

Tears and tantrums in London mayor poll

May 3 vote

Race for the biggest personal mandate in British politics is running neck and neck, writes James Pickford

The incumbent has exploded with fury in a foul-mouthed tirade at the "barefaced liar" running against him and the leading challenger has burst into tears while watching his own campaign broadcast.

The contest for London mayor is once again ripping up the conventions of British politics.

Two of the UK's most recognisable politicians – the blond tousle-haired mayor, Boris Johnson, and Ken Livingstone, a leftwing veteran of London politics – are locked in combat for control of the city's top job.

The prize that beckons for the victor of the May 3 election is the biggest personal mandate in

Britain and the kudos of welcoming the world to the capital at this summer's Olympic Games.

Mr Johnson, a columnist for The Daily Telegraph newspaper and a former Conservative member of parliament, is known for his florid rhetoric, sharp wit and tendency to eccentricity – factors that have seen him consistently polling ahead of his party among voters. In 2008, Mr Johnson unseated Mr Livingstone as mayor, a post the latter had held – and shaped – since its creation at the turn of the millennium.

Mr Livingstone's return to the fray as the Labour party candidate, along with Brian Paddick, a former senior police officer standing again for the Liberal Democrats, has prompted some to complain that this "groundhog day" line-up would produce little more than a rerun of stale arguments.

But while the leading dramatist personae are the same, the political



Election time: Ken Livingstone (left) and Boris Johnson before a televised debate. Voters' reactions to their differences are proving hard to read

backdrop has been transformed. Labour's 13 years in power, first under Tony Blair and then Gordon Brown, came to an end in 2010 when the Conservatives and Liberal Democrats, the third party, agreed to form Britain's first coalition government since the second world war.

Mr Johnson was a contemporary of the

'Most [Londoners] think Boris has done well... even though they feel he is on the side of the rich'

British prime minister, David Cameron, at both Eton, Britain's most elite private school, and Oxford university.

All these things become campaign issues in a year when government austerity measures are dominating the national debate.

The Labour candidate has sought to exploit his opponent's pedigree, painting Mr Johnson as a "true-blue Tory" concerned only with the interests of the wealthy. Mr Livingstone's flagship pledge offers lower-income Londoners a measure of relief from their financial strains, reversing three years of transport price rises under Mr Johnson with a 7 per cent cut in

Tube fares from October 2012 and a freeze on fares in 2013.

Mr Johnson argues that no one is better placed than he to make the capital's case for spending and allies boast he remains "just a text away" from the prime minister and George Osborne, the finance minister. He frequently cites hard won agreements over funding for key infrastructure projects such as Crossrail, a £16bn rail route linking east and west London, and upgrades to the London Underground rail network.

Mr Livingstone's return to campaigning has been marred by a row over his tax affairs and his "fare deal" has come under a

concerted attack from Mr Johnson, who says it will wreck planned investment in London's infrastructure.

The Labour campaign message was also blown off course this month when Mr Livingstone, watching the unveiling of his own political broadcast, began to weep at the sight of Londoners saying: "Win it for London, Ken." Though the participants were ordinary citizens the film was scripted, prompting claims of "crocodile tears".

Voters' reactions to all of this are proving hard to read. While Mr Johnson has led Mr Livingstone by a margin of between 6 and 8 percentage points in several polls, two others have put him a mere two

percentage points ahead – within the margin of error of such surveys.

But the Tory incumbent retains remarkable support from a segment of London Labour voters who ought to be his natural opponents. Peter Kellner, president of the pollsters YouGov, says: "Most of them think Boris has done well as mayor and regard him as charismatic, even though they feel he is on the side of the rich."

But no one is making any predictions. "It's neck and neck over Beecher's Brook," says Mr Johnson, referring to a fence in the Grand National, Britain's famous horse race. "No one should take the London electorate for granted."

Tax confessions

The leading candidates in the race to be the next London mayor have published rafts of policies on the core themes of transport, crime and housing, writes James Pickford. Yet much of the campaign coverage has focused on a dispute over tax avoidance.

Ken Livingstone, the Labour party candidate, came under pressure in February after it was reported that he had channelled some of his earnings through a private company, making him liable to pay corporate tax at 20 per cent rather than income tax and national insurance. While the arrangement is legal, Mr Livingstone opened himself to charges of hypocrisy in light of his strident attacks on "tax avoiders".

Mr Livingstone defended his position during a live radio debate with other candidates by suggesting Boris Johnson, the Conservative mayor seeking re-election, had adopted a similar arrangement – prompting an expletive-laden rebuttal from Mr Johnson as the candidates travelled in a lift after the show.

The four candidates agreed to resolve the issue by publishing their taxes and earnings from the past four years.

While common in the US, this momentous decision broke a long-held taboo among British politicians over making such information public. Now, ministers and even the prime minister are considering whether to follow suit.

Prosperity empowers Brazil's middle classes

Economic growth

Rising numbers of well-educated mean a more exacting electorate, write Joe Leahy and Samantha Pearson

At the Fazenda do Haras Larissa, the mood among the well-heeled crowd is tense with anticipation.

The vast luxury development in the hills near São Paulo, which has an English countryside theme with 18th-century carriages and liveried drivers, is due to host a polo match led by Britain's Prince Harry.

When the prince finally lands on the helicopter pad, which has space for 30 choppers, he provides the only genuinely English moment of the day when he is self-deprecating about his chances of winning the match. "I'm a bit rusty," he tells the gathered elite.

While the event in March was for charity, business is never far away in the new Brazil. In a country that produced 22 millionaires a day in 2010, Haras Larissa, where the most expensive plot sells for R\$16m (\$8.5m), is just another attempt to profit from the astonishing wealth created by a decade of economic growth in Brazil.

"The luxury property market is booming because Brazil is booming," says Alvaro Coelho da Fonseca, its developer and one of Brazil's richest real estate barons.

International attention over the past decade has focused on the rise of the lower middle class, who earn between R\$1,734 and R\$7,475 a household a month and who have turned the country into one of the world's most promising consumer goods markets.

But while this group now

accounts for more than half the population, it is the so-called B and A classes – those earning more than R\$7,475 monthly – that are set to grow fastest in the coming years, analysts say.

Unlike China and India, Brazil's growth story has been more about income redistribution than rapid expansion of gross domestic product. This has ballooned the lower middle classes nearly 60 per cent between 2003 and 2011, according to Marcelo Cortes Neri, of the Getúlio Vargas Foundation, an academic institution. Their numbers are set to expand by another 12 per cent by 2014.

But more impressive will be the growth of the A and B classes. The ranks of those people with incomes more comparable to those of the middle and upper classes of advanced economies are expected to more

'Brazil is one of the top three opportunities [in the world]'

Christian Porta
Chivas Brothers

than double by 2014, compared with 2003, to more than 29m, a group nearing the size of the population of Canada.

The rise of the well-educated and financially empowered groups are already changing Brazil's political and social fabric, analysts say, in the form of greater demands for efficient government. "There is a political tsunami coming in Brazil," says Christopher Garman, analyst with Eurasia Group.

Dilma Rousseff, Brazil's president, enjoyed a record approval rating of 77 per cent in mid-March in spite of slower economic growth last year. She was helped by low unemployment and salary increases.

But her government knows that a more prosperous population means a more exacting electorate.

Analysts say it is partly for that reason that she has shown less tolerance of corrupt ministers than in the past.

"She is going to increasingly be held accountable on the quality of public services and no longer just on growth and income," says Mr Garman.

Multinationals and domestic businesses, meanwhile, have also taken notice. BMW, Mercedes, Volkswagen and other car-makers are targeting Brazil with higher end models. Chivas Brothers, the owner of the Chivas Regal whisky brand, says Brazil's booming north-eastern city of Recife today has the highest whisky consumption a head in the world.

"When we look at the world... Brazil is one of the top three opportunities," says Christian Porta, the company's chief executive, one of the sponsors of Prince Harry's polo match.

Financial services such as private banking are booming. There was R\$434.4bn under management in the country's private banking sector in December, according to industry data, an increase of 21.6 per cent from the previous year.

"We're now seeing a second generation of wealthy families with this new economic phase of the country," says Silas Caldana, the director of Oslo Patrimônio, which manages family fortunes in the southern state of Rio Grande do Sul. His company, which caters to clients with more than R\$50m, expects to double its number of clients in the next two years.

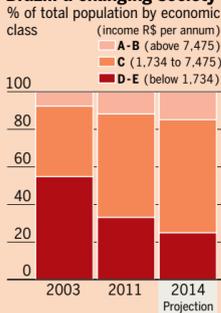
Local entrepreneurs, such as Mr Coelho da Fonseca, are also determined not to miss the boat.

Philip Stephens, Page 9



Dilma Rousseff, president, enjoys record poll ratings

Brazil: a changing society



FTSE All-World Index Review

2,800
Stocks

50
Countries

95%
of the world's
equity market
capitalization

Equity Insight

Essential monthly performance analysis and fundamentals across Developed & Emerging Markets, Industry Sectors, and Individual Securities.



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