

Strategic Investment in Texas Travel Centers: Leveraging Cross- Border Commerce

Exploring Economic
Advantages and Market
Potential



Why Texas?

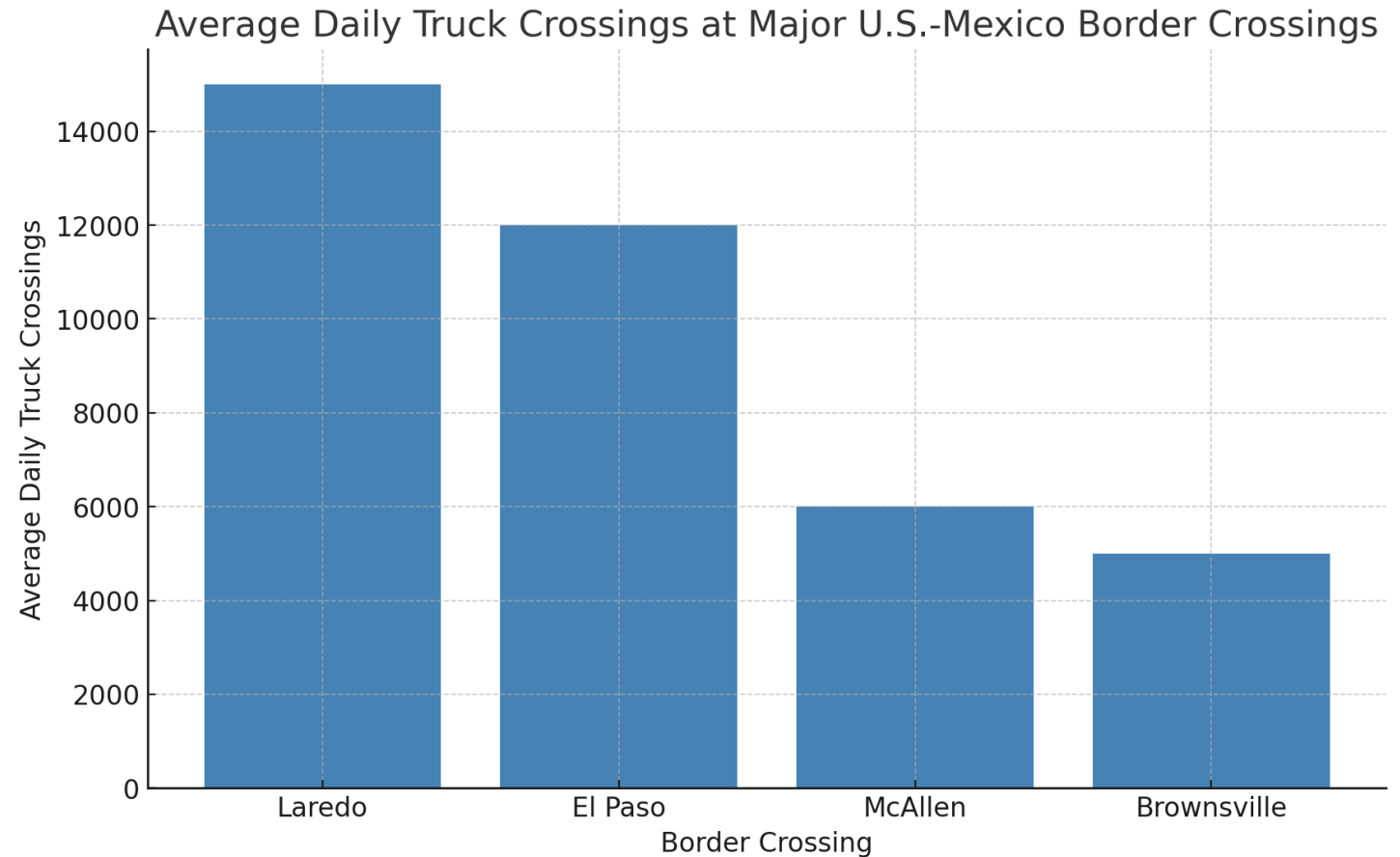
Accessibility, Affordability, and Economic Growth

- Accessibility and High Traffic Potential
- Population and Workforce Expansion
- Rising Demand for Services
- Cost Advantages and Tax Benefits
- Growing Business and Industry Presence
- Economic Stability and Growth



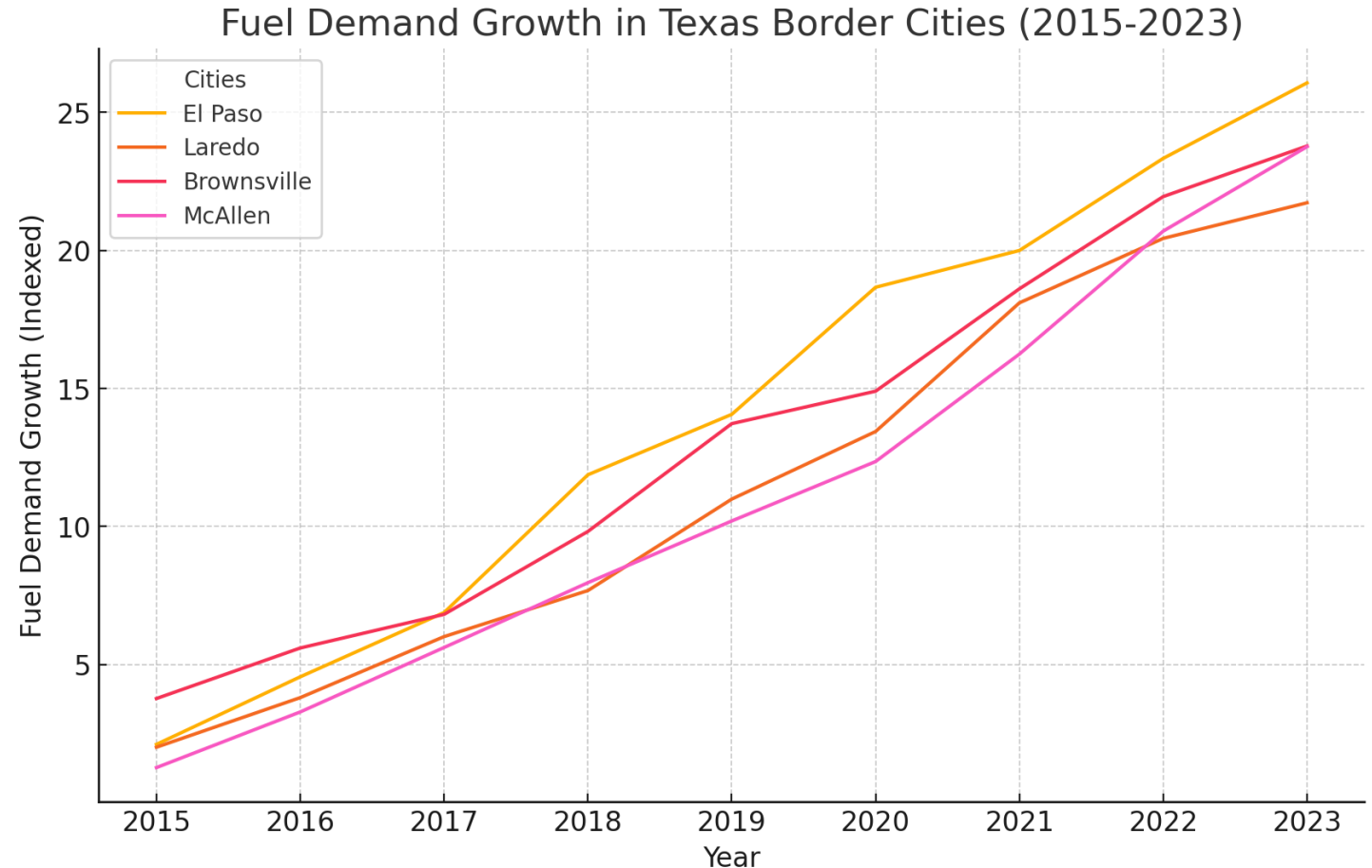
Cross-Border Commerce and Proximity to Mexico

- **Key Border Crossings:** Laredo, El Paso, McAllen, and Brownsville serve as major entry points with high daily truck traffic. Key crossings like Laredo and El Paso handle millions of truck crossings annually, representing high demand for refueling.
- **Average Daily Truck Crossings:** Laredo sees an average of 15,000 trucks per day, followed by El Paso with 12,000. This high traffic creates a constant demand for fuel and amenities.
- **Volume of Cross-Border Traffic:** High traffic at key crossings like Laredo and El Paso supports demand for fuel and services.
- **Purchasing Power and Fuel Savings for Mexican Truckers:** Fuel costs in Texas average \$1.20 per gallon lower than in Mexico, encouraging refueling in Texas. Mexican truckers save on average **15-20%** by refueling in Texas due to lower fuel prices.
- **Demographics of Border Regions:** Border cities like Laredo and McAllen host diverse customer bases of U.S. residents and Mexican travelers. Regions like Laredo and McAllen show higher incomes and demographic diversity, supporting demand for travel center amenities.



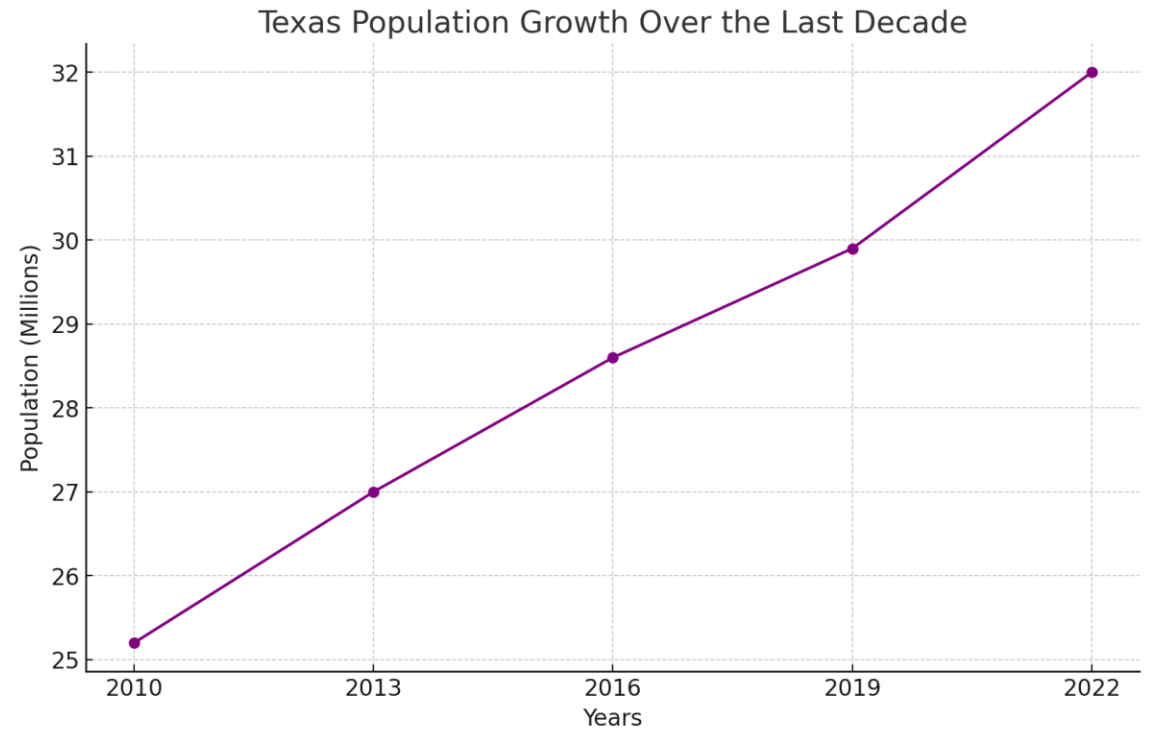
Fuel Demand Trends

- Demand for fuel in Texas border cities has increased by 4% annually due to cross-border traffic.
- Fuel consumption in Texas border cities, like Laredo and El Paso, has steadily increased.
- From 2015 to 2023, fuel demand grew by 250 million gallons in these cities.
- This trend highlights the economic significance of cross-border fueling locations



Population & Workforce Growth

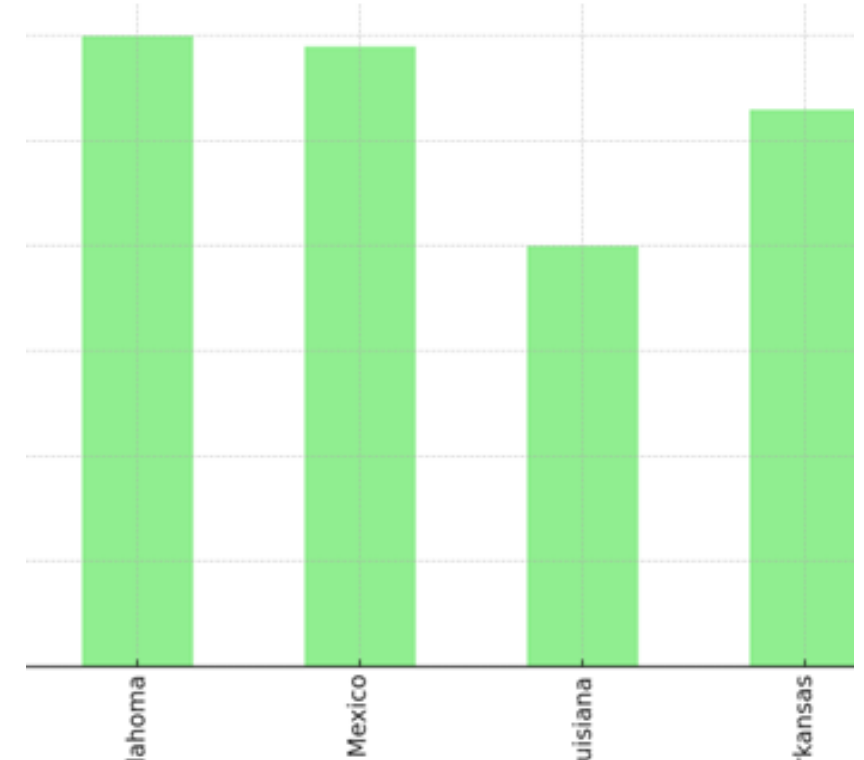
- **Rapid Population Growth:** Texas experienced a 38% population growth since 2010, driven by both domestic migration and natural increase.
- **Strong Immigration Patterns:** Texas attracts residents from high-cost areas due to affordable living costs and job opportunities.
- **Expanding Workforce:** Influx of residents strengthens Texas's labor pool to support new ventures like travel centers.
- **Growing Demand for Services:** Increased population boosts demand for fuel, amenities, and services, benefiting travel centers.



Tax Benefits & Business Environment

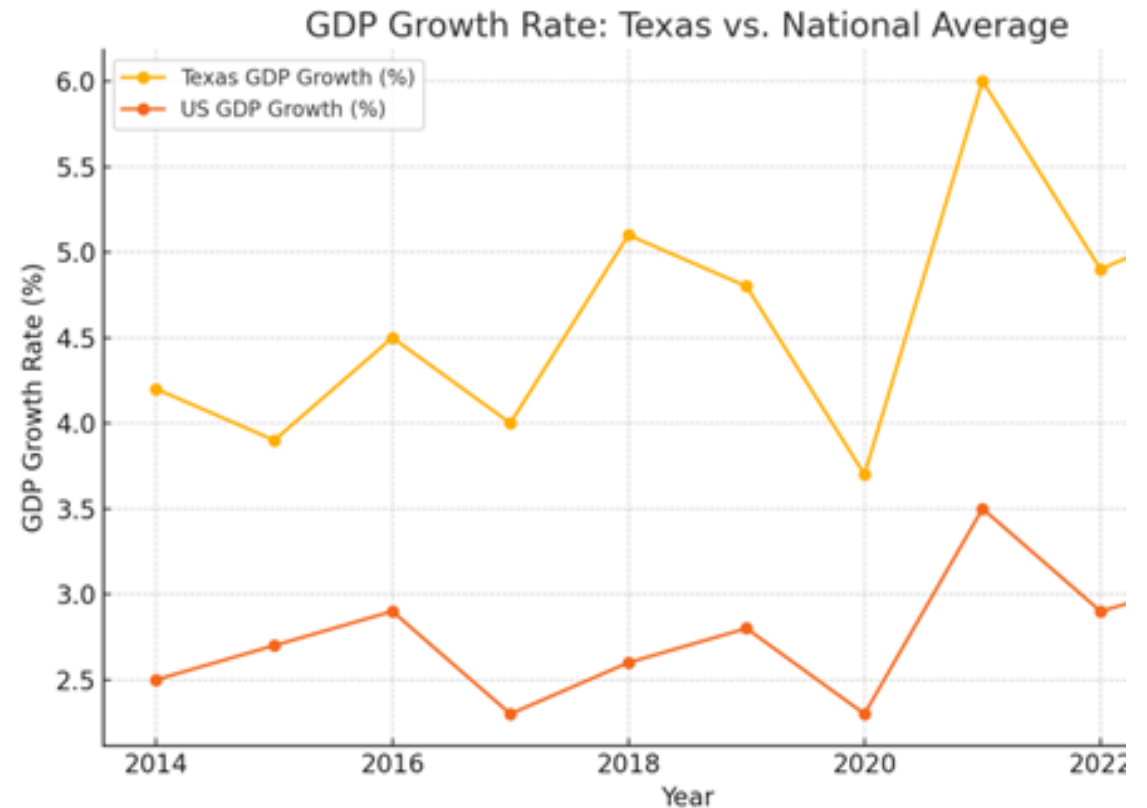
- **0% Corporate Tax Rate:** Texas offers a unique advantage with no corporate income tax, making it highly attractive for both established corporations and new ventures.
- **Competitive Edge Over Neighboring States:** In contrast, neighboring states have corporate tax rates ranging from 4% (Louisiana) to 6% (Oklahoma), positioning Texas as a low-cost leader for business operations.
- **Major Incentives for Growth:** Texas provides robust business incentives, including tax benefits for R&D, capital investments, and enterprise zones, fostering an environment of innovation and expansion.
- **Fortune 500 Relocations:** Recently, high-profile companies like Tesla, Oracle, and Hewlett Packard Enterprise have moved their headquarters to Texas, underscoring the state's appeal for industry leaders.
- **Business-Friendly Climate:** Alongside tax incentives, Texas offers a regulatory environment conducive to business growth, with support for streamlined operations and low operational costs.

Corporate Tax Rates in Texas and Neighboring States



Texas GDP Outpaces U.S

- Texas saw GDP increases averaging 4.5% per year from 2014 to 2022
- The US national average was 2.7% during the same period



Key Drivers for Fueling Decisions in Texas

Diesel Fueling

- **Mexico:** As of November 11, 2024, the average diesel price in Mexico was \$1.23 per liter which is approximately **\$4.65 per gallon**
- **US:** The average diesel price in the US on the same date was **\$3.55 per gallon**
- **Texas:** On the same date Texas average diesel price was **\$3.08 per gallon**

Gasoline Fueling

- **Mexico:** *GlobalPetrolPrices.com* indicate that the average price is around **\$4.20 per gallon** (converted from pesos per liter) as of November 15, 2024.
- **USA:** AAA reports the national average gas price as **\$3.084 per gallon** as of November 15, 2024.
- **Texas:** AAA reports the average gas price in Texas as **\$2.646 per gallon** as of November 15, 2024.

- Variables include higher excise tax, sales tax, rack cost, and transportation costs.

Competitive Landscape

- **Market Share Breakdown**

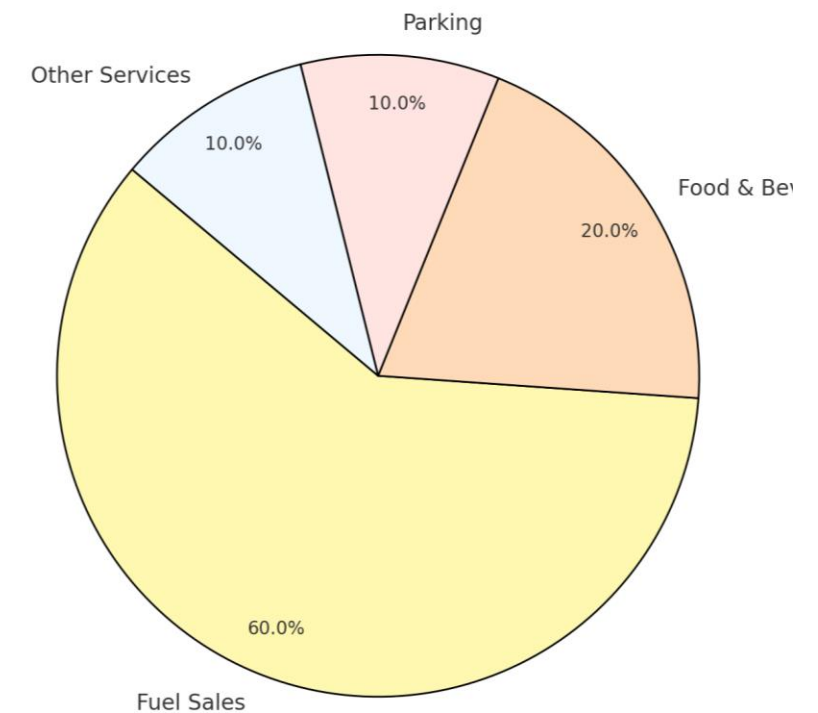
- **Current Landscape:** The travel center market in Texas is dominated by national brands like Pilot Flying J, Love's, and smaller local operators.

- **Market Share:**

- **Pilot Flying J:** Approximately 35% of the market.
- **Love's Travel Stops:** 30% market share.
- **Local Convenience Stores:** 20%.
- **Other Smaller Chains:** Remaining 15%

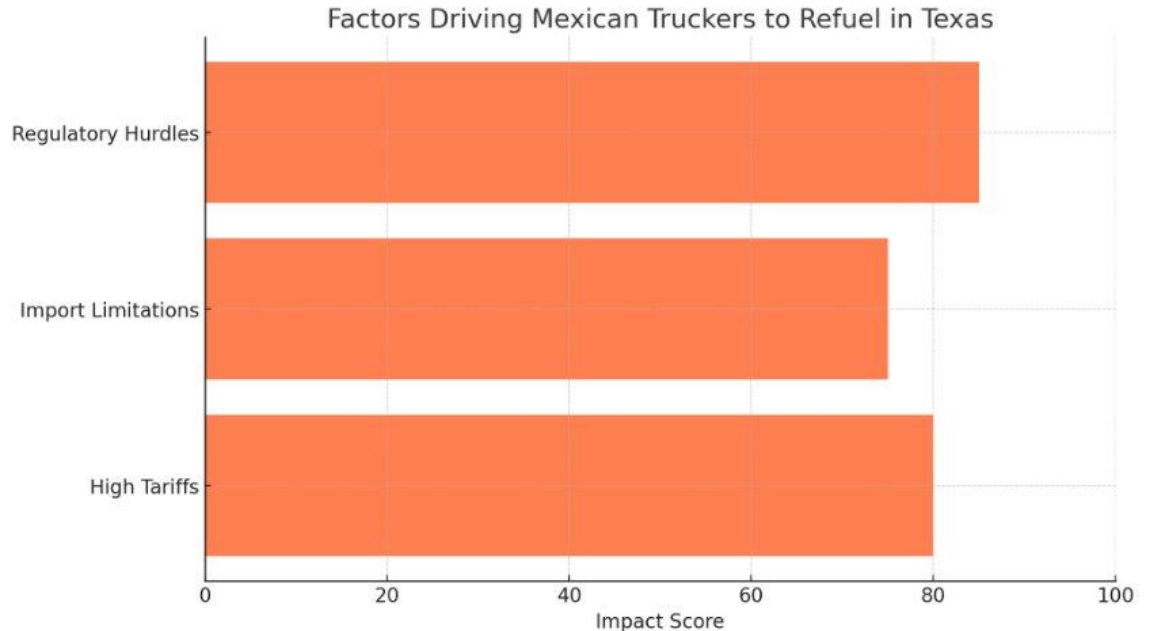
- **Competitive Advantages:** Strategic location near high-traffic border crossings, coupled with a focus on superior amenities and customer service, will attract significant market share.
- **Strategic Positioning:** By offering competitive fuel pricing, enhanced amenities, and a customer-centric approach, these travel centers will capture a substantial market share.

Revenue Breakdown for Texas Travel Centers



How Constraints in Mexico Enhance Texas's Market Position

- **Mexico's High Tariffs:** Mexico's 30% dependency on diesel imports, combined with high tariffs and regulatory costs, drives truckers to refuel in Texas .
- **Import Limitations in Mexico:** Mexico's import limitations on diesel fuel restrict supply and inflate prices, making Texas a more cost-effective refueling option.
- **Regulatory Hurdles in Mexico:** Complex regulations and bureaucratic processes in Mexico add to operational costs, pushing truckers toward the simpler Texas system.



Texas Travel Centers – A Strategic Investment with Cross-Border Appeal

- Texas boasts a powerful combination of economic growth, strategic location, and cross-border advantages that collectively support its appeal for businesses, especially travel centers catering to Mexican and American consumers.
- Over the past decade, Texas's GDP growth rate has consistently outpaced the national average, fueled by sectors like energy, technology, and logistics.
- This economic strength is reinforced by a business-friendly environment, with no corporate income tax, which encourages investment from both local and out-of-state companies.
- Texas attracts high-profile corporations such as Tesla and Oracle, further enhancing its economic landscape.
- The state's rapid population growth—15.3% over the last decade—alongside significant domestic migration from high-cost states, provides a strong labor pool and drives demand for services, making Texas a favorable market for travel centers and fuel stations.
- Border cities like Laredo see substantial cross-border traffic, with daily truck crossings averaging around 15,000, highlighting the consistent demand for fuel and amenities. Texas's lower fuel costs—about \$3.00 per gallon versus Mexico's \$4.20—offer a price advantage that draws Mexican truckers, potentially saving them \$1.20 per gallon.
- Texas's regulatory framework and efficient fuel distribution offer further cost benefits that are harder to achieve across the border.
- With a growing cross-border customer base and strategic location, Texas travel centers are ideally positioned to capitalize on a steady demand for fuel, food, and driver amenities, emphasizing Texas's importance as a robust economic and strategic hub for cross-border commerce.