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**Comments on World Tourism Organization Discussion Paper
Tourism Statistics and the measurement of Timeshare
(World Tourism Organization)**

Tourism Statistics and the Measurement of Timeshare

Comments on World Tourism Organization Discussion Paper



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1. Presentation

The Department of Statistics and Economic Measurement of Tourism of the World Tourism Organization invites stakeholders in the timeshare business and experts in National Accounts and international classifications to participate in its effort to understand how timeshare operates, and how it can be analyzed in macroeconomic categories using international classifications and principles: these reflections will contribute to the present process of revision of international statistical standards such as international classifications and conceptual frameworks.

The special nature of Timeshare and other Holiday ownerships systems require a clear understanding by WTO statisticians and classification experts before a final assessment can be done. IH&RA and WTO have formally requested timeshare industry representatives to contribute to this process of classification revision.

Several Timeshare experts from different companies and organizations around the world have submitted their comments to the WTO discussion paper. All participants are listed at the end of the present document.

1.1 Background

To consider Timeshare as a specialized form of second or vacation home" is not entirely accurate. Whilst timeshare offerings may be structured in a number of different ways (deeded interests, right-to-use, club membership, share based plans and so forth) the wider view these days is that a timeshare is really a holiday or leisure product rather than a real estate purchase, especially given the trend towards more points-based product. Points or usage rights may be underpinned by real estate but arguably, timeshare per se is better perceived as a form of flexible holiday or vacation ownership rather than a "bricks and mortar" product. The real estate element however, is important as it underpins the timeshare model and secures the usage rights or occupancy rights of the purchaser/user/owner.

WTO refer to the demand side for imputed rent on owner-occupier second homes but with respect, this ignores the role of specialized timeshare exchange companies who facilitate exchanges between properties. Few, if any, timeshare purchasers actually purchase a property with a focus on the generation of rental income! The product is bought for use and exchange and therein lies its value

Timeshare is a concept that has stimulated the creation of various types of product, some of which are based on leisure oriented accommodation. This product type could be referred to as "Holiday ownership".

1.2 The industry perspective

This section poses the question as to how the value of a timeshare is established, reference ought to be made to the old-established industry norm of looking to set the retail price of a new timeshare offering at a level which equates to roughly ten times the cost of renting one week in similar quality accommodation. This norm still holds good today. Re-sale value is an entirely different matter

1.3 The national accounts and economic classification perspective

In response to the management aspects of the industry – who does what, in terms of building, selling, exchanging, reselling, maintenance and managing. There are several players within the industry:

Developer: is the entity who owns the physical property to be sold as timeshare, the developer may or may not be responsible for construction as some timeshare developers acquire built inventory for sale on a timeshare basis

Sales & Marketing company: responsible for the commercial aspects including promotion and sales of timeshare intervals. Certain aspects of the commercial process could be sub-contracted to third companies such as lead generation, telemarketing, etc. The sales company may or may not be linked to the developer, this means that the developer could also act as marketer or reach an agreement with a specialised company for the promotion and sales of the product.

Management company: Entity responsible for the maintenance and management operations of the resort. The developer may hire and train the necessary staff himself or take on a specialised management company. In certain applied timeshare models or legal structures the responsibility of running the resorts passes over time to the owners committee (representing all owners) according to the resort constitution.

Exchange company: exchange is an important and complex part of timeshare, the success of the timeshare industry is due in large part to the existence of exchange companies as the exchange option adds an extra dimension to the product. The main business of the exchange companies is to offer to timeshare owners the opportunity to exchange their timeshare interval for another of similar characteristics.

Owners Committee & Association: In the case that a retail timeshare model and legal structure is used the timeshare owners play a certain specific role. The owners' committee/association of a resort represents all timeshare owners at that property, and usually works in collaboration with the developer. Initially, the developer owns most of the units, controls the association board, operates the resort and provides most, if not all, of the association funds. When a stipulated percentage of the units in the resort have been sold, control of the association passes to the owners, who elect a board of directors to oversee the resort operations. In other cases the timeshare owners have an advisory voice and in other structures owners or not participating at all in the governance of the resort

Trustees: Organisation specially structured to safeguard the rights of timeshare purchasers through certain legal formats usually known as "club trustee" system, predominant in Anglo-Saxon markets as it relies on trust law. The timeshare owners' occupancy rights are protected through the trustee which has established an owning company on behalf of all the owners and which owns the units on behalf of all the owners.

Resale companies: Specialized organizations or divisions of the timeshare developer entity whose activity is geared to selling on the open market weeks, which had previously been bought from the developer by individuals that subsequently wish to sell.

It is important for WTO to understand the primary earnings streams within the timeshare industry, including the development profit earned from a successful project, net of product and all related costs, marketing and sales expenses and general and administration costs; the revenue earned by management companies for the provision of management services to a timeshare resort (typically an on-cost of between 10% – 20% of the actual operating budget); commercial revenues derived from food and beverage provision, pay-as-you-use facilities and other supporting commercial activities such as health and beauty, bar, golf, tennis and so on and finally, the profits derived from the provision of consumer financing provided to timeshare purchasers either in the form of commissions generated from a third party specialist lender or through the arbitrage earned by the developer as between his own cost of funds and the interest rate at which he lends money to his customers.

Particular reference ought to be paid to income recognition issues under US GAAP. This has been the subject of a recent Statement of Principle handed down by FASB/AICPA

in the United States following extensive lobbying by ARDA (American Resort Development Association). Regard should also be had to the OTE (Organization for Timeshare in Europe) Industry Standard Chart of Accounts working party who now have a draft chart of accounts in circulation.

The draft has been circulated to main players in the European industry for comment, ahead of its hopeful adoption later in 2005. In the USA, very few timeshare transactions will be based upon leasehold property unless the length of the timeshare interest offered corresponds to the full term of the lease, since under US GAAP, if a developer does not divest itself of its entire ownership interest in the real estate, then this leads to income recognition issues. The US Statement of Accounting Principle ought therefore be properly considered.

1.4 Description: What is timeshare?

There are a number of definitions beyond that adopted by ARDA, for example, the definition adopted within the European Timeshare Directive reference EC/47/1994 a directive on the protection of purchasers in respect of certain aspects of contracts relating to the purchase of the right to use immovable properties on the timeshare basis; *"Any group of contracts concluded for at least three years under which, directly or indirectly, a payment of a certain global price, a real property right or any other right relating to the use of one or more immovable properties for a specified or specifiable period of the year, which may not be less than one week, is established who is the subject of a transfer or an undertaking to transfer"*.

Note also the statutory definition of timeshare taken from the Florida Real Estate Timesharing Statute chapter 721 as: *"Any arrangement, plan or similar device, but not including any exchange programs, whether my membership, agreement, tenancy in common, sale, lease deed, rental agreement license, right-to-use agreement, or by any other means whereby a purchaser in exchange for consideration, receives a right-to-use accommodation or facilities, or both for a period of time less than a full year during any given year, but not necessarily for consecutive years, and which extends for a period o more than three years"*. There are many other definitions including that contained within the California Sub-division Land Act as well as the United Kingdom Timeshare Act of 1992, to name but several.

In summary, there are numerous definitions of timeshare, dependent upon the jurisdiction in which the resort property is located which try to capture the essence of the product by reference to the myriad ways in which a timeshare interest can be created in as many jurisdictions around the world in which the concept is now well established.

Timeshare can be considered as a single "economic fact" but with many and very distinct legal natures, depending of the jurisdictions and the developers policies. However a global macroeconomic analysis of timeshare should put emphasis on the fact that the "economic reality" is more or less always the same, whatever the legal nature is.

In general timeshare can be described as a holiday concept whereby the purchasers acquires for the prepayment of a capital sum and with the obligation to pay for ongoing maintenance and management of the holiday accommodation, the right to use holiday accommodation in future years for a certain period and time per year.

When looking at revenues recognition policies for the resort timeshare industry, there is a generally recognized problem when it come to treating resort timeshare ownership as a variety of leasehold property. In such circumstances, the revenue from the sale of the use rights would typically be amortized over the life of the lease in order to comply with generally accepted accounting rules, however, unless this is something that the developer specifically wishes (e.g. for tax purposes), in most cases, such a treatment could be undesirable. The resort timeshare industry has been built on the compelling

commercial argument that the inherent profit from the realization of the future value of the asset can be brought forward in time and recognized on the date of sale.

The value of a timeshare transaction in term of trying to establish a tool to ensure its economic impact should be based on using all variables that allow a consumer to occupy holiday accommodation. This includes the purchase price, the yearly maintenance-management fee, the costs related to financing the purchase, and the extended usage as a result of exchange fees. Indirect economic contributions are already mentioned to include food and beverage (purchased at the resort), and other holiday related purchases such as flights, car rental, etc.

The WTO description of exchanges gives the impression that most of the exchanges are done through developers and resort managers, although, many exchanges do take place through multi-destinations developers and clubs the great majority of exchanges are still done through the specialized exchange companies.

2.1 Types of timeshare ownership

In general two basic regulatory systems exist, those based on real property law, and those based on contract law. There are several variations on these.

PROPERTY LAW SYSTEMS

Property law systems are characterized by the transfer of property rights through a public document, backed by registration at the official property or real estate registry. Property law systems put great emphasis on the real-estate nature of the transaction, although this does not mean that timeshare is a pure real-estate activity, but rather that it uses property law as a basis upon which to develop an autonomous legal system with specific and differentiated characteristics.

Property law systems emphasize the legal protection of consumers and users in that they have a real right in the immovable property, enforceable against third parties. This system can be inflexible, however, and if precautions are not adopted when additions to the timeshare project are planned, it may subsequently prove more difficult or costly to correct any practical problems arising.

The following are the most important areas covered by the property law systems:

MULTI-OWNERSHIP: The ownership of tourist accommodation in timeshare divides it into as many parts as there are weeks in the year. In this way, each co-owner can use and enjoy exclusive use of an apartment or tourist accommodation during the period of time that corresponds to the week(s) purchased. Each co-owner is obliged to pay his share of annual management and maintenance fees. A working association is created, and each weekly period of timeshare takes the form of a full, autonomous property right, precisely because it can be documented in a deed and registered at the local property registry.

MULTI-USE: This creates use rights on those shares of ownership into which the total ownership of the apartment or tourist accommodation has been divided. In this way, the buyer may acquire, for a defined term of say, 20, 30 or even 50 years, the right to use and enjoy the accommodation, furnished and equipped, and with all related services.

When this term of use expires, the developer may sometimes regain full ownership and then has the right to decide whether to continue the project or not

RENTAL FOR PERIODS OF TIME: This system, used mainly in Greece, lies somewhere between property law and contract law. It gives the timeshare buyer the right to lease for the number of years specified within the deed, after paying the full rent in advance, without affecting the necessary contribution to management and maintenance costs.

PERIODIC RIGHT-TO-USE: This is the system which operates in Portugal, where a specific legal structure has been created to regulate timeshare rights. Property

registrars are entrusted with certifying that the requirements of Portuguese law for operating timeshare resorts are observed and with the issue of Certificates of periodic habitation. These are public deeds which can be assigned by endorsement and confer on the title holder the right to use and enjoy the tourist accommodation described therein for a set period of time, as specified in the deed.

PERSONAL RIGHT OR CONTRACT LAW SYSTEMS

CLUB TRUSTEE FORMAT: This system, based on contract and trust law, has been traditionally used by Anglo-Saxon developers across many countries within Europe, including the civil law jurisdictions. The legal interest in the timeshare property is transferred to an entity known as an 'owning company'. This non-trading "owning company" is usually controlled and managed wholly and exclusively by a specialist trustee company, which acts as trustee for the benefit of those persons who have bought rights to use the timeshare accommodation at a resort and to whom certificates of membership are issued, conferring these use rights.

As the unencumbered legal title to the resort is not held by the developer, but by the trustee through exclusive control of the owning company and on trust for the club members, this system protects the legitimate rights of the purchasers in the case of the insolvency of the developer. It is an example of the application of the "safe hands" principle. The buyers/beneficiaries become members of a club (usually either an unincorporated association or possibly a company limited by guarantee).

The Club is initially set up and controlled by the developer as founder member but the Club's Constitution allows for participation by purchasers in the management and administration of the resort and the buildings held by the owning company through the voting rights attached to membership of the club. It should be noted that within the European marketplace, there is no mandatory requirement for full-blown owner democracy so that in practice, one finds varying levels of owner control within the existing resorts. In some cases, the owners are in absolute control whilst in other cases, owners have very limited rights to express their views as well as little, if any, control over the future management and operation of their resort. The Club Constitution, Deed of Trust, Club Rules, Bye-Laws and the Management Agreement commonly form the basis of the timeshare plan documentation and determines the rights and obligations of each of the parties involved. Issues affecting the timeshare project are often resolved by the club members, with legal title being held by the independent trustee (through its control of the owning company) on the timeshare owners' behalf.

COMPANY SHARE SCHEMES: This system, originally popular in France through a mechanism known as the Societe Civile d'Attribution, consists of a company which owns the buildings and whose corporate share capital is divided into shares that give the respective holders, rights to use and enjoy the real estate owned by the company in accordance with its byelaws. The same company may also manage and maintain the buildings and provide additional services that are essential to the timeshare project, although this is not a legal requirement. In practice, this type of structure has created huge limitations on the ability to market a project across international borders because the share-based structure conceptualizes the product as a securities and investment product, meaning that strict compliance with any applicable investor protection legislation is then required which can be a costly and challenging endeavor.

COMPARISON OF FEE-SIMPLE DEEDED OWNERSHIP AND RIGHT TO USE

Under a deeded plan, a timeshare owner acquires an ownership interest in the immovable property itself corresponding to the number of time allotments purchased. Close to 90% of existing U.S. timeshare resorts sell on a fee-simple basis, largely in consequence of tax laws and accounting principles, which benefit both buyer and seller.

The resort is structured often as a type of condominium, giving each timeshare purchaser an undivided 1/52nd interest in the condominium apartment itself as a tenant in common with the other 50 timeshare owners (one week is typically reserved

for annual maintenance). Under this plan, the owner actually owns a fraction of the real property and can transfer title as with any other real estate. Usually, ownership is tied to a specific unit and specific time each year. Spain along with Portugal, are the two principal jurisdictions in Europe within which divided freeholds (right in rem) have featured as part of the timeshare product offering.

Forms of Deeded Product

Fee-ownership forms provide purchasers with deeds that convey or transfer varying types of real property interests. Deed conveyance is seen in some jurisdictions as providing the consumer with more protection when compared to other non-deeded forms of timesharing. The following is a description of the various types of deeded product currently offered in the industry:

- **Timeshare Ownership** – In a timeshare ownership project, the owner receives a transfer of fee-simple estate by warranty deed. The owner acquires his interest as a tenant in common with other purchasers. For example, a one week owner acquires an ownership interest equal to a 1/52nd interest in the premises. Ownership is tied to a specific unit.
- **Interval Ownership** – In an interval ownership timeshare project, the buyer receives a deed conveying the ownership interest in the unit equal to the annual length of the period purchased, typically 1/52nd. A recurring or revolving estate for a specified number of years is conveyed to each owner, so that he or she actually owns the unit for a specified period of time each year, for a specified period of years. At the end of the period (e.g., 50 years), the estate lapses and the remaining interest is converted to an estate in common, which would then be subject to an action by the owners for partition. This type of structure has been referred to as a “discontinuous lease”.
- **Undivided Interests** – In an “undivided interest” project, the purchaser receives a deeded undivided co-ownership interest in the real property and improvements as a whole, without owning any specific lot or unit. For example, a buyer in a 20 villa project based on 50 weeks for sale per unit, acquires an undivided 1/1000 interest in the project. Use of the project is governed by a declaration of restrictions that is recorded prior to any sales. Management is usually carried out through a non-profit owners association.
- **Co-operatives** - Under the co-operative form of timesharing, each purchaser owns a portion of the entire premises through the purchase of stock in a non-profit cooperative corporation that owns the project. The buyer’s interest is evidenced by a proprietary lease, which sets forth the shareholder’s overall rights, including right of occupancy. This form of structure is cumbersome but has some advantages such as, offering the lender improved security position and is the type of framework adopted by Hapimag in Switzerland. Its sale in certain jurisdictions is likely to prove cumbersome because as a stock or share-based product, it has to comply with all applicable investor protection legislation and often involves the issue and approval of a formal Prospectus.
- **Fractional Interests** - Fractional interests are holiday ownership programs longer than the traditional one or two week timeshare product. They have been an increasingly important element in the holiday ownership industry since the late 1990’s. In the US fractional interests began to attract interest after the Tax Reform of 1986 reduced the utility of second homes as tax shelters. Faced with increased costs resulting from unused holiday homes, and the difficulty of renting them out, the traditional second home buyer began looking for alternatives. Fractionals offered an appealing compromise; the right to occupy the unit for a portion of the year tailored with their expected usage pattern – from four weeks to 13 weeks – at a price that reflects the period used only, coupled with a second home interest deduction. For developers the concept was attractive also, providing an affluent, newly interested market. Profit margins can be higher in fractionals than in full-unit second homes sales – closer to timeshare margins – and with fewer units to sell, marketing costs are lower than traditional timeshare programs. Usually, the buyer gets the right to occupy the

unit on a rotational basis, enabling each buyer to use the holiday home during each season of the year.

Advantages of Deeded Ownership

The main advantage of this form of ownership is that most buyers can readily appreciate the value and security provided by deeded property ownership, often protected by formal registration in a local Land Registry. It is unclouded by the ambiguities associated with other types of legal ownership forms in which outright deeded ownership is not provided but in Europe it is still rarely used, the preference being for the flexibility offered by a secure right-to-use product. All US quoted companies who participate in the timeshare industry will structure their offerings so as to ensure that the real estate subject to timeshare occupancy rights is off their balance sheets, since the Developer cannot recognize a sale under US GAAP unless the developer divests itself of its entire ownership interest. This is not an issue for non-US domiciled developers, where limited term right-to-use product can be established, with a reversion back to the developer without adverse tax consequences.

Disadvantages of Deeded Ownership

Among the disadvantages that can be cited for this legal form is the lack of flexibility for buyers as well as being both cumbersome from a legal perspective and very expensive because of the strict transfer formalities. From a developer entity perspective, the issue of giving up ownership and control may be viewed as a drawback.

Right-to-Use Products

A right-to-use plan typically offers buyers the use of the accommodation during a particular week for a specified number of years. After that period elapses, the rights revert to the owner. In effect, it works as a prepaid occupancy program that allows an individual the right-to-use either a specific unit (fixed unit) or a particular unit type (floating unit) for a specified period of time, usually between 50/80 years and sometimes in perpetuity. In Europe, such structures usually place the un-encumbered legal ownership of the timeshare accommodations plus the benefit of all necessary legal rights and easements over the resort's common parts and facilities, in the hands of a specialist independent Trustee, to be held on trust for the owners or club members, from time to time.

Forms of Right-to-Use Product

- **Club Memberships** – This form of timesharing has gained enormous popularity since the early 1980's. In a club membership project, the developer places ownership of the real property and its improvements in trust as indicated above. The purchaser receives a certificate of membership in the club entitling him or her to use a unit for a designated period each year and to use the recreational amenities available at the project. No title or interest in the underlying property is conveyed.

Often, these club membership programs are being structured using a "point-based system," offering certain benefits and flexibility to timeshare owners. The "Club" concept also travels well across international borders.

- **Holiday Licenses** - Under a holiday license arrangement, the developer sells to a buyer a license to use a specified or unspecified unit for a designated period each year for a certain number of years. Holiday licenses are not in wide use today.

- **Leasehold Interest** – Some forms of timeshare can be based on a leasehold interest. The Disney Vacation Club utilizes a format deeding an undivided interest in each specific unit (a unit is defined as a building containing several holiday club apartments) of its fifty-year leasehold condominium. The principal reason for the use of a leasehold structure is the desire of the developer to maintain long-term ownership of the property. In addition, by providing a leasehold interest rather than a right-to-use, tax benefits accrue to the developer in that the pro-rata cost of the units are recognized as a cost of sales at the time of sale, rather than over an extended period of time through depreciation charges.

Duration o Right-to-Use Product

Typically, the period of the membership may be anywhere from 20 to 80 years, however Spanish timeshare legislation sets the right at a maximum of fifty years, with a reversion to the developer . At the end of the membership period, the developer may resell the membership to another party or sell it back to the original owner. The length of use of the resort recreational facilities does not have to match the duration period of use of the unit but it is better if it does. For example, some timeshare projects have sold right-to-use programs embedded with golf use packages. The golf packages may have a five to ten year duration, while the right-to-use of the unit lasts from 20 to 50 years. These are matters which must be covered by specific and accurate disclosures.

Advantages of Right-to-Use

The primary appeal of the non-deeded right-to-use form of timesharing is the flexibility it provides. In addition, due to their limited duration, right-to-use holiday ownership products are usually less expensive to administer than deeded products.

Disadvantages of Right-to-Use

Among the disadvantages for this form of timesharing are purchasers who may not be as comfortable since there is no deeded ownership, and lenders who are less willing to offer financing due, in some cases, to a more fragile security position. This concern can be easily addressed by utilizing the services of one of the specialist, independent trustee companies.

Variations in Use Offerings

One of the most important issues to be determined in planning a timeshare program is the pattern of use by the purchaser. Each use program will appeal to a different segment of the potential market and may involve different management arrangements. The primary usage of holiday ownership products involves fixed and floating uses. The trend among newer projects is to emphasize flexibility by building into the system as many features as possible to accommodate uncertain and changing leisure time patterns. Examples of this flexibility, include increased offering of floating periods, the use of split weeks for holiday ownership resorts in "drive-to" markets, and the offering of "points" systems. In the case of urban projects, daily as well as split week usage arrangements have to be considered.

It is contended that the above analysis when read in conjunction with the WTO discussion paper, correctly identifies the different structures or formats within the timeshare environment. It is possible to look at the various statutory definitions and the analysis above to distil a simple listing of observable characteristics for the timeshare product.

Question: Would it be true to say that there are no directly observable characteristics of accommodation owned under the timeshare arrangement which make them easy to identify? If not, what are the special characteristics that would make possible to separate them from other visitor accommodation?

As explained beforehand the definition of the product timeshare changes from jurisdiction to jurisdiction. The objective of getting common observable characteristics for statistical purposes and applicable in all jurisdictions becomes a difficult issue to resolve, as sometimes timeshare is seen as an early payment of future holidays while in others as a real estate investment.

Within a jurisdiction it would be possible to find clear observable characteristics, while trying to get these common features worldwide becomes a difficult mission. Timeshare embraces a range of concepts relating to the shared use, enjoyment or ownership of both movable (executive jets, boats, etc) as well as immovable assets. This wide capture of different concepts does not facilitate its clear classification and statistical collection.

In our opinion, the characteristics that differentiate timeshare as a product and could separate it from other tourist accommodation for classification purposes are the following:

- **Shared rights to use a property in succession.**

Sharing exclusive rights with others becomes the key element in the timeshare definition and it is the main item that differentiates it from other tourist accommodation.

- **Right-of-use for less than one full year.**

The sharing principle is accompanied by the fact that these rights cannot be for a full year otherwise we would be looking at a pure freehold ownership or leasing. From a practical point of view, the ratio property to member should be at least 1:2. Rights of enjoyment should not necessarily be for consecutive years.

Depending on the legislation, we also find a myriad of other main timeshare characteristics like the duration of the regime over than a certain number of years, but these characteristics cannot be applied to the product for statistical and classification purposes.

2.2 Payments

These days most professional developers will prepare a full and detailed operating budget for a specific resort and apply a formula which allocates that budget fairly across the resort, by unit accommodation type. This ensures that the budget is fairly apportioned between units of different sizes and, by way of example the basis of allocation will often rely upon timeshare accommodation unit floor areas. The budget will also include a provision for a sinking or reserve fund to ensure ongoing maintenance of the timeshare accommodations over time as well as an annual management fee (something between 10% – 20% of the actual operating budget) as a margin to the professional manager.

Special assessments are raised in circumstances where some significant and possibly unforeseen expense arises within a resort.

The secondary market for timeshares is still developing but most timeshare products are freely alienable and a separate group of service providers – specialized resale agents have grown up to meet this need.

Items such as property taxes, insurance costs, utility charges and so forth are usually factored into the annual maintenance fees as part of the detailed operating budget. Sometime annual management fees may include a once weekly or a twice weekly clean of a unit where the owners can avail themselves of additional cleaning services for a fee.

In certain regions like Latin America, timeshare is very integrated with the hospitality and it is rather the rule and not the exception that the services provided are similar to a full hotel operation with daily maid service included in the annual maintenance fee.

Question: Are there some management companies specialised in the management of timeshares? Can they be separately identified?

There are some specialized management companies operating within the industry and they can be separately identified although having said that, the major hospitality brands who are now a significant force within the industry will tend to manage their own branded resorts and they will often have a preference for developing mixed-use resorts where a timeshare component is added alongside a branded hotel property.

Question: Do Hotel management companies also manage timeshares? If so, can they provide separate information about the revenues and fees and costs associated with managing timeshares separately from managing a hotel?

Yes, and this is particularly very often in Latin America and in the US market where the major hospitality brands now have a sizeable market share. The same is starting in Europe with De Vere, Pestana, Hilton, Sol Melia, etc.

Question: When a property management company manages both condominiums and timeshare condominiums or timeshare complexes, can they provide separate information about the revenues and fees and costs associated with managing timeshare as compared to those associated with managing condominiums?

These hotel management companies normally operate through a separate group company, founded for the purpose of allocating clearly profit and loss from the timeshare business and show accounting fidelity to shareholders. This operational structure allows hotel management companies to provide detailed financial information to third and separate timeshare revenues and costs from the hotel ones.

Management companies operating within the timeshare sector tend to be focused purely on timeshare given the particular nuances of the industry although occasionally they may also manage rental condos.

Question: Do management companies of timeshare make a distinction between management fees and special assessments in their accounting records?

Management fees schemes are built to secure the long term life of the home resort. Technically, management fees are a pure budgeting exercise, where all expected costs associated to the running of the resort plus a certain replacement fund (also called special assessment) are distributed according to the ownership rate of each resort members. When having historical data, this calculation is obtained from a simple lineal projection taking into account new and cancelled memberships.

When well administered, either by a third party management company or by the own developer, this scheme controls and monitors any budgeting deviation caused by the introduction or any other assessment that does not relate to the actual running of the club. Traditionally, replacement funds or special assessments are a fixed percentage proposed by the management company. Special assessments as well as any other accounting feature can clearly be identified in any well structured account statement.

Although internally management companies make a clear assignment to the special assessment, from a practical point of view both the management company and the customer do not make any distinction between special assessment and the maintenance fees. The special assessment is normally considered by both stakeholders as a budget line that has to be covered by all club members, similar to water, electricity or gardening. In summary, special assessments can be easily identified in the accounting records of any management company but are considered as a part of the management fees, invoiced together in a whole fee with any other item that relates to the running of the club.

Question: Are there other important payments associated with the ownership of a timeshare that have not been enumerated above?

Maintenance fees cover a broad picture. We need to point out that TS also provide Resort service from the traditional limited to a full hotel service), Member Service, reservations and collections services and also the furniture replacement and renewal for the units so that they stay acceptable through the life of the membership/ownership.

Apart from described in the WTO discussion paper, there are other important payments involved in the vacation membership or timeshare:

a) Finance receivables.

The offering of a consumer financing package impacts in the success of sales & marketing operations as it overcomes the traditional affordability objection by the customer. Most timeshare purchasers finance their acquisitions via the developer. Typically, a 10% initial down payment will be requested and the remainder will be financed over three to ten years.

Generally speaking, over 50% of new timeshare purchasers would sign a deferred payment agreement with the developer. This important receivable portfolio becomes one of the main economic key drivers for the developer. In many timeshare developments, net profit is mainly driven by the financial interest from the receivable portfolio. These monthly payments are typically done on a monthly basis and subject to a French system of amortization.

b) Exchange company fees.

The exchange companies play an important role in the industry providing the necessary flexibility to the product. Its role is also key at the point of sales as well as customer related operations as it helps to overcome the flexibility objection from the customer. Typically, developers will affiliate new purchasers to an exchange company for the first one or two years of membership. Once this period has elapsed, it is up to the individual client to decide on renewal or not. These affiliations with exchange companies become then a one-to-one transaction with no developer involvement.

We can distinguish three different payment flows in the relationship between the timeshare purchaser and the exchange company:

- Membership fees. Initially, the developer generally affiliates the purchaser to the exchange company for one or two years. After this period, the client must renew this membership.
- Exchange company transaction fees. Normally, exchange companies will include some sort of fee per transaction as a fee per exchange.
- Other services fees. Exchange companies also include other travel products in their portfolio of products that offer through cross selling and other marketing practices.

c) Reservation fees.

The floating timeshare use plan requests the realization of a reservation before a timeshare owner can use his or her accommodation. This reservation can either be done by the developer, the Management Company or third parties as exchange companies. In all the cases the floating reservation is subject to a fee that in some cases is included in the annual maintenance fees. Helped by the development of sophisticated software systems, the quick growth of the floating product is generating a high reservation transaction volume that was not ever produced with the traditional fixed product.

d) Trustee fees.

The trustees play a key role in the club membership model instrumented through a club-trustee format. In this case trustees secure a revenue stream that may come from the developer or the customer directly. On one hand, resorts are subject to an annual membership administration fee as well as a fee per new registry. On the other hand, individual customers must pay to the trustee certain services directly like duplicates of membership certificates or membership transfer fees

3.0 Macroeconomic analysis

3.1 Timeshare as a form of ownership

It may be more helpful to regard resort timeshare as a special form of holiday taking, rather than second home ownership. If indeed the value of a resort timeshare is no more than "rolled up" and discounted future rental payments, then there is no ownership implied, simply a financial mechanism to ensure access to a certain type of property over the long term.

In the United States, timeshare usage rights are usually underpinned by a deeded interest in real estate although this is effectively a form of shared ownership. Regard should be had to the suggested breakdown of types of timeshare ownership detailed under point 2.1 above.

When using the term “Usufruct” we need to consider that in some regions like Latin America, usufruct does have a very precise meaning and its scope is broader than right to use, reference have to be made to a service contract or modality to the lodging contract as it is understood in the civil law tradition (as an exception, Fractional Interest programs are more similar to the usufruct concept).

a. Rights associated with a right-to-use or leased ownership.

Few if any timeshare interests are established through any form of leasehold ownership. The concept of what might be termed a “discontinuous lease” was attempted within the United Kingdom but was not successful. Some developers may wish to establish a timeshare plan for a limited term and create a leasehold interest out of an existing freehold where the lease may be given over to a trustee so as to provide some security of future occupancy rights in circumstances where the developer looks to retain the reversionary interest in the real estate.

An example would be an urban timeshare project whereby a developer creates a 25-year leasehold interest and puts the lease under the control of an independent trustee with the property reverting back to the developer entirely after the 25-year term. Arguably, the purchase price paid by the buyer in this scenario could be perceived to be a pre-paid rental and some jurisdictions may allow the amortization of the purchase price over the span of the leasehold term but this scenario has to be considered very carefully by reference to the General Accounting Principles which apply in a specific jurisdiction. Reference has been made earlier to US GAAP which is probably the most important reference point given the breadth of the industry and the stature of its main players, many of whom are publicly quoted companies.

As a general comment, the analysis of the rights associated with right-to-use or leased ownership appears to be overcomplicated. “Services” within a timeshare context are usually provided by specialized management entity in return for payment of the owners’ annual maintenance fee.

b. Rights associated with deeded ownership

Again, the analysis on the part of WTO is overly complex and fails to recognize the variety of structures found within the timeshare sector from one jurisdiction to another. In the United States, for example, timeshare or vacation ownership is usually sold nowadays as a very flexible usage right but underpinned by an undivided interest in the real estate. The primary reason that most developers will wish to clear the real estate off their balance sheet is in order to be able to recognize a sale under US GAAP.

A distinction needs to be made between the purchase of the timeshare interest which is essentially a right to the ongoing use, enjoyment and occupancy of an apartment of a specific type, either for a defined term or in perpetuity where owners will, in addition, pay an annual maintenance fee to cover the provision of the necessary services which will enhance their enjoyment of the property whilst in occupancy. Having said that, given that a timeshare product is essentially a holiday or vacation product, its real value lies in its usage over time since its value will in the normal course of events, usually depreciate.

c. Rights associated with the membership system.

The club format has been used very effectively in many parts of the world, especially in Europe. Clubs can be both incorporated as well as unincorporated. In the case of unincorporated clubs, they usually work best where an independent specialist trustee separately holds the timeshare accommodation assets in trust. The use of a share based structure, such as was common in France years ago, can create some specific

challenges related to investor protection legislation when sold across international borders.

The legal structure to be used is very delicate and may/will vary from country to country. We would dare say to say that the driver on the legal structure varies from Developer to developer depending on their fiscal strategy.

In addition when looking into the Club Membership with non-mandatory fees and a preferential rate the developer is really acting as a hotel owner and the club becomes a wholesaler. In the legal structure it is very difficult to try and agree to 3 or 4 standard structures.

In addition there is specific legislation on this in some of the countries in Latin America that are mostly designed to protect the consumer.

Question: Are this analysis conceptually correct?

Answers posed to the questions under this section cannot perhaps be simply answered without a much more detailed analysis of the industry by reference to its major markets/jurisdictions and a fuller understanding of the legal concepts which have been utilized in the structuring of those resorts.

Question: In the case of deeded ownership, which of the 2 options seems preferable and more consistent with the treatment given to life annuities or usufruct rights in other circumstances?

Question: How should case c) be treated? Are these similar to membership rights in social clubs, sporting clubs, etc? How are they treated in general in the National Accounts? Should the treatment here be similar?

This will again have a fiscal implication. But it should not be very complicated since the sale of the share will include in the contract all benefits and obligations including those of fees that need to be paid for the correct and continuous service and operation of the club.

Question: Should timeshares be treated as “owner-occupied dwellings”, even though the ownership may or may not be of physical asset but only of its use?

3.2 Maintenance fees

Annual maintenance fees are the lifeblood through which resorts are able to function going forward and delinquency in payment of annual maintenance fees is always a primary concern for a resort and especially for its professional manager. Management companies will usually earn their profits based upon the management fee that they are able to charge, usually expressed as a percentage or margin over and above the amount of the actual operating budget.

Question: In the case of a membership (case c), purchasing such services might seem somewhat odd, as there is no property to which to apply those services... They represent purchase of services, similar to those purchased by members of country clubs, or sporting clubs, where current fees are payable, above the purchase of the share. Should these payments rather correspond to services provided by membership organizations?

This will have a fiscal implication. But it should not be very complicated since the sale of the share will include in the contract all benefits and obligations including those of fees that need to be paid for the correct and continuous service and operation of the club. As supplementary comment, shares of stock and, in general, equity used as vehicle to market timeshare, should not incorporate lodging rights as part of their value; alternatively, such lodging rights should be part of the estate of the company

that issues equity in the understanding that by-laws should provide the rules according to which share holders are to exercise rights with respect to the lodging rights which are owned by the company (e.g the club).

3.3 Special assessments

Question: Is the analysis correct in all cases?:

This is where resorts have been properly structured and have built in an adequate reserve or sinking fund provision from day one (and specialist software is readily available to help compute the reserve fund requirement over an extensive period) so that special assessments should rarely arise. They can arise when force major occurs in circumstances where insurance cover may be inadequate but the WTO analysis within the draft discussion document is overly complex and to some extent inaccurate.

In our experience the refurbishment costs and any larger expenses are usually calculated into the normal maintenance fee. Also remember that on the RTU structure with the property reverting to the developer or the Club type where the maintenance fee is non-mandatory the developer is actually the one owning and investing in their property.

3.4 The exchange system

The basic concept of timeshare allows the purchaser of a block of time to take holidays in the same apartment or other lodging, at the same time of the year for the duration of his agreement with the resort. The one drawback of the basic idea is its inflexibility. The exchange concept allows the purchaser of a timeshare interest at one resort to exchange it for another interest owned by someone else at another time and or place. Access to an exchange system is widely recognised as one of the principal motivations for the purchaser of timeshare. In most cases, the purchaser of a timeshare interest usually becomes a member of an exchange company automatically after the purchase, which is when the developer enrolls him/her to the exchange network.

Two types of exchange exist: internal and external. An internal exchange takes place when an owner exchanges a week at his/her home resort for another week at the same resort. An external exchange occurs when an owner swaps the week at the home resort for a week at a different resort with which the owner has no direct connection. The exchange companies, using a system of equivalencies, administer both internal and external exchanges, the latter are the major part of an exchange company's operation, and the resort developer or manager can also manage the internal exchanges. In the majority of the cases an exchange fee is payable for every week or reservation made.

The classic exchange system has been based on one week intervals, however the exchange companies have developed new systems to provide more flexibility to the timeshare product, such is the case of the Points system and holiday clubs.

3.5 Market for timeshares

Marketing and Selling of Timeshare is done either by the original resort developers or by third party agents appointed by the developer. In addition, in some cases, developers will appoint sales and marketing agents in other jurisdictions to sell inventory off-site.

4.0 Timeshare and associated transactions in international classifications of activities and products

4.1 Timeshare units

Historically, developers have approached the industry from a number of different perspectives. An entrepreneur has subsequently switched Apartment/villas within a complex originally destined for whole ownership to timeshare use. Some developers have purchased green field sites, obtained the developer entitlements and purpose built timeshare resorts, frequently selling off plan but providing appropriate bank guarantees relating to completion. Developers especially from the branded international hospitality sector have looked to add a timeshare component alongside existing resort hotels and again have undertaken phased construction of purpose built inventory.

In many instances, developers contemplating timeshare have to consider whether there is a viable exit route in the event that the timeshare plan does not work. Usually, that option relates to the sale of the individual units as either residential or second home properties.

Hospitality brand participation in Europe is, at this time, fairly limited by comparison to the USA where larger developers such as Marriott have built stand-alone timeshare resorts but other brands such as Sheraton, Westin, Hilton, Hyatt and Four Seasons have tended to focus on mixed-use resorts where timeshare and/or fractional interests have been added in proximity to an existing resort hotel property, usually with a well developed amenity base.

In circumstances where sales are made off plan with phased construction, units are frequently sold out by the time that they reach final completion. In other cases, where, for example, rental apartments adjacent to a hotel are upgraded and offered for sale on a timeshare basis then pending sale as timeshare units, the apartment inventory is used for rental purposes in the form of an annex to the core hotel room inventory.

Question: Are there any physical characteristics associated with properties owned under a timeshare contract, that would make it possible to classify them into a unique subclass of the classification as a physical asset?

Strictly speaking, there are no physical characteristics associated with Timeshare properties which would make it possible to classify them into a unique sub class. The units are essentially residential in that they are providing holiday accommodation in some form of timeshare or shared ownership plan.

Question: Should it be placed within residential buildings, or non-residential buildings (such as hotel buildings)?

Considering that Timeshare units are not occupied as primary living accommodation, and that they are perceived as a holiday or leisure product rather than a real estate purchase, we recommend that Timeshare be placed within non-residential buildings in a specific or separate subclass.

The CPC from the United Nations Statistical Division classifies products based on the physical characteristics of goods or on the nature of the services rendered. It looks quite evident that from a CPC points of view, Timeshare as a service should be included in section 6, division 63 (lodging, food & beverage services), group 631 (lodging services). This group is divided into the following classes:

- 6311 Hotel and motel lodging services
- 6319 Other lodging services

Each of these categories is also subdivided into different subclasses. Class 6311 (Hotel and Motel lodging services) includes lodging and related services provided by hotels, motels, inns and similar lodging places, hence it looks reasonable to classify timeshare services in this category as a separated subclass.

The second classification system mentioned in the WTO discussion paper is the ISIC (International Standard Industrial Classification). Contrary to CPC, this classification classifies industry segments and not products. There can be arguments to position timeshare as an industry either in sections:

- Construction
- Hotels and Restaurants
- Real estate, renting and business activities

From an ISIC point of view, include the industry in a single group may be a difficult exercise as the Timeshare industry compiles a whole set of different activities that should be placed in different groups.

Question: In ISIC rev 4 the separation of types of visitor accommodation has not yet been finally decided. In the CPC could these units owned under a timeshare system be grouped together and classified as a special category within visitor accommodation different from holiday homes and apartment hotels?

Both, converted accommodation inventory as well as purpose built inventory offered under some form of timeshare or shared ownership plan ought to be identified within a separate category. We would recommend including a separate class that could group timeshare units. This subclass would help to track and understand the skyrocketing timeshare's economic importance worldwide

Question: If it is impossible to identify them separately, should they be left, individual or as a global projects, within the subclass which best describes their characteristics. What would be some of the broader categories and what would be the characteristics that would distinguish them?

Amongst the characteristics that would distinguish them are:

- a) Their larger unit size
- b) Their usually high level of year-round occupancy
- c) Their shared ownership under some form of timeshare plan
- d) The physical quality of the units and their expansive amenity packages which are usually much more luxurious than standard hotel rooms and well above the standard that would typically be encountered with mainstream holiday apartment rental.
- e) Their participation in some form of exchange program.
- f) The ongoing obligation on the part of the owner to pay annual maintenance fees.
- g) The fact that an owners' non-use of a timeshare apartment (assuming that the relevant annual maintenance fee has been paid) is a loss to the owner rather than the developer, which is not the case with hotel inventory.

4.2 Imputed (and actual) rentals

Timeshare purchasers do not buy for rental purposes. It should not be forgotten that timeshare usage plans permit alternate year occupancy, split-week and in some cases, even nightly usage and regard must be had to the proliferation of points programs over the last 5/10 years.

As a general statement, a purchaser's enjoyment of their timeshare accommodation is directly related to the quality of management services provided on site. By way of example, a five star accommodation product with only a three star management service would most likely fail; conversely, a three star physical product with a five star management service would likely be very well received.

Regarding the possibility of providing additional services similar to those provided in a hotel: In Latin America it is more the rule than the exception, and the services are already included in the normal maintenance fee.

Question: Should a separate class under CPC 631 lodging services be created for them or should they be placed as a CPC class within a broader class for letting services of furnished apartments to visitors?

To the best of our knowledge and according to the needs of tracking properly the timeshare's economic importance, we would recommend to open a new class under CPC 631 Lodging services for timeshare products. This new class to group timeshare products would be at the same level that 6311 (Hotel and motel lodging services) or 6319 (Other lodging services).

4.3 Maintenance services provided by third-party managers of property owned under a timeshare scheme

Within a timeshare environment is infinitely more complex than simple management associated regular condominium properties, not least because of the sheer number of owners, the fact that those owners are on vacation and have high expectations relating to the enjoyment to be derived from their timeshare apartment, and it is for this reason that timeshare development and operation appears to have the best fit with mainstream, upscale hospitality where customer service is a core competent and is well understood.

4.4 Timeshare exchanges

Timeshare exchanges are usually brokered using a system of equivalences or points through specialized exchange companies that centralised the offers and demands, and match them, through sophisticated computer technology systems. To become a member of the exchange network an initial enrolment fee is usually paid by the developer or marketer, subsequent memberships are paid by the renewing member. An exchange fee (which should not be considered a commission but a service fee) is payable for every week exchange or reservation made by the member.

4.5 Trade services of buying and selling timeshares

Very few timeshare plans are share based because of the complexities associated with investor protection legislation when share-based products are sold across international borders. Whilst timeshare interests might be derived out of real estate, the emphasis is very much upon leisure/recreational usage and the management services related to timeshare ownership are very much akin to lodging and hospitality services. In other words, timeshare for many of the global hospitality brands now in the business is, in many respects, an extension of their core lodging product and an opportunity for the application of their core hospitality skills and expertise, as well as a means of building long-term customer and brand loyalty. Timeshare re-sales are predominantly undertaken by specialist timeshare resale agencies rather than through real estate agents

5.0 Extension of the issue of classification within a tourism perspective

Question: Although the existence of timesharing is recognized as well as its economic impact on tourism expenditure, it may not always possible, because of its economic organization, to measure it separately from expenditure associated with other forms of organization. What could be done to overcome this situation?

It is a fact that in many occasions it is not possible to measure timeshare impact on tourism expenditure. In many cases, timeshare is sold in developing countries with a poor national administration that complicates the tracking of its impact on national tourism expenditure. In other cases, when hotel groups also market timeshare, timeshare revenue is overlapped with revenues coming from hotel operations. There is a whole set of other contingencies that complicate the correct assignment of timeshare within the tourism expenditure.

There are some companies in the market that produce periodical studies about the timeshare industry and its economic impact in different world regions. However, these studies need to be observed with caution as are done by market analysis companies with different research methods, and in many times unable to track many independent developments.

From an industry point of view, it supports any policy that would overcome the difficulties to measure timeshare's economic importance. The quest for national timeshare registries, the issuance of licenses to develop and market the product and the support to regional timeshare organizations like the Organization of Timeshare in Europe (OTE) or the American Resort Development Association (ARDA) are three policies that would help to overcome this situation

6.0 Measuring services associated with timeshare

Additional questions for the industry:

Question: Is the general description of timeshare correct?

As it has been explained before, the definition of timeshare changes from jurisdiction to jurisdiction, and therefore we can find different timeshare definitions depending on the legislation we take. However, there are some common patterns in all definitions and these are well explained in the ARDA definition included in point 2 from the WTO discussion document.

Question: Are there systems of timeshare other than the three that have been identifies? Please describe them.

See above

Question: How widespread is timesharing over the world (indicators: number of units, number of weeks, value of assets, etc..)

See Appendix "World Timeshare facts and figures"

Question: How is the business organized?. Is there an international organization which federates all stakeholders of the business?

Today, the timeshare market is organized by regions through trade associations. There is not a unique international organization that federates all stakeholders of the business. These regional trade associations include the principal key drivers of the timeshare industry like developers, exchange companies and other independent service providers.

Some of the main trade associations are the American Resort Development Association (ARDA), the Organization for Timeshare in Europe (OTE), Asociación Mexicana de Desarrolladores Turísticos (AMDETUR), Canadian Resort Development Association (CRDA), Timeshare Industry in South Africa (TISA), The Thai Vacation Ownership Association (TVOA), the Australian Timeshare & Holiday Ownership Council Limited

(ATHOC), or All Indian Resort Development Association (AIRDA). These associations are the representative bodies of Timeshare players who are committed to a code of ethics for the proper conduct of the business and safeguarding consumers' interest

Question: Is there a unique model worldwide? Is it a completely separate branch from other activities in the hospitality environment? What is the link and how is the involvement of the international chains of hotels and resorts with timesharing (different systems...)?

Question: Which type of information is or could be generated?

- Value of new timeshares put on the market according to each of the systems; value of timeshares withdrawn from the market.
- Measuring the importance of exchanges (in particular cross-border exchanges...)
- Present value of existing stock of units given in timeshare
- Value of management fees and of special assessments
- Value of traded weeks or traded rights: exchange and sales

Generally speaking, the price of a timeshare interest is driven by the underlying construction cost, the marketing and selling costs, the general administrative costs and the profit margin to be considered by the right of use mechanism of the product sold does not have a direct influence in the price. In this sense, considering the same physical property, there should not be any justified price differences between a club membership any other right-of-use systems. In some occasions, developers apply a slightly higher price to deeded ownership due to the high registry costs. In summary, the characteristics that drive the price of the timeshare product are:

- 1) Resort location.
- 2) Resort amenities.
- 3) Size and quality of the unit.
- 4) The sales & marketing operations. Legislation, market conditions and other factors may cause that it may be more expensive to sell a product in some regions than in others.
- 5) The local salary structure. To maintain a weight administration may be more expensive in some countries.
- 6) Seasonality of the location and time purchased.
- 7) Quality of the management.
- 8) Duration of the timeshare interest.
- 9) External exchange affiliation.

Comments received from the following industry entities:

AIRDA (All India Resort Development Association) – Chennai, India

An association which represents the vacation ownership (timeshare) industry in India, facilitating its growth and Development by catering to consumers and members alike, ensuring fair practices and ethical business policies. <http://www.airda.org/>

ARDA (American Resort Development Association) – Washington, DC. USA

The American Resort Development Association was founded in 1969 to represent the interests of the resort industry in the U.S. Today, with almost a thousand members, ARDA is recognized internationally as the foremost organisation promoting the resort development industry. <http://www.arda.org/>

AMDETUR (Asociación Mexicana de Desarrolladores Turísticos) – México DF, México.

The Mexican Association of Tourist Developers, AMDATUR, was created as a result of the constant and rapid growth of tourist Resorts in Mexico and the need to have a single spokesman in dealing and working with the authorities and the private sector to establish criteria and a proper framework of regulations that would permit the tourist real estate industry to forge ahead in Mexico. <http://www.amdetur.org.mx/>

Anfi del Mar. – Gran Canaria, Spain

Opened its first club in 1992 has continued to grow becoming one of the most important holiday ownership resorts in Europe, with over 30.000 European members. <http://www.anfi.com/>

Cendant Corporation. – New York, USA

Cendant Corporation is primarily a provider of travel and residential real estate services. It is one of the world's largest hotel franchisors (Ramada, Travelodge, Howard Johnson, Days Inn, etc) and one of the worlds' largest car rental operators (Avis and Budget rent a car). Cendant is also the largest real estate brokerage franchisor and the world's largest vacation ownership organization. <http://www.cendant.com/>

Club La Costa Hotels & Resorts. - Malaga, Spain

Club la Costa is one of the largest developers and resort managers in Europe, owning 20 resorts outright, with over 1,500 apartments in Spain, Scotland, Tenerife and Austria. <http://www.clublacosta.com/>

Dean & Associates. – Chester, England

Paul Dean is a consultant expert in the timeshare industry since 1983, he has been involved in the setting up of over 100 resort projects across more than 15 different jurisdictions. He is a member of the OTE Board and oversaw the preparation of the 2001 European timeshare industry baseline study.

Malaysian Holiday Timeshare Developers Federation. - Malaysia

This organization was created to represent the interests of the Timeshare industry in Malaysia.

OTE (Organization for Timeshare in Europe) – Brussels – London - Madrid

Was established in 1998 to improve representation for reputable companies in the timeshare sector and promote fair trading, quality and growth of the timeshare industry. OTE is a direct membership Organization with over 130 members from all sectors of the industry across Europe, including resort developers, exchange companies, management and marketing companies, trustees, finance houses and resale companies. <http://www.ote-info.com/>

Philip Bacon (Consultant) – Gran Canaria, Spain

Independent consultant with several years of experience in the timeshare sector within Europe.

Ragatz Associates (Consultant) – Oregon, USA

Ragatz Associates is an international consulting and market research firm to the resort industry. Founded in 1974 by Dr. Richard Ragatz the firm has conducted nearly 2,000 studies for resort developments in 45 states and 56 countries. Ragatz Associates operates two business units, one dedicated to feasibility and market research and the other to quality assurance. <http://www.ragatzassociates.com/>

RCI (Resort Condominium International) – Parsippany, New Jersey. USA

Created in 1974, it is the leading global provider of products and services to the timeshare industry, with more than 3.700 affiliated resorts in 100 countries and over 3 million members worldwide. RCI is considered the world's expert in exchange vacations and it is a subsidiary of the Cendant Corporation.- <http://www.rci.com/>

RCI EUROPE. – Hammersmith, London. UK <http://www.rci.com/>

RCI LATIN AMERICA. – Mexico DF, Mexico <http://www.rci.com/>

RCI ASIA PACIFIC. – Singapore <http://www.rci.com/>

RMI Consortium. – Marbella, Spain

Founded in 1987, RMI has grown to become one of Europe's top holiday ownership groups, with inventory in more than 36 resorts across Europe. <http://www.rmiconsortium.com/>

TMC (The Management Consulting Partners) – Hannover, Germany. - Gran Canaria, Spain.

TMC is a network of European independent consultants with experience in the development and operations of Fractional and Timeshare frameworks, Private residences and freehold. <http://www.tmc-partners.com/>

APPENDIX

WORLDWIDE TIMESHARE INDUSTRY FACTS & FIGURES

Growth of the timeshare industry worldwide, 1980 - 2003

Year	Total timeshare projects	Total timeshare owners (000s)	Intervals sold in year (000s)	Cumulative intervals sold (000s)	Average intervals owned	Sales volume (\$ M)
1980	506	155	100	100	-	490
1981	631	220	175	275	-	965
1982	950	335	205	480	-	1,165
1983	1,200	470	225	705	-	1,340
1984	1,550	620	275	980	-	1,735
1985	1,774	805	245	1,225	1.52	1,580
1986	1,779	970	240	1,465	1.51	1,610
1987	1,822	1,125	280	1,745	1.55	1,940
1988	1,899	1,310	330	2,075	1.58	2,390
1989	2,132	1,530	395	2,470	1.61	2,970
1990	2,357	1,800	405	2,875	1.60	3,240
1991	2,687	2,070	440	3,315	1.60	3,740
1992	3,050	2,363	500	3,815	1.61	4,250
1993	3,653	2,760	530	4,345	1.57	4,505
1994	4,145	3,186	706	4,600	1.44	5,115
1995	4,355	3,744	683	5,283	1.41	5,123
1996	4,551	4,099	676	5,959	1.45	5,253
1997	4,840	4,532	710	6,669	1.47	5,710
1998	5,156	4,898	735	7,416	1.51	6,200
1999	5,198	5,103	750	8,166	1.60	6,720
2000	5,290	5,742	775	8,941	1.55	7,700
2001	5,385	6,261	837	9,778	1.56	8,300
2002	5,425	6,700	922	10,700	1.59	9,400
2003*	5,791	7,100		11,400		9,709

Sources: Mintel International Group Ltd. Estimates based on industry data and analysis of worldwide studies compiled since 1995

* Estimated figures

Estimated total timeshare projects worldwide by market with
corresponding market share 2002.

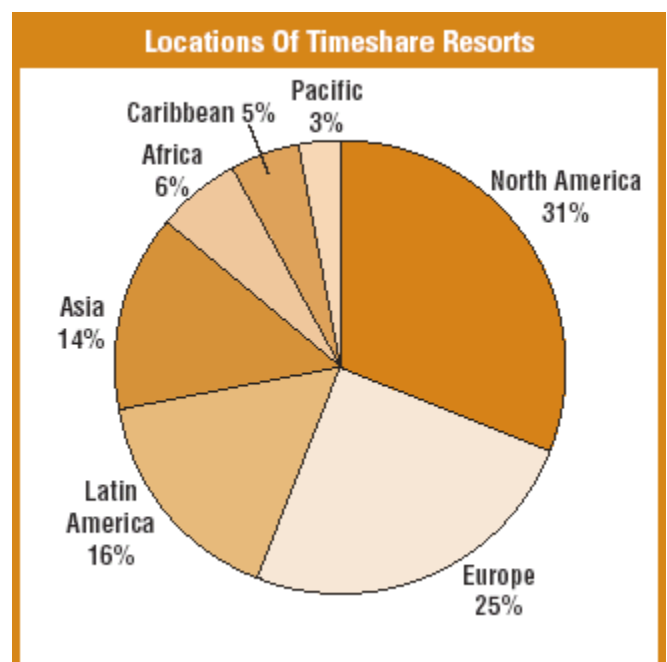
Country/region	No. of projects	% share
North America	1,682	31
Europe	1,452	25
Latin America	869	16
Asia	760	14
Africa	325	6
Caribbean	270	5
Australia/Pacific	163	3
Total	5,425	100.0

Source: The worldwide resort timeshare industry 2003, Ragatz Associates and the OTE Baseline study, 2001

Of the world's 5.791 timeshare resorts, just over 1,700 are in North America, predominantly the United States.

Europe hosts 25%, with Spain offering over 500 timeshare resorts. Latin America includes another 16% of the global total, led by Mexico with some 40% of the resorts in the region. Rapidly emerging Asia offers 14%.

These resorts provide about 325,000 accommodation units worldwide. Over 40% are in the United States, where timeshare resorts tend to be largest with an average of more than 80 units each. On a global basis, the average timeshare resort offers about 60 units.



Some 6.7 million households worldwide owned or held membership use rights to some 10.7 million timeshare weeks (or the equivalent in points) As of January 2003.

Timeshare's economic importance:

Timeshare's importance to many tourism destinations is significant and often underestimated.

A study conducted in 2001 by TRI Hospitality

Consulting of London on behalf of the European trade association (OTE) estimated that the timeshare industry in Europe had some 620 companies operating within the sector employing nearly 40.000 staff. There were approximately 1.4 million timeshare owners in Europe and it was estimated that the industry accounted for some 60-70 million bed-nights per year.

In Latin America, at the end of 2003, there were some 41.500 built timeshare units. It is estimated that the industry annually generates in this region over 12 million occupied units nights.

