



HOW TO START AN AUTOMOTIVE & MOTORCYCLE BUSINESS

A QUICK GUIDE TO STARTING
AN AUTOMOTIVE &
MOTORCYCLE BUSINESS



A QUICK GUIDE TO STARTING AN AUTOMOTIVE & MOTORCYCLE BUSINESS



What is an Automotive & Motorcycle Business

An Automotive & Motorcycle Business is a business that sells a variety of vehicles such as cars, vans and motorcycles, etc. Other services that the business may provide is maintenance and repairs on the vehicles as well as the sales of accessories and parts that are needed or that may be used with these vehicles. The owners have a continuing responsibility to provide professional service to their customers to give satisfaction and thus maintain and grow the business.

When considering starting a business in the Automotive & Motorcycle business, there are some questions you should ask yourself:

- Why do you want to start this business?
- Is there a demand for the service and product you intend to provide? Or is the market already saturated with too many existing Automotive & Motorcycle businesses?
- Do you have the necessary skills to pursue this business venture or will you need additional training?

- Be advised that there may be some upfront costs that you may have to account for as you conduct your research.

1 Operational Needs

Some operation questions that you will need to consider in making decisions on how you want the business to operate are:

- Location for the business
 - Long term lease or own property
 - An analysis of leasing a property versus buying a property
 - To consider the length of the lease versus the length of a mortgage
 - To consider planning permission when buying/leasing property
 - To consider TCD requirements (licenses) for garages/workshops and mechanics
- Specialized equipment for workshop
 - Safety equipment
 - Ramps
 - Diagnostic equipment
 - Specialized computer programs, manuals etc.

- Specialized tools for workshop
 - Spanners
 - Power tools i.e. screw drivers
 - Compressed air
 - Access to workshop supplies (i.e. oils & filters, etc.)
- Proper ventilation for air flow for the workshop
- Spray Booths if it's a body shop
 - Access to paint
 - Access to body shop supplies
 - Paint mixer
 - Access to parts
 - [Department of Environmental Protection](#) requirements

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.

- **Qualified Staff (Bodywork, Painters and Vehicle Technicians)** make sure technicians are certified by the National Training Board
- **Sales department**
 - Salesmen
 - Display room
 - Distributor Agreements with manufacturers
 - Letters of credit with a local bank to purchase cars, bikes and parts
 - Need to know TCD legislation and HM Customs requirements around car & bikes. i.e. length and engine sizes, registration and licensing process, etc. Log on to the [TCD website](#) for more information.
 - Need to know requirements for Insurance Coverage and Claims
- **A Point of Sales system that can handle vehicle, parts and services offered (e.g. [Winward Software](#))**
- **Insurance for the business, its contents and goods in transit**
- **Need a very good health and safety plan**
- **Access to training to keep up with the latest technology**
- **TCD requirements for application and operation of loaner vehicles**

2 Best Practice Tips

Exterior Appearance

- Make sure the parking lot is well lit and clean
- Make sure you have visible and attractive signage
- Make sure windows are clean and well lit (car or bike show room)
- Make sure the business is easily identified from the road

Interior Appearance

- Make sure the reception and display areas are appealing to the customers
- Make sure floors are clear of debris and are clean
- Make sure all light fixtures are working.

Customer Service

- Make sure customers are greeted by a member of staff upon entering the store
- Make sure employees are easily identifiable with uniforms or name tags
- Make sure staff are knowledgeable about the products and services you offer
- Make sure the employees of the business handle customer complaints, returns and other customer service issues directly and promptly
- Make sure the staff consistently treat customers with respect (the customer is always right)

Product/Services offered

- Make sure you have parts in stock
- Make sure you have qualified staff
- Make sure all vehicles, parts and services sold has warranty program attached to them

3 Government Obligations

[Department of Planning](#)

- Will you have to modify your proposed space? 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.

[Payroll Tax](#)

All businesses are responsible for registering and paying Payroll Tax. Payroll Tax is governed by the [Payroll Tax Act 1995](#) 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 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.

4 Knowing the Numbers

What are the costs to establishing your care facility? Consider the following:

- Equipment
- Personnel expenses
- Other fixed costs (Rent, electricity)
- Variable costs
- Annual Licences (Environmental Certificates, TCD Licences, 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.

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.

If you still need assistance with knowing the numbers 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.

5 Legal Issues & 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 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. 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.

Insurance

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 an 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.

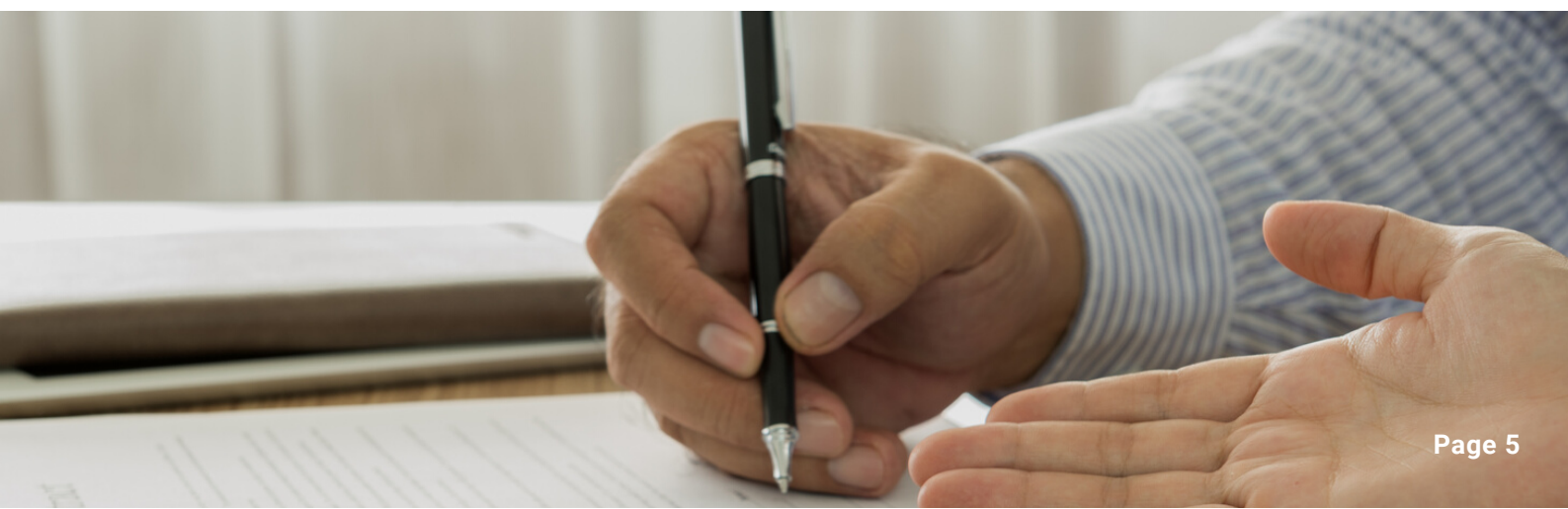
6 The Business Plan

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 selling. Focus on customer benefits.
- **Market Analysis:** Know your market, customer needs, where they are, 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 and business ratios, etc.

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.



7 Financing the Business

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

b. **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.

c. **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.

d. **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 www.bedc.bm for more information on the Micro Loan.

e. **Bootstrapping** – is defined by Investopedia as “a situation in which an entrepreneur starts a company with little capital. An individual is said to be bootstrapping when he or she attempts to found 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.

Bermuda Business starts here at BEDC and BEDC is the first stop for local business in Bermuda. For more information and assistance with getting your transportation business started, visit our website at www.bedc.bm, email us at info@bedc.bm or call 292-5570 to schedule an appointment to speak one-on-one with one of our dedicated officers.

8 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.
- **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.

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.

The programme is offered at the start of the year and applications open in November. Visit www.bedc.bm for more information.

Vending License - 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.

EEZ Boundaries

St. George's



North East Hamilton



Somerset





CONTACT US

Sofia House
48 Church Street
Hamilton, HM12
Bermuda

292-5570 | info@bedc.bm

VISIT WWW.BEDC.BM FOR MORE INFORMATION