

# Equipment Financing

A Radio Broadcast Station, in order to gain respect and recognition from visitors and from the general population in its service area, must not only broadcast program material to their general liking, it must also broadcast high audio quality, and importantly, appear as a neat and orderly operation

Operating any type of Radio Station using "Tired and Outdated Equipment" is demoralizing and frustrating to the people directly involved in its operation, and in addition does not present well to the outside world

The owners and operators of the more successful Commercial Radio Stations and Networks are acutely aware of the beneficial effects on staff morale and the general public status of a well run and equipped station, and will replace equipment before it becomes outdated and generally maintain everything within the station in technical and visual top condition

Unfortunately, new equipment costs money

This is generally no problem to the successful Commercial Radio Station where the funds for equipment purchases comes out of general revenue, and are fairly minor compared to wages and other expenses

Community Stations on the other hand, generally have very limited funds at their disposal relying heavily on Grants, Sponsorship Income, Donations from interested parties and various Fund Raising activities

These funds are for the most part sufficient to cover the purchase of spares, minor pieces of equipment and the scheduled replacement of major equipment such as On-Air Mixers, Transmitters and etc

It is also possible to obtain finance from Rental, Leasing and General Hire Purchase companies for major items of equipment required to improve or update the station

**Rental;** The Renter agrees on a Fixed Rental Period, and a fixed monthly payment, the Rental Company is the owner of the goods at the end of the rental period,

The Renter can Surrender the rented goods at the end of the rental period  
The Renter can negotiate a new rental period for the goods  
The Renter can purchase the goods at a price to be agreed to by both parties

**Leasing;** The Leaser agrees on a Fixed Leasing Period, and a fixed monthly payment, the Leasing Company is the owner of the goods at the end of the leasing period

The Leaser agrees to a value the leased goods will have at the end of the leasing period  
The Leaser must purchase the goods at the agreed price at the end of the leasing period

**Hire Purchase;** The Purchaser agrees on a Fixed Payment Period, and a fixed monthly payment, the Purchaser becomes the owner of the goods at the end of the payment period

At the end of the payment period, the purchaser keep the goods, no further formalities

Rental does have some Tax Advantages for Commercial Business Operations

Unfortunately these Tax Advantages are not available to "Not for Profit" organisations such as Community Radio Stations making Rental unattractive

Leasing also offer "Unavailable" Tax Advantages with monthly payments being about the same as ordinary Hire Purchase making this unattractive to Community Stations

Hire Purchase is probably the best method available to Community Radio Stations for obtaining finance for new equipment purchases

With any type of financing whether be it Long Term Rental, Leasing or Hire Purchase, the goods concerned must be comprehensively insured, and the financed amount irrevocably guaranteed

Providing acceptable guarantees is generally not a problem for Commercial Business Operations, but can be difficult for a non-profit organisation or incorporated body, such as a Community Radio Station not having an actual owner who is legally responsible for its affairs

A guarantee against a Rental, Leasing or Hire Purchase contract, can be provided as a Personal Guarantee, by a member of the organisation who will then be legally responsible for the contract

To lessen the personal financial risk to the Guarantor we suggest that the guarantor personally purchase the equipment, and loan it to the Radio Station

The Radio Station must take out Comprehensive Insurance for the full value of the equipment, and make the monthly payments to the finance company on behalf of the purchaser

This will pose little or no risk to the purchaser, as the equipment is fully insured, and legally belongs to finance company and only on loan from the purchaser to the radio station

The purchaser is fully entitled to take the equipment back if the station cannot make the monthly payments, pay out the Finance Company and sell the equipment for what it owes him

The CBAA web site [www.cbaa.org.au](http://www.cbaa.org.au) does have an excellent Wanted to buy, and For Sale section so it should not be difficult to find a buyer for well-priced quality equipment through this

Generally, the best and most economical source for finance is to approach your regular bank

Banks make their profits from lending out other peoples money, not from storing your money for you

Virtually every bank operates a Finance Company Division, and will provide Hire Purchase Finance for your Community Radio Station against suitable Guarantees, or for you personally

Rates do vary, typical early 2004, repayments for a \$10,000.00c loan over 4 Years being about \$ 270.00c per month

This may make it possible for your Radio Station to upgrade and purchase much needed equipment now, such as a new Transmitter, On-Air Mixer or Pair of TieLine Units etc

Only durable equipment should be considered for financing

Non-durable equipment, such as Personal Computers, Cassette Decks, CD Players, Mini Disks, Headphones etc should be purchased from general revenue, as such items are not likely to last for the 4 Year Hire Purchase Term