

## THE BUSINESS of OPERATING a SHOW CAVE

David Summers

*This is the address given by David Summers, President of the International Show Caves Association to ACKMA at the Waitomo Conference.*

Mr President, Conference Convener, Conference Organizers, ACKMA Members and Invitees.

It is a wonderful privilege not to only be able to attend your Conference this year, but also to be able to address you. After a relatively slow start, Australasia has burst onto the international stage of show caves in a spectacular fashion. It started with the attendance of your genial wanderer, Andy Spate, at the ISCA Conference 2006 in Bermuda. Andy did a wonderful job of telling the attendees of the wonderful caves that existed in Australasia.

This was followed by the attendance of a veritable gang, comprising Dan Cove, Barry Richard, Kent Henderson and Andy Spate, at the 2010 ISCA Congress in Slovakia. This Australasian crew secured the unanimous support of ISCA to hold the 7th Congress of ISCA at Jenolan Caves in 2014, as well as causing a constant disturbance, I might add! Quite a track record, and well deserved. Australasia followed this up with the attendance of Dan Cove and Gregory Middleton at last years ISCA Conference in Greece and Turkey. Australasia has certainly stamped its presence on the world of show caves in recent years.

This is my second cave related visit to Australasia, and I have a third visit scheduled next year. Having originated, and grown up, in the southern hemisphere I can assure you all that it feels really good to be in this half of the world again.

When I read about the Conference Theme of “the triple bottom line” of “people, planet, profit”, I became really excited. I have spent the past six plus years of my presidency of ISCA, stressing the need for full attention to be paid to the visitor, the environment, and for effective economic management of show caves.

The theme of people, planet, profit covers the full scope of what show caves are all about. I commend the author, or authors, of this theme. The down side of this theme is that if I tried to address all three of these components I will be talking to you all day. In these circumstances, I will focus on the third part of profit and a very, very important aspect of that.

There is no doubt that a show cave is a business. Not only is it a business, it must be a successful business, a business that must be continuously successful. A business that may be able to withstand one or two years of not being successful, but not for an extended period of time. Why is it so essential that the business of a show cave be successful? Because of the cave which is the very basis of the business, that is why.



*David Summers addressing ACKMA.  
Photo: John Brush*

When most businesses fail, they usually close down their operations, and the place that the business was operated in, is sold, recycled, or otherwise disposed of. These options are not available to a show cave. The cave remains, long after the business that operated it as a show cave has gone, and inevitably it will become vulnerable as the gating eventually fails to remain secure, as well as a whole myriad of other consequences.

Having broadly painted the picture of what will happen if a show cave ceases to function, I will now focus on one aspect of the “profit”, or economic side, of show caves that I have found to be commonly overlooked, or misread, all over the world. That is the seemingly simple matter of inflation.

The scourge of inflation is one of the most common hidden traps lying in waiting for show caves. It is, in all

probability, the single most misunderstood financial factor that affects the economic fortunes of a show cave. Even the most seemingly astute operator seems paralysed to the potential ravaging effect that inflation can have on the business of operating a show cave.

Inflation, which is a general increase in prices and the fall in the purchasing power of money, is like a slow cloud enveloping a business, if not properly attended to. One of the most disconcerting aspects of inflation is the degree of any decrease, or the rarely encountered increase, in the purchasing value of money, is not known until after the fact. Annual inflation cannot be calculated for a given year until after the year is over, and the next year is beginning to be well advanced.

The dangers of inflation affect show caves of all sizes. Not just the mega size caves, but the smaller ones as well. Let us have a look at how inflation can affect small and large caves over a five year period, with inflation averaging a seemingly modest three percent per year throughout the five year period.

First let us consider the purchasing value of money at a small cave, with an admission price equivalent to 10 euros (or dollars if you prefer) with an average admission level of 50,000 per year, where the impact of inflation is ignored and the admission price is held at the same rate for the full five year period.

- ★At the end of the first year the value of the gross income is  $50,000 \times 10 = 500,000$
- ★At the end of the second year the value of the gross income is  $50,000 \times 9.70 = 485,000$
- ★At the end of the third year the value of the gross income is  $50,000 \times 9.41 = 470,000$
- ★At the end of the fourth year the value of the gross income is  $50,000 \times 9.13 = 456,500$
- ★At the end of the fifth year the value of the gross income is  $50,000 \times 8.86 = 443,000$

In effect the small cave operator, in this example, is receiving 57,000 less than was being received five years previously, in terms of the value of money.

Let us now look at the effect of ignoring the purchasing value of money on a larger show cave operation with an admission price of 15 euros (again dollars if you prefer) held at the same rate, with an average admission level of 200,000 per year, and an inflation rate of three percent for the five year period.

- ★At the end of the first year the value of the gross income is  $200,000 \times 15 = 3,000,000$
- ★At the end of the second year the value of the gross income is  $200,000 \times 14.55 = 2,910,000$
- ★At the end of the third year the value of the gross income is  $200,000 \times 14.11 = 2,822,000$
- ★At the end of the fourth year the value of the gross income is  $200,000 \times 13.69 = 2,738,000$

- ★At the end of the fifth year the value of the gross income is  $200,000 \times 13.28 = 2,656,000$

The larger cave operator, in this example is receiving 344,000 less in the fifth year than was being received five years previously, in terms of purchasing power.

As the President of ISCA I have visited a lot of show caves around the world, and I can tell you that I have not come across a small cave operator who would willingly, and knowingly, give away 57,000 euros or dollars a year. Or a large cave operator, who would willingly and knowingly, give away 344,000 euros or dollars a year. Note that I said willingly and knowingly. I have come across many who are unknowingly losing these amounts.

The answer to the scourge of inflation is vigilance and awareness. The show cave operator must be fully aware of the effect that inflation will have. On average I would offer you the notion that if a show cave holds its admission price unchanged for more than two years, it is making a huge problem for itself.

Another important message that I have for you on admission prices is do not be afraid of arriving at fractions of whole numbers. I can recall proposing that the admission price at the Crystal Caves of Bermuda be increased to \$17.50. The General Manager, at the time, protested that the price should be \$17.00 otherwise we would have to be dealing with a lot of coins. After I pointed out that 80,000 times 50 cents equaled \$40,000 a year, there was no further argument.

My final message to you all is that you increase your understanding of the effect that inflation has on your show cave. Stay current with it, and react accordingly. It can be a great friend, or an awesome enemy. Do not let inflation creep up on you.

Thank you.



*David Summers and Debbie Ray, Business Manager of Crystal Caves, Bermuda, in Aranui Cave.*

*Photo: Steve Bourne*