



HOW TO START A TRANSPORTATION BUSINESS

A QUICK GUIDE TO STARTING
A TRANSPORTATION BUSINESS
IN BERMUDA



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Starting a transportation business can seem overwhelming at times, but once you have all the pieces in place you can create a very successful business.

Transportation is a needed commodity in almost any economic situation, as there will always be individuals, groups, and items that need to be transported from place to place. Deciding on the type of transportation business is the most important decision that you will make in establishing your business.

There are different types of transportation businesses from which to choose, including: a limousine or taxi service, medical transportation, courier service, trucking and hauling, auto transport business, and charter/bus company. Each type brings with it its own set of opportunities and challenges, so it's important to choose a business where there is actually a need for this type of transportation business in your location and one that does not have too much competition that entry is difficult.

1 Where to Begin

To start a transportation business, it is best to first write a business plan, as with any business. The business plan spells out the business' name; the type and legal structure of the business; and the anticipated size of the operations. For instance, will the business be a sole proprietor or a larger company that employs multiple transportation drivers with a central transport dispatch service number?

The business plan will also help you to identify the target market for the business services you intend to provide, as well as, your market competitors. Researching current and future markets is crucial when looking to establish, sustain, or expand your construction business. You must be knowledgeable about potential customers you can capture who can one day become loyal customers.

The business plan will assist you in working out your start-up finances and working capital needed for the first year or two of the business

Further information on the business plan can be found later in the document.

The BEDC provides the following templates and tools to assist entrepreneurs:

- [The Business Plan Checklist and Template](#)
- [The 3 Common Forms of Business Structure](#)
- [The Sources and Uses of Funds Calculator](#)
- [The Cash Flow Statement](#)
- [Monthly Loan Payment Calculator](#)
- [Sample Partnership Agreement Template](#)

If you're still wondering is this right for you BEDC has a course for you! [Think Like an Entrepreneur](#) is an 8-week challenging learning experience designed to reveal new opportunities, ignite your ambition and foster skills that will empower you to reach new heights as an entrepreneur. This course runs twice a year once in the spring and winter.

2 Obtaining Your Business Licenses, Permits and Permissions

A transportation business is a highly government-regulated industry. It is important to secure the required licenses, permits, or certifications that may apply for the type of business you want to own. You may need a permit for the vehicle(s) in addition to license the vehicle(s). You may also need a specific type of driver's license to operate the vehicles.

Consulting directly with the Transport Control Department (TCD) at 292-1271 is a good place to start. They will be able to provide you with a wealth of information on the process for obtaining the relevant permissions to start the transportation business. Useful information can also be found on their [website](#).

The type of transportation business you want to go into will determine the type of license you need. For instance, a Public Service Vehicle license (i.e. taxis, minibuses, trains, limousines, etc.) is different from a Commercial Vehicle license (i.e. trucks, constructional machines, trailers, tow trucks, etc.). As each type of Public Service Vehicle (PSV) and Commercial Vehicle has specific requirements set out in law there are separate applications forms for each type.

Permit fees for Public Service Vehicles are one-time fees, but not for Commercial Vehicles. For an operating license it is an annual fee. It is important to register and license the vehicles annually that will be used for your business.

For Commercial Vehicles you would get a temporary permit annually for three years. On the second and third year you will need to write in for permission to extend the permit. As the business owner, you have to prove that there is a need for the vehicle by submitting client contracts, etc. to support your application. After the third year you get a permanent permit if approved.

There is currently a significant different between the permit fees for hire/rental trucks versus other regular trucks/vehicles which must be factored into the type of transportation business you create. A regular truck is considered for your company's own business (i.e. hauling your company's goods, materials, service equipment, etc.) for your company's own jobs. A hire truck is a business in itself, in that the trucking service is hired out for a fee. This applies to heavy trucks and tractor trailers.

Be sure to check with [TCD](#) to see if there are any moratoriums in place. For example at one time there was a moratorium on the number of Taxi permits, limiting the number of permits issued to 600.

This will factor into the availability and cost of certain permits and whether they will need to be purchased from TCD or from another private sector business owner, issues which should be factored into your transport business planning.

Generally, PSV applications are received with a cover letter in which applicants elaborate on requirements set out in Note (on the first page of the Application Form). All matters relating to PSVs go before the Public Service Vehicles Licensing Board. The Board meets twice monthly.

Depending on the complexity of your business and securing permits and licenses you may need to seek legal and other advice and support from experts. Minibus permits require a business to be incorporated which is a legal process to limit a businesses' liability. You should also contact an insurance company that specializes in business' chosen models of transportation to insure your business, your vehicles, and your employees.



3 Setting Up Your Operational Facilities

Determine whether you will need an office or facility to operate the business from and what type. Ask yourself whether you will need to obtain office equipment such as desks, file cabinets, computers, printers, and telephone equipment? Can you run this from a home office or share space with another business if a more public facility is needed? Or will you need to invest in some form of in-house dispatch system or can a remote dispatch service provider be contracted to book transportation service calls and dispatch drivers?

A transportation business, needs facilities to not only receive calls to dispatch drivers, but also to store vehicle when not in use. This is very important as the Transport Control Department checks with the Department of Planning when an address is given to ensure that the property can accommodate the vehicle in terms of space as well as type of vehicle.

For instance, if the vehicle is carrying used oil, it cannot be stored at a residential unit, etc.

Will you need to purchase or lease facilities for dispatch and driver employees if multiple vehicle transportation services are provided within the business?

4 Purchasing Your Business Vehicles

Vehicle purchases will be the most expensive start-up cost for your business. This step is probably the most important because the amount of money you spend here will affect your business. The type of vehicle you buy will affect your business as well. Choose vendors wisely.

Do this by researching the reliability of the vehicles based on respectable reference books and through on-line websites that provide consumer ratings on auto vehicles. Check with the Department of Consumer Affairs to see if there have been any issues with a particular vendor or make of vehicle. If possible, speak to others who own similar type vehicles.

The following are questions you should know before purchasing:

- What is the life span of the vehicle?
- What is the cost of running the vehicle?
- What is the fuel consumption
- What is the maintenance and repairs of tires and associated costs?
- Are there savings in bulk purchasing?

You may want to consider buying used models, which can be a big money saver. If you find a vehicle that has low miles and suits your needs, then have it checked over by a mechanic first.

Obviously, the vehicle is the key element to any transportation business, so do everything in your power to make sure that you get the right vehicle for the right price.

You should have approval in writing from the Transport Control Department before you purchase the vehicle, especially if the vehicle must be imported. You will be required to produce the necessary approvals before the vehicle will be able to leave the docks.

5 Marketing Your Transportation Business

Advertise your business to your target market as soon as you are up and running and you should even consider pre-marketing prior to launching. Listing in the Yellow Pages is a standard marketing tool and consumers often turn to it as the first place to search for a service or product. Having business cards are requirements in today's age. Word of mouth can be a big help to a new business so tell everyone that you meet about your new venture and give out your business cards.

Building a website for your business and placing internet ads can help you get the attention of potential customers almost immediately. Likewise, you should consider radio, TV, and print advertising.

There are a variety of niche markets for the type of transportation business you are in. You will have to determine the markets relevant to your business and then advertise/promote directly to that market. For instance, if you are a business who provides daily-living transportation for the elderly, disabled, or childcare service sectors, you could print and distribute market-specific brochures and post in community centers, churches, grocery stores and other public locations where advertising literature can be posted. Or you could contact local seniors' homes to find out if they provide daily living transportation services to their residents. You may decide to then advertise in local parenting and senior magazines based on your target market.

If you are on a limited budget there are things you can still do to market your business. You may want to consider joining local business organizations because they can be great for networking and information forums to get your business out there. Is there an opportunity to reach out to the business section of your local newspaper to have them profile your new business? Lastly having a pop-up tent or booth at relevant community and business events can go a long way to getting your business out there.

The BEDC has a list of [Marketing Providers](#) that can assist you with this aspect of your business if needed.

6 Operating Your Business

Providing your customers with the best service your business can provide will help you build a reputation for excellent and timely service.

A transportation business that is successful is a business that is accessible. The majority of successful companies are on call 24/7 to assist their customers. When your customers know that they can reach you then they feel more at ease, even if they never have the need to do so.

It is important to establish a good training program for new employees. It will be essential that you pass on your business outlook to new employees quickly and easily. It is also important to hold each employee accountable for their work. If you have a problem within your business, the cause should be easy to locate. If each person is responsible for a specific task, it will be easy to root out problems and prevent them from reoccurring.

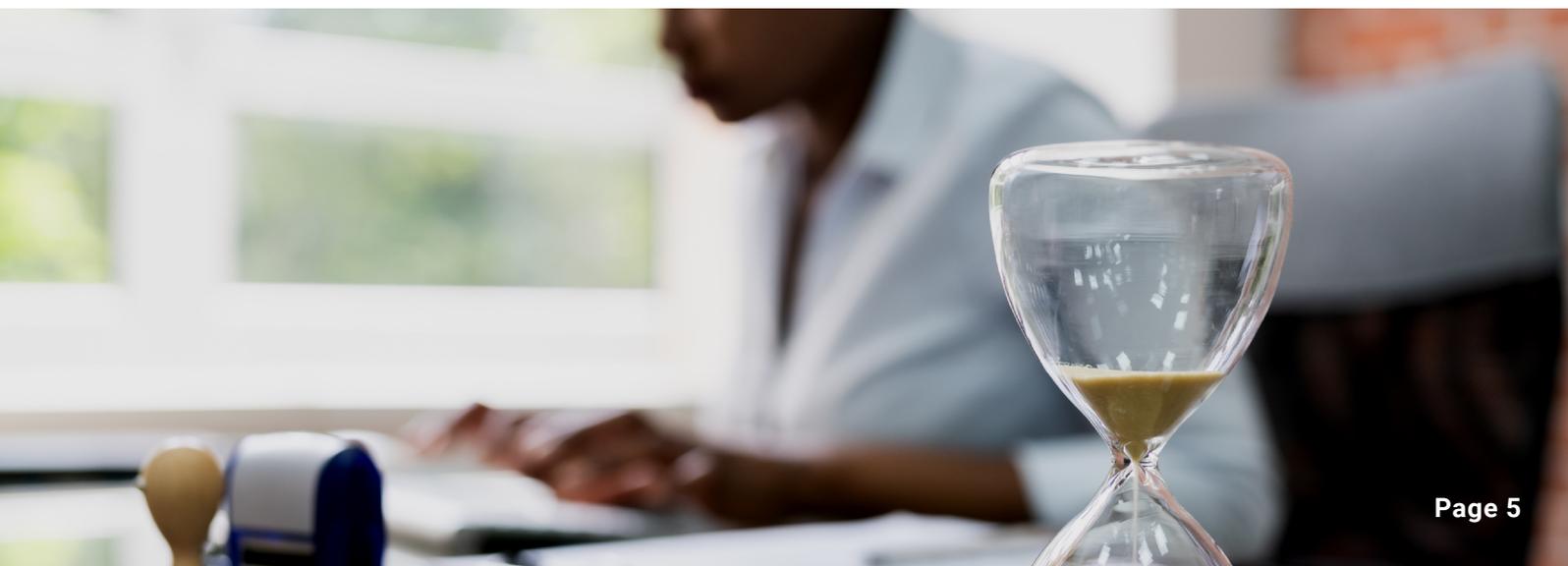
7 Revenue and Expenses

By the time you get to an advanced stage of starting your business you should have some spreadsheets with clearly calculated financials. You need to have precise facts and calculate your costs as accurately as possible.

You should know things such as (a) what must be charged for transportation to make a profitable return for the risks taken; (b) what are your trip times; (c) what are the costs per hour, mile, trip, day, week, month, year; and (d) how many vehicles will you require to run the business profitably? There are software options available for the transportation industry that can help you to calculate these areas.

It may be difficult to finance your business because some financial institutions may require that you have transportation contracts in place to ensure that you can pay back the loan. The transport business is high risk and the banks are very cautious when lending money.

If you still need assistance with your revenues and expenses, BEDC has a course for you! [Financial Statements Planning and Costing using QuickBooks](#) is an 8-week course focused on getting business owners to accurately price and cost their products and services, review and understand financial statement and to learn how to use basic QuickBooks functionality. This course runs twice a year once in the spring and once in the winter.



Saving some of your own funds in advance to assist with financing your business can go a long way to assist with getting financing. Depending on the type of transport business you have, be prepared with contracts or letters of intent.

You should consider options that are available to assist your business such as BEDC's Micro Loan Guarantee program which provides direct funds for smaller loans ranging from \$2,500 up to \$20,000 as well as their Loan Guarantee program which they will be a guarantor for you to the banks of up to \$200,000 and they can provide security to businesses that do not have sufficient security to qualify for bank financing. Also available are EEZ economic incentives and tools that can assist businesses with small interest-free loans and preferential rates/terms with financial institutions if the business locates in an Economic Empowerment Zone.

Once in operation, you should do an actual yearly cost against your original costing estimate. This will highlight problem areas so corrective action can be taken - i.e. what costs need to be cut or how much additional revenue do you need to generate.

You should also be putting aside some money monthly for the eventuality of breakdowns of your vehicles as this alone can cripple you financially and will affect your bottom line severely. Make sure that you have the financial backing to get you through at least one year of rocky times. You don't want to wind up closing your business in a short amount of time due to limited funds.

The BEDC has a list of Financial Service Providers that can assist you with this aspect of your business if needed.

8 Remaining Committed to Your Business

Don't give up. There will always be a need for transportation, recession or not. People, products, and things will always need to be transported from one place to another. But running a profitable transportation business takes time and effort to build clientele. Remember that just like any venture, a transportation business takes homework, hard work, determination, and commitment to succeed.

The BEDC is always available to assist you with information, advice, and support on starting, sustaining, and growing your transport business.

9 Government Obligations

Payroll Tax

All businesses are responsible for registering and paying Payroll Tax. Payroll Tax is governed by the [Payroll Tax Act 1995](#) and is a tax payable by employers on the total salary, wages and benefits paid out to employees and self employed persons. You will need to complete a [Registration form](#) to get a Payroll Tax ID # and this is what you will use to make your quarterly payments. If you have any questions about this process you can contact the [Tax Commissioners Office](#) and one of their Officers can assist you in completing your form.

Department of Planning

Will you have to modify your proposed space to receive calls to dispatch drivers and store vehicles? If so you will need planning approval. Confirm what type of zoning is in place. Consult an architect if needed. Ensure that you have a building permit once you get planning approval.

Department of Social Insurance

Every employed or self-employed person who works more than four (4) hours a week is required to pay contributions into the Contributory Pension Fund (CPF). In most cases if you have ever been employed you and/or employees will already have a Social Insurance Number. If this is the case, you will have to contact the department to advise them that you will assume making the payments. Log on to their [website](#) to get the most current Social Insurance Rates.

Department of Immigration

If you are hiring foreign staff, you will need to apply for a work permit. You can get the Work Permit Policies Document from their website.

Pension

As a Self-employed Person you must apply for registration of a Self-employment Pension Plan in accordance with the Act and the Regulations, if you:

- are Bermudian or the husband or wife of a Bermudian; and
- are between the age of 23 and 65; and
- have pension-able earnings from self-employment exceeding \$20,000, in a calendar year.

For more information on the requirements for establishing a pension visit the [Pension Commission website](#).

Employment Act

Will you have employees? If so, then The Employment Act is the minimum standard of regulations governing employment in Bermuda. The Act sets out guidelines and sets out the minimum conditions of employment.

10 Knowing the Numbers

a. What are the costs to running your transportation business?

Consider the following:

- Vehicles
- Equipment
- Personnel expenses
- Other fixed costs (Rent, electricity)
- Variable costs? (gas, etc.)

You can use the [BEDC Sources & Uses of Funds Statement](#) to help tally these expenses. When identifying your expenses, take account of your own personal financial situation.

b. When identifying your expenses, take account of your own personal financial situation.

You can use our [Personal Financial Statement](#) to access your individual financial position at a given point in time.

- How many clients do you need to see to breakeven?
- Identify your worst-case scenario, so that you can plan for it.
- Prepare a cash flow projection that includes the assumptions that you make regarding your income and your expenses.

11 Legal Issues and Insurance

Determine the structure of the company

- **Sole Proprietorship** - a sole proprietorship has only one owner. This is the simplest form of business. You are personally liable for the business' obligations. All debts are your debts. You own all the assets, but at your own risk.
- **Partnership** - involves more than one person or partner and requires a bit more formality. It can be either a general partnership or a limited partnership. In a general partnership, partners manage the business and its obligations together. All general partners work in the business and share in its income and debts. Sample partnership agreements are available at www.bedc.bm. In a limited partnership, general partners operate the business while limited partners are silent investors who retain no control over the way the company is run.
- **Limited Company (LTD)** - A corporation is an independent legal entity that is separate from its owner(s). There is a clear separation between the owners' wealth and the assets of the business.
- **Limited Liability Company (LLC)** - A Bermuda LLC is a separate legal entity, and its members have limited liability, much like a corporation. In common with a partnership, however, the affairs of a Bermuda LLC are governed by an agreement rather than by statutorily mandated constitutional documents. This affords great flexibility.

Health

Health Insurance is a requirement for all businesses. Protecting your establishment with insurance against injuries, accidents, and damages as well is a very important factor.

Contact local providers to find out the best rates for your business. [The Health Insurance Regulations Act](#) requires all employed and self-employed persons to have a contract of health insurance either with a private insurer or the Health Insurance Plan (HIP), the minimum requirement, for all employees and their non-employed spouses. The Act makes provision for all matters relating to health insurance in Bermuda.

Liability

In addition to health insurance for you and your employees, you will also need to invest in Liability insurance to protect your customers and yourself.

Liability Insurance is important for those who may be held legally liable for the injuries of others, like doctors or care providers, and business owners. You can contact any of the local insurance companies to get quotes on the cost for coverage.

Workers Compensation - a form of insurance that reimburses an employer for damages that must be paid to an employee for injury occurring during the course of employment

- Law requires that an employer (1) provide employees a safe place to work, (2) hire competent fellow employees, (3) provide safe tools, and (4) warn employees of an existing danger.
- If an employer fails to provide the above, the employer is liable for damage suits brought by an employee and possible fines or prosecution.

12 The Business Plan

Take the information you have gathered and compile it into a written document that you can reference to help guide you. The plan can also be used to help you obtain financing if needed. You can use the [BEDC Business Plan Checklist](#) to help guide you; however, the components of most plans include the following 7 headings:

- **Executive Summary:** Write this last. This is a summary of your plan and quickly lets the reader know, what you need and why you need it.
- **Company Description:** Legal establishment, history, start-up plans, etc.
- **Product/Service:** Describe what you're offering. Focus on customer benefits.
- **Market Analysis:** Know your market, customer needs, where they are and how to reach them.
- **Strategy and Implementation:** Be specific. Include management responsibilities with dates and budget.
- **Management Team:** Include backgrounds of key members of the team, personnel strategy, and details.

Financial Plan: Include profit and loss, cash flow, balance sheet, break-even analysis, assumptions, business ratios, etc.

Loans

Do you need to get a bank loan? If so be sure you are ready by making sure that you have:

- A detailed Business Plan
- Business Financial Statements
- Personal Financial Statements for the owners and /or guarantor
- Details of the collateral available to support the loan
- The 5 C's:

Character: What is your business experience? How have other loans been managed both business and personal? What is the reputation of the business?

Credit capacity: The bank will assess your ability to repay.

Capital: What are the assets of the business and the guarantor?

Collateral: What security can be put forward to support the financing?

Conditions: The Bank will identify the main risks for the industry and the market it operates in and include financing terms to mitigate these risks.

BEDC Guarantee - The BEDC can act as a guarantor for up to 75% of a bank loan for small or medium sized businesses that appear viable and where the credit worthiness of the borrower is sound. As guarantor of last resort, the maximum BEDC guarantee amount is \$200,000. Any small or medium sized business with no other means of collateral (cash, real estate, equipment, vehicle chattel, inventory, etc.) may contact the BEDC and apply for a guarantee

Check out the [10 Step Guarantee Process](#) for more details on applying for the BEDC Guarantee.

BEDC Micro Loan - BEDC has allocated \$100,000 in funds to be used to facilitate small loans in amounts from \$2,500 up to \$30,000. The BEDC will offer a 100% guarantee on the loans to qualified applicants. Visit <http://www.bedc.bm> for more information on the Micro Loan.

Bootstrapping – is defined by Investopedia as “a situation in which an entrepreneur starts a company with little capital. An individual is said to be boot strapping when he or she attempts to fund and build a company from personal finances or from the operating revenues of the new company.” Can you start your business in phases, using your own personal funds and sweat equity?

NOTE: Any financial product that you may apply for, a credit check will be performed, so please ensure you are up to date with payments or payment arrangements for any debt referred to the credit association.

13 Financing the Business

Check out the [BEDC Government Incentive Guide](#) to see what might be available to assist you.

If you require additional help with formulating a Business plan BEDC has a course for you! [Entrepreneurship 101](#) is an 8-week course where you will learn how to take your idea and turn it into reality with the foundation of a solid business plan. Throughout the course there will be industry professionals who will give presentations to help you with important information to ensure small business success. This course runs twice a year once in the spring and once in the fall.

14 Other Information

EEZ Zones (St, Georges, North East Hamilton & Somerset)

What is an EEZ?

An EEZ is an area of land that the Minister of Finance has designated to benefit from economic empowerment under section 2A of the Act. Economic Empowerment is achieved by allowing duty concessions on certain goods to be used in the development of properties situated within an EEZ.

- **EEZ Payroll Tax Concessions**
Any business located in an EEZ zone can apply for BEDC for a Payroll Tax Relief Letter. The letter will only give the tax concessions (which is the lowest rate) for up to 9 tax periods from the commencement of the business. The letter will only give the tax concessions (which is the lowest rate) for up to 9 tax periods from the commencement of the business.
- **NEHEEZ businesses**
can receive preferential rates and terms from Butterfield Bank on Small Business, Commercial and Residential Loans.
- **Duty Deferment**
A deferment, or deferral of customs duty means that the payment of duty is made some point in the future and not at the time of importation. This is not an exemption of customs duty; the full duty is still charged and payable against the imported goods; but the full payment is simply delayed.

EEZ Boundaries St. George's



North East Hamilton



Somerset



Letter of Credit Programme

BEDC has partnered with the HM Customs and allocated \$200,000 in fund annually to be used to facilitate lines of credit in amounts up to a maximum of \$10,000 to assist businesses in importing goods for retail sale in Bermuda.

Educational Courses

- **Think Like an Entrepreneur**
an 8-week challenging learning experience designed to reveal new opportunities, ignite your ambition and foster skills that will empower you to reach new heights as an entrepreneur

- **Entrepreneurship 101**
an 8-week course where you will learn how to take your idea and turn it into reality with the foundation of a solid business plan. Throughout the course there will be industry professionals who will give presentations to help you with important information to ensure small business success
- **Financial Planning and Costing using QuickBooks**
an 8-week course focused on getting business owners to accurately price and cost their products and services, review and understand financial statements and to learn how to use basic QuickBooks functionality.
- **Planning for Profit using Quickbooks**
an 8 week course, participants will learn how to utilise the Quickbooks software to manage inventory, employees and run reports. Participants should have their business already set up in Quickbooks or have taken the Financial Statements, Planning & Costing Using Quickbooks course.
- **Adhoc Training and Seminars-**
BEDC offers monthly seminars based on feedback of topics from our users.

Global Entrepreneurship Week

GEW is the world's largest celebration of the innovators and job creators who launch start-ups that bring ideas to life, drive economic growth and expand human welfare. One week in November GEW inspires people everywhere through local, national and global activities designed to help them explore their potential as self-starters.

Signature Events of GEW

- **Rocket Pitch-** An island wide business plan competition for emerging entrepreneurs to submit a plan and present to judges and win cash and prizes to assist with their business start-up.
- **Women's Entrepreneurship Day-** Bermuda celebrates with over 144 nations in observing WED to celebrate the work of women entrepreneurs
- **BEDC Business Awards-** these awards are a celebration of Small Business owners and local entrepreneurs. There are a range of categories and awards are distributed to the category winners during a night of elegance.

Enterprise Bermuda- The [Enterprise Bermuda Incubator](#) programme focuses on walking participants through an in-depth twelve-month development process, which ensures the entrepreneurs get beyond the idea stage and start to bring their businesses to fruition. The resources and support that is needed through, mentorship, inhouse courses, workshops and seminars, as well as advice and mentorship from professionals in the private sector to help develop the business over a 9-month period.

Vending Licenses- BEDC offers vending licenses to persons who sell, offer, or expose goods for sale in a public place. A vending license can be issued on an annual basis or a temporary basis up to 3 months.





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