taking over SEEK and folding in the Fairfax MyCareer site. A new Fairfax-owned SEEK could be controlled; it would not be allowed to operate with an overriding mission to kill print. But the plan went nowhere, just as it had for the three preceding years. During that time SEEK had gone up in value tenfold. But at Fairfax, SEEK was never perceived as enough of a threat to warrant Fairfax's chief executive calling in the investment banks to work on an acquisition.

And while SEEK was growing, most of the top executives at Fairfax were caught up in classic big company turf wars. It was print versus digital, executive versus executive, newspaper versus newspaper and, for a fair amount of time, print versus the chief executive. There were fiefdoms everywhere. One Fairfax editorial executive in particular clashed with Hilmer. Greg Hywood had been editor-in-chief of three newspapers: *The Australian Financial*

Review, *The Sydney Morning Herald*, and then *The Age*. By the late 1990s he had a foot in both the commercial and editorial camps after Fairfax introduced a joint publisher-editor-in-chief model. Hywood and Hilmer could not have been more different. They had argued over the Fairfax strategy of investing in CitySearch. Hywood wanted Hilmer to invest heavily in the company's existing online sites, to spend money integrating the classified advertising with the online newspapers. But Dews controlled the digital strategy and his focus was CitySearch. And he had Hilmer's unwavering support.

After the dotcom crash in 2000 and 2001 the Fairfax board had pulled its horns in, insisting the digital division had to break even and going cold on pouring more money into the online classifieds, even though Fairfax sites like Domain, MyCareer and Drive had been competing strongly against digital-only companies like SEEK, realestate.com.au and carsales.com.au. For Fairfax, pulling back was a catastrophic mistake. The directories company had proved disastrous too. In May 2002, Fairfax sold CitySearch to Telstra for $20 million, admitting defeat. Ironically, Hywood and Dews would leave Fairfax on the same day in April 2003: after a restructure, Hywood was fired; Dews was offered a job in strategy and declined. Suddenly both were gone. In the 2003 annual report, Fairfax revealed the combined losses of f2 since its inception in 1999 were $120 million.

In early 2003, Hilmer was focussed on striking a deal to buy Independent Newspapers Ltd, a New Zealand publishing company 45 per cent owned by News Corp. On 20 March, the Fairfax board approved proceeding with the acquisition for $1.1 billion.

By then, James Packer was courting SEEK, refusing to take no for an answer, driving the Bassats back and forth, visiting John

Alexander at the Nine Network, setting up meetings with his father, and planning to dissolve the joint venture with the floundering Monster as quickly as he could. His priorities and those at Fairfax could not have been more different.

The Fairfax board had been under the chairmanship of Dean Wills — a former chairman of Coca-Cola Amatil — since the end of 2002, when Brian Powers had returned to the United States. In June 2003, amidst almost daily reports in newspapers and magazines about the amazing advance of the pure-play internet companies eating into the Fairfax business, the Fairfax board set its forward strategy to include strengthening its key advertising franchises. To this end, the board papers identified both SEEK and Monster as targets, with a value of $100 million on SEEK's head. The rationale, stated in the board papers, was to hold Fairfax's 'leadership in total employment', and to deal more effectively with the 'online threat to print'.

But Fred Hilmer would not call on the Bassats to seduce them with honeyed words. There would be no CEO-to-CEO outreach to the Bassats, to show respect and admiration for their achievements. Instead Hilmer instructed Alan Revell to open talks. Revell in turn went to Longreach, a boutique investment bank he knew, to help explore the disposition of the Bassats to a friendly Fairfax tie-up. At Longreach, one of the partners knew Irvin Rockman personally and through him, Matthew Rockman. Another partner, Barry Davies — an adviser to Mambo founder Dare Jennings — had set up a meeting way back in June 2001 with the Bassats to introduce Nigel Dews.

Now, in June 2003, Davies pushed hard, working with Revell to get Fairfax swiftly onto the Bassats' radar. It was clear to an experienced investment banker, even if not to the chief executive of Fairfax, that there was no time to lose as SEEK ran like a buzz saw through the Fairfax classifieds. Davies could see it would be a disaster if Fairfax failed to buy at least half of SEEK as soon as possible.

At 5 p.m. on 3 July 2003, a Longreach team led by Davies, together with Alan Revell, met the Bassat brothers at SEEK's Melbourne headquarters, not realising the Bassats were sitting on a secret. They were already betrothed to James Packer and were four weeks away from the public announcement of Packer's stake in SEEK.

Trying to gauge the Bassats' mindset, Revell suggested they put aside price and just assume a large cheque was in the other room, and consider what SEEK would look like under Fairfax. It was clear the Bassats would not be happy. They thought Fairfax would simply buy their business to kill it.

Barry Davies would say later that he felt thwarted by the lack of engagement from the top levels of Fairfax about an investment in SEEK. He knew the reservations the Bassats and the Rockmans harboured about Fairfax as an owner were real. It was possible that even had Hilmer mobilised heavily and deployed serious resources and charm, Fairfax might not have got off the ground. The real frustration was that there seemed to be little appetite or focus within Fairfax for a SEEK investment.

On 23 July 2003, Barry Davies emailed Revell. 'Did you get to talk to Fred on this subject yet?' he asked. Revell phoned Davies to say that he was trying to get Hilmer to a meeting with Longreach. Two days later, news reports carried the amazing speculation that James Packer was circling SEEK. Davies urgently emailed Revell.

> I think we need to expedite our session with you and Fred given the Packer story. We have some views about the respective strengths and weaknesses of Fairfax and PBL but one way or another SEEK is now in play. I've left a message on your cellphone and will keep trying. In the meantime we're updating our contact details for the SEEK shareholder register.

Revell had left his mobile phone at home and missed the calls. But he picked up Davies' email and wrote back to say he had left a message for Paul Bassatt, who had not returned the call. 'Will talk with Fred next week,' Revell concluded. Later that day, Davies gave it another try, creating a document for Fairfax to canvass the options. He code-named SEEK as Sixpack. He cautioned that if talks were underway with PBL, then SEEK was 'in play', a potential takeover target. His analysis was blunt and should have sent loud alarm bells through the top of Fairfax. No-one had a stronger economic and strategic vested interest in the number one position in online classifieds than Fairfax, Davies warned. He urged the company to table an offer for SEEK immediately. Any investment by PBL would put James Packer at the table with Fairfax not even in the room. Davies warned in a perspicacious aside that not acting immediately could be construed by SEEK as Fairfax having no serious interest, despite the recent overtures by Revell. Davies recommended making an offer that ensured SEEK would continue to grow; it would be an incentive to the young management team to stay.

A week later, on 30 July, Davies emailed Revell again. No-one from Longreach had yet been able to meet Hilmer to discuss

SEEK. 'Alan, how did you go on this subject in your session yesterday? We've done some work on the shareholder register and have sent a draft appointment letter to Rob as requested. I'll call you to discuss arrangements for getting in front of Fred … I'd like to have Fred meet all three of us.'

The next day, 31 July, PBL announced that it had dissolved its joint venture with Monster.

On Friday 1 August, a frustrated Barry Davies was still trying for a meeting with Hilmer. But the Fairfax chief executive seemed unhurried. In an email to Alan Revell, Davies again proposed he bring Jonathan Fennel and Jeff White, the other two principals of Longreach, to any meeting. He pointed out that White had a relationship with Fairfax's chairman David Gonski going back to 1991, while Jonathan Fennel had had a long association with SEEK through its chairman, Irvin Rockman.

Revell's emailed reply on Saturday 2 August indicated just how low a priority SEEK was at Fairfax, even as rumours of Packer's ambitions were building in the market: 'Barry, spoke to Fred last night. He is going to New Zealand for their results etc. next week and won't be back in the office until the middle of the following week … Let's pick it up on his/my return (if not at the City to Surf!).'

Fred Hilmer finally received the bad news during a Fairfax off-site meeting to discuss Fairfax's future. It was the end of the day and everyone was at dinner when Hilmer broke off to huddle with another executive. Then he told the rest of the table what he had just heard: James Packer had bought into SEEK for over $30 million. Hilmer described the price as ridiculous. PBL's investment had put a valuation of $132 million on SEEK, way beyond what Fairfax believed it was worth. But it was a sobering moment; SEEK had a very good business plan, they all agreed, and they were smart guys. Now they had a shareholder with very deep pockets. But Fairfax did not believe SEEK had become a gorilla with a war chest big enough to kill them. Not for a minute. That would be outright fantasy.

Soon after the PBL–SEEK tie was announced on 4 August, Hilmer publicly stated that he had considered buying a stake in SEEK, but believed that at $33 million, PBL had paid too much. It was not a sum Fairfax would have paid.

At Longreach, the news of Packer's play prompted a last round of effort to put Fairfax back in the game, if only they could get Hilmer to agree to an aggressive retaliation. Jeff White picked up the phone to call David Gonski. Longreach still had not had a meeting with Hilmer. White recalled later: 'We were not getting any traction. I said to Gonski, "Can you get us a meeting and tell Fred he should talk to us?" But coming in over the top never makes a CEO happy.'

Finally, on 7 August 2003, three days after the PBL–SEEK deal was announced, Fred Hilmer met with Longreach. Hilmer told the investment bankers he did not trust the Bassat brothers; Davies and his partners urged Hilmer and his executives to hit back fast if they were to have a chance of upsetting the Packer deal.

After the meeting, Jeff White emailed Hilmer.

> Fred, thanks for the opportunity to meet with you, Nick, Mike and David today. To reiterate, in order to move things forward, we believe that Fairfax should undertake the following actions: arrange a meeting with Gresham CEA

> for you to understand directly their views on a competing offer and the PBL deal; access as much legal documentation on SEEK and the deal as possible and review that to assess the current legal position (e.g. need for shareholder approvals etc.) and hence options for Fairfax. Longreach would be pleased to organise both of these matters, which we believe could be undertaken quite quickly. Once this was done, Fairfax would then be in a much better position to determine an appropriate strategy regarding SEEK and the PBL/SEEK deal.
>
> Regards, Jeff White

And there it ended. Hilmer was not disposed to put a proposition to the Fairfax board to buy SEEK. 'It would be management's role to put a proposal to the board and it didn't come to that,' Hilmer recalled later.

Andrew Bassat observed later that Hilmer would have found it difficult even if he had pursued them. SEEK simply did not trust Fairfax as a part-owner and felt that any support they provided would have been short term at best. 'Fred gets sometimes unfairly criticised for not doing the deal James did. But he would not have been able to get that deal. And that's because even if they had gotten behind us for six months, after that, we knew they would not have been behind us.'

The deal Fairfax had needed to protect one of its three massive revenue categories was lost. Allegations of complacency, arrogance and lack of foresight would and could be thrown at the company in years to come. The Fairfax board had not only failed to buy a stake in SEEK, but they had also failed to mount a takeover to protect an exposed flank. In the end, Fairfax was outwitted — not just by SEEK's brilliant young founders, but also by a lifelong foe from the heart of the old media world. For James Packer, buying into SEEK for $33 million was not just a great deal that would eventually turn into a massive $440 million when he sold, but it gave him the opportunity to turn the screws on hated enemies.

Two days before the deal between PBL and SEEK was announced in August 2003, Alan Revell — who had not given up hope himself — had phoned Paul Bassat. He told Bassat that Fairfax was hearing more rumours that SEEK was set to do a deal with James Packer. What was going on?

'I said, "I can't comment,"' Bassat recalled later. 'Alan said "Oh, those guys have probably wined and dined you and taken you on the *Arctic P* [the Packer's massive converted ice-breaker] and out to Ellerston [the family compound in the countryside]." I replied, "Well, we must be a cheap date because they haven't done any of that."'

The disappointed Revell had something else to say to the SEEK founder. 'Don't do it,' he warned. 'It'll be a disaster.'

'A disaster for you or for us?' Bassat asked.

Eight years later, on Wednesday 15 June 2011, Paul Bassat received an email from his brother Andrew to tell him that the market capitalisation of SEEK had just closed higher than Fairfax for the first time ever.

By late 2012, only eighteen months later, SEEK's market capitalisation was well over $2 billion. SEEK was twice the size of Fairfax.