

# Oregon RV Makers Hit The Road After Economic 'Tsunami'

Tim Christie, AP Writer

EUGENE, Ore. (AP) — The fall of the recreational vehicle industry in Lane County was swift, relentless and brutal.

A year ago at this time, local RV makers sent workers home for their customary holiday furloughs. Most workers never came back. Within months, two companies, Monaco Coach Corp. and Country Coach LLC, filed for bankruptcy.

Today, Country Coach is all but dead, its bankruptcy case now in Chapter 7, meaning everything it owns will be sold to satisfy debtors. Monaco Coach, once a high-flying publicly traded company headquartered in Coburg, became a tiny division of a multinational corporation, Navistar International, after its assets were sold off in bankruptcy. A third manufacturer, Marathon Coach, remains in business, but has limped along on a curtailed production schedule, building a fraction of the high-end bus conversions that it did in previous years.

"It was one of those business cycles that happens once a century," said Steve Schoellhorn, president and chief operating officer of Marathon Coach. "It came so fast and so hard, it was like a tsunami, and we couldn't get out of the way of it. The whole thing blew up."

While the local RV industry is not gone, what's left is a mere shadow of what was a major force in the local economy.

As recently as 2005, transportation equipment manufacturing — an industry dominated by the three RV makers — employed 4,500 people in Lane County, second only to the wood products industry. By last March, that number had fallen to 900, before rebounding to 1,400 in October, according to the state Employment Department.

Monaco Coach employed more than 2,000 people in Lane and Linn counties as recently as 2008. Today, about 400 people are working at the Coburg plant, Navistar spokesman Roy Wiley said. Country Coach employed nearly 2,000 workers at its Junction City plant as recently as 2006. Today, the company is defunct. Marathon Coach employed more than 400 people in 2008. Today, it has 240 employees.

Ron Folk is among the former RV workers who hopes things start turning around soon. A production worker at Monaco for 51/2 years, Folk now is working part time, doing maintenance at an RV resort on the coast, making about one-third of what he earned at Monaco. He stays in a travel trailer, and only makes it home to see his wife in Springfield a couple of times a month, he said.

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Published on Industrial Maintenance & Plant Operation (<http://www.impomag.com>)

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"It pays more than unemployment," he said. "You do what you got to do... As soon as the economy turns around, and people start hiring inland, I'll probably find something closer."

Other workers, such as Todd Wilson of Springfield, were called back to work for the new Monaco last summer after being unemployed for more than six months.

"When I got the call I was ecstatic," he said.

With fewer people on the job, workers carry more responsibility for quality, he said. Workers also make more money than before, and get similar benefits, he said.

"It's still a great place to work, and a great crew of people to work for and work with," he said.

Jack Roberts' job is to find the silver lining — or at least a ray of hope — in all those clouds. As executive director of the Lane Metro Partnership, Roberts works to retain and recruit employers. One bright spot he sees in the implosion of the RV industry is the number of skilled workers left behind. He said he's hopeful most will stick around Lane County until the economy turns around.

"When people get back into the production cycle, when manufacturing jobs start to come back, the presence of that work force here should make us attractive," he said.

Roberts said that, in hindsight, it's obvious that a business that relied on wealthy people spending large wads of cash on discretionary, luxury items would be vulnerable in an economic downturn. But, he said, "It's very hard to say no to people who have large sums of money and who want to buy what you're selling."

While the industry looked at demographics in its favor — aging baby boomers with time and money to spend on leisure — they missed the economic clouds, he said.

"We didn't fully understand how much we were riding a stock market and real estate bubble," Roberts said.

Monaco is building both motorized motor homes and towable RVs. Wiley, the Navistar spokesman, was vague on production levels, saying it has "gone up somewhat."

"We're looking for a pickup in the market next year," he said.

Navistar, based in Warrenville, Ill., is best known as the maker of International brand buses and heavy trucks, and Roberts said he'd like to see the company move some of that production out to Coburg. The proximity to the large California market makes an Oregon location attractive, he said, but there isn't the supply network established here that there is for its Midwest factories.

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The local RV companies weren't the only ones hurt by the downturn. The Recreation Vehicle Industry Association predicts companies will ship 159,500 units this year, down 40 percent from the 265,000 units shipped in 2008. Those numbers include both motorized and towable RVs.

As for 2010, Richard Curtin, the University of Michigan economist who does forecasts for the industry, predicts RV shipments will increase by 27 percent to 203,500 units.

Richard Coon, president of the RVIA, points to signs of a recovering economy, including a stronger stock market, slowing job losses, higher productivity, increasing home sales and rising manufacturing hours. But weak consumer confidence, continued high unemployment, and anemic consumer spending remain cause for concern, he said.

RVs, he said, "are woven into the fabric of America."

Marathon's Schoellhorn said the high end of the RV market — the niche that his company occupies with its \$1 million-plus custom bus conversions — "is still really, really challenging."

"It's better right now than it was a year ago, but it's still way, way off from the highs of a few years ago," he added.

Marathon built fewer than 20 coaches in 2008, compared to 70 or 80 per year a few years back.

"We really slowed down production" in 2008, Schoellhorn said. "We're just starting to ramp up a little bit."

Marathon, which is a privately held, family owned business, specializes in building high-end coaches, bought by race car drivers, professional golfers, actors and others who can spend \$2 million for what Schoellhorn once called the "Ferrari" of motor homes. That rarefied niche has enabled the company to survive the recession, he said.

"Our niche doesn't require the volume that a typical RV maker requires," he said. "Even though things are bad, we can get by and even prosper with fairly minimal sales, while other companies need substantial volume."

But the recession has hurt prospective Marathon buyers, he said.

"I put a lot of our customers and prospects in two categories: One group doesn't have the money they used to because of lost investments; the other has it, but is afraid to spend it."

"Every now and then I hear people express the view that the rich will always have money," said Bill Conerly, a Lake Oswego consultant.

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"It's kind of true, but there are times when the rich don't want to spend money."

As the RV industry comes back, it will look different than the prerecession industry, experts say. The high end of the market in particular will take time to come back, said Frank Magdlen, a Portland analyst.

"It's going to be smaller until times get better," he said. "It might take three to five years for it to be what it was in '06."

Bob Lee is the godfather of the local RV industry, co-founding the company that became Monaco Coach in 1968, and starting the company that became Country Coach in 1973. He said that while lower-end RVs, such as trailers and toy haulers, will bounce back, he thinks the high end of the market the niche that Country Coach carved out for itself "is pretty much history."

"The tribal knowledge to build high-end is going away fast," he said. "With that gone, there's no way to crank it back up again."

"It's not just a production line product," he added. "It's not an easy program to just go out and build some of these. I'm not even sure I could put together a company that could build these at this point."

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