

# Housing starts on pace for a record year

Construction is up by 16% over last year

BY DERRICK PENNER  
VANCOUVER SUN

A surge in suburban residential construction has put Greater Vancouver housing starts on pace for their best year in more than a decade.

Greater Vancouver builders started construction on 9,961 new housing units as of the end of June — 16 per cent more than during the same six months of 2005.

Peter Simpson, CEO of the Greater Vancouver Homebuilders' Association, said if builders maintain this pace, they will surpass 2004 to make this year the region's best year for construction since records were set in 1994.

"We thought we would have levelled

## New housing hot

Housing starts show no sign of stopping soon with most major markets showing gains in activity over 2005.

Year-to-date 2006

	Single-family	Multi-family	Total	
B.C.	6,216	10,093	16,309	+14%
Vancouver	459	1,606	2,065	-9%
Burnaby	101	598	699	-18%
Surrey	1,189	1,251	2,440	+42%
Tri-cities	123	915	1,038	+51%
Maple Ridge	192	176	368	+78%

off by now," Simpson said, so "this increase is somewhat surprising."

Growth has slowed in markets closer

to downtown Vancouver. Vancouver itself, for instance, saw starts in the first

half of 2006 fall nine per cent since last

year, and Burnaby's starts plummeted 18 per cent.

However, development exploded in the suburbs. Surrey saw starts up 42 per cent, and in Maple Ridge, they were up 78 per cent.

CMHC market analyst Robyn Adamache said the suburban numbers are rising because developers are building more multiple-unit projects in areas outside the city of Vancouver.

"From the supply side, developers are wanting to build multiple units because they're much more profitable to be looking at, with the prices of land the way they are," Adamache said.

She added that on the demand side, buyers are continuing to look more at townhouses and condominiums as being a more affordable alternative.

Overall, Adamache said it appears that homebuilders are ramping up workloads

to meet market demand given that new housing inventories remain "at historic low levels."

Adamache said CMHC counted only 712 vacant and unsold new housing units available across Greater Vancouver, which is down considerably from the 15-year average of 3,000 new units.

"Last year we had record sales," Adamache added. "Inventories continue to be low on a trend basis, so that is showing that demand is very strong."

Across B.C., urban housing starts topped 16,309 units in the first half of 2006, a 14-per-cent increase from the same period in 2005.

Nationally, CMHC reported that the pace of new-housing construction was up 4.5 per cent in June, which, if it holds, would see Canadians build 232,200 new homes during 2006.

dpenner@png.canwest.com

# Lloyd's calls it a good year even though it lost \$100m

INSURANCE | World's oldest insurer hit by Gulf hurricanes

BY MICHAEL KANE  
VANCOUVER SUN

Lloyd's of London lost \$100 million last year, making it probably the best year ever for the centuries-old "commune" of insurance writing syndicates, chairman Lord Peter Levene says.

That's because the loss was relatively tiny compared to the \$5.5 billion US that Lloyd's paid out as its part of the \$60-billion bill that came after last summer's hurricanes in the Gulf of Mexico.

Traditionally, the world's oldest insurance marketplace has taken a bath every few years as a result of one disaster or another, and then spent the next few years rebuilding its fortunes.

But Lloyd's 62 underwriting syndicates are now internally audited every three months and can be kicked out of the club if their business plans fail to realistically assess potential risks.

"Having sight of 62 business plans is like playing cards when you can see everybody else's hand. You have a pretty good idea of what is going on," Levene said in an interview Tuesday in Vancouver.

"[The Lloyd's franchise performance directorate] are not going to tell Syndicate A what Syndicate B is doing, but if any syndicate is out of line in any area, they'll point it out to them and make them change it."

In more than 300 years of business, Lloyd's has built a reputation for prompt payment of legitimate claims, ranging from the loss of trading ships in the 17th century to the San Francisco earthquake of 1906 and the *Queen of the North* ferry sinking in B.C. earlier this year.

Of the 200 countries around the world where Lloyd's does business, Canada is now the second-largest overseas market after the U.S., and British Columbia has jumped ahead of Quebec as its second-biggest provincial market.

With the Western provinces firing on all cylinders, Lloyd's has become the leading private insurer in B.C., with income more than doubling during the past five years, Levene told the Vancouver Board of Trade.

Last year, Lloyd's paid out almost \$6 million daily, on average, to Canadian policyholders. "In fact, last year in Canada we paid out more than we took in — something we can afford, but we don't want to make a habit of it."

In 2005, significant claims paid out by Lloyd's underwriters were for a fire at an Alberta oilsands facility, a U.S. securities action against CIBC over its Enron dealings, and the August rainstorm in Ontario, that province's worst-ever natural disaster in terms of insured losses.

Levene, 64, is the first chairman of Lloyd's from outside the insurance industry. He has a background in the U.K. defence industry and first came



... The earthquake threat remains the main preoccupation here, understandably so, as analysts estimate there is a two-in-three chance of a West Coast 6.7-magnitude earthquake or higher within the next 30 years.

LORD PETER LEVENE  
Chairman, Lloyd's of London

to public notice as the administrator of London's Canary Wharf after its Canadian developers went bust. He subsequently spent five years as an efficiency adviser to former British prime minister John Major, and also served a year as the lord mayor of the City of London.

After four years in his current role, he is warning that insurance premiums will continue to climb after the industry's worst claims year ever.

"People don't like it, but if we had to pay out \$5.5 billion last year, where is the money going to come from?"

He said premiums are also rising because insurers recognize that they must write business for profit in order to meet claims, and they cannot rely on investment income to subsidize premiums. In addition, he said there are more perils facing the world, including climate change, foreign and home-grown terrorism, and the chilling effect of an increasingly litigious culture.

As the world's second-largest land mass, Canada is also prone to all sorts of natural calamities. Lloyd's has helped individuals and Canadian businesses cope with such recent disasters as the Winnipeg flood of 1997, the Calgary hailstorm of 1991, and the Edmonton tornado of 1987.

"Already in 2006, you in B.C. have endured the worst storm to hammer the southwestern part of the province in more than 30 years, and

are experiencing forest fires again in the Prince George region," Levene told the Board of Trade. "But the earthquake threat remains the main preoccupation here, understandably so, as analysts estimate there is a two-in-three chance of a West Coast 6.7-magnitude earthquake or higher within the next 30 years."

He noted that disasters are either contained or fuelled by hundreds of prior decisions taken at national and local levels, concerning everything from building codes to government relief planning. While 20,000 died and 600,000 were left homeless when a 6.9-magnitude earthquake hit Gujarat, India, in 2001, when a 6.8-magnitude quake hit Seattle the same year, only one person died — of a heart attack.

However, he said governments, businesses and insurers have not done enough to adapt to global warming, the threat of terrorism, or the risks from litigation and more aggressive trial lawyers.

"Climate change is real and the implications for my industry and your business must be understood, and quickly," he told the Board of Trade.

On terror, despite being a declared al-Qaida target, he said Canada is unique in the developed world for not having any formal mechanism to provide businesses with government cover against risk of terrorist attacks.

mkane@png.canwest.com

# Saxena found a helpful business environment upon arrival in B.C.



DAVID BAINES  
VANCOUVER SUN  
COLUMNIST

When Rakesh Saxena was charged by Thai authorities for allegedly embezzling \$88 million from the Bangkok Bank of Commerce, it was natural that he would flee to Canada, where extradition proceedings are notoriously slow and uncertain.

The precence of this strategy has been confirmed by the fact that he's still here, more than 10 years later. Adding insult to injury, he has spent nearly all of that time in the relative luxury of house arrest, first in a False Creek condo and then in an upscale house in Richmond, an arrangement that was approved by then-B.C. Supreme Court judge Wally Oppal, now B.C.'s attorney-general.

It was also natural that Saxena would alight in Vancouver, where he could give full vent to his penchant for horrible stock deals. It was just as natural that, after being blackballed from the Vancouver Stock Exchange, he would shift his focus to stocks quoted on the dreadful OTC Bulletin Board and "pink sheets" in the United States.

This is a large and growing segment of the local securities industry that has been largely neglected by the B.C. Securities Commission, which is now part of Oppal's portfolio as attorney-general. In fact, prosecutions are so rare that it remains a virtually risk-free pursuit.

Not surprisingly, given the dearth of regulatory action, Saxena found many promoters, brokers, lawyers and accountants who — despite the fact he was Thailand's most wanted white-collar criminal — were quite willing to do business with him.

He ran his largest and most audacious stock scheme from 2001 to 2003 when he acquired a dozen or so bulletin board and pink sheet companies, then arranged for the shares to be flogged through European boiler-rooms to unwitting investors, mainly in the United Kingdom.

Investors were directed to send their cheques "in trust" to the Vancouver law firm Martin & Associates. In most cases, however, the issuing companies had no viable businesses. Some investors did not get their shares, and in other cases, the shares were never publicly listed and are therefore essentially worthless.

In an effort to recover their money, dozens of investors filed complaints with the B.C. Law Society. The society took over the law firm's practice and hired forensic accountant Bill Kinsey to review the matter.

Kinsey found that \$18.4 million of investors' money flowed into the law firm, but little of that was remitted to the issuing companies. Instead, nearly all was distributed on Saxena's instructions to third parties, including \$1.6 million to the law firm (even though it provided little in the way of legal services) and \$501,426 to Saxena's mother.

The law society eventually held a dis-

ciplinary hearing and suspended the firm's principals, John (Jack) Martin and Craig Iwata, for 10 years each. (The society managed to do this without addressing the thorny issues of stock fraud and money-laundering, rather it dealt exclusively with the less controversial issue of trust account irregularities.)

Kinsey's report also revealed that Brian Hall, a 63-year-old chartered accountant who resides in Sechelt, played a key role in the affair.

According to Nevada corporate records, Hall served as an officer and director of several of the shell companies used in Saxena's scheme. Among them were Tektronics Corp., CRS Financial Corp., CTR Investments & Consulting Inc., Global Capital Innovators Inc., and National Rapid Press.

Kinsey noted in his report that "the only identified source of the companies whose shares were sold to overseas investors is BH [Brian Hall] and/or his company BKHC [Brian K. Hall Corporation]."

He also noted that in a February 2002 fax to Martin, Hall expressed his willingness to sell five companies for \$75,000 each and that "four sold for \$75,000 net, one for \$40,000."

I wondered what a respectable chartered accountant (he is still a member in good standing with the B.C. Institute of Chartered Accountants) was doing in a B-movie like this. So I called him on Tuesday.

He acknowledged that he had purchased the shells and "built them to the point where they were viable merger candidates." Then he sold them to Saxena. "I believe he bought four or five," he said.

Asked how he could deal with a fugitive from Thai justice, he replied, "I felt he was a political fall-guy."

He said he came to this conclusion by talking to Saxena, who has long argued he is innocent of the embezzlement charges and that Thai officials are using him as a scapegoat.

"I also did research on the Internet and that was the conclusion I came to," he added.

Hall said he did not know that Saxena had foisted these shell companies on unsuspecting investors, or that Martin and Iwata had been suspended. (The entire scandal was reported in *The Vancouver Sun* in a lengthy story on June 25, 2005.)

He also said he was unaware when he got involved with Saxena that the fugitive had been sued multiple times, or had sued others, as a result of business deals — including many stock deals — that had gone awry. (According to the B.C. Supreme Court registry, Saxena has been named as a plaintiff or defendant in 29 different actions.)

Hall has since learned, however, that dealing with Saxena can be very hazardous. On June 12, Saxena filed a lawsuit claiming that Hall, as a major shareholder of the Sechelt Golf and Country Club, fraudulently induced him to invest \$1.2 million in two real estate projects on club property. Hall has denied the allegations.

Meanwhile, neither the commission nor the RCMP has taken any action relating to Saxena's boiler-room caper, and although investors lost millions of dollars and Vancouver's international financial reputation received another body blow, I'll bet they never do.

dbaines@png.canwest.com



A holiday with your doctor.

See how a company in Vancouver is making it possible to combine your surgery with a vacation.

Global BC  
Tonight NEWS HOUR  
6.00

