THE COST OF PREVOST OWNERSHIP

For over 21 years my wife and I have owned a Prevost conversion. We have had three coaches, bought used, and we have used the first two extensively, and intend to use our newest one often as well. We have done things we never would have had we not had a coach, and in a couple of instances having a Prevost coach created opportunities we were able to take advantage of. There is no way we will ever be able to attach a value to the enjoyment of our coach, or our experiences in it. But we can tell you for sure it has become a substantial and valuable part of our lives.

When we bought our first Prevost I had no clue about what was involved financially. I know what it cost to purchase. I had a sense of what the continued cost of ownership was, but I never realized the big picture. I know exactly what the costs of ownership are today. Keep in mind however that my cost of ownership is not ever going to be exactly like anyone else’s, but I believe everyone’s cost of ownership is going to fall within a range dependent on a lot of factors. Since this is being written in mid 2012, any specific values are only valid for that period of time however the costs over the years are likely to track the market and inflation.

The purchase price of a coach is dependent upon the market and inflation. When our first coach was brand new it likely sold in the mid $400,000 range. That was 1987. When we purchased it in 1990 it was three years old, but had only been in service for about 21 to 24 months, likely because it took time to build and may have been available for sale for some time. When we bought it we paid about 70% of its new price. When we sold it after 15 years of ownership we sold it for 40% of what we paid for it. So it is clear depreciation is a significant part of ownership. To see if that holds up, we bought our current coach when it was 7 years old. Today, 7½ years later it was worth ½ of what we paid for it, so regardless of the age of a coach depreciation is a cost factor that cannot be ignored. The economy was a disaster during that time also affecting the market value of our coach. Coaches are not an investment, they are a depreciating asset. With rare exception few of us will ever make money from ownership due to depreciation. Do not take that as a negative. I will pay whatever it costs in depreciation to be able to rest my head on my own pillow, to drink coffee from my own cup, and to use a toilet not shared with 10,000 of my closest friends. I don’t have to get patted down by TSA, use public toilets in airports or rest areas, and I can change my scenery anytime I don’t like the weather or my neighbors.

The amount of money lost annually to depreciation varies with the age and purchase price of the coach. When the economy went in the dumper and lenders started limiting loans to coaches 10 years old or newer all of us that owned coaches took a serious hit in the loss of value in our coaches, especially as our coaches went past the 10 year benchmark. But as the economy oozes back to normal we will still see
depreciation, but it will be less than in recent years. The actual amount in dollars can range from hundreds of thousands of dollars per year for the first few years for a new coach owner, to a few tens of thousands of dollars for an owner of a 10 to 15 year old coach.

While depreciation is a cost that must be recognized there is an offset to depreciation. The purchaser of a new coach likely has very little other costs of ownership besides insurance, housing and fuel. He is not going to have repairs, and until the coach reaches five or six years old the maintenance costs are likely limited to oil changes and lubes. He will still be on the original tires, batteries and even belts.

The second buyer, someone who is buying a three to six year old coach still has to recognize depreciation as a big expense, but far less annually than what the original owner experienced. But the second owner is going to have increased maintenance costs not necessarily faced by the original owner. The second owner has also lost the opportunity to specify colors, surface finishes and options. The best the second owner can hope for is to get a coach he likes, but which may have some options or colors that are not exactly like he would have selected.

The lightly used five year old coach is a bargain when its replacement value is considered. With 50,000 miles likely showing on the odometer the coach probably cannot be told from new. The technology is almost the same as new coaches, depreciation is much lower, but the trade off is the ticking clock has now exposed the owner to maintenance and repairs that the original owner never had to consider. The second owner may have to buy new tires, batteries for the house and chassis, change transmission fluids, maybe replace some carpeting, and possibly make some changes to make the coach more to his liking, such as upgrades to the sound systems, or reupholstering the sofa.

Where the original owner could ignore some required maintenance or service issues like transmission fluid or coolant changes the next owner will realize he is pushing the limits if these items have not been done and now he has an expense to offset his lower price and depreciation.

When a 10 year old coach reaches the marketplace its value may be as low as 20% to 30% of the cost of replacement. By now the coach’s history may not have been fully documented or available. Without that proof of service the new owner is confronted with a decision about a service program for the coach. He can assume the coach has been properly maintained and just continue with the maintenance program as specified in the Prevost service schedule, or he can assume service has not been done on schedule and he can start from the beginning. With my coaches I zeroed out the service and then stuck to a schedule based on how I used my coach
and my tolerance for risk. I changed all fluids, belts, filters, lubed the entire coach, and in the case of my second coach which passed its fifth birthday, I also changed all brake chambers, batteries, and made certain every tire was within 6 years of age.

At ten years of age and 100,000 miles or more depreciation of the coach has diminished significantly but now some real costs of ownership crop up. These costs are dependent upon luck and an owner’s tolerance for risk. Because I have a low tolerance for risk I replace all air bags, Norgren valves, and converter installed coolant hoses, at ten years of age, in addition to maintaining a schedule for normal oil changes, filters, lubes, transmission and coolant changes while dealing with components that fail or wear out.

Examples of items I have repaired or replaced outside of my normal maintenance schedule include the alternator, electrical monitor, hot water heater, water pump (house), radiator fan clutch, and numerous relays, fittings, valves, windshields, a refrigerator and hub seals. So while a ten year old coach is relatively inexpensive to purchase and has relatively low depreciation, likely down into the $10,000 to $20,000 range annually an owner still has to do exactly the same scheduled maintenance events as the owner of a brand new coach and buy the same amount of fuel. But he also has the longer term maintenance items to deal with including unanticipated repairs.

The purchaser of that ten year coach is not going to get current technology, he may have a coach that has lost its luster, is going to start to need repairs, but in terms of useable life it may still have 60% to 80% of its likely life still remaining. But now the owner has to recognize if he maintains the coach to the Prevost schedule, plus deals with typical repairs his cost of ownership apart from depreciation is much greater than that of the owner of a new coach or a five year old coach.

And as a coach ages further, getting into the 20 year old range, serious money is going to be need to be spent to restore the appearance such as repolishing the stainless or repainting the coach to match current designs and quality. The prices for 20 year old coaches are very low, depreciation is negligible but now an owner has to face a harsh reality. The cost of maintaining and repairing the coach to Prevost standards may become prohibitive. It might not make sense to pay $100,000 or less for a coach and justify the costs to replace several Cruise Airs, or 8 tires, or repaint the exterior, or redo the interior. This is where an owner may have to participate in his coach repairs and maintenance, or be prepared to pay a lot of dollars for upgrades or repairs, and never realize a return on that investment. We are reaching the point unfortunately where a tank of fuel on some older coaches is one or two percent of the coach value. An owner of an older Prevost that was purchased for far less than $100,000 may never justify replacing air bags, all tires, or any of the other significant
expense items and may only remove and replace components as necessary and may actually not continue with a maintenance program. Unless a new buyer of an older coach has planned on the real costs of maintaining an older coach the true costs of ownership may never be spent. The coach may suffer as a result.

So how can an owner come up with a cost of ownership? Since values and costs change as time goes by there is no answer that is valid for longer than it takes for ink to dry. But a little research can reveal a lot.

To identify depreciation which owners need to recognize as a true cost, look at the prices of coaches for sale and relate those prices to model year and replacement cost today. If a new coach today costs $1,500,000 and the same model that is 5 years old is selling for $750,000 that coach has lost 50% of its value in five years with the depreciation per year being greater in the early years, and slowing in the later years. A little study of coach prices over the range of offerings will give a clue as to how much value will be lost per year of ownership.

Is the coach going to be financed? If so there is going to be an interest expense associated with the loan, and if it is going to be paid in cash then the owner loses the money that might have been earned on the invested capitol.

When you own a coach you need to insure it. You should house the coach. You also need to understand some items need to be replaced because of age, not how much the coach is used or how many miles it has been driven. Tires and batteries typically fall into that category and they have 5 or 6 year lives on average. Batteries are expensive and can cost $2500 or more to replace. Tires are even more expensive and at today’s prices can cost $6000 or more to replace.

All of the above items are fixed costs and those costs are present whether the coach is driven 0 miles or 10,000 miles. The best way to reduce those costs on a per mile basis is to use and enjoy the coach. If the coach is rarely used because the cost of fuel is high for example you will almost be able to watch the money burn as the coach continues to depreciate and age related costs time out. Fuel costs all of a sudden, in that context seem pretty cheap, even when I considered I have paid as little as $.69 per gallon in my early years of ownership.

Variable costs are those related to fuel and maintenance based on miles driven. Owners can expect 5 to 8 miles per gallon depending on the coach engine, weight, what they tow, how fast they drive, if they drive in the mountains, or if they are on the interstates or the city streets. There are other variable costs such as oil changes and lube jobs, and depending on who does the oil change, filters and lube job the costs can be up to $750 or more. An oil change or lube job should be a lot more and
should include a check of fluid levels, condition of belts and hoses, inspecting the brakes, hub seals, draining and servicing the air system, etc.

Hub seal leaks are not an everyday event, but they do happen. It would not be unusual to spend several hundred dollars for a hub seal replacement, and if ignored it may involve brake shoe or pad replacement, and at worst bearing replacement. That gets into substantially more costs.

A set of air bags can cost as little as $1200 for parts or several thousand if you choose to use a repair facility. Norgren valves are critical components of the suspension system and at 10 years of life (like air bags) are going to start to show issues. Parts and labor to replace them is going to be between $1000 and $2000. Ditto with brake chambers which I treat as five year items although Prevost clearly states they must be replaced at 100,000 miles or one year, which ever comes first. You have to determine your own schedule.

There is no way to anticipate a major repair or component failure. One overheating incident can ruin a perfectly good engine. A transmission can fail for unknown reasons. It is almost a guarantee that a 10 or 15 year old coach can have a failure of something expensive from time to time. I don’t like spending a couple of thousand dollars to replace a refrigerator or alternator, because failures of components like those have to be dealt with, yet my coach hasn’t gone up a penny in value because I have a new alternator or refrigerator. So I just adjust my viewpoint. I treat major expenses, both planned and unplanned as having an annual value. When I replace my air bags I divide the cost by 10 years and at that point the cost is tolerable. I can stomach those big expenses when I look at the per year cost. I may not like them, but I can accept them when I view them that way.

So what’s the bottom line? As an owner or a prospective owner recognize that buying your Prevost is just the beginning of your costs. But don’t let any of that convince you to not proceed with a purchase. The level of enjoyment of Prevost ownership is unmatched in almost any other item. Yes ownership is expensive, but in all the years of ownership I have never met an owner that regretted owning his Prevost. We know from our personal experiences that nothing we have ever purchased has been as enjoyable or satisfying. Just go into ownership with your eyes wide open to the costs and use your coach often. You will never regret it.

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