



**CAVES OF BARBADOS LIMITED**  
**ANNUAL REPORT**  
**2005**

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## **INTRODUCTION AND HISTORICAL BACKGROUND**

Harrison's Cave, located in the parish of St. Thomas, is a natural phenomenon comprising of a series of subterranean passages with a gallery of stalactites, stalagmites, lakes, streams and waterfalls. The developed site, with its inherent natural heritage value, now offers a unique combination of scientific, technological and geological resources which, together, have been developed to make it the country's most famous visitor attraction.

Harrison's Cave which was developed as a Show Cave during the 1970s, was opened as a tourist attraction on November 28, 1981. The Cave has earned the reputation as one of the most popular and most visited land-based tourist attractions in Barbados. At its opening in 1981, it was projected that 100,000 persons would visit the Cave annually. By 1996 through 1997, over 190,000 persons were touring the cave. By then, it was evident that the existing facility was ill equipped to exploit Harrison's Cave's latent potential.

On March 19, 1999, the current management company, Caves of Barbados Limited (CBL), was incorporated under the Companies Act Cap 308, with the Government of Barbados as the sole shareholder. The company assumed ownership and operating responsibility for Harrison's Cave following the enactment of the enabling legislation, the Caves Act 2000-12. The company took over the actual management functions for Barbados' unique visitor attraction in September 2000. The Company is headed by a Board of Directors which, during the period, reported to the Minister of Housing and Lands, who had been assigned Constitutional responsibility for the Cave.

## **MISSION STATEMENT**

To ensure the sustainable development, promotion and display of the National Caves of Barbados for the economic and social benefit of the people of Barbados, while providing a high quality experience for the recreational and educational enjoyment of all patrons.

## OBJECTIVES

The company's stated objectives are:-

- a) To manage the operation of the Cave so as to attain a reasonable return on investment,
- b) To provide a high quality visitor experience through innovative approaches, including educational and interpretative offerings,
- c) To integrate the cave's operations within the surrounding communities, addressing community needs and concerns fairly, expeditiously and effectively, and affording local residents the opportunity to benefit from the operation of the Cave, and
- d) To develop and maintain a system to monitor and manage visitor flows and provide for the sustainable use of the Cave and its surrounding gullies and ecosystem.

## BOARD OF DIRECTORS

The Members of the Board of Directors during the year 2005 were as follows:

- Mr. Anthony Audain - Chairman
- Mr. Anthony Carter - Deputy Chairman
- Mrs. Brenda Edwards - Managing Director
- Miss Julie-Anne Burrowes - Representative-Barbados Tourism Authority
- Mr. David Lashley - Representative- Barbados Port Authority
- Mr. Steve Devonish - Board Member
- Dr. Harold Gibbs - Board Member
- Mrs. Jeanne Gittens - Board Member
- Mr. O'Neil Graham - Board Member
- Mr. Wendell Knight - Board Member
- Ms. Jennifer Lynch - Board Member
- Mr. Geoffrey Ramsey - Board Member
- Mr. Rupert Sargeant - Board Member
- Mr. Ian Stewart - Board Member

Mrs. Denise Depradine, Finance Officer, performed the duties of Board Secretary.

Mr. Anthony Audain resigned from his position as Chairman with immediate effect on August 15<sup>th</sup>, 2005, and was succeeded by the Deputy Chairman, Mr. Anthony Carter, who was appointed to fill the vacancy as acting Chairman.

## **SUB-COMMITTEES OF THE BOARD**

There were five Sub-committees of the Board of Directors, each charged with responsibility for oversight of a key area of the operations, as follows:-

1) The Establishment Committee was responsible for matters pertaining to staff:-

- a) The production of a staff manual
- b) Recruitment and selection of staff
- c) Disciplinary matters
- d) Promotion and training of staff

The Members serving on this Committee were:

- Ms. Jennifer Lynch - Chairman
- Mr. C. Anthony Audain - Member (Resigned 15<sup>th</sup> August, 2005)
- Mr. David Lashley - Member
- Mr. Rupert Sargeant - Member
- Mrs. Brenda Edwards - Member

2) The Finance Committee was assigned responsibility for:-

- a) Monthly financial reports
- b) The annual budget
- c) Major purchases

The Members assigned to this Committee were:-

- Mr. H. Anthony Carter - Chairman
- Mr. Wendell Knight - Member
- Mr. O'Neil Graham - Member
- Mrs. Brenda Edwards - Member
- Mrs. Denise Depradine - Finance Officer

3) The Marketing Committee was assigned responsibility for:-

- a) Promotional sales activities
- b) Advertising
- c) Public relations activities

The Members of this Committee were:-

- Mrs. Brenda Edwards - Chairman
- Mr. C. Anthony Audain - Member (to 15<sup>th</sup> August 2005)
- Ms. Julie-Anne Burrowes - Member
- Mrs. Jeanne Gittens - Member
- Mr. David Lashley - Member
- Mr. Sam Wilkinson - Marketing Officer/Member

4) The Technical Committee exercised responsibility for:-

- a) Re-development activities
- b) Environmental aspects of the Cave

The Members of this Committee were:-

- Mr. Steve Devonish - Chairman
- Mr. Geoffrey Ramsey - Member
- Mr. Ian Stewart - Member
- Mr. Scofield Clarke - Operations Manager/Member
- Mrs. Brenda Edwards - Member

5) The Tenders committee was assigned responsibility for:-

- a) Contracting the re-development contractor
- b) Sale of equipment
- c) Sale of vehicles
- d) The evaluation of tenders for the purchase and sale of equipment valued over \$10,000 (BDS)

The Members of this Committee were:-

- Mr. Ian Stewart - Chairman
- Mr. Scofield Clarke - Operations Manager/Member
- Mr. O'Neil Graham - Member
- Dr. Harold Gibbs - Member

The four member management team was comprised as follows:

- a) Mrs. Brenda Edwards - Managing Director
- b) Mrs. Denise Depradine - Finance Officer
- c) Mr. Scofield Clarke - Operations Manager
- d) Mr. Sam Wilkinson - Marketing Officer

## **PROGRAMMES/ACTIVITIES & PERFORMANCE**

### **The Harrison's Cave Re-development Project**

#### Background- Detailed Design Phase

In March 1998 the Government of Barbados, through its executing agency the Environmental Special Projects Unit (ESPU), retained AXYS Environmental Consulting (B'dos) Ltd in association with the Environmental Planning Group and Gillespie and Steel Association Ltd., to complete a feasibility study of Harrison's Cave and Associated Sites, in pursuit of the following primary objectives:

- To determine the administrative, technical and financial feasibility of further development of Harrison's Cave including expansion of the viewing area and surface facilities of the Cave, in order to accommodate a larger number of visitors, improve the visitor experience, and increase revenue generating and employment opportunities.
- To assess the feasibility of establishing an Integrated Nature Tourism Area (INTA), which incorporates Harrison's Cave, Cole's Cave, Welchman Hall Gully and Jack-in-the-Box Gully, in order to protect and conserve the ecology of the Cave and the natural environment of the adjacent area.

## The Project Scope and Financing Arrangements

The feasibility study was completed in March 2000. Following thorough examination of the study and its recommendations, arrangements were finalised for the Detailed Design Phase to begin in March 2005. The approved design incorporated major civil works in the re-development area, together with technology, interpretive and landscaping upgrades, including:-

### On the Valley Floor

- Excavations to facilitate improved access to the Cave,
- construction of a new Cave Interpretative Centre (CIC) retrofitted for multimedia and interactive experiences,
- A Light Refreshment Bar;
- Retail Kiosks; and
- enhanced landscaping

### On the Cliff Top

- Tram storage building
- Administration and visitor reception areas,
- Gift shop,
- Restaurant:
- An Amphitheatre;
- Improved road access;
- Parking facilities
- Landscaping upgrades.

### On the Cliff Side

- An elevator shaft with elevators to transport visitors and staff between the two levels.

The re-development plan provided for a community outreach component, including provision for residents from the area to have an input in matters relating to the Cave and to be awarded concessions to operate retail kiosks. The inclusion of other project components for



enhanced landscaping and roadwork in the cave access area and the surrounding community, was also designed for the mutual benefit of the Cave and the community. Other critical components of the project included Institutional strengthening to upgrade the calibre and competencies of staff and, systems upgrades addressing the application of information and communication technology, interpretive and interactive media, and ticketing and reservations procedures.

Execution of the Re-development project, initially scheduled to begin in 2005, was delayed primarily because of unresolved financing issues and the protracted procedures for acquisition of lands required for redevelopment of the cliff-top and cliff-side sites. It was therefore necessary to postpone the planned and publicised closure of the Cave during 2005, and the initiation of the civil works component of the project. As a result of these unresolved issues therefore, there was some fluidity regarding the setting of a precise commencement date.

The original cost of the approved works, inclusive of the requisite roadworks and landscaping, was first estimated at \$31.94 million and had been revised to \$63.7 million by 31<sup>st</sup> December, 2005. Given the scale of the proposed project, 100% Government financing was not a viable option. The Board of Directors after exploring other financing options for the Re-development Project, agreed, inter alia, that Caribbean Development Bank (CDB) funding should be utilised for the project. The following are the approved terms for the Project:-

- a. Financing through the purchase of additional equity to cover the project shortfall for the Detailed Design Phase, i.e. \$318,197.07 – to be met by the Government of Barbados, through the Public Enterprise Investment Fund (PEIF);
- b. Execution of the Capital Works Project at an estimated cost of \$31.94 million.
- c. Caves of Barbados Limited, to seek project funding from the Caribbean Development Bank (CDB) in the amount of \$31.94 million.
- d. A Government of Barbados Guarantee for the \$31.94 million.
- e. The acquisition of all of the required parcels of land necessary for the Project, including land for the ventilation shaft and the proposed site for the Visitor Reception Centre, as well easement rights to the plots of land recommended for the environmental management of the Cave's natural entrances and buffer zones.

The Government of Barbados made a commitment to providing additional funding to finance the acquisition of the lands required for the re-development of the Cave as well as for the community roadwork programme. It was also agreed that the funds required for the roadwork, itemised in Table 2 below, were to be financed from the loan, with Government taking responsibility for repayment of this portion:

**Table 1. Roadwork Component of Re-Development Project**

Sidewalks at Allen View	\$300,000.00
Highway 2 Roundabout	\$430,000.00
Allen View Road Improvement	\$2,225,732.00
<b>TOTAL</b>	<b>\$2,955,732.00</b>

It was also agreed that:-

- a. The Cave would be closed for approximately one year to facilitate construction works.
- b. The members of staff hired directly by Caves of Barbados Limited should be severed, and compensated in accordance with the Severance Payments Act, Cap. 355A.
- c. Members of staff who were former employees of the National Conservation Commission should be offered the option of attachment to the National Conservation Commission or elsewhere, as well as training and development during the construction period, to prepare them for work at the redeveloped Harrison's Cave.
- d. Employees attached to the National Conservation Commission during closure of the Cave would be reassigned to CBL on its re-opening.

## **Tram Procurement**

Early priority was given to the award of the contract for the procurement of new and improved replacement trams. The successful bidder, Severn Lamb United Kingdom (SLUK), was contracted to design and manufacture six tram units complete with trailers, each to accommodate thirty-two passengers, and two special trailers to accommodate wheelchair access. The contract for procurement provided also for a maintenance vehicle and

communication and tram tracking system, which are critical for maintaining the integrity of operations. The contract price of BDS\$4.2 million was inclusive of operational staff training, initial technical administration and necessary adjustments over a period of eighteen months.

A local company, Shaw Technologies Inc, was retained as local engineering consultant for the Tram Procurement component of the project, while Messers Charles Russell, Solicitors in the United Kingdom were hired to provide legal services and to assist with the ongoing negotiations between CBL and Severn Lamb Limited.

The planning and preparation for execution of the civil works was advanced in preparation for a new proposed start early in 2006.

## **HUMAN RESOURCES MATTERS**

The services of a Human Resource Consultant were deemed necessary, in order to expedite arrangements for the training and development component of the programme - a measure designed to create a more practical and responsive knowledge base, enhance staff competencies and, consequently, to provide for the sound delivery of a world-class product.

**MARKETING****Table 2. Visitor Arrivals**

	<b>2005</b>	<b>2004</b>	<b>VARIANCE</b>
January	13,961	14,869	-908
February	12,719	13,980	-1261
March	15,637	15,474	+163
April	13,435	15,160	-1725
May	6,919	9,503	-2584
June	8,199	12,836	-4637
July	9,023	15,508	-6485
August	10,698	16,819	-6121
September	5,171	7,834	-2663
October	6,471	9,901	-3430
November	7,250	14,352	-7102
December	9,475	15,340	-5865
<b>TOTAL</b>	<b>118,958</b>	<b>161,576</b>	<b>-42618</b>

During the year ended December 31, 2005, 118,958 visitors toured the Cave. This represented a 26.38% decline in the number of visitors recorded during 2004 when arrivals totalled 161,576. Refer to Table 2.

The company registered positive variances only in March of 163. Visitor decline was particularly evident during the usually high traffic summer period from May to August, when the recorded numbers showed reductions of 2584 (27.19%) in May, 4637 (36.11%) in June, 6485 or (41.82%) in July and 6121 or (36.39 %) in August.

The uncertainty regarding the actual date of the closure of Harrison's Cave appeared to have impacted negatively on the number of persons visiting the facility during 2005, the last full year of operation before the closure; and this in turn adversely affected the revenue intake. A pattern of declining revenues was anticipated as a natural consequence of a protracted closure and this posed a threat to the company's long term viability during the re-development

process. The decline was already evident in 2005, as reflected in the following summary of visitors touring the cave during 2005.

Marketing activities during the year included:-

- Ongoing discussions with local partners to keep them informed of developments;
- Participation in the Barbados promotional tours to the Caribbean and other major events such as World Travel Market (WTM) in the United Kingdom. WTM provided the opportunity to update tour operators and other major stakeholders in the tourism industry regarding the temporary closure of the Cave for the planned major upgrade.

Visits with Cruise Executives in Miami afforded the Board the opportunity to discuss and address the cruise industry's concerns relating to the closure. The marketing strategy also involved participation in major cruise events such as the Seatrade Cruise Shipping Convention in Miami and the Florida Caribbean Cruise Association (FCCA) Convention in St. Kitts.

## **FINANCIAL SUMMARY**

### Initial Capital Contribution

On its incorporation as a private limited liability company, Caves of Barbados Ltd. acquired assets valued at \$5,485,224, the contribution of the sole shareholder, the Government of Barbados. Those assets, formerly held by the National Conservation Commission up to April 1, 1999, had been previously owned by the Parks and Beaches Commission and the Caves Authority, two statutory agencies earlier charged with the management responsibility for Harrison's Cave.

### Share Capital

The company held a total of 7,600,000 common shares, 7,400,000 of which had been issued on 17<sup>th</sup> October, 2003, at a subscription value of \$7,400,000.

During the year a sum of \$7,400,000 was made available as a subscription for shares.

Government Contribution

The Government of Barbados also approved a sum of \$318,197.07 from the Public Enterprise Investment Fund (PCIF) to cover outstanding costs for the design phase of the re-development project.

Revenue and Expenditure

**Table 3. Revenue 2004 & 2005**

	2005	2004
	\$	\$
<b>Entrance Fees</b>	2,539,644	3,302,012
<b>Gift Shop &amp; Bar Sales</b>	259,245	231,643
<b>Interest Income</b>	11,427	95,413
<b>Rental Income</b>	861	29,132
<b>Other Income</b>	1102	6,017
<b>Total</b>	<b>2,812,179</b>	<b>3,664,217</b>
<b>Expenditure</b>	3,419,173	3,464,409
<b>Net (Loss)/ Income</b>	(606,994)	199,808

The revenue generated in 2005 was \$2,812,179. It was derived from entrance fees, restaurant and bar sales and other income, as shown in the Table 3 above.

The audited statement approved by the Board of Directors, indicated that in 2005 revenue had declined by some \$852,038 or 23.25% over the one-year period since 2004. It would be reasonable to conclude that, at the time, the uncertainty in the marketplace as a result of information communicated to clientele regarding the planned closure in 2006, had been exerting some influence on the choice of activities.

Expenditure during the year amounted to \$3,419,173, a marginal 1.3% reduction from the expenditure during 2004. The 2005 expenditure represented an actual reduction of \$45,236 from the \$3,464,409 expended during the previous year. That marginal increase in expenditure, coupled with the decline in revenue during 2005, resulted in a significant

increase in the net loss recorded during the year. Net profit of \$199,808 (BDS) had been recorded in 2004, against a net loss of (\$606,944) in 2005.

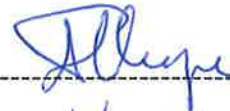
Re-development expenditure during 2005 amounted to \$7,551,235 relating to the design phase of the project. Re-development expenditure during 2004 had been registered at \$6,380,713.

## **OUTLOOK FOR 2006**

The company's main focus during the year was on securing the requisite financing as approved for the project, as well as advancing preparations for the acquisition process, the community outreach and the start of the construction phase in 2006. The projected construction programme was scheduled to continue for approximately eighteen (18) months.

By December 31<sup>st</sup>, 2005, the impending closure had already affected the visitor numbers and consequently the revenue earned. The inescapable cost of continuing operations during the closure was expected to further reduce revenue and to erode market share. The year therefore closed with a clear understanding that CBL would ultimately be required to mount aggressive marketing strategies to regain and sustain the visitor numbers previously achieved.

Chairman



Date

16/06/15