

## **PRINCIPAL BUSSING**

### **1. BUSINESS: HISTORY AND ORGANIZATION**

Principal is proposing to establish a Bussing operation. The form of business ownership that he is proposing to establish is a Sole Proprietorship. Principal is a 4 year Bus Driver who lives and is a status member of the Tribal First Nation. The business is scheduled to begin operation on January 1, 2009. Principal will manage and operate the business with a second driver needed to complete operations.

Contact Information:

Principal carrying on business as Principal Bussing

Box 123  
Fort Frances, Ontario  
P9A 3M8

Telephone: (807) 274-1234  
Membership number: 1112241401

#### **A) THE PROJECT**

The owner is proposing to develop a contract Bussing operation which would operate from the Tribal First Nation, primarily during the weekdays. The Bussing operation involves the transportation of children for education purposes to area schools. Principal will transport the children from their homes on the First Nation to schools in O-ta-nung which is 100 kilometers and Fort Frances which is 100 kilometers. Three trips are made to O-ta-nung daily and two to Fort Frances. The transportation is a contract with the First Nation through its elementary and secondary education agreements with the Department of Indian Affairs. Principal's estimated is to drive 204 days per year of 350 kilometers per day at \$1.30 per kilometer.

Principal is a 4 year licensed Trucker with a Class B operator's license. He has driven for Grey Goose Bussing, who was the previous Contract operator, for approximately 3.5 years. Principal will have to have two busses and hire a second driver to meet the daily transportation requirements.

## **B) SERVICES**

The owner is proposing to provide the safe transportation requirements for a Bussing operation's contract with the First Nation. Another of the services is to provide contract Bussing with the O-tanung school to meet their special events to other schools or locations. The a third area is to provide a community Bussing services for special events such as Skiing or movie nights, etc. Also, the children in car from other First Nations through CFS will be billed separately. An estimate of 2% of revenue is projected for these other services.

## **C) LOCATION**

Principal will establish a base of operations at his home in Tribal First Nation. The lot is located at an accessible road in a sparsely populated area on the First Nation. This will pose no traffic problems as Principal will have minimal traffic in the area. The lot was previously used to park the busses and has electrical outlets for the bus' block heater. The bedroom of his home will be used for office purposes because the activity will be minimal. The schools are located throughout the Rainy River District.

## 2. MARKET ANALYSIS

The following is a market analysis of the business operation.

### A) TOTAL MARKET POTENTIAL

Information on the Total Market Potential was obtained by determining the amount of mileage the Bussing company has conservatively estimated to be driven. The company has estimated that 71,400 kilometers per year is a conservative estimate of service. This is based on the First Nation transportation requirements and 2% of other revenue from the school, First Nation, and CFS. The rate for kilometer is \$1.30 per kilometer.

Total Market Potential 71,400 kilometers of Bussing per year

Year	2004	2005	2006	2007	2008
<b>Bussing</b>	92,820	92,820	92,820	92,820	92,820
<b>Extracurricular</b>	1,856	1,856	1,856	1,856	1,856
<b>Total Revenue</b>	94,676	94,676	94,676	94,676	94,676

### B) MARKET SHARE

Principal will have one dedicated customer that will purchase all of the childrenive time of the busses. Principal expects to achieve 100% of the market potential through proper maintenance and repair. Principal has also reached agreement with the First Nation to be paid the mileage during adverse weather conditions. Beyond this, Principal can provide the extracurricular travel of the schools and First Nation. Principal has estimated that he will be able to drive 71,400 kilometers in the first year.

### **C) VALUE OF SALES**

Based on the Total Market Potential and the Estimated Market Share, the value of sales is derived from \$1.30 per kilometer of Bussing that is driven for the First Nation. The value of the dollar per kilometer is expected to remain stable. This is the amount the contractor has indicated and is a acceptable industry norm. The Value of Sales is estimated to be \$92,820 in Year One. In Year Two, Principal will remain at the estimated 71,400 kilometers of transportation driven annually.

<b>Year</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>
<b>Mileage</b>	71,400	71,400	71,400	71,400	71,400
<b>Sales</b>	92,820	92,820	92,820	92,820	92,820

### **D) CUSTOMERS**

Principal recently reached an agreement with the Tribal First Nation to service the Bussing needs of children to their enrolled education institution. Principal has made a commitment to utilize a First Nation member to handle the other driver requirements of the Bussing company. Principal will have one dedicated customer during school hours. The First Nation will use all available childrenive time of the Bussing operation during this time.

The O-ta-nung Elementary School also has an agreement to alternate extracurricular Bussing between the operator at Tribal and Other Tribal First Nation. These trips include travel to O-ta-nung or other area schools or sites. The school will pay the contractor at the rate established by the business.

The First Nation will also act as a customer for activities they provide to their membership. These activities include trips to Biwabik, Vally Fair in Minneapolis, and other destinations. In addition, they also established a weekly movie night once a week to O-ta-nung at Theatre. The First Nation will pay at the established rate.

CFS places children in various at Tribal homes but they are not included on the nominal role of the Department of Indian Affairs. The contractor will bill CFS separately for this services when the situation arises. The CFS will pay at the established rate.

#### **E) COMPETITORS**

Competition can be described as low intensity because the First Nation wants to utilize a local contractor to provide Bussing services. They currently have an agreement with another First Nation with a one month notification period to discontinue the service.

#### **F) MARKET TREND**

The market is relatively stable. The Department of Indian Affairs have established a system whereby education transportation is provided for each children of the First Nation. O-ta-nung school has an established system of alternating between Tribal and Other Tribal for their extracurricular travel. The First Nation also plans its community Bussing requirements well in advance of its annual budgeting process. CFS has several kids in care at any given time.

## **G) MARKETING STRATEGY**

Principal's marketing strategy will be to adhere to the terms of agreement he has reached for the Bussing contract. The following is a breakdown of his marketing strategy:

### **(1) PRICING STRATEGY**

The price for transportation is within industry norms. Considering that the distance is approximately 350 kilometers per day, this is considered reasonable for the business. The time consideration to get to and from the site of the drive is very beneficial. These benefits translate into more childrenive travel time. The price of \$1.30 per kilometer was negotiated between the Principal and the Education Manager based on industry norms.

### **(2) PROMOTIONAL STRATEGY**

Principal will ensure that a positive working relationship exists between the business and the First Nation and schools. Principal will also ensure that he is available to transport students whenever necessary. Principal will ensure the highest level of professionalism, reliability, and safety is employed when conducting business on behalf of the First Nation.

### **(3) CREDIT**

The business will operate on credit with its customers. Principal will paid on a weekly basis for his transportation. The transportation period will begin on Monday of each week and conclude on Friday of that week. Principal will then be paid on Friday of the following week. Principal will use credit with his suppliers where possible and beneficial. Principal will make payments on his outstanding bills on a monthly basis, wherever applicable will pay within any discount periods. 100% of payments will be made within 30 days.

### **3. OPERATION PLAN**

The business will operate on the basis of efficient planning and organized driving scheduling by maintaining an excellent communication with the drivers of the Bussing company. Each of the functions will flow smoothly to ensure reliable transportation. At this time, the owner will commence to the work site at approximately 6:00 a.m each working day. Principal will conduct a circle check of the bus for maintenance purposes. This will provide the owner and customer with assurances of the reliable delivery of students to the schools. The business has the contract capacity to operate approximately 204 days per year. The business will operate on a regular eight hour business day, five days per week.

On the weekends, Principal takes time to service the bus. This includes greasing down the bus, checking the fluids, and ensuring that everything is working correctly. Principal monitors and maintains the bus during the weekdays. If the busses require any repairs, Principal would complete them on the weekends or make an appointment at a local area garage to meet safety issues.

#### **A) LABOUR**

Principal, the principal owner, will manage, handle the driving of one bus and management and administration functions, and other related job and labour requirements of the business operation. Principal has 3.5 years experience as a Trucker for the previous First Nation contractor. The job and labour requirements of the business are as follows:

##### **1) DRIVING**

The principal owner will provide the services that the business operation proposes to offer. The responsibilities include ensuring that the services are conducted to the needs of the contractor. The main area of function is to handle the driving requirements for the Bussing

company. The other functions are to manage the office requirements, ensuring the equipment, bus and overall operation runs smoothly on a day-to-day basis. Each working day, Principal will complete a circle check in preparation of driving. Once the run is complete, Principal will then clean and make the bus ready for the next trip. Principal will perform this process twice a day. The duties will include safety of passengers and cooperation with the First Nation Bus Monitor.

## 2) REPAIRS AND MAINTENANCE

Principal will handle the responsibilities of Repairs and Maintenance. He will ensure that all the equipment is in good working condition necessary for smooth business operations. Principal has indicated that if any maintenance are required on the bus, that he will complete them on his own. It should be noted that the bus currently has six months warranty on it. Therefore, if serious repairs were required, Principal would take the bus to Thunder Bay to have them completed. Principal will regularly monitor and maintain the fluids in the busses to ensure they are at acceptable operating levels, and ensure they are well greased and oiled.

## B) EQUIPMENT AND FACILITIES

### CAPITAL COSTS OF FIXED ASSETS SCHEDULE

The capital costs of fixed assets are as follows:

Bus	75,000
Bus (Used)	25,000
Radio/Timer	651
<b>Total</b>	<b>100,651</b>

The equipment and facilities are as follows:

**(1) BUS (NEW)**

Principal will purchase a 2009 Bluebird bus to handle the transportation requirements of the business. The value of the bus at the time of purchase is \$75,000. The bus has twelve months warranty on it. Within the warranty period, repairs associated with the warranty require the bus to be floated to Winnipeg for servicing. The mileage is currently 0 km. The bus' transportation capacity is 54students per trip.

**(2) BUS (USED)**

The second bus is a used 2002 GM Corbeil Serial number 90741, yellow with blue trim. The current odometer reading is 100,000 kilometers. The 2002 value was \$44,600 excluding GST and PST. The price for this unit is \$25,000 and to be purchased from the previous contractor with the First Nation. The bus' transportation capacity is 20 students per trip.

**(3) RADIO/TIMER**

The radio/timer is used to maintain two way communications with the other bus and driver. The device will also be used to maintain usage and monitor scheduling. The value of the new device is \$651,

**(4) CONTRIBUTED ASSETS**

The site is at the residence of Principal which already has electricity for the bus block heater on cold winter days. The owner will also have an agreement with the First Nation to utilize its diesel tank for refuelling. The tank is located at the First Nation maintenance garage in which Principal will also utilize for maintenance. This will enable Principal to purchase

tax free diesel fuel as a First Nation person.

## C) **STARTUP COSTS AND WORKING CAPITAL**

### **INITIAL WORKING CAPITAL REQUIREMENTS SCHEDULE**

The initial working capital requirements are as follows:

Start-up Costs	7,600
<b>Total</b>	<b>7,600</b>

45% percent of initial startup costs provided by ABC.

The following is a list of the Startup and Working Capital Requirements

- ! Bridge Financing Interest
- ! Business Registration and Licensing
- ! Telephone Line
- ! Supplies
- ! Office Supplies
- ! Fuel
- ! Insurance
- ! School Bus Stickers
- ! Business Bank Account
- ! License Plate and Stickers
- ! Maintenance
- ! Wages and Benefits of other driver

The estimated costs for these items is \$7,600.

## **D) SUPPLY AND PURCHASING**

The majority of the supplies and childreans will be bus supplies. The childreans and supplies required will be obtained from distributors in the area. The anticipation is that the business will be able to plan its inventory supply requirements a month in advance. The business' suppliers are as follows:

### **(1) T J KAEMINGH & SONS LTD.**

The Bussing operation will purchase childreans and services from this Esso representative which is located in Fort Frances. The business will purchase fuel, oil, grease, and other motor childreans from this service agent. The method of payment will be monthly for the childreans which the business purchases.

### **(2) BUSCH'S AUTOMOTIVE**

Busch's Automotive is a local Fort Frances based company. Busch's supplies parts for bus. In addition, they also provide hoses, fittings, oil and air filters, and welding services. Principal will establish credit terms with Busch's and maintain a monthly credit account.

### **(3) LAKEWOOD TIRE**

The business will use this locally-based company to provide tire repair and replacement services. All of the tires and repairs will be obtained through this company. The method of payment is at the moment of purchase.

### **(4) BARWICK SERVICE**

Barwick Service is approximately 40% less than Asselin's for repairs. This is the same service used by Don Bruyere Transportation of Couchiching.

## **4. MANAGEMENT**

The Corporation's overall direction, long term goals, and financial policy will be determined by Principal.

### **A) MANAGER**

The responsibilities of the manager will be the maintenance of the debt load of the company and monitoring the financial activity of the company. Principal will be responsible for the day-to-day bookkeeping duties of the business and maintaining a record of all accounts receivable and payable. Principal will also monitor expenditures beyond the budget cash flow statements and make adjustments as needed. Also, to ensure regulations governing the industry are met.

Principal will implement any decisions made regarding the direction of the business. Principal will ensure the smooth day-to-day operations of the company. Principal will also be responsible for planning the implementation of measures which would increase the profitability of the business.

He has participated in a 20-week First Nation sponsored SmallBusiness Course. He has failed to reveal a criminal record which demonstrates solid character.

### **B) MANAGEMENT SUPPORT**

Principal will act on advice and assistance from strategic partners and paid professional advisors on an as needed basis. The business's legal functions may be provided for by, a local attorney situated in Fort Frances. The Royal Bank of Canada will provide the banking services for the company. Gillon's Insurance, situated in Fort Frances will provide the insurance.

## **C) BUSINESS SUPPORT**

Stewart & Sande Chartered Accountants will provide bookkeeping accounting services on behalf of the business to provide financial and year-end statements including income tax preparation. The accounting support will address tax strategies for the business. Aboriginal Business Canada has projected \$1,500 to perform this function. Of this amount, Principal is responsible for 25% or \$375 from operations and ABC covering the remaining 75% or \$1,125.

## **5. FINANCIAL PLAN**

### **A) SOURCES OF FINANCING**

In this project, there are several types of financing to meet the capital and operating requirements of this business. The business is proposing the following mix of Equity, Commercial Financing, Other Sources, and Bridge Financing structure. The breakdown is as follows:

#### **(1) EQUITY**

The principal is making an equity contribution of \$10,825 toward the development of the project. The funds will come from personal resources. The funds is available prior to approval of the project by Aboriginal Business Canada. The money is placed in a business bank account and attached as Appendix '10'.

#### **(2) COMMERCIAL FINANCING**

The commercial loan will come from the Rainy Lake Tribal Area Business and Financial Services Corporation's Enhanced Access to Capital Program. The principal has his account with the Royal Bank and is in a strong financial position with the bank. The amount of the loan is \$25,000. The rate of interest is currently estimated at prime

plus premium or 2 percent, compounded monthly over a 5 year, 60-month term. Payments of \$1,065 will be made on a monthly basis. The Rainy Lake Tribal Area will take first charge against any security.

**(3) ABORIGINAL BUSINESS CANADA**

Aboriginal Business Canada is proposing to provide a Youth category grant at 45% which is equal to the 45% commercial loan of the Rainy Lake Tribal Area Business and Financial Services Corporation. This is a non repayable loan after a 3 year control period. The grant will turn into equity after each period of the control period. The grant is proposed at \$25,000.

The will also cover the cost of business support estimated at \$1,500 of which 75% is a grant. This will assist in moving Principal toward complete control of financial issues. The remain 25% shall come from operations.

**(4) LINE OF CREDIT**

Based on Aboriginal Business Canada's policies, the requirement of Bridge Financing of \$25,000 is necessary. Aboriginal Business Canada reimburses at the rate which it has indicated its participation will be. The Royal Bank of Canada will also provide the Bridge Financing. The rate of the bridge financing is estimated at 2 percent and will coincide with the length of the Letter of Offer with Aboriginal Business Canada.

**(5) SELF EMPLOYMENT ASSISTANCE**

The application is not included as part of the loan in which this will be paid for by Shooniiyaa Wa-bi-tong's Self Employment Assistance Program. In addition, Principal will receive \$320 per week during the 40 program. The amount will also cover the \$375 business support costs. The program also has a \$1,500 equity provision which will be used to cover contingency costs with the new business.

**(6) SOURCE AND USE SCHEDULE**

<b>Source</b>	<b>Financing</b>	<b>Use</b>	<b>Costs</b>
Cash Equity	5,000	Capital	50,000
Loan	25,000	Operating / Start-up	5,000
ABC - Capital / Operating - Business Support	25,000 1,125	Business Support	1,500
Operation	375		
<b>Total</b>	<b>56,500</b>	<b>Total</b>	<b>56,500</b>

**(6) PROJECTED FINANCIAL SCHEDULES**

Set out below are the following schedules:

- (1) General Information.
- (2) Proforma Financial Statement Underlying Assumptions
- (3) Key Financial Ratios
- (4) Loan Amortization Schedule.
- (5) Year One Cash Flow.
- (6) Year One Income Statement.

- (7) Year One Balance Sheet.
- (8) Year One Statement of Changes.
- (9) Year One Capital Assets.
- (10) Year One Long Term Debt.
- (11) Year One Sales Summary.
- (12) Year One Accounts Receivable Summary.
- (13) Year One Direct Cost Summary.
- (14) Year One Accounts Payable Supporting Schedule.
- (15) Three-Year Cash Flow.
- (16) Three-Year Income Statement.
- (17) Three-Year Balance Sheet.
- (18) Three-Year Statement of Changes.
- (19) Three-Year Capital Assets.
- (20) Three-Year Long Term Debt.
- (21) Three-Year Sales Summary.
- (22) Three-Year Accounts Receivable Summary.
- (23) Three-Year Direct Cost Summary.
- (24) Three-Year Accounts Payable Supporting Schedule.

## **7. APPENDIX**

Attached are the following documents:

- (1) Bus Contract Letter of Intent.
- (2) New Bus Quote
- (3) Used Bus Quote.
- (4) Used Bus Valuation.
- (5) Used Bus Specifications.
- (6) Resume
- (7) Criminal Reference Check.
- (8) Driver Abstract.

(9) Insurance Quotation.