Weekend Australian
Saturday 18/2/2006
Page: 7
Section: Supplements
Region: National Circulation: 291,896
Type: National
Size: 322.77 sq.cms.

Timeshare industry comes into its own

Timeshare has shaken off its dodgy image and is set for growth, writes **Martin Kelly**

THE old expression "time is money" has never been more appropriate, with Australia's timeshare industry shaking off a somewhat murky past and operators forecasting membership growth of up to 25 per cent this year.

Big brands — such as Accor Asia Pacific — are involved and the industry boasts a new respectability, thanks in part to increased legislation driven by the Australian Securities and Investments Commission.

Essentially, legislative changes mean that timeshare memberships can no longer be sold as a financial investment with the potential for capital gains, a criticism of these schemes in the past. As a result, timeshare is now marketed as an "investment in your lifestyle", and the industry is booming.

Thousands of Australians are buying into the timeshare dream with a minimum one-off membership costing between $12,500 and $17,000, plus annual fees starting at $300.

In return, members receive points, much like frequent-flyer schemes, that can be redeemed for resort accommodation, which is typically four star, with features such as a pool, gym, watersports centre, day spa, shops and restaurant.

The entry-level fee will generally get a week's worth of accommodation (in perpetuity), possibly high season, depending on demand, which can be broken down into smaller blocks if required.

The appeal of these schemes is clear with one operator declaring: "Lifestyle is the buzz word these days."

Market leader Trendwest South Pacific, with 30,000 members, is forecasting 25 per cent membership growth over next year, and branching into new areas.

Major rival Accor Premiere Vacation Club, a joint venture between Accor Asia Pacific and developer Becton Corporation, has 12,000 members (up from 8500 in May) and is bullish about the future.

APVC chief operating officer Jim Sabot says that while the laws governing timeshare are necessary, there is scope to relax the legislation, which includes making timeshare operators place developed properties into a special trust.

"The regulations are better than nothing and have stood the Australian public in good stead, but there are high barriers to entry and I think the laws could be changed to more reflect the reality," Mr Sabot says. 'That is, timeshare is not an investment in a capital appreciating asset, it's a lifestyle investment. If we were not regulated tomorrow we would not sell it any other way."

Australian timeshare got its bad rap in the early 1990s when apartment oversupply in key markets, such as the Gold Coast, prompted unscrupulous developers to pump unwanted stock into timeshare schemes, which sold them at inflated prices.

Unlucky consumers at the time also bought themselves a lack of choice: the same holiday apartment every year, with availability often an issue. But that's one area where timeshare — an industry which claims six million members around the world — has changed dramatically.

Both major schemes each own around a dozen resorts in Australia, New Zealand and Fiji, with reciprocal or upgrade rights in "thousands" of other resorts through affiliate companies such as Interval International.

Transwest Asia Pacific chief executive officer Barry Robinson, a former managing director of Choice Hotels, says "the points are like currency" and that the range of redeemable options is continually expanding.

"In the last two years, we've been trying to expand beyond traditional timeshare. For example, we had a box for members at the Indy (car race)," Mr Robinson says.

Whatever the changes, direct marketing remains a cornerstone of the industry.

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Letters, phone calls and time-sensitive special offers are the major marketing tools of both companies, while finance at interest rates of around 11 per cent is available to qualified applicants who don't have ready cash.

This is a popular option, with around 50 per cent of new members taking up finance.

Trendwest and APVC each employ about 200 tele-sales staff — working the phones, encouraging new prospects to attend sales seminars — while many others work in linked marketing departments. A typical approach is the one used by APVC last week in a letter to potential clients, which begins: "Congratulations! You are in a in a very select group!"

It says the recipient is eligible to receive accommodation or a "gift" valued at up to $800 but must call within 72 hours of receiving the letter, earn more than $50,000 a year and "complete an APVC holiday ownership preview" for at least 90 minutes.

"If married or in a life partnership, we ask that both you and your partner attend the preview together," the letter reads. Jim Sabot says the strongest sales tools for the sector are word of mouth and personal contact.

"The ideal way for us to acquire a member is for them to sample the product," he says.

Trendwest operates a similar strategy, but has in the past crossed the line, with ASIC taking it to the Federal Court after receiving complaints from consumers who purchased holiday credits from the company or attended its seminars.

As a result Trendwest agreed not to make the following representations to consumers: the purchase of holiday credits is a good financial investment; over time the resale price of holiday credits in a secondary market will remain stable or increase relative to their acquisition price; or, a strong market exists for the secondary sale of holiday credits.

Not that the change in approach has stifled momentum. According to Trendwest's boss Barry Robinson, who joined the company after the ASIC action, the future is extremely bright.

"We've had exponential growth each year and this year we predict we'll get another 10,000 members," he says.

Mr Sabot from APVC is also optimistic.

"Clearly the ageing of the population is very much in our favour, and a second home has become too expensive for many people to own or maintain, while lifestyle is the buzz word these days."