Housing boom a sc

THE HOUSING INDUSTRY IS THE LARGEST industry of Pakistan. Pakistan is one of the 20 countries of the world where Real Estate business is on top of the list. According to unofficial figures, the turnover of just six housing projects in Pakistan is equal to the annual budget of the country. Recently, for example, the CDA sold two big plots in Islamabad for Rs 12.96 billion at Rs 121.8 million per kanal. To judge the depth of this deal one has to look at the second largest bank of Pakistan viz Habib Bank. It has 1,460 branches all over the country and is operating in125 countries of the world. The bank earns Rs 5 billion profit every year. Last year when it was privatized, it sold for Rs 22 billion only. Only two plots sold by the CDA fetched 60 percent of that amount.

In March 2005, our Bahria Town entered into an agreement with two large consortiums of Malaysia *viz* TAK and MAX Corp for the following projects worth $11 billion: Phase 7 & 8 of Bahria Town, Rawalpindi; Margalla City on 50,000 acres at Margalla Hills; Bahria Golf City on Expressway; 300 flats in Rawalpindi; 38-storeyed Tower for Bahria Town City Centre according to Dubai design; 60-storey building at Clifton, Karachi.

Just one Housing Project, *i.e.* Bahria Town, has signed agreements involving $11 billion with Malaysian companies. Compare this with $2 billion offered to Pakistan for providing facilities to the US for facilitating the Afghan war. Thus, I claim that in developing just one sector of Islamabad, Pakistan can get rid of all its foreign loans. By developing four sectors we can increase our foreign exchange reserves to match those of India. But consider the plight of the high-potential industry. It is facing the following major problems:

(1) A few politicians, retired army officers and bureaucrats in joint operation have formed a land mafia. Whenever a housing scheme is announced they buy 50-100 kanals at the heart of the scheme. They have hired thugs and have support from the local administration. They hijack the whole housing scheme or start blackmailing the owners. As an example let me disclose that a former minister purchased 100 kanals in one of our schemes. He was followed by a politician from southern Punjab who also occupied the land illegally. I am still in litigation with him.

(2) The local administration supports the land mafia fearing revenge in the event of their coming to power. They also make money. In 1996, the deputy commissioner of a big city demanded Rs 110 million from me.

(3) Every government in the past has tried to destroy this industry. The owners are forced to pay for election campaigns. They are blackmailed by withholding issuance of NOCs for utility services like electricity, gas and telephone. They are entangled in false litigation and harassed through the Revenue Department. This results in loss to builders of housing projects and those in ancillary businesses. Members of housing schemes suffer multiple losses. When I launched Phase C of Bahria Town in Lahore a nazim gave an ad in newspapers saying that we did not have an NOC. He also sent a reference against us to NAB. We had to go through an inquiry but by the grace of Allah the long and time-consuming investigation finally proved us innocent. But this disappointed thousands of our members and we lost their confidence. No fault of theirs. We initiated Bahria Town in 1996. There have been four governments since then. The Benazir government demanded a huge amount; Nawaz Sharif's henchman Saifur Rehman initiated an accountability reference against us, and after October 12, 1999 my arrest warrants were issued by the military government. But Almighty Allah proved us innocent in the cases/references filed against us. Meanwhile, the housing industry has suffered a great loss due to this litigation. I request all government representatives, NAB officers and nazims not to take revenge from any

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VIEW

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MALIK RIAZ

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housing scheme if they are annoyed with the chief executive of the project for not doing their bidding.

(4) There is no law against illegal housing schemes. If there is any, it is ineffective. Anybody can announce a housing scheme, advertise it in the press, and collect money from the public and escape with millions. When people lodge complaints, governments initiate action against owners of other projects. Presently there are 3,500 housing schemes in Pakistan. Only 20 percent of them are legal. The remaining 80 percent are fake schemes without land. They are looting their members and shattering their confidence.

(5) There are many government departments in the way of launching a housing scheme *e.g.* Revenue Department, district council, development agency, tax departments etc. When one manages to fill all their stomachs, one has to go to WAPDA, Sui Gas and telephone people to meet their illegitimate demands or face the consequences.

(6) Investors have been cheated many times in the past. Therefore they have lost their confidence in investment schemes including housing projects. For example, in 1996 a new project titled New City was launched in Islamabad under the umbrella of the CDA and the National Housing Authority. The investors were deprived of billions of rupees. Finance and cooperative company scams also hurt public confidence. This has resulted in hampering the growth of this industry. In a country where money in bank accounts is not safe, the response of investors is quite clear.

The solution is clear to me. I suggest the following:

(1) There should be fresh legislation against the land mafia under which they can be arrested and brought to trial in speedy courts. Government should form a Pakistan Development Authority at the federal level in line with CDA & LDA that should issue licences and regulate all housing projects in the country. The proposed authority should have representation from federal, provincial and local governments as well as NAB. The authority should work like the State Bank of Pakistan which controls banking companies in the country. The authority should have very clear by-laws with little room for bending rules and discretion. It should also approve provision of electricity, gas, telephone, water and construction of roads in housing projects. This will not only streamline and reduce the burden on housing project owners but also help in building confidence of investors who will invest in housing projects without any fear of losing their hard earned money.

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(2) There is a large pool of unemployed people in the country. The unemployment is a serious problem. A country like the US can provide employment to only about two million of them. No country in the world is in a position to provide employment to all our people. Only the Real Estate and Construction Industry can do that. Every year Pakistan needs 700,000 houses but only 300,000 houses are built. This means that every year there is an additional shortage of 400,000 houses in the country.

(3) A survey suggests that as many as 60 workers are employed in the construction of a house. Accordingly, if the government undertakes housing projects for 400,000 houses it can create five million jobs.

(4) A huge investment has already been made in this sector. If the government does not take steps to prevent scams in the future, investors may lose trillions of rupees. This will adversely affect the economy of the country. The Housing Industry is in an alarming situation, which needs immediate attention. According to President Roosevelt of USA, the "Housing & Construction Industry can develop and can also destroy a country".

(5) There are six million Pakistanis working in various parts of the world. They can invest $200 billion if they are assured protection of their investment by the government. Schemes have been launched to attract the huge investment in Dubai. If we do not take immediate steps to attract this investment to Pakistan it will get invested in Dubai or elsewhere.

I am of the view that the Housing Industry can help paying back foreign loans in a period of four years if only three large housing projects are launched. I have given my suggestions for consideration by the government.

Malik Riaz is chief executive of Bahria Town. This is the content of a speech he delivered at the NAB conference in Islamabad on April 6, 2005