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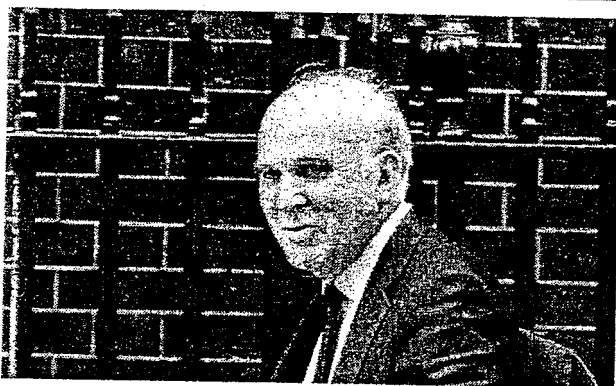
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News International 'bullied Liberal Democrats over BSkyB bid'

Party claims it was told it would be 'done over' by Murdoch papers if deal did not go through as company wanted

Henry Porter and Toby Helm
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 Article history



News International threatened to persecute the Liberal Democrats if Vince Cable did not advance its case, according to high-level sources. Photograph: Andy Rain/EPA

Rupert Murdoch's News International launched a campaign of bullying against senior Liberal Democrats in an attempt to force through the company's bid for BSkyB, high-level sources have told the *Observer*.

Lib Dem insiders say NI officials took their lobbying campaign well beyond acceptable limits and even threatened, last autumn, to persecute the party if Vince Cable, the business secretary, did not advance its case.

According to one account from a senior party figure, a cabinet minister was told that, if the government did not do as NI wanted, the Lib Dems would be "done over" by the Murdoch papers, which included the now defunct News of the World as well as the *Sun*, the *Times* and the *Sunday Times*.

The accounts are only now coming to light, say sources, because the minister involved feared the potential for damage to the party, which was already suffering a dramatic slide in popularity after going into coalition with the Tories. They chime with reports from senior figures in the Labour party who say that Murdoch executives issued threats to Ed Miliband's office after the Labour leader turned on NI when the news broke that murdered 13-year-old Milly Dowler's phone had been hacked into by the News of the World.

Labour insiders say NI executives made clear to Miliband's office that because he had chosen to "make it personal" they would do the same, implying they would attack him through their media outlets.

The pressure on the Lib Dems was at its most intense around the time that Cable decided to refer the BSkyB bid to Ofcom. However, it relented after Cable was removed by David Cameron from responsibility for the bid when he was taped by undercover reporters from the *Daily Telegraph* attacking Murdoch.

Cable was recorded saying to the reporters, who pretended to be constituents, saying that he had "declared war on Mr Murdoch and I think we're going to win". Insiders

P373

believe NI's interest then focused on the culture secretary, Jeremy Hunt, who took over responsibility for the bid from Cable. News International declined to comment on the bullying allegations.

The revelations will fuel the debate over Cameron's friendship with Rebekah Brooks, the former NI chief executive who was arrested a week ago. Labour MPs placed Cameron under intense pressure to reveal whether he had discussed BSkyB in any of his many meetings with Brooks or other NI executives since becoming prime minister.

It was revealed that Cameron had had 26 meetings with NI officials since becoming prime minister in May last year. Under sustained questioning in the Commons, he said only that he had had no "inappropriate" discussions with Brooks or other NI executives about the bid. Many MPs believe it unlikely, given the determined approach mounted to influence the Lib Dems.

Formal contacts between NI and Hunt continued right up to last month, during which the question of media plurality was discussed.

More details of the links between No 10 and News International were revealed as it emerged that NI entertained Downing Street special advisers more than any other organisation during the first seven months of this government. Figures from the Bureau of Investigative Journalism showed that almost a quarter of all lunches, dinners and hospitality enjoyed by Downing Street's inner circle came from Murdoch's company. Gabby Bertin, Cameron's official spokeswoman, was wined and dined nine times, including a trip to last year's Wimbledon championships.

Labour MP Paul Farrelly, a member of the culture, media and sport select committee, said: "After the phone-hacking scandal we know how deeply News International penetrated Downing Street and the Metropolitan police."

Meanwhile, Strathclyde police gave details of investigations into whether witnesses who gave evidence about phone hacking at the trial of jailed politician Tommy Sheridan – including Cameron's former director of communications, Andy Coulson – may have committed perjury. Coulson, then employed by Downing Street, told the trial in December that he had no knowledge of illegal activities by reporters while he was editor of the *News of the World*. He also claimed: "I don't accept there was a culture of phone hacking."

Assistant Chief Constable George Hamilton said: "We will also be looking to see if we can uncover any evidence of corruption in the police service or any other organisation related to these inquiries. However, I must stress that no specific allegations regarding corruption have been presented to us."

A News International spokeswoman said: "We can confirm that we have been contacted by police on this matter. We can't say anything else."

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