

News Corporation

K.R. Murdoch

First Statement

"KRM39"

12 April 2012

**IN THE MATTER OF THE LEVESON INQUIRY INTO THE CULTURE, PRACTICES AND ETHICS  
OF THE PRESS**

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**EXHIBIT "KRM39"**

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This is the exhibit marked "KRM39" referred to in the witness statement of Keith Rupert Murdoch dated the 12<sup>th</sup> day of April 2012.

## *The End of New Labour?*

I had barely twenty-four hours to savour my extraordinary feeling of reconnection with the party, and the political cause, to which I had devoted nearly all of my life. The real problem, of course, remained: that the country showed every sign of falling out of love with Labour.

The evening after my speech, and just hours after Gordon had delivered a powerful and well-received leader's address, the two of us were in a crowded banqueting suite in Brighton's Grand Hotel when we began getting a series of voicemail and text messages from Rebekah Brooks (formerly Wade), the ex-Sun editor recently promoted to chief executive of Rupert Murdoch's News International. She wanted urgently to talk to Gordon, or failing that, to me. We were attending Labour's main fund-raising dinner, and Gordon's staff asked me whether I thought he should slip away and speak to her. I said firmly that he should stay. After all, he was the star attraction at the dinner. Barring a national emergency, which this clearly was not, he should surely avoid leaving. The main reason I wanted Gordon to stay put, however, was that I had a fairly good idea what Rebekah wanted. For months it had been apparent that the Sun was cosying up to David Cameron. In my conference speech I had joked that I had 'been in this movie before', a reference to my earlier rises and falls as a cabinet minister. I had also been in the Murdoch movie before.

In the run-up to the 1997 election I had been the first to receive word of the Sun's dramatic conversion from Kinnock-basher to supporter of New Labour, in a phone call to my office at Millbank from

the then News International executive Jane Reed. As Chancellor, Gordon had gone on to develop a good relationship with Rupert Murdoch, and especially with Murdoch's favourite economic adviser and columnist, Irwin Stelzer. He had never warmed to Rebekah, in part because he saw her as a fan of Tony's. During the weeks leading up to the party conference he had become nervous about the *Sun*, and I was pretty sure that Rebekah was now going to deliver the opposite message from the one I had heard from Jane a dozen years earlier. With Gordon still feeling lifted by the way conference had gone, the last thing I felt he needed was to be on the receiving end of news that would not only deflate him, but would overshadow the otherwise positive coverage of his speech I was expecting in the following morning's papers. Frankly, I also felt it would be wrong for Gordon to dignify the *Sun*'s deliberately timed snub by answering Rebekah's messages. I told the Number 10 aides that I would phone her instead.

When I called her from my mobile in the corridor outside the banqueting hall, I was determined not to betray surprise, or even particular concern, about the news of the *Sun*'s switch, which she duly delivered. I used one of my favourite words to describe whoever at the paper, or News International, had decided on a grandstanding shift of political allegiances. They were chumps, I said. Some later media reports suggested that Rebekah misheard me, and thought I had used a far more offensive term. I did not, although I did tell her that I was certain turning the *Sun* into a Tory fanzine would not go down well with its readers.

After we spoke, I went back into the dinner and told Gordon about my conversation. I urged him not to say or do anything that indicated he was stung by the *Sun*'s move. The truth was that he was stung. He showed admirable restraint in not allowing this to show. In the weeks and months that followed, however, it grated on him more and more. He was convinced that a deal had been struck between Cameron's team and the Murdoch media, with political dividends for the Tories and commercial ones for the Murdoch empire, given the prospect that a Conservative government seemed unlikely to take

a restrictive view on issues of media competition. At his urging, I spoke out on that issue publicly on a couple of occasions following the *Sun* switch. In fact, I suspected that the real reason for the change was simpler, and in a way even more discouraging. The *Sun* was a mass-market paper. It saw its interests as backing a winner. While I was still not convinced, or at least not ready to accept, that a Tory victory at the next election was inevitable, given the yawning gap we would have to make up in the opinion polls, it was certainly looking that way.

After conference, thoughts turned to the general election. We set ourselves the target of raising our poll ratings from their stubborn 25 per cent to 30 per cent by Christmas. David Muir and Justin Forsyth, together with Gavin Kelly and Nick Pearce on the policy side, rallied the Number 10 team behind this objective. Patrick Loughran became my point man on campaign planning while continuing his day job in the department. Philip Gould weighed in with his strategic advice. I also started courting Alastair Campbell, in an effort to bring his talents and experience on board. He was reluctant. Not only could he barely face returning to the daily grind and the campaign treadmill, he was unsure about Gordon. Wouldn't we be propping up a lost cause, he asked me. I appealed to his loyalty to the party, but it was months more before he started to engage.

Gordon was meanwhile veering back onto his original 'no cuts' track. 'We have to attack the Tories for their pessimism,' he said. 'They're ushering in a no-growth, high-unemployment decade. They're just throwing in the towel.' I don't think he had any idea how discouraging this was to many of us. It was not as if there was a gulf of policy difference between us. All of us opposed premature spending cuts, but we differed on the question of how we should frame and express our economic message. Almost everywhere I looked, and for everyone I talked to, the question was whether Gordon would – and perhaps should – throw in the towel. Douglas Alexander had concluded that his old patron and mentor lacked the 'skill-set' for Prime Minister: 'Every question we face comes back to leadership. Everything.' He also worried that Gordon was resigned to defeat. A couple of