Gas Station

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Cedar Hill Gas Station

Business Plan

July 2003

Osoyoos Indian Band
Cedar Hill Gas Station Inc.
RR# 55: PO Box 343:
12345 #3 Highway
Osoyoos, B.C.
V2F 4T5
Phone (250) 555-5555
Fax (250) 555-5554
e-mail: cedarhillgas@email.com

Executive Summary:

Applicant/Company Information

a. Business Name: Cedar Hill Gas Station Inc.

b. Address: RR# 55: PO Box 345
12345 #3 Highway

c. Phone: (250) 555-5555
d. Contact Person: Joe Venables

e. Business Structure: Corporation

f. Banking Information:

Bank: Great Canadian Bank
Address: 123 Main Street, Osoyoos, BC, V5T 2E3
Phone: (604) 555-5555 Fax:(604) 555-5555
Contact: Ms. B. Friendly
Title: Bank Manager

g. Anticipated Start Date:

The business will begin its operational plan immediately upon receipt of funding. An environmental assessment for INAC will be completed, and upon completion, the site preparation and building activities will commence.

h. Business concept:

The Cedar Hill Gas Station will be a full-serve and self-serve facility that will sell gasoline, boat fuel, motor oils, lubricants, and confectionery.

The business owner will be the Osoyoos Indian Band, and will be managed by Joe Venables, an automotive mechanic. The band has approved the planning phase of the Gas Station. The approval is conditional based on above ground gas tanks that are in compliance with the Fire Services Act and securing of financing. Trimac Transportation Inc., based in British Columbia, will supply the oil and gas to the facility. The business will also secure a license to sell tobacco.

i. Business operations (facility, equipment, etc.)

The gas station will be an incorporated business owned by the Osoyoos Indian Band owned and managed by Joe Venables. The gas station is located on the Osoyoos Indian Reserve, and the hours of operation are 6:00 am to 11:00 p.m., seven days per week. The proposed site measures 125 ft. x 200 ft., and offers easy access from the #3 Highway. There will be 2 self serve pumps, 2 full service pumps, a convenience store that measures 400 square feet, and public washroom facilities.

The funding will be used to prepare the site ($95,000.00), purchase and install equipment ($100,000.00), purchase fuel ($50,000.00), build the convenience store ($50,000.00), purchase inventory ($25,000.00), and purchase insurance ($5,000.00), for a total of $325,000.00

j. Number of employees:

Mr. Venables will be the manager of the business and will work full time at Cedar Hill Gas Station. Mr. Venables has extensive experience in the business, having worked as a manager/mechanic for Shell Canada for 15 years. His management experience will be a valuable asset to the business.

The business will hire the following:

3 part time employees , 4 - 35 hours per week.(2 sales, 1 bookkeeper)
1 full time employee, 37.5 hours per week (gas and store sales)

These employees will be hired during the final stages of the action plan, April 2004.

k. Management team background and experiences:

Mr. Venables has extensive experience in the business, having worked as a manager/mechanic for Shell Canada for 5 years. Mr. Venables started as a gas attendant and has worked his way to a managerial position. His duties include staff scheduling, inventory control, financial reporting to head office, and public relations. A resume for Mr. Venables is attached in the appendices to this document.

The Osoyoos Indian Band will administer the business.

l. Market Niche:

The Cedar Hills Gas Station will be the only gas station in the Osoyoos area that is easily visible and accessible from Highway #3. The business has the added incentive for First Nations residents and travellers of being an on reserve business, resulting in tax exemption for these customers.

m. Client Base:

The business will target 3 customer types. The traveller/tourist will be one target market. The town of Osoyoos doubles in size in the summer months, and the traffic through the town is substantial. The visibility and location of the station will ensure a constant flow of traffic through the station.

The additional two target markets are the local First Nations people, then the residents of Osoyoos and the surrounding area. With the tax exempt purchasing privileges of the 4000+ First Nations residents, the business anticipates a constant stream of business for fuel and tobacco purchases.

n. Why do you think your business will succeed?

The business will succeed due to the following factors:

Visible, easily accessible location
Lack of comparable competition
Tax exempt status for First Nations customers
On reserve cigarette sales
Attractive convenience store
Low employee costs, the business will access employment programs

Financial information for this Operation:

Item	Cost
Environmental assessment, prepare site	$ 95,000.00
Install equipment (pumps etc.)	$ 100,000.00
Convenience store construction	$ 50,000.00
Inventory for convenience store	$ 25,000.00
Business insurance, permits, licenses	$ 5,000.00
Purchase fuel	$ 50,000.00
Total Required	$ 325,000.00
Less Owners Equity	- $ 125,000.00
Less INAC MBPP Contribution	- $ 125,000.00
Total Financing Required	= $ 75,000.00

c. Expected sales from the first three years of operations:

Year 1 Year 2 Year 3

$ 350,000 .00	$ 385,000.00	$ 423,500.00

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Section B **Financial Projections:**

12 month cash flow projections
3 year cash flow projections
3 year projected income statement and balance sheet

Section C **Supporting Documents:**

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B. Copy of the Articles or Certificates of Incorporation
C. Business License
D. Photo's and Price Lists of Products or Services
E. Written quotes for proposed equipment, renovations, etc.
F. Copy of the land or building lease agreement
G. Band council Resolution
H. Evidence of equity
I. Insurance Quote
J. Floor plan of the facility
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Business Plan

1. Business Description

a. Type of business:

Business Structure: Corporation

Name	*% ownership*
Osoyoos Indian Band	100 %

Percentage of Aboriginal ownership: 100 %

b. Products or services the business will provide:

The Cedar Hill Gas Station will be a full and self-service facility; the initial focus will be fuel sales, including regular, premium, diesel and boat fuel.

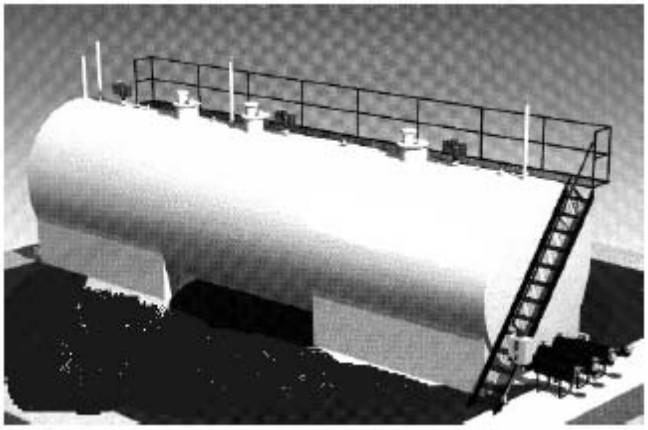
The station will also sell motor oils and accessories, such as coolants and lubricants. According to the Petroleum Communication Foundation, the profits realized on fuel sales are marginal, and with such small markups the main way to stay in business is to sell huge volumes. (An average urban station sells from three to six million litres of gasoline per year - 400-800 litres and hour.) Despite huge volumes, margins are so thin that virtually all filling stations depend on non-fuel products such as snack foods to increase revenues and margins.

For this reason the secondary product line will include convenience items such as tobacco, maps, ice, soft drinks, candy and tobacco.

<u>ITEM LIST</u>
Regular, Premium, Diesel and Boat Fuel
Motor Oil, Coolant and Lubricants
Tobacco
Maps
Magazines
Ice
Soft Drinks and Candy

The fuels will be contained in above ground tanks. Underground fuel storage tanks usually fail from rust perforation due to several effects of water inside the tank. External rust, unless very heavy, isn't highly correlated with internal rust. Leaks can occur due to tank damage or at piping connections and a new tank involves significant

expense. These tanks are more environmentally friendly. The Canadian Petroleum Products Institute had guidelines for above ground tanks, a document is attached in the appendices to this document.



Business logo: Yes, please see attached cover page

Mission Statement:

Cedar Hill Gas Station will be a convenient, one-stop location for fuel and convenience items; the business will benefit the local residents and travelers to the community, and operate as a profitable business that contributes to the economic development of the Osoyoos Indian Band.

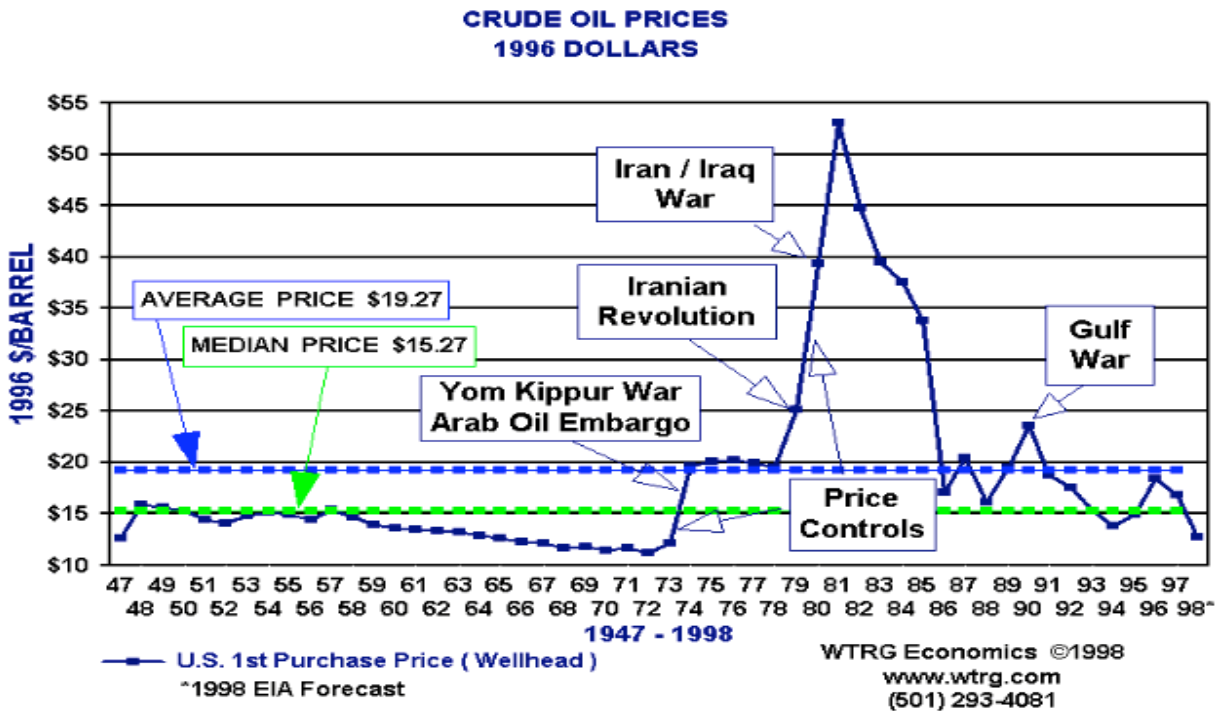
2. *Business and Industry Market Analysis*

a. Industry Sector: Service

b. A history of the industry:

Crude oil is the raw material from which gasoline is distilled. Crude oil makes up more than 99 per cent of the volume of most gasolines and it contributes a significant portion of the final price. Canada, like most other oil producing countries, does not regulate the price of crude oil, allowing Canadian-produced crude oil to sell at the prevailing world price.

Crude oil prices behave much as any other commodity with wide price swings in times of shortage or oversupply. The crude oil price cycle may extend over several years.
At the present time, the world price of crude oil is $27.97 (USF) as of March 25, 2003.



Refining costs are the component of price added by the refining company to cover its costs and profit margin. Refiner margins average 10 to 15 per cent of the total pump price. This money pays for refinery capital costs, refinery fuel, wages and salaries, profits and corporate taxes.

Retail costs are the price that is retained by the retailer. The majority of motorists see little or no difference between brands of gasoline. If competing gasoline stations are about equal in service, convenience and cleanliness, many motorists will switch stations for two-tenths of a cent per litre. This means competition is based almost exclusively on price and the best way to attract customer is to sell for less. As a result, gasoline retailers must keep their markup razor thin. Markups, which are less than 10 per cent, cover: land, salaries, buildings, fuel delivery, site maintenance, profit (about one cent per litre).

With such small markups, the main way to stay in business is to sell huge volumes. And the primary way to increase volumes is to reduce retail margins. (An average urban stations sells from three to six million litres of gasoline per year - 400 to 800 litres an hour.) Despite huge volumes, margins are so thin that virtually all filling stations depend on non-fuel products such as snack foods to increase revenues and margins.

Size of the Industry

There are almost 16,500 retail gas outlets in Canada. Retail gas through these outlets accounts for 37% of overall petroleum demand in the country. In British Columbia there are 1,769 gas outlets, and in Osoyoos there are 2 gas stations.

Petroleum Industry Trends

As with much of the retail sector, the retail gas industry has undergone some major changes over the past 20 years. Some factors that affect gas stations are:

Increased/longer operating hours
Strategic location adjacent to supermarkets/malls
Increased numbers of gas stations in urban centres
Shifts in customer demand for more products and services (ATM machines etc.)

Independent and corporate gas stations have met with these demands and the result is increased competition. The competition is most intense in cities and larger towns. An independent like Cedar Hill Gas Station can still be a profitable in a smaller, rural and less competitive setting.

As mentioned previously, despite huge sales volumes, margins are so thin that the majority of all filling stations depend on non-fuel products such as snack foods to increase revenues and margins.

Industry Outlook

Although competition has increased over the past few years, fuel sales continue to increase annually. The most intense competition is in larger urban centres (large supermarkets with gas bars take the lead). This leaves opportunity for independents in smaller rural settings. To be successful, location on a main highway with significant through traffic is a key factor. Easy access, convenient, plentiful parking and high visibility are also key.

A traffic count was completed for this project and covered a 6-month period, from March through August. This was done to include the peak tourist season (summer months). This count is included in the appendices to this document. These numbers, when corroborated with the tourism statistics indicate that a gas station at this location is feasible.

c. Direct and Indirect Competition:

Direct Competition

There are currently 2 gas stations in the Osoyoos area. The are:

1. Husky Car Truck Stop
   Phone: **(250) 495-6443**
   Osoyoos, BC V0H 1V0

This station has been in business for 15 years, but does not have easy freeway access. Currently, it is estimated that this station has 60% of the market share. The advantage this business is the restaurant and truck stop facilities (shower etc.). The disadvantage is the poor location and dated buildings and pumps.

2. Mohawk Shop & Stop
   Phone: **(250) 495-6689**
   Osoyoos, BC V0H 1V0

This station has been in business for 10 years, but does not have easy freeway access. Currently, it is estimated that this station has 40% of the market share. The advantage this business is a well-stocked convenience store, ATM machine, and bakery items. The major disadvantage is the location.

Indirect Competition

The yellow pages list other gas stations in the general vicinity. Keremeos, Oliver, Hedley and Manning Park are listed. Distance is a distinct disadvantage to these businesses.

3. *Operational Plan*

a. Location & Facilities:

The Cedar Hills Gas Station will be located at 12345 # 3 Highway, on reserve land administered by/for the Osoyoos Indian Band. The location is centrally located the junction of the # 3 Highway and the # 97 Highway, and is a common travel route for tourists/travellers en route to Canada or the US via the Osoyoos Border Crossing. The location is close to a junction that leads west to Penticton and Kelowna, and east to Highway 93 to Calgary and south to Spokane, Washington.

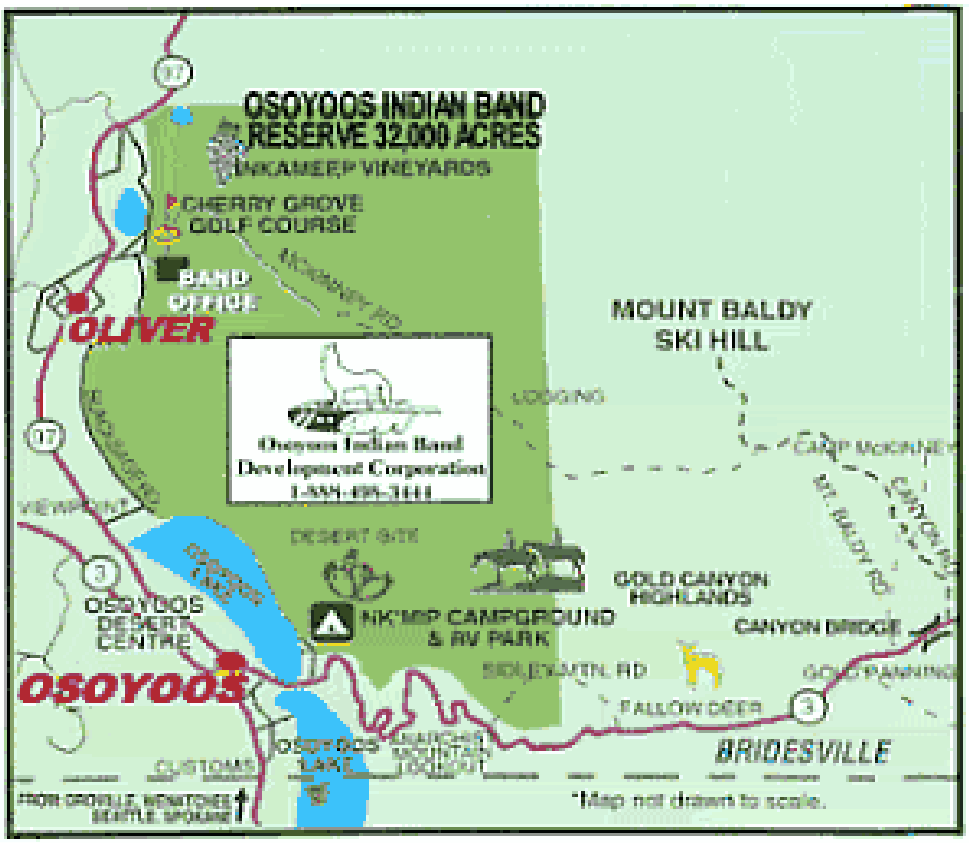
The dimensions of the lot are 150 ft. x 200 ft., sufficient space for the stand-alone full-service facility. The lot size also allows for future expansion.

Above: Osoyoos in relation to the United States

Osoyoos is centrally located, and at a junction for travellers en route to other cities, such as Keremeos, Calgary, Spokane, and the Coulee Dam. Below are distances to various Alberta and US destinations.

Alberta To Osoyoos, BC	Km.	Miles	**USA** To Osoyoos, BC	Km.	Miles
Banff, Alberta	594	370	Blaine, Washington	354	220
Calgary, Alberta	724	450	Coulee Dam, Washington	153	96
Edmonton, Alberta	1010	627	Everett, Washington	416	258
Jasper, Alberta	727	452	Portland, Oregon	693	431
Lake Louise, Alberta	546	339	Seattle, Washington	450	279
			Spokane, Washington	296	184
			Wenatchee, Washington	222	136

The Cedar Hills Gas Station will be located 1/2 km east of Tamarak Drive on the # 3 Highway.



Map Courtesy of Town Directory Systems Ltd.

Osoyoos Indian Band reserves, shown in respect to Osoyoos City centre, highway junctions and US Border.

b. Production Process:

Daily operations of the station include:

Open, convenience store equipment turned on as necessary
Count float, open daily records, check tallies recorded from previous evening
Initialize and turn on pumps
Do an inspection of pumps, site and equipment
Order fuel, inventory control done automatically by Tri-Mac Petroleum
Store inventory control, order as necessary
Dip measurement to check fuel level at night. Measurement checked to daily usage (as per cash machine), balance as necessary.

Cash out, balance

The staff will be responsible for all aspects of the business including confirming fuel orders and store inventory, the manager will be consulted before orders are placed and must sign for any ordered goods.

Fuel consumption is computerised, and linked via modem to maintain inventory control. As fuel is consumed, Trimac Petroleum monitors and will advise the station that it is time to order, the manager will confirm and the fuel will be delivered within 12 hours.

d. Action Plan:

The following action plan will occur to start the business:

September 2002

Band Council Resolution (BCR)*
Land Usage Designation (completed August 2002)
Environmental Audit - requirement's for land designations in order so the Band can fulfill the environmental assessment required by INAC*

April 2003

Apply for funding to equipment purchase, contractors and environmental assessment
Secure fuel sales permits (municipal, provincial)
Secure tobacco sales license
Secure contract with Tri-mac Petroleum for fuel sales, delivery
Order equipment, machinery for fuel sales (with February 2004 delivery date)

September 2003

Order telephone, fax lines, yellow pages advertising
Prepare site
Receive approved Environmental assessment

February 2004

Install fuel equipment and begin construction
Contracted work begins on convenience store
Order fixtures for store
Order signage and installation
Take out local advertising, flyers, community newspaper, Chamber of Commerce,

radio

April 2004

Hire staff
Order inventory for store (delivery date one week prior to grand opening)
Grand opening, May 2004

**The (BCR) and the environmental assessment will take place concurrently, it is anticipated that the environmental assessment will take 6 months to one year to complete, by which time the BCR will be done.*

e. Environmental audit:

An environmental audit is required for this business and is being done as per INAC requirements. A Project Environment Outline was submitted, a feasibility report has been done, and the initial steps to approval have been completed.

A screening "screening decision 00" has been given, and the project has been approved to proceed to the next step. The next step is to complete the environmental assessment report. This phase of the process is in progress and being completed by ABC Environment Assessment Company.

A copy of the Environmental Assessment Screening Process (for DIAND) is attached in the appendices of this document. A copy of the feasibility report is attached in the appendices to this document.

f. Accountant

A bookkeeper will be hired for the business. The position will be filled in February 2004, pending completion and approval of the environmental assessment and secured financing. The position will be part-time, 4-8 hours per week.

An accountant will be hired quarterly, to assess the financials and for tax reporting. The position will be filled in February 2004, pending completion and approval of the environmental assessment and secured financing.

f. Major Suppliers

Supplier	Address	Products	Terms
Trimac Transportation System	9595 Highway 22A **Trail, BC** V1R 2Y8 Phone: (250) 367-7701 Fax: (250) 367-6618 Branch Manager: DAN COOK	Fuel, petroleum, boat fuel, diesel	Net 30
Pepsi Canada	Kamloops, BC	Soft drinks	Net 30
Canadian Confectionery	Vancouver, BC	Chocolate bars, candies	Net 30
Coca Cola	Kamloops, BC	Soft drinks, bottled water	Net 30
Nalleys Canada	Richmond, BC	Chips, snack foods, chip dips	Net 30

g. Licences, Permits, and Insurance

1. Environmental Audit (Phase I completed)
2. Business Insurance
3. Business License
4. Fuel Sales permit (municipal and provincial)
5. Cigarette sales license (quota)
6. Band Council Resolution (submitted, awaiting approval)

The process of the environmental audit was started in September 2002. The band is in the second phase of the audit, with no anticipated problems.

4. Organizational Plan: Management and Staffing

a. Management and Personnel:

Mr. Venables will be the manager of the business and will work full time at Cedar Hill Gas Station. He has extensive experience in the business, having worked as a manager/mechanic for Shell Canada for 15 years. His management experience will be a valuable asset to the business. Mr. Venables was responsible for staffing, customer services, inventory control, cash, and sales at Shell Canada.

The business will hire three employees.

One full time person: will handle daily operations and sales.
One part time person: will handle daily operations and sales.
One part time person: will handle bookkeeping 4-8 hours per week.

This bookkeeper will report weekly to the Band for the first three months, bi-weekly for the next three months, and monthly after the first 6 months of operations. The band will ultimately be responsible for all operations, and will carefully monitor the sales, expenses and the facility.

5. The Marketing Plan and Competition

a. Overall market:

Automobile Fuel:

According to the Canadian Petroleum Products Institute (CPPI), automobile fuel consumption is constant. Prices in all of BC (with the exception of Vancouver) did not respond to the recent sharp drop in wholesale rack prices. This resulted in an increased profit margin for many fuel retailers. This is due to competition, in large urban areas competition is so stiff that large retailers will slash their profit margin to draw in customers, at times these stations will operate at a minimal loss for a period of time to increase their market share. This is not the case in rural settings, where competition is minimal or non-existent. These stations are able to maintain an increased profit margin when wholesale prices plummet. This situation is not common, but is profitable to the rural gas stations.

With the minimal profit margin on automobile fuels, the business will also target recreational boaters and fishers by selling boat fuel. Another focus of the business will be convenience store sales.

The components of the pump price of gasoline.

This is an excerpt from the multi-stakeholder reviewed *Understanding Gasoline Pricing in Canada* brochure by the Petroleum Communication Foundation.
The price of gasoline reflects the cost of:

taxes (40% - 50%);
crude oil (35% - 45%);
refining (10% - 15%); and
retailing (5% - 10%).

Taxes are usually the largest single component of gasoline prices, averaging 40 to 50 per cent of the pump price. The taxes collected include:

Federal excise tax of 10 cents per litre.
Provincial consumption tax
GST (Goods and Services Tax) of seven per cent
PST (provincial sales tax)

Crude oil is the raw material from which gasoline is distilled. Crude oil makes up more than 99 per cent of the volume of most gasolines and it contributes a significant portion of the final price. Canada, like most other oil producing countries, does not regulate the price of crude oil, allowing Canadian-produced crude oil to sell at the prevailing world price.

Refining costs are the component of price added by the refining company to cover its costs and profit margin. Refiner margins average 10 to 15 per cent of the total pump price. This money pays for refinery capital costs, refinery fuel, wages and salaries, profits and corporate taxes.

Boat/marine fuel

Sport fishing and recreational boat use in BC is a billion-dollar industry. Boating attracts tens of thousands of visitors every year. Recreational fishing and related activities are not only of economic importance, it is part of the West Coast lifestyle. With the wide variety of fish and fishing environments and facilities available, it is no wonder that BC's reputation as an fisher's paradise is unchallenged.

Water Sports Participation 1998

% of Canadians Participating at least once in 1998: Water Sports Participation (15 and up)

Water Sports	**Men**	**Women**
Swimming	47.1%	46.8%
Fishing(others)	33.1%	14.7%
Canoeing	14.2%	11.2
Fishing(fly)	9.6%	3.6%
Water Skiing	7.0%	2.5%
Sailing	4.2%	2.6%
Scuba Diving	2.8%	1.3%
Board Sailing	1.8	1.0

Osoyoos Tourism

Osoyoos, along with the rest of the Okanagan Valley, is a popular summer time vacation destination. Osoyoos itself almost doubles in size during the summer, turning this small town into a small city. The lake is 16km long from north to south, and crosses the US border.

According to BC Tourism, US overnight entries have increase by 4.7% from 2000, the number of overnight entries is 3.8 million persons to BC. The military conflict in Iraq clouds the picture for 2003, if the conflict is brief, and the issue is resolved before the peak summer travel season, a gradual fall in fuel prices is anticipated and a rise in consumer and business confidence should result.

Osoyoos Economy

The town of Osoyoos & Rural Area 'A' has grown to over 6000 permanent residents in 1996. This 22% increase (from 4900 in 1986) makes it the fastest growing municipality in the South Okanagan -Similkameen Regional District. Housing starts are also up in the community. These factors contribute to the feasibility of the proposed project.

b. Target Customers

Research conducted for this project includes a traffic count that was in August 2002; it covered a 6-month period, from March through August. This was done to include the peak tourist season (summer months). This count is included in the appendices to this document. These numbers when corroborated with the tourism statistics indicate that a gas station at this location is feasible.

The business will have three major target markets. Year round travelers and tourists will be a primary target. The secondary target markets will be the Osoyoos First Nation members and the general population of Osoyoos.

Tourism/Travelers

Osoyoos, along with the rest of the Okanagan Valley, is a popular summer time vacation destination. Osoyoos itself almost doubles in size during the summer, turning this small town into a small city.

Osoyoos is located in the southern most region of British Columbia's Okanagan Valley. This 1995 "Communities in Bloom" award winner is at the crossroads of two of BC's main highways, Highway #3 from Alberta to Vancouver with its deep-water port and Highway #97, which runs from California to Alaska providing the vital link with U.S. markets. Only 5 minutes from the Canada/U.S. Border, Osoyoos, is strategically located for exporters.

The town's population is 4,295 (Statistics Canada-2001) with approximately 2,200 in the surrounding area. It's breathtaking beauty, warm winters and hot summers make Osoyoos an ideal vacation spot any time of the year. Local draws for the tourism industry include the Kettle Valley Railroad Trail, touring local wineries, local golf courses or a day on one of the many beaches. Lake Osoyoos holds more than 15 species of fish and is home to all types of water sporting activities.

General Population

The population of Osoyoos is 4,295 (Statistics Canada - 2001), with approximately 2,200 in the surrounding area.

Decisions to move a business to another part of Canada used to be based solely on economics. But dollars and demographics have given way to a new set of criteria for businesses on the move. With advances in communications technology and transportation, lifestyle is the number one influence in business moves in the 90s.

Osoyoos is a natural fit, the area is synonymous with an excellent climate, lush orchards, a sultry desert environment, and Canada's warmest freshwater lake. The community can also boast of low-cost, highly accessible locations for business. New investors can anticipate lower building costs and overhead here than in other comparable communities. Also, Osoyoos sits on the Canada/United States border as well as at the junction of two major transport routes, giving it an edge over many larger communities.

Osoyoos also has a diverse, stable and resilient economy. Substantial opportunities still exist in value-added agricultural products, in tourism facilities and services, in retirement services, in light manufacturing, and above all, in technology and communications. With the advanced communications systems, through numerous Internet Service Providers connected to the Osoyoos Area, high tech businesses are free to establish here without losing the services of large metropolitan centers.

Osoyoos was the first community in Canada to pioneer an environmentally and economically sound method of recycling its wastewater. The town is currently involved in an innovative biological program to establish a safe method of pest control in the tree fruit industry. This "new age" thinking offers a long-term vision for business and industry in a setting, which rewards the innovator.

All of these factors contribute to influx of residents in the community, thus increasing the client base of the Cedar Hills Gas Station. The population increased by 13% from 1991 to 1996, and further increased 4.1% from 1996 to 2001. Of the working population, 84% use a vehicle to get to work.

The population has a 9.5% unemployment rate, and the average full time income earned is $32,020. The average income of families is $42,384. There are 2055 dwellings, with an average value of $ $169,056.

First Nations Population

According to Statistics Canada (2001), there is an Aboriginal population of 4,245 persons in the Osoyoos area. The population for the Osoyoos Indian Band is 596, living in 240 dwellings, with average full time earnings of $26,141.

First Nations persons living on and off the reserve will account for large amount of the local market, due to the appeal of tax exempt status for First Nations consumers on reserve lands.

c. Marketing Strategy

The market approaches the business will utilize are LOCATION and lack of competition.

Location: The location allows for maximum visibility and easy access. Motorists will see the station from the highway in time to access the station safely. It will have excellent forecourt lighting for nighttime customers and will be built on flat land (with a depth of 120 ft.) that will facilitate access. There will be ample room to enter and exit the station without difficult or abrupt turns. Prominent signage on site will list prices and the services offered. Strategically placed road signage will direct highway traffic to the gas station.

Competition: The business has as competition only two other stations. Both are older stations, and are not easily accessible from the freeway. Strategically placed road signs will direct highway traffic to the gas station. These signs will be located on the Canadian side of the border and at 1/2 kilometre intervals to the station. Signage will also be erected at the freeway junction and at all approaches to the junction.

With competition based almost exclusively on price, the best way to attract customer is to sell for less. As a result, gasoline retailers must keep their mark-ups razor thin. Markups, which are less than 10 per cent, cover: land, salaries, buildings, fuel delivery, site maintenance, profit (about one cent per litre),

With such small markups, the main way to stay in business is to sell huge volumes. And the primary way to increase volumes is to reduce retail margins. (An average urban stations sells from three to six million litres of gasoline per year - 400 to 800 litres an hour.) Despite huge volumes, margins are so thin that virtually all filling stations depend on non-fuel products such as snack foods to increase revenues and margins

With these factors in mind, Cedar Hills Gas Station will offer a wider range of services and products to remain competitive. It will also carefully monitor the pricing of the

competition in town, and adjust prices accordingly. The gas station/convenience store combination will offer confectionery, hot and cold beverages, newspapers and magazines and prepared food items in addition to industry staples like gas and oil, and other car accessories.

The features that the business will promote are the First Nations fuel sales, boat fuel sales, and the convenience store.

The business will use the following to attract business:

Business Cards
Flyers (to local band members)
Chamber of Commerce membership
Weekly Free Gas Draw
Internet/Website development
Yellow Pages
Radio advertising
Fax to all First Nations Bands in BC

For the first 3 months of business, the customers will be polled as to how they found the business, and the most inefficient advertising/marketing techniques will be eliminated.

d. Pricing Strategy and Target Sales

The Cedar Hill Gas Station will make every effort to be competitive in its pricing. External factors affect gas prices (international crude oil prices) and beyond control of the business, but the business will maintain a fixed profit margin. Higher transport costs will be reflected in prices, the pricing will be higher than urban centres. This will not affect sales due to the limited competition and the strong customer base from the local First Nations residents.

The industry standard for markups, which are less than 10 per cent will be followed. (that 10% covers land, salaries, buildings, fuel delivery, site maintenance, profit -about one cent per litre). With this in mind, the convenience store will offer promotions to local residents to increase sales volumes. These promotions will include contests and give aways.

Sales are expected to be high during peak summer season. It is anticipated that a regular and loyal customer base will be established within the First Nations community to ensure a consistent positive cash flow during the slow season.

Inventory control for fuel is monitored by the station managers as well as Trimac

Transportation. This duel monitoring system will ensure that there is never a shortage of fuel at the station.

6. Business feasibility and SWOT Analysis

a. S.W.O.T. Analysis.

Strengths:	The business has the advantage of being in an easily accessible and highly visible location. The competition is not easily accessible from the freeway, and they are not able to provide tax exemption to First Nations customers.
Weaknesses:	The disadvantage of any gas station is the limited amount of markup and profit on fuel. With marginal profits it is necessary to sell other items to ensure constant positive cash flow. Being a rural location with limited competition has the distinct advantage of a slightly large profit margin on fuel.
Opportunities:	The business has the opportunity to boost the economy of both the Osoyoos Indian Reserve and the community of Osoyoos. The business also has the ability to expand in the near future, and employ local residents.
Threats:	World unrest and wars in oil producing countries have a large impact on fuel consumption, and consumers are either conserving fuel or looking for alternative modes of transportation.

RISK ASSESSMENT

The competitors will likely react with a "gas war". Cedar Hills Gas Station will keep prices competitive and offer promotional prizes and gifts to draw the public. First Nations will purchase fuel at the gas station due to their tax-exempt status, and it is anticipated that this will result in loyal and regular customers.

The convenience store will ensure a positive cash flow as a result of freeway traffic.

b. Viability and Long Range Plans:

The business is viable due to the following factors:

Visible, easily accessible location
Lack of comparable competition
Tax exempt status for First Nations customers
On reserve cigarette sales
Attractive convenience store
Low employee costs, the business will access employment programs

Long-term goals

Start mobile battery installation service.
Add car wash facility.
Promote tire repair service.

Projected Balance Sheet - 3 year period

	End of year1	End of year 2	End of year 3
Assets:			
Current Assets:			
Cash - Business Account	$62,153	$125,192	$196,576
Fixed Assets:			
Equipment	$100,000	$80,000	$64,000
Depreciation, 20%	($20,000)	($16,000)	($12,800)
Building & Land	$245,000	$232,750	$221,113
Depreciation, 5%	($12,250)	($11,638)	($11,056)
Inventory	$75,000	$75,000	$75,000
Total Assets:	$449,903	$485,304	$532,833
Liabilities:			
Current Liabilities:			
TACC FCF Loan	$64,162	$50,905	$35,967
Total Liabilities:	$64,162	$50,905	$35,967
Owners ' Equity:			
Opening Balance	$225,000	$385,741	$434,399
Add: net income for year	$35,741	$48,658	$62,467
INAC MBPP Contribution	$125,000		
Owners' Equity - end of year	$385,741	$434,399	$496,866
Total Equity and Liabilities:	$449,903	$485,304	$532,833

Projected Income Statement - 3 year period

	Year 1	Year 2	Year 3
Income:			
Tobacco	$118,000	$129,800	$142,780
Grocery/ Misc. Sales	$61,000	$67,100	$73,810
Fuel	$171,000	$188,100	$206,910
Gross Sales:	$350,000	$385,000	$423,500
Expenses:			
TACC FCF Loan Interest Expense	$7,884	$7,167	$5,486
Deprecitation expense	$32,250	$27,638	$23,856
Tobacco	$88,000	$96,800	$106,480
Grocery Purchase	$21,500	$23,650	$26,015
Fuel	$90,965	$100,062	$110,068
Supplies/ Materials	$3,000	$3,300	$3,630
Equipment Repair/ Maintenance	$5,500	$6,050	$6,655
Wages & Benefits	$32,000	$35,200	$38,720
Accounting & Legal	$1,500	$1,650	$1,815
Bank Charges	$4,250	$4,675	$5,143
Business License	$150	$165	$182
Business Insurance	$5,000	$5,500	$6,050
Freight	$1,440	$1,584	$1,742
Insurance	$2,760	$3,036	$3,340
Utilities	$2,640	$2,904	$3,194
Vehicle Expense	$12,000	$13,200	$14,520
Travel	$900	$990	$1,089
Communication: land line/ cell/ fax/ Internet	$1,800	$1,980	$2,178
General Expenses	$720	$792	$871
Total Expenses:	$314,259	$336,342	$361,033
Net Income:	$35,741	$48,658	$62,467

Assumptions:

opening balance includes assessed land value of $100,000.00 plus equity

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Although this Business Plan is a based on a fictitious Aboriginal business, it has been modelled to be as "real-world" as possible. Other sample business plans in this series, as well as an interactive tool to create your own business plan, can be found at:

> ***firstbusiness.ca / guides***