



The Financial Value of Timeshare Memberships

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Executive summary

Introduction and scope

Timeshare schemes are commonly known as “vacation or holiday clubs”. A membership of a timeshare scheme is obtained by way of an up-front fee, typically around \$20,000 and maintained by paying ongoing fees, often around \$800 per annum. In return a member receives points which can be spent on accommodation in club properties each year. At the typical level of fees shown here those points would buy around 3 – 6 nights of accommodation.

The purpose of this report is to assess the financial value of timeshare memberships offered by five companies active in the Australian market. To assess financial value, we have compared the benefits provided by timeshare membership to the costs of buying and holding a membership.

In general, the primary benefit of timeshare membership is the entitlement to purchase accommodation in club properties using membership points. A value is assigned to these benefits by determining the cost of booking like-for-like accommodation in the open holiday rental market. Specifically, to calculate the value of benefits we determined the dollar value of membership points, using a weighted cost average from a sample of like-for-like – or in some cases the same – hotel accommodation available on-line, for example through booking.com or directly from the accommodation provider. Because a member may use their points in multiple ways, we estimated the value of each timeshare membership for a variety of different use scenarios.

Having assessed the value of the benefits of timeshare membership, we then made an overall assessment of financial value by comparing the value of the benefits to the costs of buying and holding a membership. There are two main measures which were used for this purpose:

- The payback period – the number of full years required for the cumulative value provided by membership to equal or exceed the cost of membership.
- The rate of return – this is the average annual rate of return received on the timeshare membership over a specified time period taking account of both benefits and costs.

In general, we like measuring financial value using the payback period because it is relatively easy to understand. However it is an incomplete measure of value because it ignores the value of benefits received after the payback period. So, for some of the scenarios presented in this report we have used the rate of return as a measure of financial value as it does consider the benefits received after the payback period.

Some caution should be used when interpreting the rate of return figures estimated in this report. In general, the rate of return figures estimated in this report should not be directly compared to the rates of returns from common investments, such as bonds, property or stocks. This is because it only makes sense to compare the returns for investments which have similar levels of risk. Most bonds, properties and stocks do not have the same level of risk as timeshare schemes.

That said, we can conclude that rates of return less than 2% p.a. compare unfavourably to the after-tax returns available to retail investors from investing cash in bank term deposits. So, when the rate of return provided by a timeshare membership is less than 2%, an investment of the up-front fees in the bank, rather than a timeshare membership, would allow the purchase of the same amount of accommodation on the open market for less money by making use of the interest paid on the term deposits.

For this analysis, value is analysed on a purely financial basis. The additional value that a consumer may place on scheme membership due to specific features – for example the ability to use points on non-property benefits such as cruises – is not considered. Similarly, the reduced value that a consumer may place on scheme membership due to the need to book prime properties well in advance, or due to lack of availability of these properties – particularly for lower tiered members that can’t book as far ahead as prime tiered members – is not considered also.

Key results

1. Timeshare schemes do not payback the cost of membership if held for 5 to 11 years, a typical holding time for many members¹

The payback periods for nine timeshare memberships are shown in Figure 1.1 for a Baseline Consumer. The Baseline Consumer is defined as one who has a typical membership level², uses all their points without them expiring, does not finance the up-front costs with a loan and is neutral in usage patterns in terms of peak vs non-peak bookings, one- vs two-bedroom bookings and locations.

The figure divides memberships into two groups:

- **Allocated points memberships** which provide a fixed amount of points per annum, the amount of points depending on the amount of up-front fees paid.
- **Pay-as-you-go (PAYG) memberships** where the up-front fee buys scheme membership and points are purchased separately each year. The amount of points purchased can be varied from year to year.

Figure 1.1 Payback period for a Baseline Consumer³

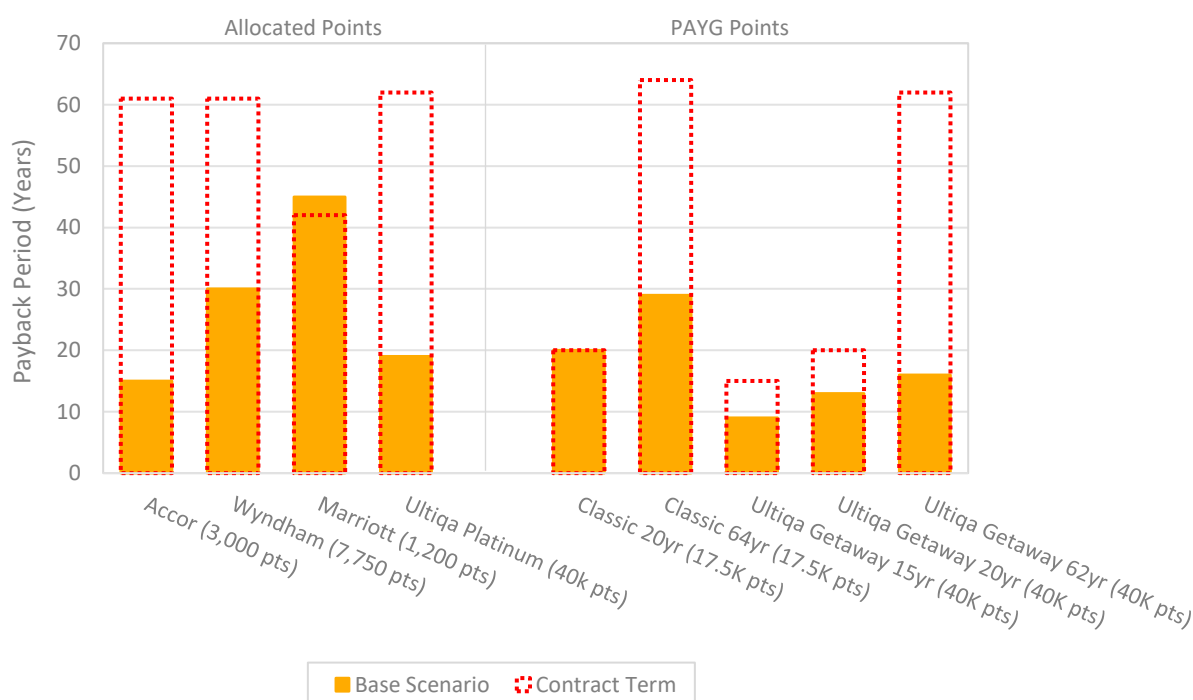


Figure 1.1 shows that for all but one membership, the membership must be held for 13 or more years for the value provided by the timeshare to exceed its costs. In one case, Marriott, the payback period is 45 years, longer than the contract term for this scheme. This means that eight of the nine memberships will provide

¹ Information provided to ASIC from industry participants indicates that timeshares are typically held for 5 to 11 years

² The size of the typical membership has been estimated from a 6-week sample of sales (996 memberships) in mid-2018 from Wyndham and Ultiqa, provided by ASIC. The typical buy-in amount for other schemes may be different to that assumed for this report.

³ Has a typical **membership level** which for an allocated points membership is defined as one that could be purchased with an initial upfront fee of between \$21,000 and \$22,000 (see Appendix B.1), and for PAYG memberships is defined as an average yearly points purchase giving a similar level of accommodation as the allocated points membership schemes. A **usage pattern consisting** of a 50:50 split between off-peak and peak bookings, a 50:50 split between one- and two- bedroom bookings and a mix of destinations that roughly align with Australian tourism statistics. **No loan financing. Full points utilisation** each year

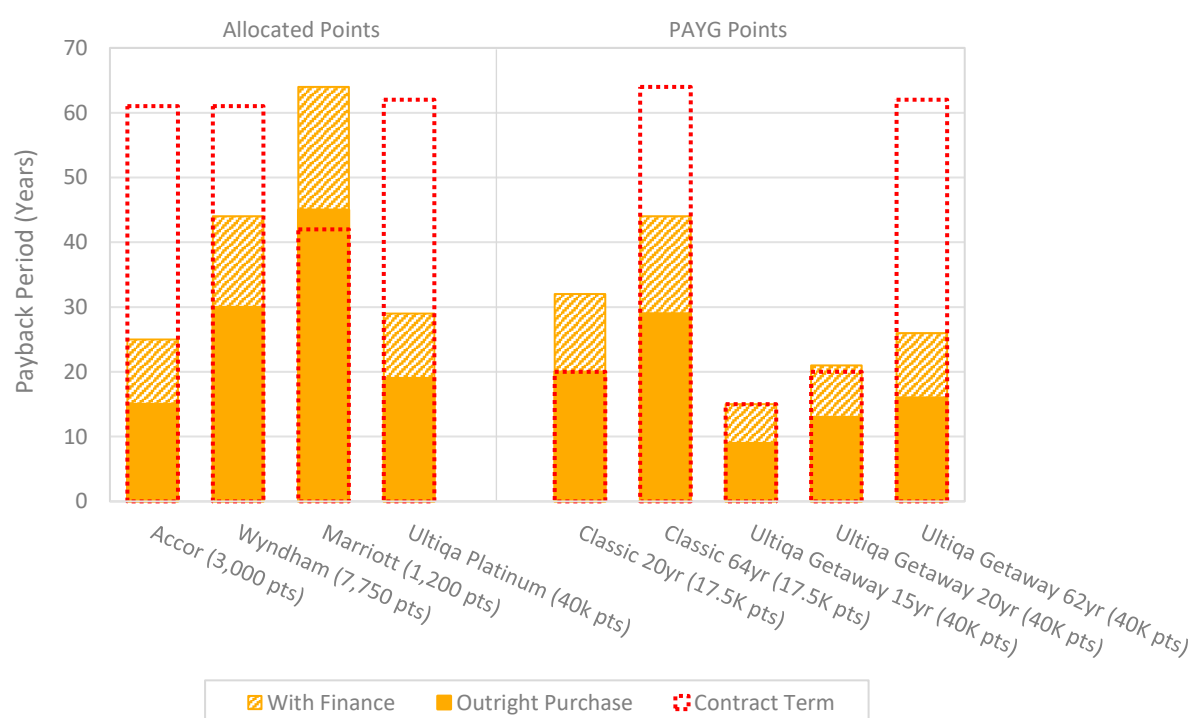
less value than the associated costs if held for a period less than 13 years. And all the memberships will provide less value than the costs of membership if held for less than 9 years. Information provided to ASIC from industry participants indicates that timeshares are typically held for 5 to 11 years and so the typical user will not achieve payback during this time.

The payback period for timeshare schemes depends on a number of factors, including membership level, what proportion of the purchased points are typically used and whether the membership was purchased with a loan. The impact of these factors is considered below.

2. If scheme membership is financed by a loan, then the payback period is increased by more than 10 years

Many timeshare memberships are purchased using loans provided by the timeshare provider to cover the up-front fees. Data provided to ASIC by the Australian Timeshare Holiday Ownership Council (ATHOC) in August 2017 suggest that the proportion of customers using finance ranges from 42% to 90% between providers. These loans are typically for periods of 10 years with interest rates of around 14% per annum⁴. The following figure and table illustrate that the payback period increases by more than 10 years if membership is loan financed. This is because the interest payments on the loan add to the costs of being a scheme member while the loan is outstanding.

Figure 1.2 Impact of loan financing on payback period⁵



⁴ Based on sales data provided by Ultiqa and Wyndham to ASIC for a 6 week period in mid-2018, of which 744 membership purchases were financed

⁵ For the Baseline Consumer defined in Figure 1.1. Financing assumed to be at 14% interest with a 10-year principal and interest loan. This is consistent with data provided to ASIC from Wyndham and Ultiqa of 6-weeks of sales in 2018, of which, 744 membership purchases were financed.

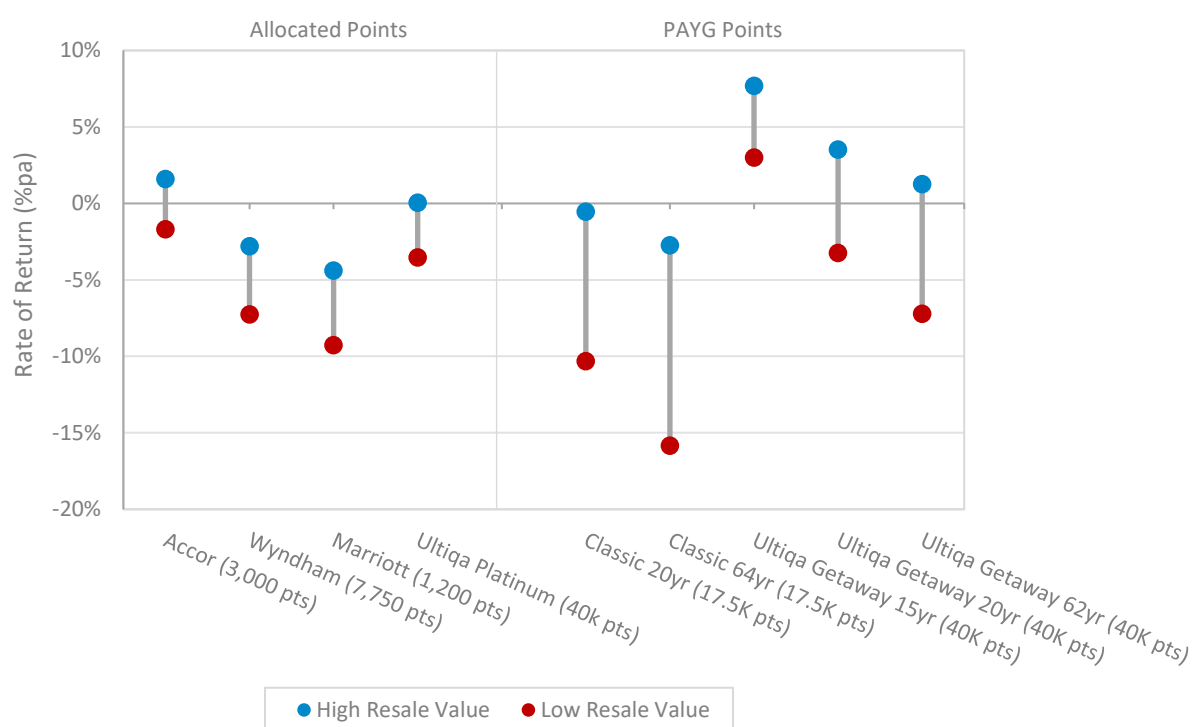
The figure shows that timeshare schemes purchased using loan financing all have payback periods much longer than the typical holding period of 5 to 11 years⁶. In the case of Marriott, Classic and Ultiqa Getaway 20-year, the payback period is longer than the contract term.

3. Timeshare schemes are long term with contract lengths up to 64 years. Early exit by way of sale on the secondary market will often result in overall negative rates of return

Timeshare schemes are long-term contracts. Exit from these contracts is by way of sale in an illiquid secondary market at heavy discounts. These heavy discounts significantly erode membership value. For example, Redseason Pty Ltd, a buyer and seller of memberships in the secondary market, reports that discounts of 70-80% on the upfront fees paid are typical and that the resale value expressed as a price per point is often close to the net asset value of the scheme per point on issue.

The figure below illustrates the range of rates of return that could be expected if the timeshare scheme was sold on the secondary market after 10 years of membership.

Figure 1.3 Rates of return following sale on the secondary market after 10 years membership



The range is reported for the rate of return to reflect the uncertainty in sale price and the sensitivity of the rate of return to sale price. For the allocated points memberships we have assumed a resale value of 20% to 40% of the upfront costs adjusted for inflation. For the PAYG memberships we have assumed a resale value of 0% to 40% of the upfront cost adjusted for inflation. A lower worse case scenario for resale value has been used for PAYG memberships as these memberships have no residual rights over net assets following scheme wind-up. The ranges of resale value we have assumed are consistent with data on resale value collected from two timeshare resellers and gumtree.com.au (See Appendix B.5). However, we note that the resale market is thin and data could not be obtained for two of the schemes we analysed.

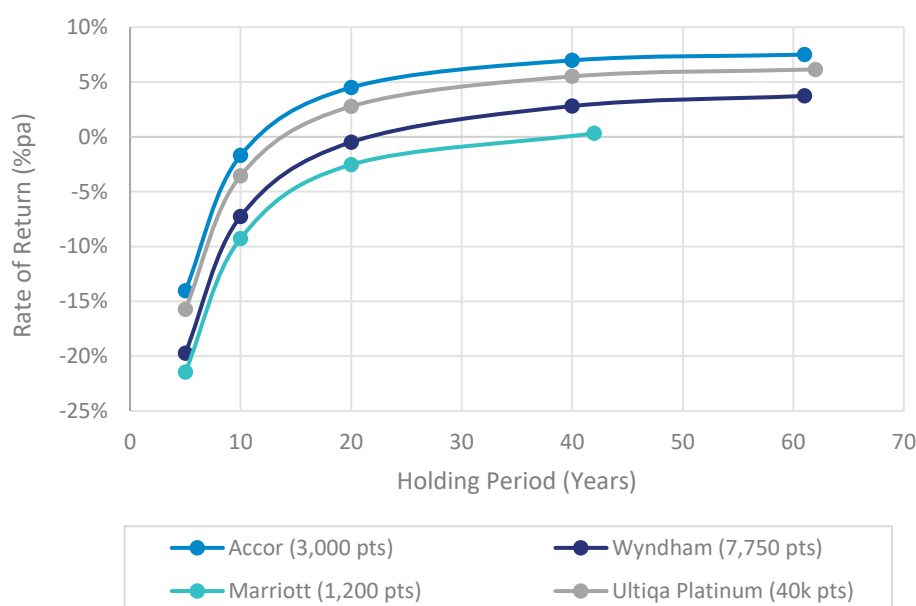
⁶ Information provided to ASIC from industry participants indicates that timeshares are typically held for 5 to 11 years

4. For some schemes, positive returns are only achieved with holding periods of 40 years or more

Figures 1.4 and 1.5 illustrate the impact of holding period on rates of return for allocated points and PAYG memberships, respectively. They show that some memberships are expected to provide rates of return of less than 1% even at contract termination. Returns less than 1% compare unfavourably to the returns available to retail investors from investing cash in bank term deposits.

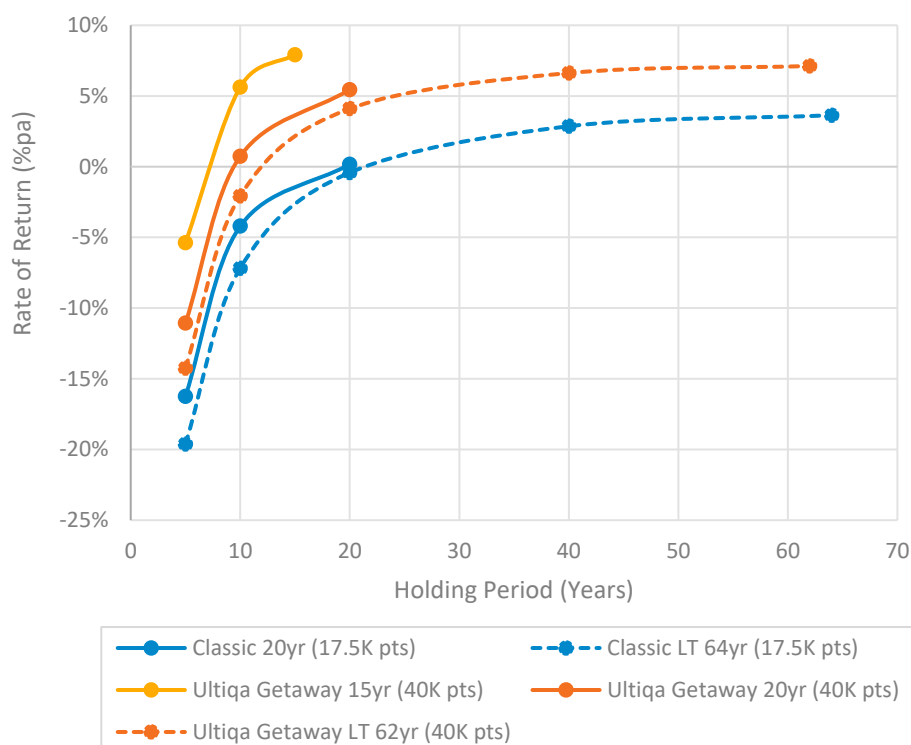
Term deposit rates are currently yielding around 2.5% which would give after-tax returns to an average full-time employee of around 2%. When the rate of return provided by a membership is less than 2%, an investment of the up-front fees in the bank, rather than the timeshare membership, would allow the purchase of the same amount of accommodation on the open market for less money by making use of the interest paid on the term deposits.

Figure 1.4 Allocated Points Memberships – Rate of return by holding period for a Baseline Consumer⁷



⁷ For the Baseline Consumer defined in Figure 1.1.

Figure 1.5 PAYG Memberships – Rate of return by holding period for a Baseline Consumer⁷



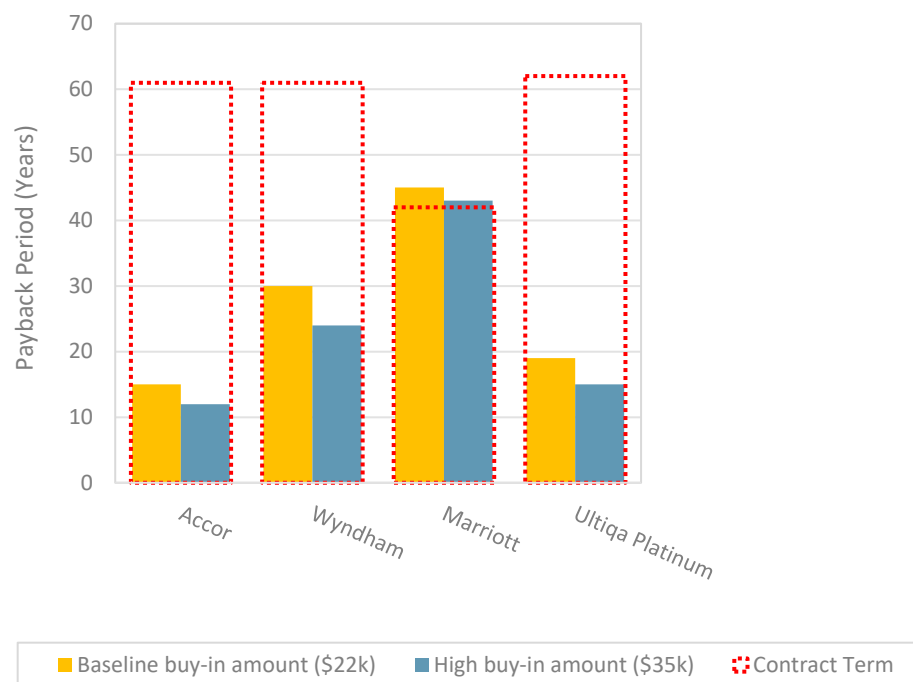
The rates of return of many of the other memberships are favourable relative to bank term deposits. However, this does not necessarily mean they should be considered good value. The high discounts on initial purchase price for memberships sold in secondary markets indicates that many consumers require high rates of return, perhaps as high as 12% or more⁸. Such high rates are consistent with consumers requiring compensation for the risks inherent in these schemes, such as the difficulty of selling memberships in the secondary market (illiquidity risk), the risk of scheme default due to insolvency, and the uncertainty around future levels of fees.

5. Higher membership levels provide greater value. This is due to the lower average cost of points offered for higher cost buy-ins and for some schemes, lower average ongoing fees per point.

Figure 1.6 illustrates the impact of a higher buy-in on payback period for the allocated points memberships analysed. When the buy-in amount is increased from the typical (Baseline amount of) \$22,000 to a higher amount of \$35,000, the payback period decreases. However, the shortest payback period remains longer than ten years.

⁸ The price paid in the secondary market represents the value a consumer places on the timeshare membership accounting for the risks inherent in the scheme. The benefits of the scheme can be expressed as a rate of return given the price paid in the secondary market. A lower price implies that a higher rate of return is required. The heavy discounts on memberships in the secondary market imply that consumers require rates of return of 12% or more as compensation for the risks inherent in the schemes.

Figure 1.6 Allocated Points Memberships – Impact of membership level on payback period⁹

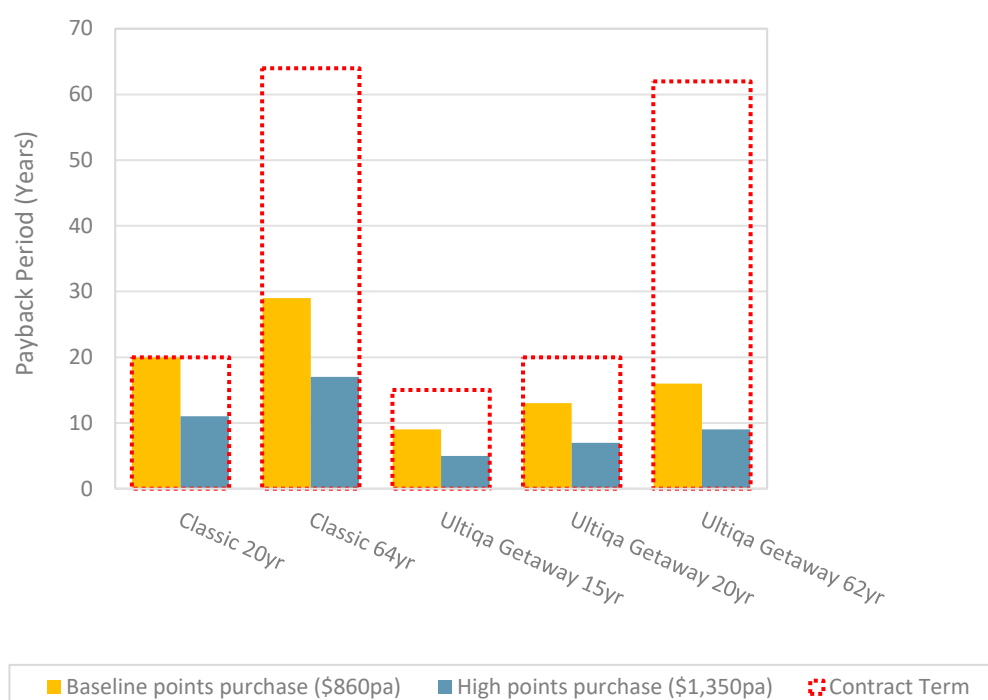


In general, the increase in value is due to the lower average cost of points offered for higher cost buy-ins. In the case of Accor, Wyndham and Ultiqa lower average ongoing fees per point are offered for the higher-level memberships and this also contributes to the increase in value.

PAYG schemes tend to have a fixed joining fee which is dependent on the contract term. For these schemes, usage can be increased or decreased by purchasing more or less points from year-to-year. In Figure 1.7 below, we present the impact of an increased annual purchase of points for PAYG memberships. An increased annual spend from \$860 to \$1,350 per annum can substantially increase the value of the membership.

⁹ For the Baseline Consumer defined in Figure 1.1 with the exception of buy-in amount which was increased from the Baseline amount of \$22,000 to \$35,000.

Figure 1.7 PAYG memberships – Impact of annual spend (points plus annual fees) on Payback period ¹⁰



Financial value is highly sensitive to the level of points purchase of a PAYG membership. PAYG consumers who have high annual points spend receive significantly better value than the Baseline case.

6. If a member typically only uses a portion of their points, value is greatly decreased

Allocated points memberships have ongoing fees that are determined according to the level of points purchased at buy-in. These ongoing fees are not changed by the level of scheme utilisation. A scheme member only able to use half of their points in a year – a 50% utilisation rate – will pay the same ongoing fees as if they had used all their points. This means that membership value is greatly impacted by the average level of scheme utilisation.

The effect of scheme utilisation is shown in Table 1.8 where it is seen that at 50% utilisation the payback period is 50 years or greater across all schemes. When the utilisation rate is low enough a membership will never payback as the equivalent financial benefit received from holidaying is less than the annual fees. Scenarios where this occurs have a payback period of “never”.

¹⁰ For the Baseline Consumer defined in Figure 1.1

Table 1.8 Allocated Points Memberships – Impact of scheme utilisation on payback period¹¹

Scheme / Membership	Contract term (years)	100% Utilisation	75% Utilisation	50% Utilisation
Accor 3,000 pts	61	15	23	50
Wyndham 7,750 pts	61	30	51	Never*
Marriott 1,200 pts	42	45 [^]	Never*	Never*
Ultiqa Platinum 40k pts	62	19	31	Never*

[^] Note, this occurs after the stated contract end date. Payback will only eventuate if the scheme is elected by its members to extend past the stated contract end date.

* Annual fees exceed equivalent financial value of holiday bookings

For PAYG schemes, members purchase points as they are needed and as such it is reasonable to assume that most members fully utilise their points.

Conclusion

Most investors in timeshare schemes will not achieve payback from their investment within the 5 to 11 years that timeshare memberships are typically held¹². A membership sold after 11 years is likely to provide a negative return on investment, even when the likely resale value of a membership is considered. This is because of the heavy discounts that memberships are sold for in the secondary market. Only one of the memberships proved to be an exception to this general conclusion.

Memberships typically need to be held for 20 years or more before positive rates of return can be expected. That said, heavy discounts on memberships in the secondary market imply that many consumers need returns around 12% or more to make the risks entailed by scheme membership attractive. All schemes analysed failed to meet such rates of return by the end of the contract term, given our Baseline assumptions.

Underutilisation of scheme points, as well as financing of scheme membership with a loan, greatly increase the length of the payback period and reduce the rates of return likely to be achieved.

¹¹ For the Baseline Consumer defined in Figure 1.1

¹² Information provided to ASIC from industry participants indicates that timeshares are typically held for 5 to 11 years

1 Introduction and background

1.1 Overview of timeshare schemes

Timeshare schemes are commonly known as “vacation or holiday clubs”. The most popular type of timeshare schemes in Australia are “points-based” schemes. Membership of these schemes is obtained by way of an up-front fee and maintained by paying ongoing fees for the life of the membership. In return a member receives points which can be spent on accommodation in club properties each year.

There are two main types of points-based schemes:

- **Allocated points memberships** which provide a fixed amount of points per annum, the amount of points depending on the amount of up-front fees paid.
- **Pay-as-you-go (PAYG) memberships** where the up-front fee buys scheme membership and points are purchased separately each year. The amount of points purchased can be varied from year to year.

For allocated points memberships, the number of points provided each year depends on the membership type and the level of buy-in. A typical membership in Australia has an upfront buy-in fee of around \$20,000. The properties available for booking by the member will have varying points per night cost due to the property itself (quality, size, location, etc), time of year and day of the week of the booking.

Timeshares are usually sold as a lifestyle or holidaying proposition and offer benefits in addition to accommodation such as the ability to redeem points at partnering companies for non-property holiday products like tours, cruises and car rental. In 2016, there were 178,000 owners of timeshare memberships in Australia¹³.

1.2 Scope of analysis

ASIC is responsible for regulating timeshare schemes and in view of this responsibility is seeking to understand the benefits and risks provided by timeshare schemes for consumers. ASIC is undertaking various streams of work to develop this understanding and has engaged Taylor Fry to undertake one of the streams.

Taylor Fry has been engaged to determine if the timeshare accommodation benefits provide consumers with a cost-saving over booking their holiday accommodation through an online booking website or directly with an accommodation provider over the lifetime of the contract, and if so, what conditions need to be met for them to save money.

In other words, the scope of the work presented in this report is to assess the financial value of timeshare memberships by comparing the value provided by the membership with the costs of buying and holding the membership. The value provided by the membership is what it would have cost to book like-for-like accommodation in the open holiday rental market online or directly with the accommodation provider.

The scope of this work does not include putting a value on specific features of scheme membership that could add or detract from a consumer view of perceived value. For example, this report does not attempt to quantify the decrease in perceived value of scheme membership due to the need to book prime properties well in advance, or due to lack of availability of these properties – particularly for lower tiered members that can’t book as far ahead as prime tiered members. Similarly, it does not attempt to quantify the increase in perceived value of scheme membership due to desirable features such as the ability to use points on non-property benefits such as cruises.

¹³ Australian Timeshare Holiday Ownership Council (ATHOC) website, www.athoc.com.au

Similarly, this report does not attempt to provide a complete analysis of the risks of timeshare schemes. However, a number of risks are highlighted during the analysis including:

- The long-term nature of many timeshare memberships – many schemes currently in operation in Australia run to 2080 or longer. Unused memberships can be transferred to another party like a friend or family member or on-sold in secondary markets to avoid them being forfeited.
- The secondary markets in timeshare memberships are very illiquid with memberships typically selling at discounts of 70-80% of their buy-in value.
- Uncertainty in the level of future fees -- membership contracts allow scheme providers to increase annual fees year-on-year at possibly higher than inflation rates.
- The facilitation of loan financing of memberships which erode membership value.

1.3 Timeshare memberships considered in this analysis

There are currently five timeshare providers that are actively promoting their memberships within Australia. Some of these schemes offer a few different membership levels and contract lengths. This report assesses the financial value of nine timeshare memberships from the five timeshare scheme operators. These are listed in Table 1.3.1 below.

Table 1.3.1 – Memberships considered in this report

Scheme operator	Membership name	Contract length	Membership type
Accor Vacation Club	Premier	Scheme wind up date 2080	Allocated points
Wyndham Resorts	Premier Vacation	Scheme wind up date 2080	Allocated points
Marriott	Vacation club	Scheme wind up date 2061	Allocated points
Ultiqa Resorts	Platinum	Scheme wind up date 2081	Allocated points
Ultiqa Resorts	Getaway	15 year	Pay-as-you-go
Ultiqa Resorts	Getaway	20 year	Pay-as-you-go
Ultiqa Resorts	Getaway	Scheme wind up date 2081	Pay-as-you-go
Classic Holidays	Classic Escapes	20 year	Pay-as-you-go
Classic Holidays	Classic Escapes	Scheme wind up date 2083	Pay-as-you-go

Appendix A sets out a comprehensive summary of each scheme and key features relevant to this analysis.

For some schemes the PDS documents note the possibility of an extension to the wind-up dates if a special resolution is passed or members elect to continue. For our analysis we have generally assumed that the scheme wind-up date will be enforced, and the contract length has been calculated as number of years from 2019 until scheme wind-up. We do consider the impact of scheme extension in Section 3.3.2.

2 Approach

2.1 Overview of approach

This section outlines our approach to estimating the financial value of the timeshare memberships listed in in Table 1.3.1 above. The financial value analysis has three key elements, calculated annually over the life of the memberships:

1. **Estimating costs** of timeshare membership - costs for each scheme comprise an upfront payment, an annual fee and other miscellaneous costs. Our approach to estimating costs is discussed in Section 2.2.
2. **Estimating benefits** provided by timeshare membership when booking accommodation using points – by researching comparable properties on the open market to calculate an estimate of the dollar value of points. Additionally, including any resale value from sale of the membership, or at the end of the life of the scheme. Our approach to estimating costs is discussed in Section 2.2.
3. **Assessing value** - two measures of financial value were used. **The payback period** – the number of full years required for the benefits of membership to equal or exceed the cost of membership. And the **rate of return** – the average annual rate of return received on the timeshare membership over a specified time period. These measures of value are discussed in Section 2.3.

2.2 Estimating costs

The following table highlights costs to timeshare members and our approach taken to estimate them.

Table 2.2.1 - Timeshare cost summary

Cost	Cashflow	Approach
Upfront membership fee	A single cashflow at commencement of the contract	Upfront membership fees were sourced from the scheme PDS
Annual fees	Annual cashflows over the life of the scheme, reflecting the ongoing fees charged by a scheme	Annual fees were sourced from the scheme PDS and usually have a fixed component and variable component commensurate with the number of points purchased by the member. We assume annual fees increase with inflation. We use a rate of inflation of 2.3% consistent with expected future CPI inflation (see Appendix B.4 for further detail).
PAYG scheme points cost	Annual cashflows over the life of the scheme, reflecting the cost of purchasing points	Point rates applied according to the scheme PDS, where relevant. We assume PAYG points cost increase with inflation. We use a rate of inflation of 2.3% consistent with expected future CPI inflation (see Appendix B.4 for further detail).
Financing cost	Term loan. Annual repayment (principal and interest) according to a set repayment schedule	When memberships were loan financed, we assumed a 10-year principal and interest loan for 90% the value of the upfront cost with a 14% p.a. interest rate. This assumption was consistent with sales data provided to ASIC by Ultiqa and Wyndham for a six-week period in mid-2018, of which 744 memberships were purchased with financing.

2.3 Estimating benefits

Each membership offers 3 main financial benefits:

1. **Accommodation benefits**
2. **Non-accommodation benefits**
3. **Residual or resale value**

Accommodation benefits

There are three main steps to estimating accommodation benefits:

- Determining the scheme usage pattern of a scheme member
- Determining the basket of scheme bookings consistent with the scheme members usage pattern
- Estimating a like-for-like market price for each scheme booking.

Scheme usage patterns

The benefits from membership will depend to a large extent on how the scheme is used by an individual member. To keep things simple, we start our analysis by considering a **Baseline Consumer**. The Baseline Consumer is defined as one who has a typical membership level, uses all their points from year to year, does not finance the up-front costs with a loan and is neutral in usage patterns in terms of peak vs non-peak bookings, one- vs two-bedroom bookings and locations. Specifically, the Baseline Consumer has the following timeshare usage assumptions:

- **Buy-in amount** – An average buy-in amount of \$21,000 to \$22,000 - determined from a 6-week sample of Wyndham and Ultiqa sales data, containing 996 sales, during 2018 provided by ASIC
- **Seasonality** - 50:50 peak and off-peak accommodation usage
- **Accommodation type** - 50:50 one- and two-bedroom accommodation usage
- **Holiday destination** – Destination selection that, on average, aligns with Australian tourism statistics.
- **Points utilisation** – Each year, 100% of points are utilised

In subsequent analysis, we vary the assumptions away from Baseline to understand the effect of different usage choices on membership value. This is discussed further in Section 2.5 below.

The Baseline Consumer, and scenarios that vary usage assumptions from Baseline, determine which bookings, from a large basket of potential bookings we assume the scheme member will make.

Determining the basket of scheme bookings consistent with the scheme members usage pattern

The set of possible destinations for a scheme booking is generally large. Across the five schemes, locations in order of number of properties available include:

- Gold Coast (QLD Coast)
- Mid North Coast NSW (NSW Coast)
- New Zealand – South Island (NZ)
- New Zealand – North Island (NZ)
- Sunshine Coast (QLD Coast)
- Far North Queensland
- Sydney
- Melbourne
- Bali

For this analysis we selected scheme properties across QLD Coast, NSW Coast, NZ, Melbourne and Bali. These locations balanced popularity, coverage by schemes, coverage across states and location types (coastal/city/overseas). Marriot does not have NSW Coast properties, so we chose Bali to increase the set of properties available for Marriot only.

From each location we aimed to select two different scheme properties of varying quality to ensure a wider coverage of properties and, where available, one- and two-bedroom configurations. However, in some cases only one property was available. Points prices for selected scheme properties were collected from relevant scheme marketing material across a full-week (7 night) booking window to obtain the average nightly cost of those properties to members. Points prices were collected across two key periods namely peak (23 Dec 2019 to 30 Dec 2019) and off-peak (04 May 2020 to 11 May 2020). Overall, 101 different scheme property price combinations were collected across the five scheme providers.

Given this basket of possible scheme bookings, we use the chosen consumer scenario (e.g. Baseline) to determine the average booking price in terms of points for 1-weeks' worth of accommodation. This average booking price takes into account a mix of locations, room types, and booking periods as determined by the consumer scenario. The number of days of accommodation that can be booked by the member is determined by dividing the number of points available to the member by this average booking price.

Estimating a like-for-like market price for each scheme booking

For each possible scheme booking, we identified an exact or equivalent booking available to the general public. Where an exact booking existed, these were used as a comparator quote (57 of 101). Where no exact bookings existed, we selected like-for-like properties. A like-for-like property was similar in terms of location, size, quality, star rating and user rating. Further detail is provided in Appendix B.2.

Where a target booking period was sold out a booking in a nearby week was used. The selected nearby week was chosen to ensure that it fell in the same points booking price tier as the target week. If no nearby week fell in the same points booking tier, then we chose the next closest tier booking also having an equivalent booking with availability – noting both the new scheme points cost of that week and the equivalent dollar cost of that week.

Where available, quotes were obtained directly from property manager websites and through a holiday accommodation aggregator site¹⁴, the lowest price was selected as the equivalent market price.

Having obtained like-for-like market prices we calculated the average daily market price of the week's accommodation consistent with the chosen consumer scenario referred to above.

Appendix B.2 details the property pricing methodology further. Based on collected booking quote data, our implied dollar value per point varies considerably from property to property and season to season. In this analysis we use a weighted average across all prices as per the assumed Baseline Consumer usage (see Appendix B.3) which assumes consumers do not specifically book holidays to maximise their implied financial value.

¹⁴ In the first instance, we seek quotes from booking.com. If none is available, then we searched other aggregators to a reasonable extent to find an equivalent booking.

Non-accommodation benefits

Non-accommodation benefits were excluded from the analysis. There were two main reasons for this. The first is that it appears that accommodation benefits are the main reason that consumers purchase timeshare memberships. According to industry statistics, in 2016 only 13% of members used to their memberships to book non-accommodation benefits¹⁵. Secondly, the lack of available information on non-accommodation benefits means that we, along with potential consumers, are unable to assess the relative value of alternative non-accommodation benefits. This finding also supports the first point, that consumers are basing their decisions to enter timeshares – at least in a financial sense – on the accommodation benefits of which there is considerable information available.

Two other types of non-accommodation benefits are Developer Bonuses and Bonus Time. Developer Bonuses are discretionary and can be revoked at any time. Because of this we assumed that the value of Developer Bonuses should not be factored in when assessing value. Bonus Time is offered as a last-minute booking benefit and is subject to restricted timing and property availability. It is not uncommon to observe similar last-minute discounts applied to accommodation in the open market, as such we have assumed that members receive no additional value compared to the open market from Bonus Time.

Residual value or resale value

For the Allocated Points memberships analysed in this paper, members have a right to a proportion of net assets in the event of scheme wind-up. In general, the proportion of net assets is determined by the proportion of the eligible members points to the total eligible points on issue. So, for those members who hold membership until the wind-up date this right provides the member value.

To allow for this “residual value” in the event of wind-up we have estimated its value by assuming that the net asset value per point at the wind-up date will be the same as it currently is, after allowing for inflation. See Appendix A.5 for further details. This approach is an approximation as it makes no attempt to forecast how scheme assets, liabilities and their respective market values will evolve over the next 40 to 60 years. However, we have quantified the uncertainties around this residual value by assessing two alternative scenarios (see Section 3.3.2):

- That net assets are zero at wind-up, representing a low value scenario
- That the scheme is elected to continue operating by the current members without winding up. In this scenario we assume that the consumer continues paying annual fees and receives benefits past the contracted windup date. The value calculated in this scenario can be considered an upper bound for a high value scenario.

To exit a membership prior to scheme wind-up a consumer typically needs to sell their membership on the secondary market. Redseason Pty Ltd, a buyer and seller of memberships in the secondary market, reports that discounts of 70-80% on the upfront fees paid are typical. Furthermore, we have obtained indicative prices of timeshare memberships online from two resellers and gumtree.com.au classifieds (see Appendix B.5). We have analysed a number of scenarios around the resale value of memberships on the secondary market, ranging from 0% of up-front fees to 40% of up-front fees.

¹⁵ Australian Timeshare Holiday Ownership Council (ATHOC) website www.athoc.com.au/index.php/consumers/industry-statistics



2.4 Assessing value

The central value proposition of timeshare schemes is that through a large up-front payment, money can be saved on holiday accommodation in the long run. One makes a large up-front payment and together with the ongoing fees – and interest payments if the up-front payment was made with a loan – the hope is that this is less than the amount you would have to pay if you purchased holiday accommodation as you needed it each year.

One simple way to measure value is then by estimating the **payback period**. We define the payback period as the number of full years required for the cumulative benefit provided by membership to equal or exceed the cost of membership. So under this measure of value, if the payback period is longer than the period for which scheme membership is held, then the scheme represents poor financial value as the value of the membership never exceeds the cost. Alternatively, for cases where the payback period occurs during the period scheme membership is maintained, a shorter payback period would represent better value as the scheme is producing positive returns in a shorter period.

There are however limitations to relying on payback period as the sole measure of value. This is perhaps most easily illustrated by way of a simple example. Take a financial product which involved investing \$1000 now, only to receive that money back in five years' time. For this product the cost is \$1000, the value is \$1000 and the payback period is 5 years. Now take an alternative (and hypothetical) financial product which involves investing \$1000 now for the receipt of \$1 million in 10 years' time. The payback period for this second product is 10 years and so on a payback period measure of value alone, the first financial product would be preferred. However, it would be difficult to find someone who would prefer the first product to the second. The reason for the counterintuitive result is that while payback period is important, it ignores the value of the benefits relative to the costs.

For this reason, we will also estimate a second measure of value, the **rate of return**¹⁶. The rate of return is the average annual rate of return received on the timeshare membership over a specified time period. For the example given above, \$1000 invested now to return \$1000 in five years' time gives a rate of return of 0%. While \$1000 invested now to return \$1,000,000 in 10 years time gives a rate of return of over 200% per annum.

An example of the generated cost and benefit cashflows and the calculation of payback period and rate of return is presented in Section 2.6 below.

2.5 Scenarios and sensitivity

Different consumers may receive different value from the schemes depending on how they use their memberships. Furthermore, given the uncertainty of some assumptions used in our calculations, we test the sensitivity of results to varying scenarios and key assumptions.

We apply our valuation approach to a range of reasonable scenarios, illustrating the impact of consumer purchasing and usage decisions, and the sensitivities of the results to our assumptions. The sensitivities and scenarios we have tested are outlined below.

Timeshare members purchase and usage decisions

- **Consumer type** – The analysis allows for differing patterns of holidaying behaviour (choice of season and accommodation type) based on the types of consumer who are likely to purchase timeshare memberships.
- **Finance** – The model tests the effect of a consumer electing to finance their timeshare membership with a loan.
- **Points utilisation** – Measures of the value loss to a consumer who utilises less than 100% of their points.

¹⁶ More specifically, the rate of return is the single discount rate required to set the net present value of cash flows equal to zero. In technical contexts this rate of return is also known as the internal rate of return.

- **Buy-in amount** – Most memberships reward larger buy-in amounts with more attractive point allocations and reduced on-going fees per point purchased. We test how membership value changes over a range of buy-in amounts.

External factors

- **Inflation** – Results showing the impact of differing inflation assumptions on the annual fees charged by timeshare operators.
- **Residual value and resale value** – The analysis allows for different assumptions in relation to wind-up value at scheme termination or resale value in the case that a member on-sells their membership.

2.6 Example – Calculation of Baseline Wyndham membership value

To illustrate a measurement of timeshare value, we provide an example of the cashflow analysis performed using a representative timeshare purchaser – the Baseline Consumer. In our example:

- The Baseline Consumer purchases a 6,750 point membership for \$21,894 cash.
- Annual fees start at \$670 per annum and increase with inflation.
- Based on the Baseline Consumer's choice of destinations and seasons for holidaying, a full-week vacation costs them 11,704 points on average. The same vacation, if purchased in the open market, is estimated to cost \$2,143.
- Based on the market value of like-for-like property booking, then each Wyndham point is worth 18.3c to the couple. Consequently, the annual allocation of 6,750 points has an equivalent annual benefit of \$1,208 at the end of 2019.

In Table 2.6.1 below we present the estimated cashflows for the consumer with a Wyndham membership, allowing for inflation.

Table 2.6.1— Cashflows of a Baseline Wyndham membership

Years from purchase	Upfront cost	Total costs	Total benefits	Net cashflow	Cumulative value (exc costs for the coming year's fees)
0	\$21,894	\$670	\$0	-\$22,563	
1		\$685	\$1,208	\$524	-\$21,355
2		\$700	\$1,236	\$536	-\$20,804
3		\$716	\$1,264	\$548	-\$20,240
4		\$733	\$1,293	\$560	-\$19,664
5		\$749	\$1,322	\$573	-\$19,074
...	
10		\$839	\$1,480	\$641	-\$15,917
...	
20		\$1,051	\$1,854	\$804	-\$8,429
...	
30		\$1,317	\$2,323	\$1,007	\$953
...	
61		\$0	\$18,323 *	\$18,323	\$61,620

* This benefit includes the member's share of net asset value (\$13,650)

From Table 2.6.1 above, the key calculation callouts from the cashflows are summarised below.

- Total costs and benefits increase with inflation (set at 2.3% for both)
- All dollar values presented above and below are at the year of calculation. Care should be taken when comparing values across time, for example; \$100 in 30 years' time is estimated to be worth \$50 in today's dollars.

Year 10

- The cumulative value is -\$15,917. This is the loss to the Baseline Consumer if they let the membership lapse or Wyndham defaults.
- If the Baseline Consumer sold their membership for \$5,486 (20% of the inflated purchase price) their **total loss over 10 years would be \$10,431**.
- The equivalent 10-year rate of return (with sale) is -7.3%.

Year 20

- The cumulative value is -\$8,429. This is the loss to the Baseline Consumer if they let the membership lapse or Wyndham defaults.
- If the Baseline Consumer sold their membership for \$6,873 (20% of the inflated purchase price) their **total loss over 20 years would be \$1,555**.
- The equivalent 20-year rate of return (with sale) is -0.5%.

Year 30

- The cumulative value is \$953. **This is the first year the cumulative value is positive**, hence the payback period is 30 years.
- Ignoring possible sale price, the Wyndham Baseline Consumer must utilise their membership for at least 30 years for the benefits to surpass the costs of joining and holding the Wyndham timeshare.

Year 61 (End of Contract)

- **The cumulative value is \$61,620, this is the total value received by the consumer** including \$13,650 from their share of the net asset value at windup.
- The equivalent End of Contract (EOC) rate of return (with net asset value) is 3.7%.

3 Results

In this section we present the results of our analysis of the financial value of timeshare memberships. Because membership value depends strongly on how the different memberships are used, we start by looking at membership value for the nine timeshare memberships in scope for a Baseline Consumer. Recall that the Baseline Consumer is one who has a typical membership level, uses all their points from year to year, does not finance the up-front costs with a loan and is neutral in usage patterns in terms of peak vs non-peak bookings, one- vs two-bedroom bookings and locations.

We then consider a number of scenarios and sensitivities around this Baseline analysis including:

- Analysing **how timeshare members' purchase and usage decisions affect the value of their membership**. These decisions include the buy-in amount, financing of the purchase, holidaying behaviour and the number of points utilised each year.
- Analysing some key **external factors that influence timeshare value** including annual fee inflation rates (determined by timeshare operators) and residual value of the memberships at wind-up or the resale value at exit.

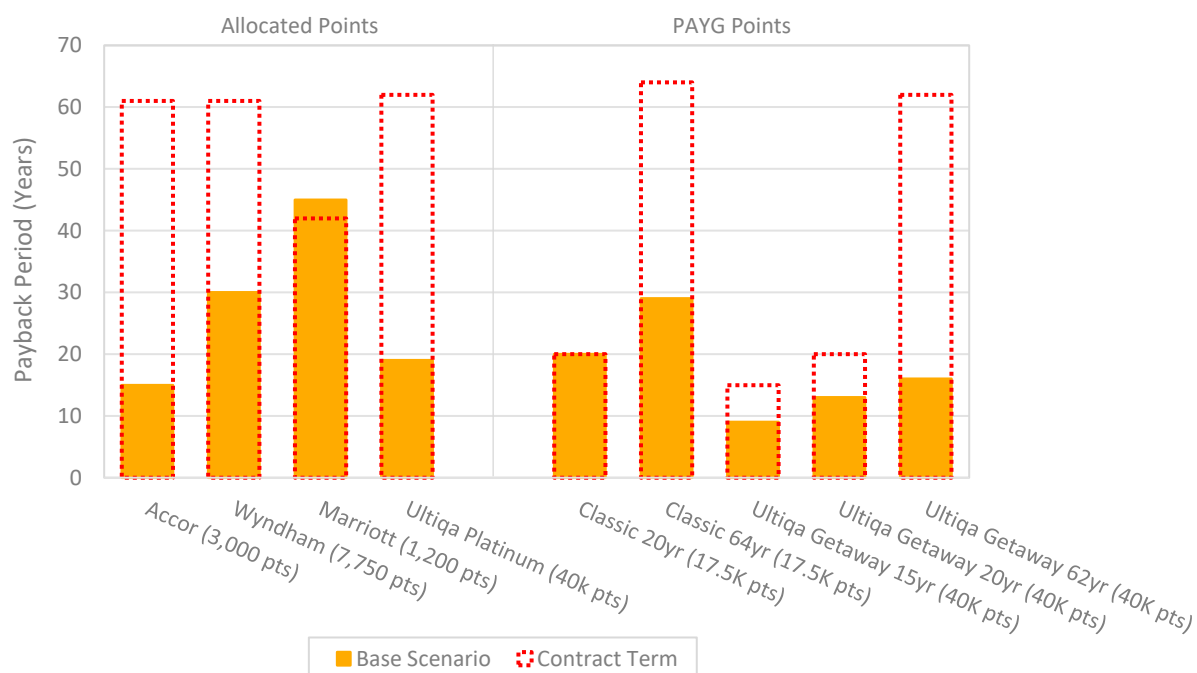
3.1 Baseline consumer value

As stated in Section 2 above, the Baseline Consumer values have been calculated using the following key assumptions.

- **Seasonality** - 50:50 peak and off-peak accommodation usage
- **Accommodation type** - 50:50 one- and two-bedroom accommodation usage
- **Holiday destination** – Destination selection that, on average, aligns with Australian tourism statistics
- **Points utilisation** – Each year, 100% of points are utilised
- **Buy-in amount** – An average buy-in amount of \$21,000 to \$22,000.

The following figure shows financial value as measured by payback period for the Baseline Consumer across the memberships considered. A lower payback period indicates better financial value. In one case, Marriot, the payback period is 45 years, longer than the contract term for this scheme.

Figure 3.1.1 – Payback period for base scenario purchase of timeshare memberships

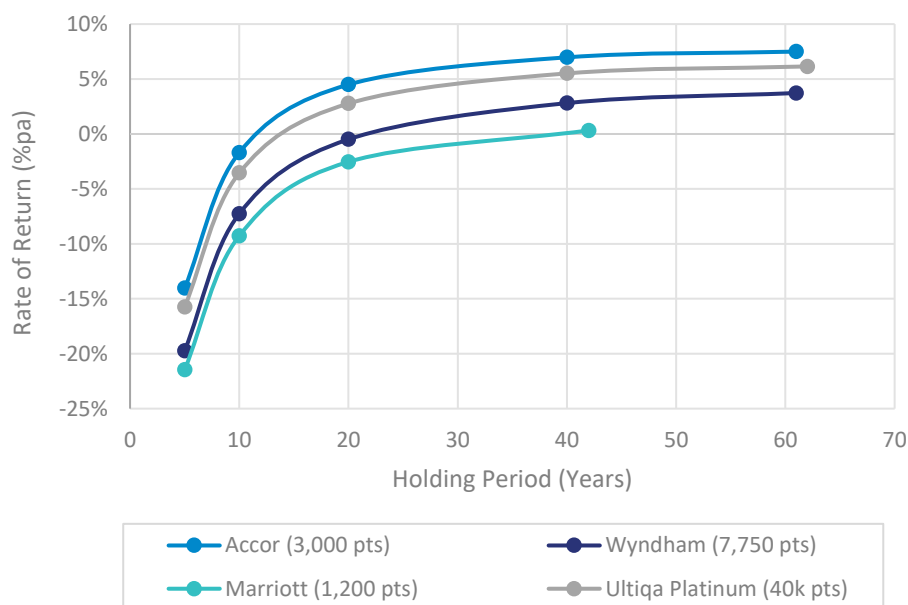


Numbers detailed in Append D – Table D.1

Allocated Points Memberships

Our assessment of financial value for the four allocated points memberships by holding period is shown in Figure 3.1.2.

Figure 3.1.2 - Rate of return by member holding period, Allocated Points memberships



Numbers detailed in Append D – Table D.4

The figure shows that for all memberships, the membership must be held for more than 10 years for the value provided by the timeshare to exceed its costs (positive rate of return). This means that all of these memberships will provide less value than the associated costs if held for a period of 10 years.

Figure 3.1.2 also shows the impact of membership holding time on the rate of return achieved from the timeshare investment for a Baseline Consumer. For exits prior to the end of the contract, the rate of return has been calculated by including an expected resale value equal to the 20% of upfront purchase price, adjusted for inflation. For exits at the end of the contract, the residual value has been calculated using today's net asset values inflated to the date of scheme wind-up.

Rates of return less than 2% compare unfavourably to the returns available to retail investors from investing cash in bank term deposits.

Term deposit rates are currently yielding around 2.5% which would give after-tax returns to an average full-time employee of around 2%. When the rate of return provided by a membership is less than 2%, an investment of the up-front fees in the bank, rather than the timeshare membership, would allow the purchase of the same amount of accommodation on the open market for less money by making use of the interest paid on the term deposits.

Rates of return higher than bank term deposits do not necessarily mean they should be considered good value. The high discounts on initial purchase price for memberships sold in secondary markets indicates that many consumers require high rates of return, perhaps as high as 12% or more. Such high rates are consistent with consumers requiring compensation for the risks inherent in these schemes, such as the difficulty of selling memberships in the secondary market (illiquidity risk), the risk of scheme default due to insolvency, and the uncertainty around future levels of fees.

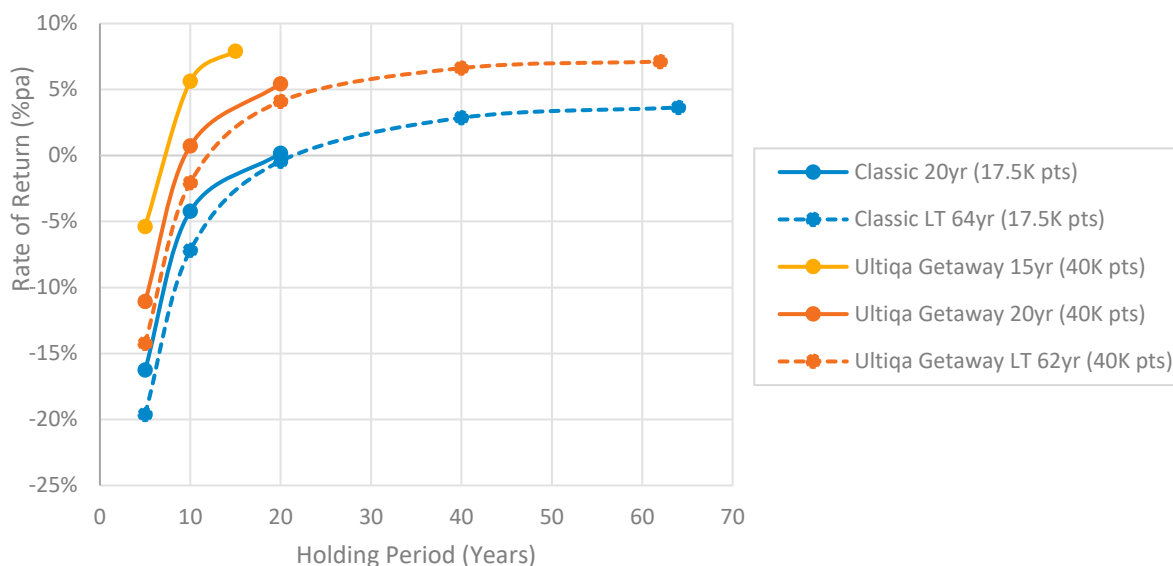
Summary of results for the Baseline Consumer, Allocated Points memberships

- » *Payback periods ranged from 15 to 45 years, with Accor and Marriott memberships representing highest and lowest value respectively. Marriott's payback period is longer than the term of the contract.*
- » *The wide range of payback periods for Allocated Points memberships indicate that some schemes represent better value than others*
- » *Schemes need to be held for significant periods of time for the Baseline Consumer to achieve returns higher than could be achieved by investing in term deposits in a bank.*
- » *The high discounts on memberships in the secondary markets indicate that many consumers require rates of return higher than 12% to invest in timeshare schemes. The highest rate of return achieved by the end of contract was 7.5% for Accor.*

Baseline PAYG Points Memberships

Our assessment of financial value for the five PAYG Points memberships is shown in Figure 3.1.3 below for the Baseline Consumer.

Figure 3.1.3 – Rate of return by member holding period, PAYG Points memberships



Further details and numbers provided in Append D – Table D.5

Summary of results for the Baseline Consumer, PAYG Points Memberships

- » The only membership to report positive value if held for 10 years only was the Ultiqa Getaway 15-year membership.
- » Ultiqa Getaway memberships typically provided better value than Classic, subject to the comparison difficulties detailed below.
- » However, Ultiqa Getaway is a lower tier membership compared to Ultiqa Platinum, hence comparison between memberships should consider the additional restrictions to the Ultiqa Getaway members. One significant restriction is Ultiqa Getaway members have a smaller booking window, which commences 5 months after the Platinum members' booking window.
- » In general, memberships need to be held for significant periods of time for the Baseline Consumer to achieve returns higher than could be achieved by investing in term deposits in a bank.
- » The high discounts on memberships in the secondary markets indicate that many consumers require rates of return higher than 12% to invest in timeshare schemes. The highest rate of return achieved by the end of contract was 7.9% for Ultiqa Getaway 15-year contract.
- » The poorer value of the Ultiqa 20-year membership relative to the other Ultiqa memberships is due to a relatively unfavourable upfront fee given the contract length.

3.2 Scenarios - Timeshare members purchase and usage decisions

The analysis in the previous section presented scheme values for a Baseline Consumer. In this section we analyse how differences in consumers' purchase and usage decisions affect the value of their membership. These decisions include the buy-in amount, financing of the purchase, holidaying behaviour and the number of points utilised each year.

This section starts with a summary table which shows the key impacts of purchase and usage decisions. The subsections that follow provide more detail on each factor analysed.

Table 3.2.1 - Summary of timeshare members' purchase and usage decisions scenarios

Factor	Sensitivity	Impact to scheme value
Consumer holidaying behaviour	Holidaying behaviour (peak vs off-peak, and 1 vs 2-bedroom usage) could increase or decrease the payback period by up to three years. This is small change relative to the changes caused by other factors.	<ul style="list-style-type: none"> Wyndham has the least variation by consumer profile, whilst Marriot and Accor had the largest variation
Financing timeshare purchase	High repayment rates (14%) and the long-term loan (10 years) had a large negative effect of the value of memberships. The deterioration in value was pronounced in PAYG schemes.	<ul style="list-style-type: none"> With financed memberships, consumers needed to wait an extra 10 – 20 years to reach the payback year. This is equivalent to a decrease in the rate of return of approximately 2%.
Points utilisation	As the number of points utilised annually reduces, the membership value also decreases. For lower rates of utilisation (75% and less) the impact on value is significant.	<ul style="list-style-type: none"> For each 1% of points not utilised, payback period increased approximately 4 to 12 months (depending on the scheme) As utilisation decreases, value decreases at an increasing rate.
Buy-in amount	Increased buy-in can increase value for Allocated Points Schemes. Similarly, PAYG schemes are better value when a larger amount of points are purchased annually.	<ul style="list-style-type: none"> For Allocated Points memberships, a larger points buy-in reduced payback period by up to 6 years. PAYG memberships experienced larger increases, with up to 10% increase in rate of return from larger annual points purchases

3.2.1 Consumer holidaying behaviour

How a scheme is used may affect its overall value to a consumer. The following tables summarise payback period for the Baseline Consumer and four representative consumers. Each of these consumers is assumed to have different usage patterns and those usage patterns are assumed to change as the consumer moves through different life stages. The representative consumers vary demand between one-bedroom and two-bedroom accommodation and peak versus off-peak when booking throughout the term of their membership.

The usage patterns of each representative group are summarised in Appendix B.3.

Table 3.2.2 – Payback period for representative consumers with Allocated Points memberships

Scheme	Contract Term	Baseline	Young Family	Older Couple	Older Family	Retired Couple
Accor 3,000 pts	61	15	16	15	17	12
Wyndham 6,750 pts	61	30	30	30	30	29
Marriott 1,200 pts	42	45 [^]	44	36	39	40
Ultiqa Platinum 40K pts	62	19	18	18	18	22

[^] Note, this occurs after the stated contract end date. Payback will only eventuate if the scheme is elected by its members to extend past the stated contract end date.

For Wyndham, consumer holidaying behaviour did not have a significant effect on the value received from the scheme, with only small variations in payback period between consumers. Accor, Marriot and Ultiqa showed larger variations. The data suggests that the usage of peak and non-peak properties for these schemes was a key driver in the variation, with non-peak properties tending to provide more value for Accor and peak properties providing more value for Marriot and Ultiqa.

Table 3.2.3 – Payback period for representative consumers with PAYG Points memberships

Scheme	Contract Term	Baseline	Young Family	Older Couple	Older Family	Retired Couple
Classic 17.5K pts	20	20	20	Never (22)	Never (21)	19
Classic 17.5K pts	64	29	30	30	29	28
Ultiqa Getaway 40K pts	15	9	9	9	8	10
Ultiqa Getaway 40K pts	20	13	12	13	12	15
Ultiqa Getaway 40K pts	62	16	16	16	15	18

The type of consumer had little impact on value for Classic Holidays with changes of plus or minus one year to the payback period. The impact was slightly larger for Ultiqa Getaway memberships.

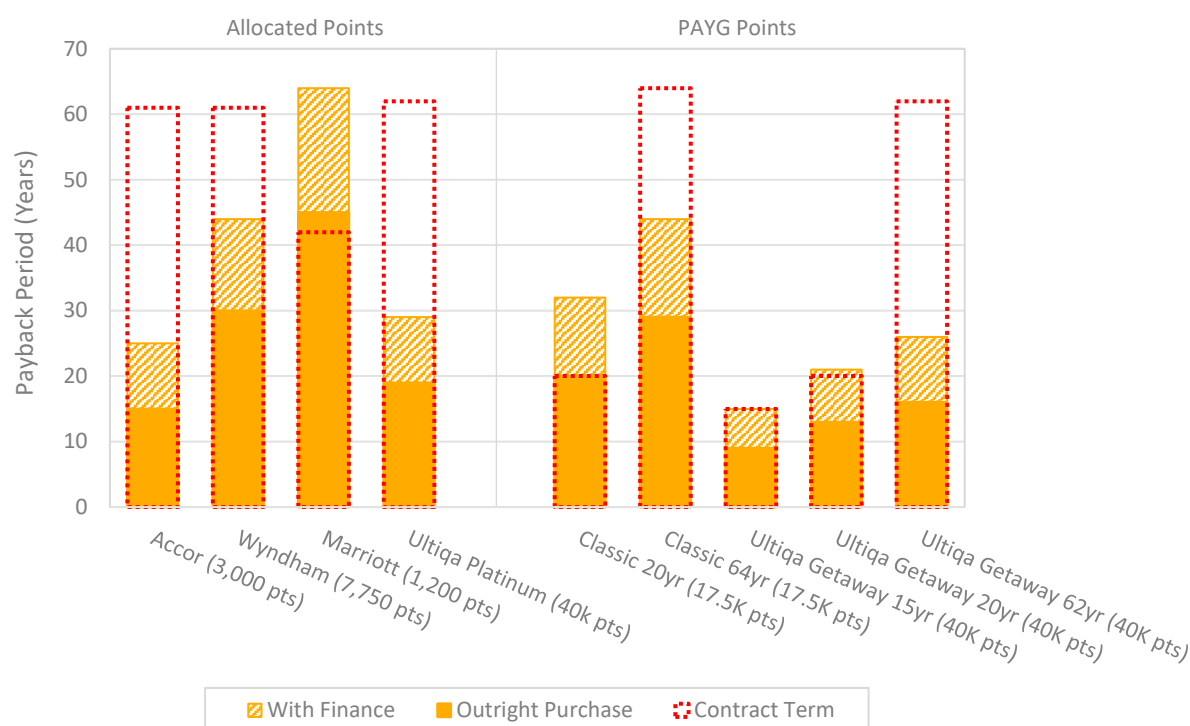
3.2.2 Financing timeshare purchase (by principal and interest loan)

Given large upfront fees, many timeshare memberships are purchased using loans provided by the timeshare provider. Data provided to ASIC by the Australian Timeshare Holiday Ownership Council (ATHOC) in 2017 suggest that the proportion of customers using finance ranges from 42% to 90% between providers. These loans are typically for 90% of the buy-in value with periods of 10 years and interest rates around 14% per annum¹⁷.

Figure 3.2.1, Table 3.2.4 and Table 3.2.5 compare an outright purchase (Baseline) to a financed purchase where the member borrows 90% of the buy-in value using a 10-year principal and interest loan at 14% interest rate.

¹⁷ Based on sales data provided by Ultiqa and Wyndham to ASIC for a 6 week period in mid-2018, of which 744 membership purchases were financed

Figure 3.2.1 – Value impact of financing upfront costs



Numbers detailed in Append D – Table D.2

Table 3.2.4 – Value impact of financing for Allocated Points memberships

Scheme	Cash Purchase (Baseline)			Financed Purchase (14% interest - 10 yrs)		
	PP	rate of return 10yr ⁺	rate of return EOC ^{**}	PP	rate of return 10yr ⁺	rate of return EOC ^{**}
Accor 3,000 pts	15	-1.7%	7.5%	26	NA*	5.6%
Wyndham 6,750 pts	30	-7.3%	3.7%	46	NA*	2.0%
Marriott 1,200 pts	45 [^]	-9.3%	0.3%	66	NA*	-2.1%
Ultiqa Platinum 40K pts	19	-3.6%	6.1%	31	NA*	4.3%

+ Assuming a resale value of 20% of the upfront costs

[^] Note, this occurs after the stated contract end date. Payback will only eventuate if the scheme is elected by its members to extend past the stated contract end date.

* Rate of return not available as the consumer value is significantly negative for these schemes

** End of Contract. Residual value is set as net asset value as at 2018, inflated to the wind-up date

From Table 3.2.4 above, a finance purchase significantly reduces value:

- If the consumer exits the membership at 10 years, then the already negative returns become dramatically more negative.
- If the membership is held to the end of contract, rate of return reduces by approximately 2% while payback period increases by 10 to 20 years.

Table 3.2.5 – Value impact of financing for PAYG Points memberships

Scheme	Contract term	Baseline (Cash Purchase)			Financed Purchase (14% - 10 yrs)		
		PP	Rate of return 10yr ⁺	Rate of return EOC [^]	PP	Rate of return 10yr ⁺	Rate of return EOC [^]
Classic 17.5K pts	20	20	-4.2%	0.2%	Never (32)	NA*	-7.7%
Classic 17.5K pts	64	29	-7.2%	3.6%	44	NA*	1.9%
Ultiqa Getaway 40K pts	15	9	5.6%	7.9%	15	-17.0%	0.0%
Ultiqa Getaway 40K pts	20	13	0.7%	5.5%	Never (21)	NA*	-0.8%
Ultiqa Getaway 40K pts	62	16	-2.1%	7.1%	26	NA*	5.2%

+ Assuming a resale value of 20% of the upfront costs

[^] End of Contract. Residual value is set as net asset value as at 2018, inflated to the wind-up date

* Rate of return not available as the consumer value is significantly negative for these schemes

The negative impact of financing is more severe for PAYG scheme members on shorter contract terms. The shorter length of these memberships does not allow members enough time to recoup the cost of interest incurred during the loan term.

Effect of changes in financing terms

A variety of financing terms may be offered to purchasers of timeshares depending on the scheme provider. Table 3.2.6 shows the effect of smaller loan terms - a likely option for memberships with shorter lengths such as 15 years or 20 years. Whereas Table 3.2.7 shows the effect of changes in loan interest rate on payback period.

Table 3.2.6 – Payback period for various 14% financed loan terms

Membership Type	Scheme / Membership	Contract term (years)	Payback Period (Years) for Loan Terms:		
			10 yr	8 yr	6 yr
Allocated Points	Accor 3,000 pts	61	25	23	21
	Wyndham 7,750 pts	61	44	42	39
	Marriott 1,200 pts	42	64 [^]	61 [^]	57 [^]
PAYG	Ultiqa Platinum 40k pts	62	29	27	25
	Classic 17.5K pts	20	Never (32)	Never (29)	Never (27)
	Classic 17.5K pts	64	44	41	39
	Ultiqa Getaway 40k pts	15	15	14	13
	Ultiqa Getaway 40k pts	20	Never (21)	19	18
	Ultiqa Getaway 40k pts	62	26	24	22

[^] Note, this occurs after the stated contract end date. Payback will only eventuate if the scheme is elected by its members to extend past the stated contract end date.

A two year decrease in loan term can reduce payback period by approximately 1 to 3 years.



Table 3.2.7 – Payback period for various 10 year financed loan interest rates

Membership Type	Scheme / Membership	Contract term (years)	Payback Period (Years) for Loan Interest Rates:		
			16%	14%	12%
Allocated Points	Accor 3,000 pts	61	26	25	23
	Wyndham 7,750 pts	61	46	44	42
	Marriott 1,200 pts	42	66^	64^	61^
PAYG	Ultiqa Platinum 40k pts	62	31	29	28
	Classic 17.5K pts	20	Never (33)	Never (32)	Never (30)
	Classic 17.5K pts	64	46	44	42
	Ultiqa Getaway 40k pts	15	Never (16)	15	14
	Ultiqa Getaway 40k pts	20	Never (22)	Never (21)	19
	Ultiqa Getaway 40k pts	62	27	26	24

^ Note, this occurs after the stated contract end date. Payback will only eventuate if the scheme is elected by its members to extend past the stated contract end date.

A 2% increase in interest rates is seen to increase Payback Period by 1 to 2 years. Similarly, a 2% decrease in interest rates decreases Payback Period by 1 to 2 years.

3.2.3 Points utilisation

Points utilisation is tested at 3 levels of percentage points use throughout membership: 100% utilisation (Baseline), 75% and 50%. PAYG members have been excluded from this analysis as PAYG members purchase points on an as-needed basis, hence it is reasonable to assume that PAYG members can utilise all points they purchase.

An x% utilisation assumes that only x% of the points are utilised for booking accommodation, with the remaining points expiring and having zero value. Table 3.2.8 and Figure 3.2.2 below summarises the results.



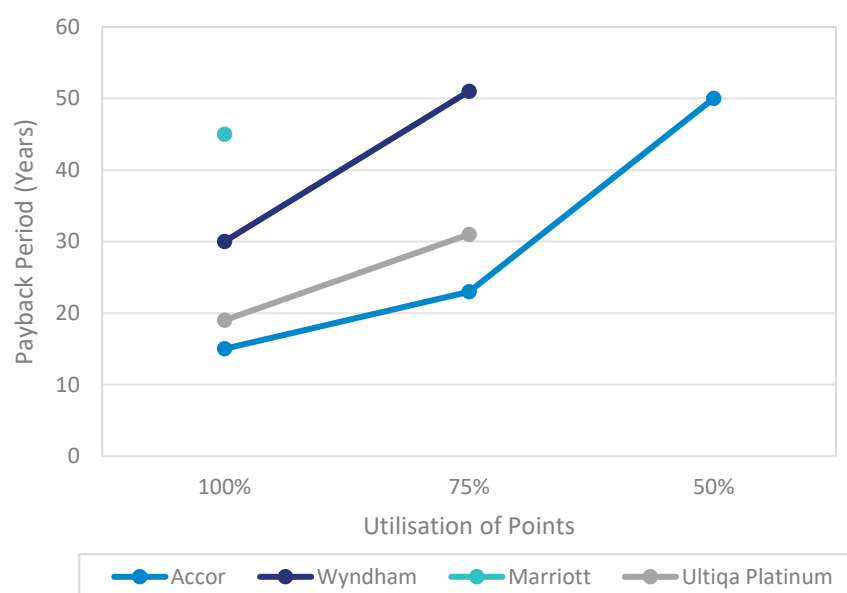
Table 3.2.8 – Payback periods by Utilisation for Allocated Points memberships

Scheme	Baseline (100% Utilisation)	75% Utilisation	50% Utilisation
Accor 3,000 pts	15	23	50
Wyndham 6,750 pts	30	51	Never*
Marriott 1,200 pts	45 [^]	Never*	Never*
Ultiq Platinum 40K pts	19	31	Never*

[^] Note, this occurs after the stated contract end date. Payback will only eventuate if the scheme is elected by its members to extend past the stated contract end date.

* Annual fees exceed equivalent financial value of holiday bookings

Figure 3.2.2 - Payback periods by Utilisation for Allocated Points memberships



Note: Where no payback period is shown this is because the membership never paybacks

From 100% to 75% points utilisation, payback periods increase by about 50%. This is a significant increase showing the sensitivity of the results to the percentage of points that are utilised:

- If 50% of points are utilised, only Accor achieves a payback period within the life of the contract.
- As a guide, each 1% decrease in points utilisation corresponds with a 4 to 12 month increase in Payback Period, depending on the scheme.

3.2.4 Buy-in amount

In this analysis we test the sensitivity of scheme value to the size of the buy-in commitment. In Allocated Points memberships, consumers can choose the value of buy-in at joining, where buying a larger points allocation will typically provide a lower buy-in cost per point and lower annual fees per point. In PAYG memberships, consumers pay a fixed joining fee and can choose the number of points to purchase each year.

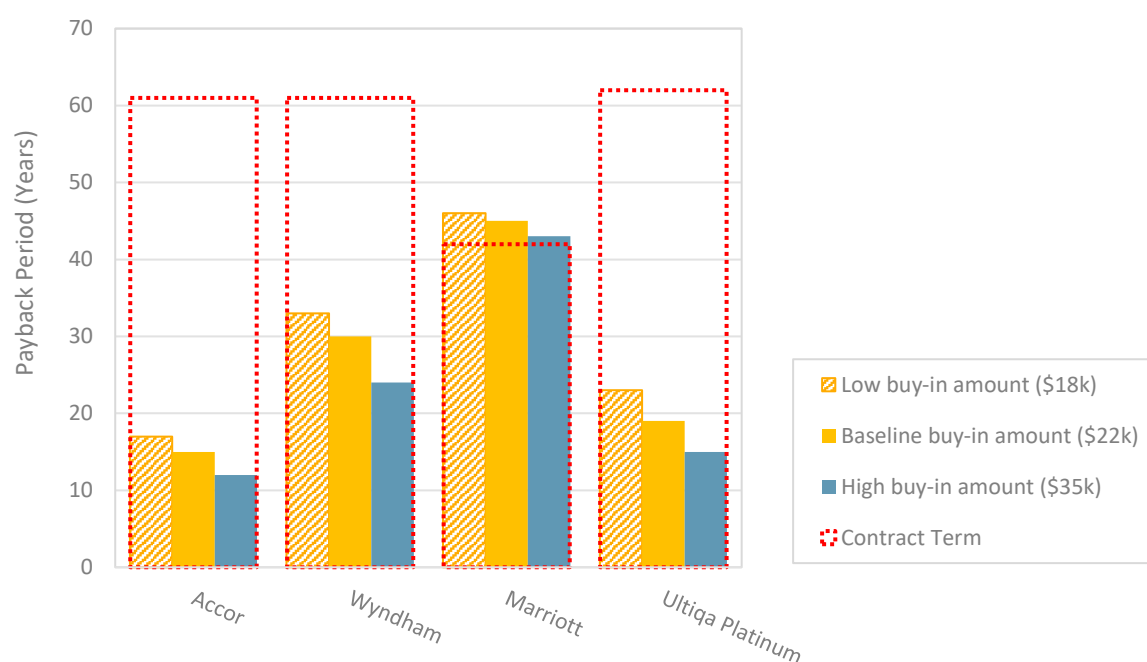
In Table 3.2.9 and Figure 3.2.3 we present the payback period given a consumer's buy-in purchasing decision for Allocated Points memberships. Appendix C.1 details the level of buy-in for a sample of Wyndham and Ultiq customers – in this data we note that many consumers purchase at or very close to minimum buy-in.

Table 3.2.9 – Payback periods by buy-in amount for Allocated Points memberships

Scheme	Baseline (\$22,000 buy-in)		Low (\$18,000 buy-in)		High (\$35,000 buy-in)	
	Points	PP	Points	PP	Points	PP
Accor	3,000	15	2,300	17	6,000	12
Wyndham	6,750	30	6,000	33	12,000	24
Marriott	1,200	45 [^]	1,000	46 [^]	1,950	43 [^]
Ultiqa Platinum	40,000	19	32,000	23	70,000	15

[^] Note, this occurs after the stated contract end date. Payback will only eventuate if the scheme is elected by its members to extend past the stated contract end date.

Figure 3.2.3 – Payback periods by buy-in amount for Allocated Points memberships



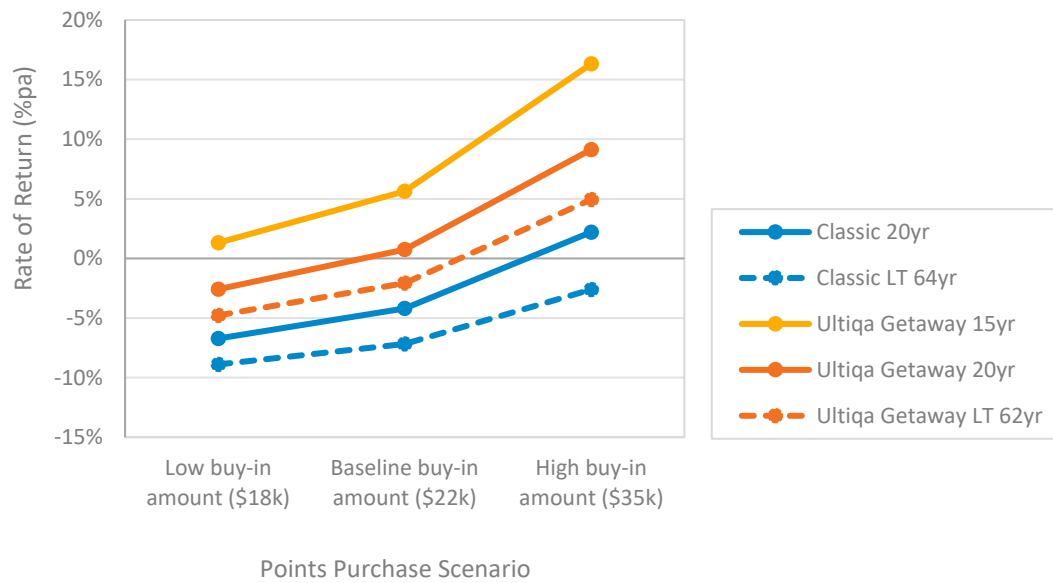
Payback period is sensitive to the buy-in amount for Accor, Wyndham and Ultiqa Platinum. When moving from a low buy-in to a high buy-in, the payback period for these schemes reduced by 5 to 9 years, with Wyndham providing the largest improvement of 9 years. The decreased payback periods are due to lower dollar per-point joining rates with larger buy-in purchases and often lower ongoing fees per-point for larger buy-ins also.

The joining fees are fixed for PAYG memberships, as such, Figure 3.2.4 below illustrates the impact to rate of return for changes in annual purchasing amounts from: Low (\$700 p.a. fees), Base (\$860 p.a. fees) and high (\$1,350 p.a.).

Table 3.2.10 – Joining fees for PAYG memberships

Scheme	Contract Term (years)	Joining Fee
Classic	20	\$16,490
Classic	64	\$26,990
Ultiqa Getaway	15	\$9,990
Ultiqa Getaway	20	\$14,990
Ultiqa Getaway	62	\$19,990

Figure 3.2.4 - Rate of return on 10 year holding by annual spend scenarios for PAYG memberships



* Assuming a resale value of 20% of the upfront costs adjusted for inflation
Numbers detailed in Append D – Table D.6

Classic and Ultiqa Getaway PAYG memberships are very sensitive to the amount of annual points purchased. Rate of return increased by up to 15% from low to high points purchase scenarios. Of particular note is that at high buy-in, Ultiqa Getaway consumers are expected to achieve rates of return in the double digits, and these returns are much more consistent with those implied by the heavy discounts on memberships sales in the secondary market.

3.3 Sensitivities – External factors

In this section we analyse some key external factors that influence timeshare value including:

- Annual fee inflation rates (determined by timeshare operators)
- Residual value of the memberships at wind-up or the resale value at exit.

The results of the external factor sensitivities are calculated using Baseline Consumer behaviour, usage and assumptions, except we adjust the relevant assumption under investigation.

In Table 3.3.1 below we summarise the results of this section and provide brief commentary on the implications of the results for scheme value.

Table 3.3.1 - Summary of external factor sensitivities

Factor	Sensitivity	Impact to scheme value
Annual fee inflation	<p>Inflation was increased by 1% from 2.3% to 3.3% for 10 years. The payback period increased for most memberships, however, the impact was marginal.</p> <p>Memberships that were poor value in the Baseline case (Marriott and Classic) showed larger increases to payback period from the inflation adjustment.</p>	<ul style="list-style-type: none">■ The effect of increased inflation was small for Allocated Points schemes, with a negligible effect for PAYG schemes due to their short contract term.■ Marriott experienced the greatest payback period increase, from 45 years to 56 years. Marriott's contract term is 42 years.
Residual value and resale value	<p>Reasonable variations on our residual value assumptions had, in general, little effect on total scheme value.</p> <p>Resale value had a significant impact on value, particularly for holding terms of around 10 years in length, with increased resale price resulting in substantially higher value for consumers. But in many cases the return remained negative after allowing for resale value.</p>	<ul style="list-style-type: none">■ With the exception of Marriot, optimistic residual value assumptions would at most increase rates of return by less than 1% relative to Baseline. Marriot was the exception because under Baseline assumptions rates of return were expected to be very low.■ At holding terms of 10 years, a higher resale value could add around 3% to 13%¹⁸ to the estimated rates of return. Despite this, for many timeshare memberships the overall rate of return may remain negative at terms of 10 years.

3.3.1 Annual fee inflation

Schemes allow for annual fees to increase year-on-year to meet increases in operational costs. As such, consumers are at risk of increases in annual fees that may be higher than inflation. In Table 3.3.2 and Table 3.3.3 below we present the results of an inflation scenario where, for the first 10 years of membership, annual fees are assumed to increase at a rate of inflation of 3.3% p.a., 1% higher than the baseline scenario. Note that property booking price inflation remains at the baseline 2.3% p.a.

¹⁸ Where a customer is making a large financial loss on their membership – a resale has a greater impact on their rate of return. Consider the extreme case – a customer purchases a timeshare then receives net zero benefit. In this instance, their rate of return is -100%. If instead, they receive net zero benefits except for a 20% resale at year 10, they would have a rate of return of -15% an improvement of almost 85%. An initial investment losing 15% pa over 10 year will only be worth 20% of its original value calculated as $(1-0.15)^{10} = 20\%$.

Table 3.3.2 – Annual fee inflation sensitivities payback periods for Allocated Points memberships

Scheme	Baseline annual fee inflation scenario (2.3% p.a.)	Annual fee Inflation 1% higher for 10 years (3.3% p.a.)
Accor 3,000 pts	15	16
Wyndham 6,750 pts	30	32
Marriott 1,200 pts	45 [^]	56 [^]
Ultiqa Platinum 40K pts	19	20

[^] Note, this occurs after the stated contract end date. Payback will only eventuate if the scheme is elected by its members to extend past the stated contract end date.

Table 3.3.3 – Annual fee inflation sensitivities payback periods for PAYG memberships

Scheme	Contract term	Baseline annual fee inflation scenario (2.3% p.a.)	Annual fee inflation 1% higher for 10 years (3.3% p.a.)
Classic 17,500 pts	20	20	Never (22)
Classic 17,500 pts	64	29	32
Ultiqa Getaway 40K pts	15	9	9
Ultiqa Getaway 40K pts	20	13	13
Ultiqa Getaway 40K pts	62	16	17

We see the payback period increased for most memberships; however, the impact was marginal. Memberships that were poor value in the Baseline case (Marriott and Classic) showed larger increases to payback period from the inflation adjustment. Marriott experienced the greatest payback period increase from 45 years to 56 years due to the marginally annual positive cashflows over the contract term. Marriott's contract term is 42 years.

3.3.2 Residual value and resale value

For the Allocated Points memberships analysed in this paper, members have a right to a proportion of net assets in the event of scheme wind-up. To allow for this "residual value" in the event of wind up we have estimated its value by assuming that the net asset value (NAV) per point at wind-up date will be the same as it currently is, after allowing for inflation.

However, we have quantified the uncertainties around this residual value by assessing two alternative scenarios:

- That net assets are zero at wind-up, representing a low value scenario
- That the scheme is elected to continue operating by the current members without winding up. In this scenario we assume that the consumer continues paying annual fees and receives benefits past the contracted windup date. The value calculated in this scenario can be considered an upper bound for a high value scenario.

In Table 3.3.4 we present the results for these low and high net asset scenarios.

Table 3.3.4 – Impact of residual value assumptions on rates of return at contract wind-up

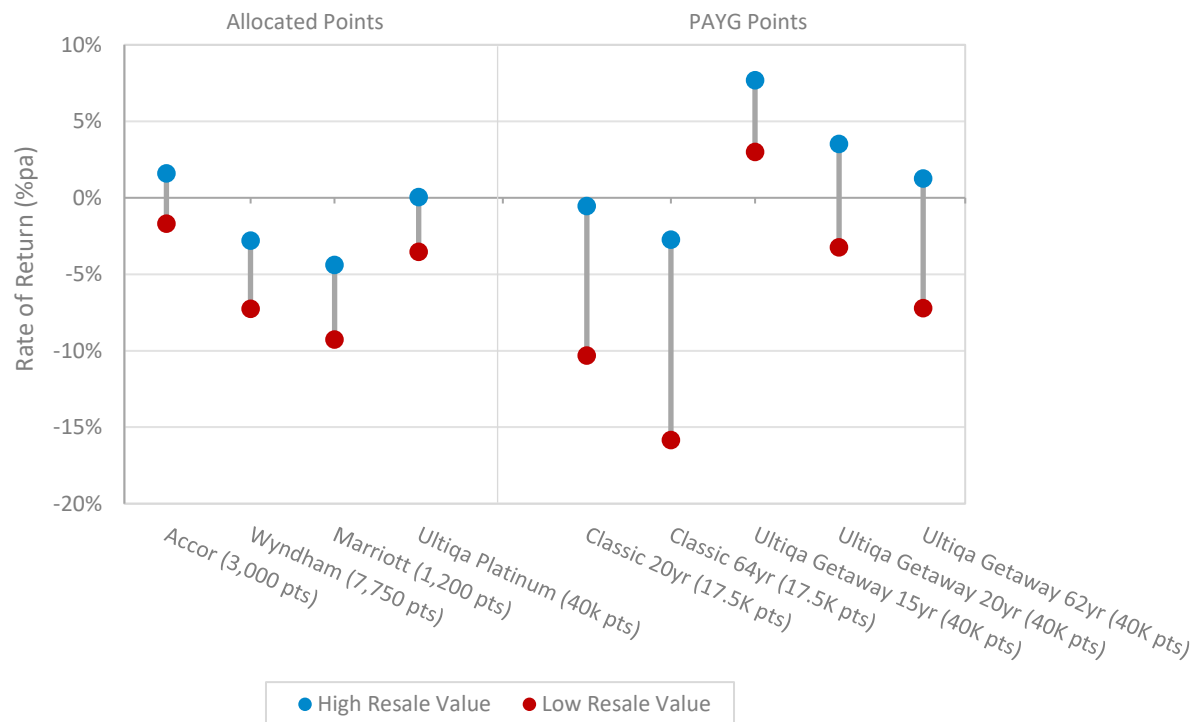
Scheme	Baseline (NAV at windup)	Low (no NAV)	High (Scheme runs in perpetuity)
	Rate of return EOC	Rate of return EOC	Rate of return perpetuity
Accor 3,000 pts	7.5%	7.4%	7.7%
Wyndham 6,750 pts	3.7%	3.5%	4.5%
Marriott 1,200 pts	0.3%	-0.4%	3.1%
Ultiqa Platinum 40K pts	6.1%	6.1%	6.5%

The relative difference in value between windup scenarios with NAV and without NAV is small due to the NAV amount being small and the windup event occurring decades in the future. Further, we note:

- Accor and Ultiqa are least sensitive to windup scenarios as most of the scheme value is received during the contracted membership.
- The rate of return for Marriott reduces significantly when the scheme is assumed to windup, this is due to Marriott providing the least benefit for cost of all the Allocated Points memberships and the shortest contract term.

In Figure 3.3.1 below we illustrate the range of rates of return that could be expected if the timeshare scheme was sold on the secondary market after 10 years of membership. For Allocated Points memberships, we tested resale values of 20% to 40% of the inflated upfront membership fee. For PAYG we tested 0% to 40%. A lower worst case scenario for resale value has been used for PAYG memberships as these memberships have no residual rights over net assets following scheme wind up. These scenarios were chosen after consideration of the fact that Redseason Pty Ltd, a buyer and seller of memberships in the secondary market, reports that discounts of 70-80% on the upfront fees paid are typical. Further detail regarding resale values are documented in Appendix B.5.

Figure 3.3.1 – Rates of return following sale on the secondary market after 10 years membership



Numbers detailed in Append D – Table D.3

As resale price increases, the rate of return increases substantially. For Classic Escape memberships, which have the lowest financial benefit to the Baseline Consumer, the increase can be over 16%.

3.4 Limitations with this analysis

The following table list key limitations to the analysis, comments on how they were addressed and possible data that could assist analysis further.

Table 3.4.1 - Methodological limitations

Limitation	Description	Comments
Data collection timing	Price data for exact or equivalent properties was collected in May – which is when the work for this analysis was conducted. Prices were sourced for two main booking windows, peak (Dec 2019) and off-peak (May 2020), with lead times of approximately 7 and 12 months respectively. Direct bookings are usually not available for peak the following year (Dec 2020). However, schemes generally require booking lead times many more months in advance, from 12 to 20 months in advance.	Further analysis could be undertaken to investigate how the time of booking influences market value, and hence the dollar value of scheme points. To the extent that a shorter lead time to booking leads to higher prices, then our analysis would place a higher value on timeshare membership than warranted.
Valuation of non-accommodation benefits	Given the low usage of the non-accommodation benefits offered by schemes, we have assumed that consumers spend their available points on accommodation exclusively.	Industry statistics suggest non-accommodation usage forms a small proportion of membership usage by timeshare members. Furthermore, our results would not change if the dollar value of points spent on non-accommodation benefits was equal to the dollar value of points spent on accommodation benefits.
Market price of comparable accommodation does not exist	In 44 instances, the timeshare membership accommodation offering could not be found through booking.com nor directly through the property.	Where we do not have a direct matching property, we have chosen similar comparator properties based on location, size, quality, star rating and user rating. Further detail on our methodology is detailed in Appendix B.2.
Members ability to book	Members may not be able to use all their points given restrictive booking windows and availability.	We have assessed the impact on scheme value to a customer if they are not able to fully utilise their allocated points. Additional data from timeshare providers could assist us understand the true level of utilisation or proportion of points that expire.

Limitation	Description	Comments
Differences in consumer usage across schemes	Customers within a scheme may have significantly different usage patterns to those presented in this report.	<p>The results presented in this report are, on average, based on 20 separate bookings and like-for-like market prices. This moderate sample size has been chosen to reduce sampling error.</p> <p>We have investigated how different customer types may impact the value results and found that the impact was minimal. These results can be found in Section 3.2 – “Consumer holidaying behaviour”.</p> <p>However, the analysis in this report could be tightened by tying the usage patterns that were valued to actual scheme usage data. Additional data from timeshare providers could be requested that include usage across properties and seasons by age of customer.</p>
Sampled accommodation	We have selected a subset of the range of accommodation options provided by the schemes to ensure data collection is not unreasonably onerous.	<p>The sample of accommodation was selected to ensure comparability across schemes and to provide a reasonable destination usage that aligns with Australian tourism statistics.</p> <p>The selected sample is large (79 properties) and contains popular tourist destinations and accommodation formats.</p> <p>Further analysis could be considered to increase the sample size to better represent the set of properties on offer by the schemes.</p>
Average buy-in size	The Baseline buy-in size for Allocated Points memberships of approximately \$21K to \$22K was determined from a 6-week sample of sales in mid-2018 from Wyndham and Ultiqa, provided by ASIC. This data contained 996 membership sales. The Baseline buy-in amount may not represent the typical timeshare purchaser for all schemes.	<p>We have tested how the size of buy-in impacts scheme value. See Section 3.2 – “Buy-in amount” for the results of these tests.</p> <p>However, it would tighten the analysis if we had more detail on the range of buy-in amounts across different schemes.</p> <p>Additional data from timeshare providers containing their list of members, purchase date, buy-in cost and buy-in points would be useful. For PAYG customers this could also include total points purchased to date.</p>

Limitation	Description	Comments
Resale value is approximate	<p>Given that most timeshare members hold their memberships for 10 years or less, the resale value of those memberships is very important for determining the rate of return on the timeshare investment.</p> <p>Financial value returned to the customer is highly sensitive to resale value.</p>	<p>We have collected data on secondary prices for some timeshare memberships (see Appendix B.5). This data is not complete - prices are indicative from resellers and do not capture their commissions, or are from classifieds postings (gumtree.com.au) and may not represent actual traded prices. Generally, we expect the true price received by the seller to be lower than those advertised. To this extent we overstate financial value achievable from reselling memberships.</p>

Appendix A Scheme Summaries

A.1 Fixed Allocated Point Schemes

Fixed allocated points schemes' members are allocated a set number of points per annum based on their buy-in amount and contract type. Memberships have a large upfront buy-in cost that increases with the amount of points purchased and continual annual fee payments that also increase commensurate with the amount of points allocated. Table A.1.1 summarizes the key details of each fixed allocated points scheme.

Table A.1.1 Fixed Allocated Point Schemes Summary

	Accor Vacation Club: Periodic Premiere Points	Marriott Vacation Club: Premier Membership	Ultiqa Lifestyle: Platinum Permanent Points Membership	Wyndham Resorts: Premier Vacation Membership
Upfront Cost	\$8 per point (decreases every 1,000 points after 3,000)	\$18 per point	\$0.65 per point (decreases every 5,000 points after 15,000)	\$159 base + \$3.17 per point (decreases with larger purchases)
Annual	\$0.27 per point (decreases with larger point allocations)	\$0.6843 per point + \$205 if Marriott Exchange Properties are booked	\$429 base + \$0.013 per point	\$660 base (increases with larger point allocations)
Contract Length	Lifetime* (windup - 10 October 2080)	Lifetime* (windup - 17 February 2061)	Lifetime* (windup - 5 September 2081)	Lifetime* (windup - 29 February 2080)
Terms	Rollover allowed to/from future year	Rollover allowed to/from future year	Points have lifetime of 3 years and can be borrowed 1 year in advance	Rollover allowed to/from future year
Minimum Ownership (points)	2,300	1,000	20,000	6,000
Example \$20K Upfront	2,500 points with annual fees of \$675	1,111 points with annual fees of \$760 (assuming no Exchange Property bookings)	35,785 points with annual fees of \$902	6,255 points with annual fees of \$660



A.2 Pay-as-you-go points schemes

PAYG points schemes' members do not receive a fixed allocation of points, instead their membership entitles them to purchase points at a pre-specified dollar rate, which can be used towards holiday bookings. PAYG schemes have a large, yet fixed upfront cost plus low annual fees. The PAYG cost of accommodation to the member is lower than had they booked in the open market. Table A.2.1 summarizes the key details of the PAYG schemes.

Table A.1.1 Fixed Allocated Point Schemes Summary

	Classic Holidays: Classic Escapes Membership	Ultiqa Lifestyle: Getaway Gold Points Membership
Membership Options	3, 5, 10, 20, 30, 40 years and lifetime* options	15, 20 years and lifetime* options
Joining Fee	Increases with term length. Lifetime membership is \$26,990 (windup – May 22, 2083)	15 years - \$9,990 20 years - \$14,990 Life - \$19,990
Points Cost	\$0.036 per point	\$0.017 per point
Annual Fees	\$229	\$199
Example: 1 week vacation (couple with kids)	Approximately 29,000 points at a cost of \$1,275 (including annual fees)	Approximately 57,000 points at a cost of \$1,140 (including annual fees)



A.3 Non-Accommodation Benefits

Timeshare schemes allow members to use their points to receive non-accommodation benefits such flights, tours, and cruises. Generally, these benefits are provided and purchased through a partner organization. We summarize these benefits in table A.3.1

Table A.3.1 Non-accommodation benefits

Scheme	Benefits	Partner Organizations	Details
Wyndham	Cruises, flights, car hire, travel insurance	<ul style="list-style-type: none"> • RCI • I.C.E • Travel Club 	Members may transfer credits for an additional fee for use in the Privileges By Wyndham program. Members can also use points towards travel related services provided by Travel Club.
Marriott Vacation Club	Golf, hiking, cruises, tours, Marriott-branded hotels	<ul style="list-style-type: none"> • MVC Exchange Company • Interval International, Inc. 	Points can be used towards “Explorer Collection Opportunities” provided by the Marriott Exchange Program.
Accor Vacation Club	Tour packages, worldwide hotel stays, cruises	<ul style="list-style-type: none"> • Our Vacation Centre Pty Ltd • I.C.E Vacations Asia Pacific Pty Ltd 	Members can transfer points to “Discovery Dollars” for non-accommodation benefits.
Ultiqa Lifestyle	Non-timeshare hotel stays, flights, car hires	<ul style="list-style-type: none"> • RCI 	Members can use points for non-timeshare accommodation benefits through RCI
Classic Holidays	Non-timeshare accommodation, car hire, other tourism products	<ul style="list-style-type: none"> • Dial An Exchange Pty Ltd (DAE) 	Members can transfer points for other benefits through the “Points & Play” program, managed by DAE. (additional fees apply)

Details on specific non-accommodation offering are not well defined and information regarding the points cost are difficult to obtain from the PDS’s and often require member login. As such we assume all points used goes towards accommodation bookings.

- This is equivalent to assuming members receive similar value when using points for non-accommodation benefits compared with accommodation bookings.

A.4 Other Bonus Benefits

Some schemes offer additional bonuses that can be used for accommodation or non-accommodation benefits:

- Bonus time/last minute offers: discounted rates (either in points or in cash) for last-minute vacancies.
- Developer benefits—benefits provided at the discretion of the developer

Table A.4.1 summarises these additional bonus benefits

Table A.4.1 Other bonus benefits

Scheme	Benefits
Wyndham	Bonus Time – allows last minute bookings (usually within 14 days of holiday) at discounted rates while preserving Vacation credits. Subject to availability and is not guaranteed. Developer Benefits - They are provided at the sole discretion of the Developer and can be altered or cancelled at any time by the Developer. Your decision to purchase should be based solely upon the benefits to be gained from Ownership (includes: Fun Time, One-Time Credits, Privileges Program)
Marriott Vacation Club	25-30% discount on last minute booking – subject to availability
Accor Vacation Club	Bonus Time - allows last minute bookings (usually within 14 days of holiday) at discounted rates when there are unused rooms available while preserving Première Points. Members do not use Periodic Première Points for Bonus Time Accommodation but instead pay a cash rate Developer Benefits - The Developer may offer Members an enhanced package of additional Developer benefits. These are generally only offered to new members on the day of a sales preview. No other information about the benefit is provided by the club's PDS
Ultiqa Lifestyle	No other benefits
Classic Holidays	No other benefits

It is difficult to obtain information about Bonus Time and Developer Benefits. Since Bonus time/last minute offers are subject to availability, it is reasonable to assume they are only offered in non-peak periods where schemes may be struggling to fill rooms and that similar value deals could be found in the open market. Regarding developer benefits, the fact that they can be revoked at any time at the discretion of the developer makes it difficult to measure their relative value to accommodation benefits. As such, we treat these offers as value neutral.

A.5 Wind-up and Net Asset Value

Table A.5.1 summarises wind-up clauses and residual benefit offerings of each scheme. Only Fixed Allocated Point Schemes provide residual benefits at wind-up. PAYG schemes do not offer these benefits.

Table A.5.1 Wind-up benefits

	Accor Vacation Club	Marriott Vacation Club	Ultiqa Lifestyle	Wyndham	Classic Holidays
Wind-up benefit	Yes	Yes	Yes	Yes	No
Wind-up year	2080	2061	2081	2080	2091
Notes	Proportional to annual Periodic Premiere Points allocation	Holders of Fixed Club Points are entitled to a share of net proceeds from Club Property	Only Permanent Points & Permanent Interests (inc Platinum) have rights to distributions of net assets. Getaway Points membership do not receive NAV distributions.	Proportional to the amount of Vacation Credits held ^“The beneficial interest of Standard Owners [as opposed to Premium Points Owners] is limited to a beneficial interest in Club Apartments owned as at the date the Standard owner joins the Club.”	Membership does not provide a stake in “ownership”
Extension	To extend the term of the Club a special resolution must be passed by the Members	Members may elect to continue or wind up the Club in accordance with law and the Club’s Constitution	(not stated explicitly)	(not stated explicitly)	N/A
NAV per point on issue*	\$1.53	\$1.38	\$0.06	\$0.51	\$0.06
Avg points per member (base scenario)*	3,000	1,200	40,000	6,750	17,500
Potential current wind-up value*	\$4,495	\$1,656	\$2,400 (Platinum memberships only)	\$3,451	N/A
Potential value at wind-up year at 2.3 % inflation	\$ 18,178	\$ 4,268	\$ 9, 710 (Platinum memberships only)	\$ 13,650	N/A

*Based on 2018 Net-Asset Value figures provided by ASIC

Appendix B Detailed approach

B.1 Baseline scenario – timeshare purchase

We use a baseline purchase amount to represent the average purchase or buy-in into timeshares.

Buy-in for allocated points scheme

Based on data provided by Wyndham to ASIC (see Appendix C.1), we noted that a significant number (approx. 70%) of customers purchase at or near the minimum buy-in of \$19,479 whilst others range up to twice and sometimes three times the minimum buy-in amount. Based on similar data provided by Ultiqa to ASIC, we noted that all purchases within the sample sale window purchased at the minimum buy-in level of \$17,880

The average buy-in across the two schemes was closer to \$22,000. Since, the other three allocated schemes have similar minimum buy-in levels and for comparability we set the baseline scenario across all schemes that the member pays approximately \$22,000 to buy-in. The table below shows the minimum buy-in level and our selected baseline purchase scenario.

Table B.1.1 – Buy-in Scenarios

Membership	Minimum Buy-in		Baseline Buy-in	
	Allocated Points pa	Upfront Cost	Allocated Points pa	Upfront Cost
Accor Vacation Club	2,300	\$18,400	3,000	\$21,900
Wyndham Resorts	6,000	\$19,479	6,750	\$21,894
Marriot Vacation Club	1,000	\$18,000	1,200	\$21,600
Ultiqa Platinum	30,000	\$17,880	40,000	\$21,880

Annual points purchase for PAYG schemes

For Ultiqa Getaway we selected an annual points purchase of 40,000 p.a equal to the fixed allocated points received in our baseline Ultiqa Platinum scenario above. This scenario would provide an identical set of holiday bookings for the member when compared to the baseline Ultiqa Platinum scenario. Furthermore, for Classic Escapes we select an annual points purchase of 17,500 that provides, for the Baseline Consumer usage (see Appendix B.3), an equal number of holidaying nights as our Ultiqa scenario. Conveniently, the total annual costs are also comparable. The table below shows our selected baseline purchase scenario.

Table B.1.2 – Buy-in Scenarios

Membership	Number of Points Purchased pa	Purchased Points Cost pa^	Fixed Annual Fees	Total Annual Outlay
Classic Escapes	17,500	\$630	\$239	\$869
Ultiqa Getaway	40,000	\$661	\$199	\$860

[^] Current points cost as stated in available PDSs

B.2 Pricing properties – additional detail

Bookings for scheme accommodation

The benefit from timeshare membership will depend to a large extent on how the scheme is used by an individual member. Our approach utilises prices from 4 regions per scheme, one- and two-bedroom rooms where available and across two key booking periods, peak and off-peak. This combination allows us to

compare the value of the schemes across a range of scenarios that can be expected of Australian holidaymakers. Table B.1.1 summarises the number of booking prices considered by scheme.

Table B.2.1—Count of accommodations by region

Region	Accor	Classic Holidays	Marriott	Ultiqa	Wyndham	Total
QLD Coast	8	6	4	8	8	34
NSW Coast	4	6	-	4	8	22
Melbourne	4	4	3	2	4	17
New Zealand	8	6	4	2	4	24
Bali*	-	-	4	-	-	4
					Total	101

*Bali was selected as a replacement for NSW Coast for Marriott as the scheme has no NSW Coast properties

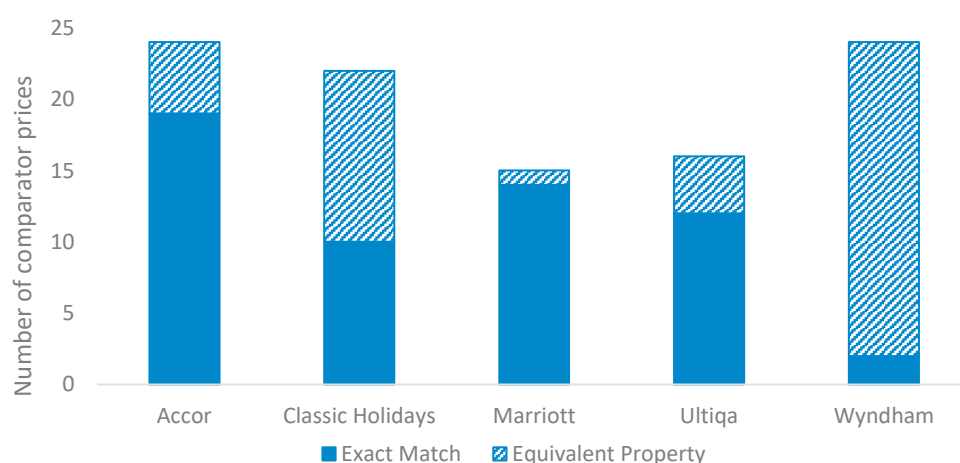
Available equivalent bookings for scheme accommodation

For each possible scheme booking, we identified an exact or equivalent booking available to the general public. Where an exact booking existed, these are used as a comparator quote. Where no exact bookings exist, we select a like-for-like property booking. There were 57 exact property comparator quotes and 44 like-for-like property booking quotes used. Figure B.2.1 further breaks down this number across the various timeshare providers.

The 44 like-for-like properties were selected to best approximate the value timeshare customers receive from the actual scheme property. When a comparator property was used, we ensured that the room configuration and booking dates were identical, and that quality, location and amenities were as comparable as possible. For example, we compare Wyndham's Worldmark Resort Coffs Harbour Terraces to the Novotel Pacific Bay Resort. In terms of location, The properties are only 300 metres apart, offering comparable access to the beach and other local attractions. In terms of quality, both are classed as 4-star hotels, and receive similar user-ratings across various booking and review websites, including booking.com, Google and TripAdvisor. Lastly, the properties provide similar amenities, including pools, spas, restaurants, and free parking.

It is impossible to perfectly determine the market value of a property when no price is available online, the best we can do is provide a reasonable approximation. In this example above, the Novotel Pacific Bay Resort provides a reasonable approximation of the value Wyndham customers receive when staying at the Worldmark Resort Coffs Harbour Terraces.

Figure B.2.1 – Types of comparator properties by scheme



Accor, Marriott and Ultiqa had the best exact match rate for comparator prices. Wyndham properties had the worst match rate with many equivalent property price quotes used as its market price.

Scheme points prices and market prices

For combinations of region, rooms and seasons we summarise in Tables B.1.2-B.1.6 the average of the selected properties’:

- **Full week points price** is the scheme’s quoted price for booking that property-season
- **Full week market cost** is the cost to book the exact or equivalent accommodation through traditional booking methods
- **\$ per point** is the weekly market price divided by the weekly points cost. It provides the dollar value of a members point if used to book that property-season

Table B.2.2 — Accor accommodation points and market prices

Region	Room configuration	Season	Full week points price *	Full week market cost*	\$ per point
QLD Coast	1 Bed	Peak	4,000	\$ 1,883	\$ 0.47
QLD Coast	1 Bed	Off-Peak	2,500	\$ 1,589	\$ 0.64
QLD Coast	2 Bed	Peak	7,000	\$ 2,867	\$ 0.41
QLD Coast	2 Bed	Off-Peak	4,000	\$ 2,569	\$ 0.64
NSW Coast	1 Bed	Peak	2,700	\$ 1,540	\$ 0.57
NSW Coast	1 Bed	Off-Peak	1,200	\$ 1,540	\$ 1.28
NSW Coast	2 Bed	Peak	5,000	\$ 3,500	\$ 0.70
NSW Coast	2 Bed	Off-Peak	2,100	\$ 2,800	\$ 1.33
Melbourne	1 Bed	Peak	3,500	\$ 1,275	\$ 0.36
Melbourne	1 Bed	Off-Peak	1,500	\$ 1,148	\$ 0.77
Melbourne	2 Bed	Peak	7,000	\$ 1,695	\$ 0.24
Melbourne	2 Bed	Off-Peak	3,000	\$ 1,526	\$ 0.51
NZ	1 Bed	Peak	2,700	\$ 2,907	\$ 1.08
NZ	1 Bed	Off-Peak	1,200	\$ 1,747	\$ 1.46
NZ	2 Bed	Peak	5,000	\$ 4,599	\$ 0.92
NZ	2 Bed	Off-Peak	2,100	\$ 4,027	\$ 1.92

*In cases where there are multiple properties per region, room configuration & season combinations, we take the average points price and market cost.

Accor customers receive:

- Dollar per point values ranging from \$0.24 to \$1.92
- Best value booking in NZ
- Lowest value booking in QLD Coast
- Greater value for off-peak bookings

Table B.2.3 — Wyndham accommodation points and market prices

Region	Room configuration	Season	Full week points price *	Full week market cost*	\$ per point
QLD Coast	1 Bed	Peak	13,650	\$ 2,893	\$ 0.21
QLD Coast	1 Bed	Off-Peak	7,450	\$ 1,045	\$ 0.14
QLD Coast	2 Bed	Peak	16,450	\$ 3,920	\$ 0.24
QLD Coast	2 Bed	Off-Peak	9,750	\$ 1,410	\$ 0.14
NSW Coast	1 Bed	Peak	9,650	\$ 1,750	\$ 0.18
NSW Coast	1 Bed	Off-Peak	6,300	\$ 1,505	\$ 0.24
NSW Coast	2 Bed	Peak	13,525	\$ 3,028	\$ 0.22
NSW Coast	2 Bed	Off-Peak	8,225	\$ 2,293	\$ 0.28
Melbourne	1 Bed	Peak	16,650	\$ 2,353	\$ 0.14
Melbourne	1 Bed	Off-Peak	7,950	\$ 1,263	\$ 0.16
Melbourne	2 Bed	Peak	22,350	\$ 2,633	\$ 0.12
Melbourne	2 Bed	Off-Peak	12,750	\$ 2,383	\$ 0.19
NZ	1 Bed	Peak	15,000	\$ 1,225	\$ 0.08
NZ	1 Bed	Off-Peak	4,600	\$ 984	\$ 0.21
NZ	2 Bed	Peak	23,250	\$ 2,776	\$ 0.12
NZ	2 Bed	Off-Peak	7,130	\$ 2,319	\$ 0.33

*In cases where there are multiple properties per region, room configuration & season combinations, we take the average points price and market cost.

Wyndham customers receive:

- Dollar per point values ranging from \$0.08 to \$0.33
- Better value booking off-peak accommodation except in QLD Coast

Table B.2.4 — Marriott accommodation points and market prices

Region	Room configuration	Season	Full week points price *	Full week market cost*	\$ per point
QLD Coast	1 Bed	Peak	2,640	\$ 3,757	\$ 1.42
QLD Coast	1 Bed	Off-Peak	1,390	\$ 2,590	\$ 1.86
QLD Coast	2 Bed	Peak	6,050	\$ 4,602	\$ 0.76
QLD Coast	2 Bed	Off-Peak	3,165	\$ 4,382	\$ 1.38
Bali	1 Bed	Peak	2,070	\$ 2,094	\$ 1.01
Bali	1 Bed	Off-Peak	900	\$ 1,013	\$ 1.13
Bali	2 Bed	Peak	4,700	\$ 4,731	\$ 1.01
Bali	2 Bed	Off-Peak	2,100	\$ 2,027	\$ 0.97
Melbourne	1 Bed	Peak	4,800	\$ 3,310	\$ 0.69
Melbourne	1 Bed	Off-Peak	3,750	\$ 2,159	\$ 0.58
NZ	1 Bed	Peak	3,763	\$ 1,785	\$ 0.47
NZ	1 Bed	Off-Peak	3,063	\$ 1,756	\$ 0.57

*In cases where there are multiple properties per region, room configuration & season combinations, we take the average points price and market cost.

Marriot customers receive:

- Dollar per point values ranging from \$0.47 to \$1.86
- Better value booking in Queensland and Bali than Melbourne and NZ

Table B.2.5 — Ultiqa accommodation points and market prices

Region	Room configuration	Season	Full week points price *	Full week market cost*	\$ per point
QLD Coast	1 Bed	Peak	44,000	\$ 2,803	\$ 0.06
QLD Coast	1 Bed	Off-Peak	31,000	\$ 1,174	\$ 0.04
QLD Coast	2 Bed	Peak	58,250	\$ 2,860	\$ 0.05
QLD Coast	2 Bed	Off-Peak	40,250	\$ 2,064	\$ 0.05
NSW Coast	1 Bed	Peak	49,500	\$ 1,960	\$ 0.04
NSW Coast	1 Bed	Off-Peak	35,000	\$ 1,225	\$ 0.04
NSW Coast	2 Bed	Peak	66,500	\$ 2,555	\$ 0.04
NSW Coast	2 Bed	Off-Peak	46,500	\$ 1,785	\$ 0.04
Melbourne	2 Bed	Peak	82,500	\$ 3,738	\$ 0.05
Melbourne	2 Bed	Off-Peak	70,500	\$ 2,716	\$ 0.04
NZ	2 Bed	Peak	76,000	\$ 6,108	\$ 0.08
NZ	2 Bed	Off-Peak	53,000	\$ 2,683	\$ 0.05

*In cases where there are multiple properties per region, room configuration & season combinations, we take the average points price and market cost.

Ultiqa customers receive:

- Dollar per point values ranging from \$0.04 to \$0.08
- Generally better value booking in NZ than QLD Coast, NSW Coast or Melbourne

Table B.2.6 — Classic Holidays accommodation points and market prices

Region	Room configuration	Season	Full week points price *	Full week market cost*	\$ per point
QLD Coast	1 Bed	Peak	28,000	\$ 1,628	\$ 0.06
QLD Coast	1 Bed	Off-Peak	16,500	\$ 1,097	\$ 0.07
QLD Coast	2 Bed	Peak	38,500	\$ 3,597	\$ 0.09
QLD Coast	2 Bed	Off-Peak	20,000	\$ 1,448	\$ 0.07
NSW Coast	1 Bed	Peak	28,000	\$ 1,330	\$ 0.05
NSW Coast	1 Bed	Off-Peak	16,500	\$ 1,225	\$ 0.07
NSW Coast	2 Bed	Peak	32,000	\$ 2,100	\$ 0.07
NSW Coast	2 Bed	Off-Peak	20,000	\$ 1,470	\$ 0.07
Melbourne	1 Bed	Peak	16,500	\$ 2,316	\$ 0.14
Melbourne	1 Bed	Off-Peak	16,500	\$ 2,205	\$ 0.13
Melbourne	2 Bed	Peak	20,000	\$ 3,738	\$ 0.19
Melbourne	2 Bed	Off-Peak	20,000	\$ 3,358	\$ 0.17
NZ	1 Bed	Peak	28,000	\$ 2,462	\$ 0.09
NZ	1 Bed	Off-Peak	16,500	\$ 2,446	\$ 0.15
NZ	2 Bed	Peak	32,000	\$ 3,303	\$ 0.10
NZ	2 Bed	Off-Peak	20,000	\$ 2,972	\$ 0.15

*In cases where there are multiple properties per region, room configuration & season combinations, we take the average points price and market cost.

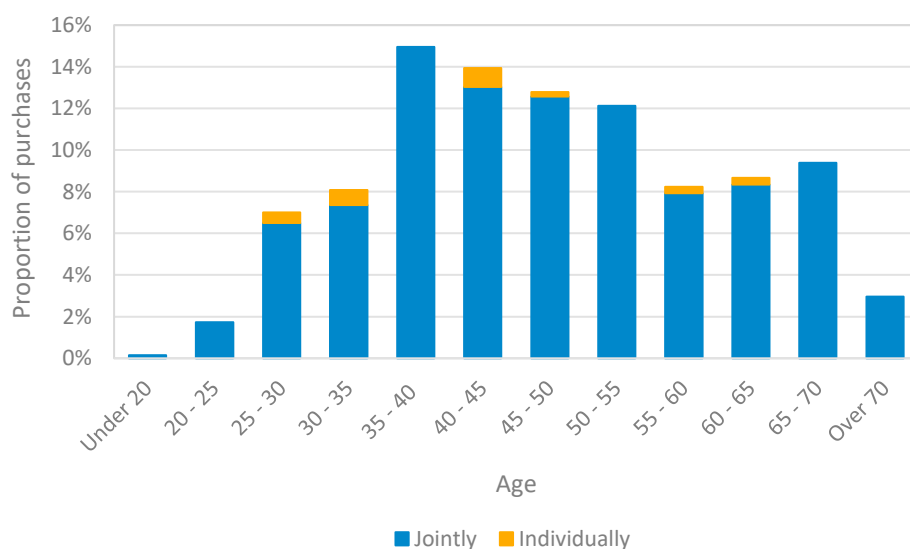
Classic Holiday customers receive:

- Dollar per point values ranging from \$0.05 to \$0.19
- Generally better value booking in Melbourne and NZ than QLD Coast or NSW Coast

B.3 Customer types and usage

Figure B.3.1 shows timeshare customer type and age profile from data of 6-week sample sales during 2018 provided to ASIC from Wyndham and Ultiqa. This data contains 996 membership sales and suggests purchasers of timeshares are aged 20 to over 70 with most aged from 35 to 55 and mostly all jointly purchased.

Figure B.3.1 – Customer age profile split by joint and individual purchases



Source: ASIC

Customer profiles and their usage pattern

Based on provided data, we construct five customer profiles to test how value may vary under different usage patterns

- Couple aged 30 having kids after 5 years
- Couple aged 45 with no children
- Family, parents aged 45 and children aged 10
- Retired couple aged 65 with children aged 30
- Base scenario with neutral usage

Consumers are assumed to transition through life stages described in Table B.3.1. Depending on their customer profile, their evolution through various life stages are detailed in Tables B.3.2 to B.3.5. The usage assumed for members in each life stage are presented in Tables B.3.6 to B.3.8.

Table B.3.1 - Life Stages

Life stage	Description	Age of customer	Age of kids
Baseline Consumer	Representative of neutral usage	NA	NA
Young Couple	Couples aged 30-45 years with no children	30-45	NA
Couple with Young Kids	Couples with children aged 0 to 5	35-40	0-5
Couple with School Age Kids	Couples with children aged 6 to 20	41-60	6-20
Older Couple	Couples empty nesters OR Couples aged 45 to 65 with no children	60-65 OR 45-65	NA
Retired Couple	Couple aged 65 or above	65+	NA

Table B.3.2 - Customer: Couple aged 30 having kids after 5 years

Life Stage	Age of customer	Age of kids	Year since purchase
Young Couple	30-35	NA	0-5
Couple with Young Kids	35-40	0-5	5-10
Couple with School Age Kids	40-55	5-20	10-25
Older Couple	55-65	20-30	25-35
Retired Couple	65-85	30-50	35-55
Reverts to Baseline Consumer	85+		55+

Table B.3.3 - Customer: Family

Life Stage	Age of customer	Age of kids	Year since purchase
Couple with School Age Kids	45-55	10-20	0-10
Older Couple	55-65	20-30	10-20
Retired Couple	65-85	30-50	20-40
Reverts to Baseline Consumer	85+		40+

Table B.3.4 - Customer: Older Couple no kids

Life Stage	Age of customer	Age of kids	Years since purchase
Older Couple	45-65	NA	0-20
Retired Couple	65-85	NA	20-40
Reverts to Baseline Consumer	85+		40+

Table B.3.5 - Customer: Retired Couple

Life Stage	Age of customer	Age of kids	Year since purchase
Retired Couple	65-85	30-50	0-20
Reverts to Baseline Consumer	85+		20+

Usage pattern by life stage

Customers preferences for room configuration and seasonality vary by life stage as described in the following tables.

Table B.3.6 — Usage by Life Stage: Room Configuration

Life stage	Room Configuration	
	Studio/1 Bed	2 Bed
Baseline Consumer	50%	50%
Young Couple	70%	30%
Couple with Young Kids	50%	50%
Couple with School Age Kids	30%	70%
Older Couple	70%	30%
Retired Couple	70%	30%

Table B.3.7 — Usage by Life Stage: Booking Season

Life stage	Booking Season	
	Peak	Off-peak
Baseline Consumer	50%	50%
Young Couple	50%	50%
Couple with Young Kids	50%	50%
Couple with School Age Kids	80%	20%
Older Couple	50%	50%
Retired Couple	20%	80%

Customers regional usage is described in Table B.3.11 and are guided by Tourism Research Australia data for domestic travel¹⁹.

Table B.3.8 — Regional Usage Assumptions

Region	All (exc Marriot)	Marriot^
QLD Coast	35%	65%
NSW Coast	30%	
Melbourne	15%	15%
New Zealand	20%	10%
Bali		10%

^Since Marriott has no NSW Coast properties and market a variety of international exchange program properties, we assume higher QLD Coast usage and the 20% New Zealand usage split over both New Zealand and Bali.

¹⁹ Domestic tourism data gathered from:

https://www.tra.gov.au/ArticleDocuments/185/NVS_TRENDS_ONIGHT_PURPOSE_YE_DEC_18.xlsx.aspx

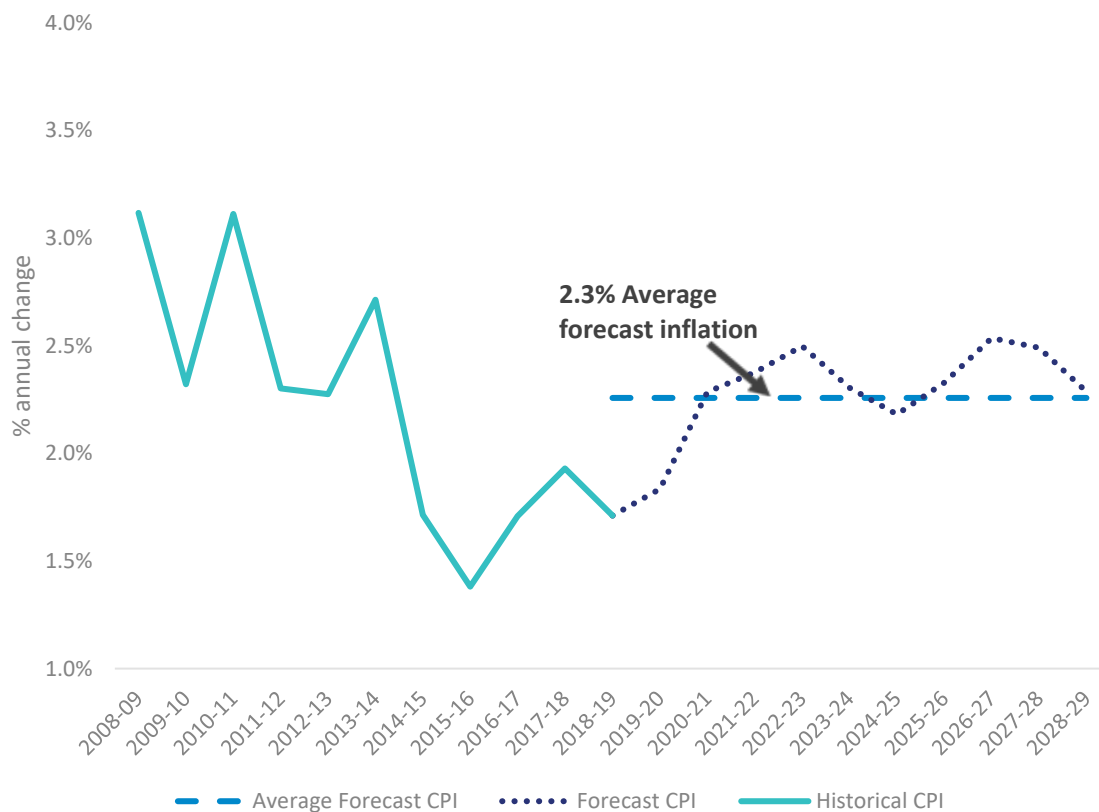
B.4 Inflation assumption

We apply an inflation rate of 2.3% p.a. on:

- annual fees
- projection of value of scheme net assets.
- the cost of booking equivalent property in the open market

An inflation rate of 2.3% was selected as the average projected headline Australian CPI growth by Deloitte Access Economics' 10-year forecast report published in March 2019. We show in Figure B.3.1 the historical and forecasted headline CPI growth from this report.

Figure B.4.1 — headline CPI change, historical and forecast (2008-09 to 2028-29)



Source: Deloitte Access Economics Business Outlook (March 2019)

B.5 Resale value on the secondary market

Based on research by ASIC, it is common for consumers of timeshares to hold their timeshares for a period less than that originally contracted. Apart from transferring ownership to another party, a member may on-sell their membership in the secondary market as a means to exit the scheme. The following table contains information sourced from two resellers and from gumtree.com.au (a classifieds website) where indicative prices or offers are easily available. Note that for resellers, prices shown are not what sellers receive but what buyers may pay and for gumtree, ads may not represent actual traded prices. This data was sourced on 24 June 2019.

Table B.5.1 – Advertised Resale Prices

Source	Membership	Expiry	Years to Expiry	Points p.a	Accumulated Points	Advertised Offered Price	\$ per point	Equivalent buy-in cost from provider (c)	Effective discount purchasing in secondary markets $\{(c) - (b)\}/(c)$
				(a)		(b)	(b)/(a)	(c)	
Redseason	Wyndham	(lifetime/windup)	NA	6,000	6000	\$3,200	\$0.53	\$19,479	84%
Redseason	Wyndham	(lifetime/windup)	NA	7,000	7000	\$3,700	\$0.53	\$22,699	84%
Redseason	Wyndham	(lifetime/windup)	NA	10,000	10000	\$5,300	\$0.53	\$29,129	82%
Royal Time Share	Wyndham	(lifetime/windup)	NA	6,000	12000	\$3,000	\$0.50	\$19,479	85%
Royal Time Share	Wyndham	(lifetime/windup)	NA	8,000	16000	\$4,700	\$0.59	\$25,919	82%
Royal Time Share	Wyndham	(lifetime/windup)	NA	10,000	20000	\$5,000	\$0.50	\$29,129	83%
Royal Time Share	Wyndham	(lifetime/windup)	NA	14,000	2150	\$7,000	\$0.50	\$40,717	83%
Royal Time Share	Wyndham	(lifetime/windup)	NA	22,000	44000	\$11,400	\$0.52	\$60,373	81%
Gumtree	Wyndham	(lifetime/windup)	NA	13,000	3850	\$12,000	\$0.92	\$37,820	68%
Gumtree	Wyndham	(lifetime/windup)	NA	10,000	10000	\$6,000	\$0.60	\$29,129	79%
Gumtree	Wyndham	(lifetime/windup)	NA	6,000	(not provided)	\$2,700	\$0.45	\$19,479	86%
Gumtree	Wyndham	(lifetime/windup)	NA	10,000	(not provided)	\$6,500	\$0.65	\$29,129	78%
Gumtree	Wyndham	(lifetime/windup)	NA	35,000	26698	\$15,000	\$0.43	\$90,284	83%
Royal Time Share	Accor Vacation Club	(lifetime/windup)	NA	2,300	4600	\$2,300	\$1.00	\$18,400	88%
Royal Time Share	Accor Vacation Club	(lifetime/windup)	NA	3,000	6000	\$3,300	\$1.10	\$21,900	85%
Royal Time Share	Accor Vacation Club	(lifetime/windup)	NA	4,000	8000	\$4,000	\$1.00	\$26,400	85%
Royal Time Share	Accor Vacation Club	(lifetime/windup)	NA	5,000	10000	\$4,050	\$0.81	\$29,250	86%
Royal Time Share	Accor Vacation Club	(lifetime/windup)	NA	7,000	14000	\$6,500	\$0.93	\$40,250	84%
Royal Time Share	Accor Vacation Club	(lifetime/windup)	NA	8,000	16000	\$7,500	\$0.94	\$46,000	84%

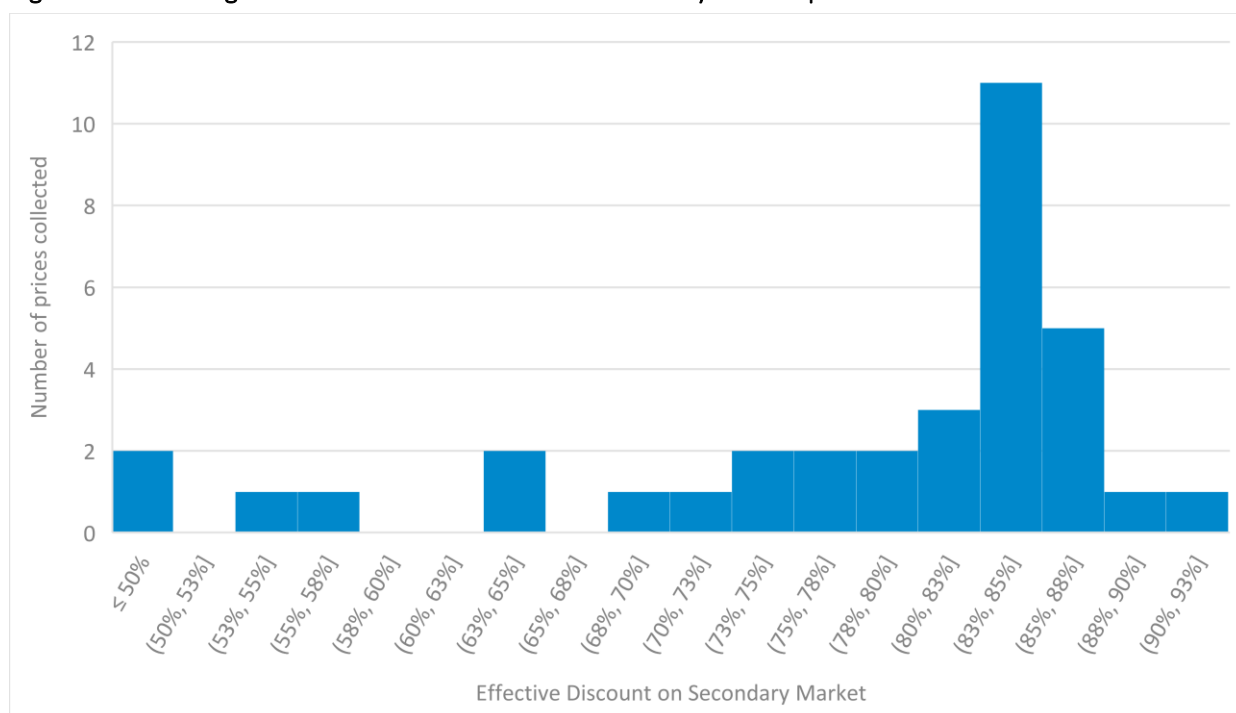


Source	Membership	Expiry	Years to Expiry	Points p.a	Accumulated Points	Advertised Offered Price	\$ per point	Equivalent buy-in cost from provider	Effective discount purchasing in secondary markets
				(a)		(b)	(b)/(a)	(c)	{(c) – (b)}/(c)
Gumtree	Accor Vacation Club	(lifetime/windup)	NA	3,000	6000	\$5,500	\$1.83	\$21,900	75%
Gumtree	Accor Vacation Club	(lifetime/windup)	NA	4,000	5740	\$6,500	\$1.63	\$26,400	75%
Gumtree	Accor Vacation Club	(lifetime/windup)	NA	3,000	6000	\$10,000	\$3.33	\$21,900	54%
Gumtree	Accor Vacation Club	(lifetime/windup)	NA	3,000	(not provided)	\$5,000	\$1.67	\$21,900	77%
Gumtree	Accor Vacation Club	(lifetime/windup)	NA	4,000	4000	\$3,900	\$0.98	\$26,400	85%
Gumtree	Accor Vacation Club	(lifetime/windup)	NA	4,000	8000	\$3,000	\$0.75	\$26,400	89%
Gumtree	Accor Vacation Club	(lifetime/windup)	NA	5,000	4780	\$4,500	\$0.90	\$29,250	85%
Gumtree	Accor Vacation Club	(lifetime/windup)	NA	4,000	2312	\$3,300	\$0.83	\$26,400	88%
Gumtree	Ultiqa	(lifetime/windup)	NA	20,000	28000	\$3,300	\$0.17	\$12,880	74%
Gumtree	Ultiqa	(lifetime/windup)	NA	20,000	26960	\$1,100	\$0.06	\$12,880	91%
Gumtree	Ultiqa	(lifetime/windup)	NA	30,000	90000	\$5,000	\$0.17	\$17,880	72%
Gumtree	Classic Escapes	2030	11	NA	NA	\$6,000		\$10,490 (10 Year)	43%
Gumtree	Classic Escapes	2069	50	NA	NA	\$9,950		\$26,990 (Lifetime)	63%
Gumtree	Classic Escapes	2053	34	NA	NA	\$7,000		\$18,990 (30 Year)	63%
Gumtree	Classic Escapes	2050	31	NA	NA	\$14,990		\$18,990 (30 Year)	21%
Gumtree	Classic Escapes	2053	34	NA	NA	\$8,090		\$18,990 (30 Year)	57%

- Wyndham Timeshares resell with discounts ranging from 70% to 85% and on average approximately 80%.
- Accor Timeshares resell with discounts ranging from 75% to 90% and on average approximately 80%.
- Little data is available for Ultiqa with discounts ranging from 70% to 90% and on average approximately 80%.
- Classic Escapes are resold with various terms remaining with like-for-like discounts ranging from 20% to 65% and on average approximately 50%. Note these discounts assume a member immediately resells their membership and does not take into account the reduction in term remaining if a member were to resell their membership many years later.
- No data was obtained for Marriott Vacation Club – Australia or Ultiqa Getaway. These do not seem to be popular on secondary markets.



Figure B.5.1 – Histogram of discounts from collected secondary market quotes



Overall discounts are usually between 70% and 90%.

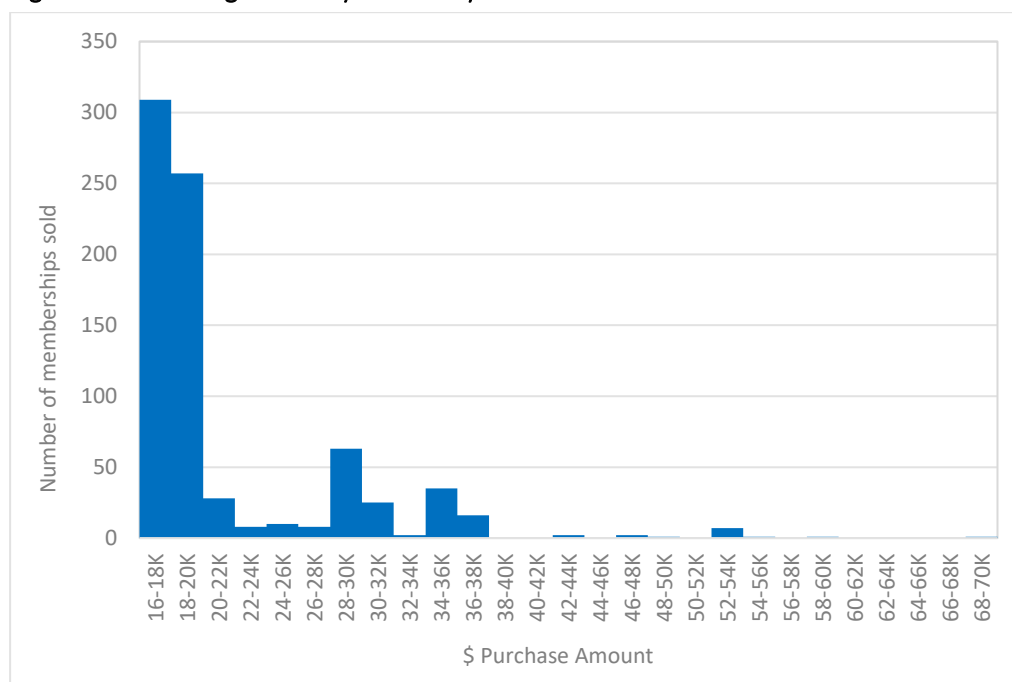
C.1 Wyndham Purchases

Wyndham have provided ASIC with a list of sales across a six week period during 2018. There were 777 memberships sold in this data set. The data shows the total buy-in cost, whether the purchaser used financing and if so, the loan details including loan amount, term and interest rate.

Buy-in Amount

The following figure summarises the distribution of purchase amount (buy-in). 70% of customers purchase at or near the minimum buy-in amount (currently \$19,479) whilst the remainder range up to twice and sometimes three times the minimum buy-in amount. As such, the average buy-in for Wyndham is closer to \$22,000.

Figure C.1.1 – Histogram of Wyndham buy-in amounts



Purchases with Loans

The provided data from Wyndham sales across the six-week period suggest that all timeshares sold with a loan have a term of 10 years and interest rate of 13.25%. Approximately, half of financed sales had loan amounts 90% of the upfront cost.

C.2 Ultiqa Purchases

Ultiqa have provided ASIC with a list of sales across a six week period during 2018. A majority (192 of 219) of their sales were for their Getaway membership (PAYG points) as opposed to their Platinum membership (Fixed Allocated points). Of the 27 Platinum membership sales, all was for a buy-in of \$17,880, which is Ultiqa Platinum's minimum buy-in.

For financed sales, a common loan term was 7 years, even for their 15-year Getaway product, with an interest rate of 14.95%. Approximately, half of financed sales had loan amounts 90% of the upfront cost.

Appendix D Tables with results

Table D.1 – Payback period for a Baseline Consumer*

Membership Type	Scheme / Membership	Contract term (years)	Payback Period (years)
Allocated Points	Accor 3,000 pts	61	15
	Wyndham 7,750 pts	61	30
	Marriott 1,200 pts	42	45 [^]
	Ultiqa Platinum 40k pts	62	19
PAYG	Classic 17.5K pts	20	20
	Classic 17.5K pts	64	29
	Ultiqa Getaway 40k pts	15	9
	Ultiqa Getaway 40k pts	20	13
	Ultiqa Getaway 40k pts	62	16

[^] Note, this occurs after the stated contract end date. Payback will only eventuate if the scheme is elected by its members to extend past the stated contract end date.

* Has a typical **membership level** which for an allocated points membership is defined as one that could be purchased with an initial upfront fee of between \$21,000 and \$22,000 (see Appendix B.1), and for PAYG memberships is defined as an average yearly points purchase giving a similar level of accommodation as the allocated points membership schemes. A **usage pattern** consisting of a 50:50 split between off-peak and peak bookings, a 50:50 split between one- and two- bedroom bookings and a mix of destinations that roughly align with Australian tourism statistics. **No loan financing. Full points utilisation** each year

Table D.2 – Impact of loan financing on payback period*

Membership Type	Scheme / Membership	Contract term (years)	Payback Period (years)	
			Outright Purchase	Financed Purchase
Allocated Points	Accor 3,000 pts	61	15	25
	Wyndham 7,750 pts	61	30	44
	Marriott 1,200 pts	42	45 [^]	64 [^]
	Ultiqa Platinum 40k pts	62	19	29
PAYG	Classic 17.5K pts	20	20	Never (32)
	Classic 17.5K pts	64	29	44
	Ultiqa Getaway 40k pts	15	9	15
	Ultiqa Getaway 40k pts	20	13	Never (21)
	Ultiqa Getaway 40k pts	62	16	26

[^] Note, this occurs after the stated contract end date. Payback will only eventuate if the scheme is elected by its members to extend past the stated contract end date.

* For the Baseline Consumer defined in Table D.1. Financing assumed to be at 14% interest with a 10-year principal and interest loan.

Table D.3 – Rates of return following sale on the secondary market after 10 years membership

Membership Type	Scheme / Membership	Contract term (years)	Rate of return*		
Allocated Points	Accor 3,000 pts	61	-1.7%	to	1.6%
	Wyndham 7,750 pts	61	-7.3%	to	-2.8%
	Marriott 1,200 pts	42	-9.3%	to	-4.4%
	Ultiqa Platinum 40k pts	62	-3.6%	to	0.0%
PAYG	Classic 17.5K pts	20	-10.3%	to	-0.5%
	Classic 17.5K pts	64	-15.9%	to	-2.8%
	Ultiqa Getaway 40k pts	15	3.0%	to	7.7%
	Ultiqa Getaway 40k pts	20	-3.3%	to	3.5%
	Ultiqa Getaway 40k pts	62	-7.2%	to	1.2%

* For the Baseline Consumer defined in Table D.1. For the allocated points memberships we have assumed a resale value of 20% to 40% of the upfront costs. For the PAYG memberships we have assumed a resale value of 0% to 40% of the upfront cost

Table D.4 – Allocated Points Memberships – Rate of return by holding period for a Baseline Consumer

Scheme / Membership	Contract term (years)	Rate of Return*				
		5 yrs	10 yrs	20 yrs	40 yrs	Contract end ⁺
Accor 3,000 pts	61	-14.0%	-1.7%	4.5%	7.0%	7.5%
Wyndham 7,750 pts	61	-19.7%	-7.3%	-0.5%	2.8%	3.7%
Marriott 1,200 pts	42	-21.5%	-9.3%	-2.5%	NA [^]	0.3%
Ultiqa Platinum 40k pts	62	-15.7%	-3.6%	2.8%	5.5%	6.1%

* For the Baseline Consumer defined in Table D.1. Assuming a resale value of 20% of the upfront costs adjusted for inflation prior to term end and the return of current net asset value per point at contract end adjusted for inflation.

+ Rate of return measured to the end of the contract – residual value is set as net asset value as at 2018, inflated to the wind-up date

[^] Not shown as this scenario implies resale very near to contract end, for Marriott contract end is 42 years

Table D.5 – Assessment of value for Baseline Consumer, PAYG Points memberships*

Scheme	Contract term (years)	Joining Fee	Payback Period (years)	Rate of return	
				10 years [^]	EOC ⁺
Classic 17.5K pts	20	\$ 16,490	20	-4.2%	0.2%
Classic 17.5K pts	64	\$ 26,990	29	-7.2%	3.6%
Ultiqa Getaway 40K pts	15	\$ 9,990	9	5.6%	7.9%
Ultiqa Getaway 40K pts	20	\$ 14,990	13	0.7%	5.5%
Ultiqa Getaway 40K pts	62	\$ 19,990	16	-2.1%	7.1%

* For the Baseline Consumer defined in Table D.1

[^] Assuming a resale value of 20% of the upfront costs

+ End of Contract (rate of return measured to the end of the contract). No residual value

Table D.6 – PAYG memberships – Impact of annual spend (points plus annual fees) on rate of return

Scheme	Contract Term (years)	Joining Fee	Baseline (\$860 pa)		Low buy-in (\$700 pa)		High buy-in (\$1,350 pa)	
			10yr	Contract end	10yr	Contract end	10yr	Contract end
Classic	20	\$16,490	-4.2%	0.2%	-6.7%	-3.0%	2.2%	6.7%
Classic	64	\$26,990	-7.2%	3.6%	-8.9%	2.2%	-2.6%	6.7%
Ultiqa Getaway	15	\$9,990	5.6%	7.9%	1.3%	3.4%	16.3%	18.3%
Ultiqa Getaway	20	\$14,990	0.7%	5.5%	-2.6%	2.1%	9.1%	13.1%
Ultiqa Getaway	62	\$19,990	-2.1%	7.1%	-4.8%	5.3%	4.9%	11.7%

* Assuming a resale value of 20% of the upfront costs adjusted for inflation