

Scottsdale company sees decline in auto sales as boost for service, repair industry

Posted By Mike Padgett

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The freefall of U.S. auto sales combined with last summer's soaring fuel prices, while bad for carmakers and the overall national economy, are creating greater opportunities for the auto service and repair industry, say officials at a company new to Scottsdale Airpark.

They say it's a no-brainer that the current economic recession and concerns about layoffs caused many motorists to delay plans to buy new cars, the second-most costly expense in their budgets, behind mortgages or rent payments. And in keeping their old cars, they want to squeeze as much mileage out of whatever they drive, whether it's a thirsty SUV or a fuel-efficient small car, say officials at [Honest-1 Auto Care](#), a national franchise company that recently opened its offices at 7430 E. Butherus Drive., Suite B.



"People are shying away from purchasing new vehicles, which makes the need to maintain their current car's performance all the more important," Honest-1 President and Chief Executive Jack Keilt says in a prepared statement.

Honest-1 has 19 franchises in 10 states – seven in Nevada, three in Oregon, two in Utah and one each in New Mexico, Iowa, Minnesota, Pennsylvania, South Carolina, New Jersey and Florida.

"Everybody is looking for what is going to give them better gas mileage with their existing cars," says Rissy Sutherland, Honest-1's senior vice president of operations. "People are a lot more concerned about taking care of their car and not having to replace the transmission or other major components. If you do maintenance on them, they should last 200,000 miles."

Sutherland adds that she drives her personal vehicles "until they die." She's been driving for about 19 years, and she's currently on her third car, which is a late 1990s Toyota 4Runner. She says studies recommend that until the cost of repairs exceeds the value of the vehicle, "you're better off driving your car and getting repairs just because it's so cost effective."

"Until I know it's time to replace them, I keep driving them," she says. "The way they're built now, they last 300,000 and 400,000 miles."

Sutherland says that by the end of 2009, the company plans to have about 40 franchises, including at least one in metro Phoenix. The company was formed in Nevada in June 2007.

Last year was brutal in the automotive world – auto sales entered a historical nosedive, causing manufacturers to seek federal loans, and fuel prices in Arizona passed the \$4-a-gallon mark. Although fuel dropped to about \$1.60 a gallon, consumers are fearful last summer's high prices will return.

In December, when financing for new businesses remained tight, Honest-1 announced that franchise applicants may qualify for a program that draws on their 401(k) or IRA retirement accounts. The process is called the Retirement to Franchise Transfer plan, which allows franchisees to use their retirement funds to buy stock in their new business without suffering taxes or penalties for early distribution.

In other words, the franchisee is allowed to transfer his or her retirement account from one investment to another. That allows the franchisee, according to Honest-1 information, to use the money to pay for all expenses related to startup, expansion, fees and salaries. If the franchise is successful and grows, so does the franchisee's retirement savings.

Honest-1 franchise owner Ransom Towsley in Bridgeville, Pa., quoted in a company press release, sees himself as a better investment than anything on Wall Street.

"When I sell my franchise at retirement, the proceeds will go tax-free into my 401(k)," Towsley says. "Today, I would much rather invest in myself than in the stock market."

Tapping into retirement accounts, instead of using loans or home equity, is a concept that has been used to finance the startup of small businesses for years, says Tim McCarthy, vice president of franchise development at Honest-1.



Sutherland adds that the franchise operations are family friendly. They offer HDTV, leather furniture, complimentary coffee and other beverages, play areas for children and Internet cafes where adults can keep up with work. She says franchisees receive weeks of training in administration and accounting, Occupational Safety and Health Administration rules, and U.S. Department of Labor requirements.

The startup costs vary, based on the costs of real estate, the size of the franchise, market population density and building improvements. With the basic franchise fee of \$25,000, the total startup costs could range from nearly \$200,000 to about \$290,000, according to Honest-1 information.