

The Holiday Club

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Joint Parliamentary Committee

Dear Sir/Madam

RE: FOFA Bill 2011

We have read the Australian Timeshare and Holiday Ownership Council (ATHOC) submission regarding the Future of Financial Advice Reforms and wish to give our full support to this submission.

Timeshare is caught by Corporations Act because it is a hybrid and the regulators have nowhere else to put it. While timeshare is classed as a financial security it is in fact a life-style product that provides holiday accommodation opportunities for members who join a timeshare scheme.

A timeshare scheme that actively promotes new membership must be a registered managed investment scheme. These schemes may have different structures but in essence promote the same underlying product – “the right to occupy accommodation”.

Timeshare product cannot be sold as a financial investment and all documentation has to reflect this. Promoters of a timeshare scheme only promote their own product and their authorised representatives do not offer other competitor products. This removes any conflict of interest that authorised representatives in other financial planning have.

Traditionally, sales consultants and agents have been remunerated with small retainers and commission payments. Commission payments and performance bonuses are also paid to managers and other employees. These payments are common to many other industries and are part of the marketing and sales environment.

It is our opinion that the timeshare industry will suffer greatly if commission based payments are prohibited by law. Motivated sales consultants will leave the industry for other industries that are able to pay commissions based on performance. Lack of motivation will drive the selling costs up and may lead to the timeshare industry no longer being viable. This will reduce future growth in the industry and the flow on effects will be evident.

It is also our opinion that removing commission and volume based payments will do nothing to improve or protect the consumer of timeshare products. The timeshare

industry does not pay trailing commissions and the commissions are disclosed, as required, at the point of sale.

Yours sincerely,

Mark Henry
Managing Director