

**JOINT COMMITTEE ON
CORPORATIONS AND FINANCIAL
SERVICES**

Inquiry into Timeshare

SUBMISSION NO: 7

SUBMISSION BY: The Commercial Law Association
of Australia Limited
GPO Box 5186
SYDNEY NSW 2001

DATE: 25.02.05

CONTACT: Mr Daren Armstrong
Secretary
Legislative Review Task Force

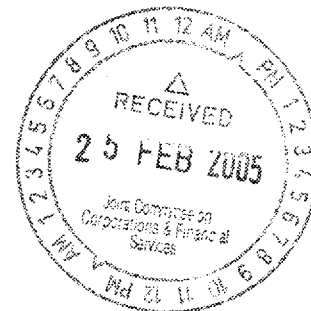
PHONE: (02) 9231 3520

FAX: (02) 9221 9621

E-MAIL:



ABN 91 914 874 903
GPO BOX 5186 SYDNEY NSW 2001
DX 1285 SYDNEY
TELEPHONE: (02) 9231 3520
FACSIMILE: (02) 9221 9621
EMAIL: maxwilson@cla.org.au
WEBSITE: [http:// www.cla.org.au](http://www.cla.org.au)



22 February 2005

The Secretary
Parliamentary Joint Committee on
Corporations and Financial Services
SG.64
Parliament House
CANBERRA ACT 2600

Attention: Ms Sarah Bachelard

Dear Madam

Inquiry into regulation of the time share industry

Thank you for the invitation by letter dated 10 January 2005 to make written submissions to the Committee.

Given the time of year, it has not been possible to provide detailed submissions as would normally be the case.

Submissions regarding the Inquiry are therefore made in the following format:

1. The history of the industry illustrates that dealings are generally between consumers and sophisticated developers;
2. There is a significant risk that consumers will associate their rights with the real property associated with any scheme rather than the derivative rights actually involved;
3. Documentation tends to be complex (often involving trusts and management agreements);
4. The cost to the consumer tends to be at a level (typically ranging from \$15,000) which limits the justification for the relative expense of independent professional advice;
5. There are barriers to the use of the rights involved which may not be apparent to an unsophisticated investor (ie travel costs & yearly membership fees);
6. Sales are generally made in a seminar setting utilising intensive methods typified by high pressure selling (including consumer electronics gifts, etc);

7. There is no real secondary market for time share rights notwithstanding that such a market would reduce the impact of an unwise investment (as opposed to an unworthy investment);
8. The prospects of establishing an independent secondary market are limited given the plethora of schemes established;
9. Appropriate protections are available for consumer related transactions through the various Trade Practices and Fair Trading legislative regimes;
10. Industry Codes of Conduct provide a fair precedent for the issues involved;
11. An industry body might be best placed to coordinate an effective secondary market; and
12. A cooling-off period for investors in time share schemes.

It is submitted that the use of a prospectus regime or other financial services based remedy for the issues raised is inappropriate given the typically unsophisticated nature of the investors in this industry.

The Task Force is prepared to expand upon the above given further time for submissions or, alternatively, to provide further submissions at a public hearing.

Yours faithfully



Daren Armstrong
Secretary
Legislative Review Task Force