



CAVES OF BARBADOS LIMITED
ANNUAL REPORT
2009

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INTRODUCTION

Harrison's Cave, in St. Thomas, Barbados, is a natural formation of subterranean passages, incorporating a gallery of stalactites, stalagmites, lakes, streams and waterfalls. This local visitor attraction is a geological resource with inherent natural heritage value was developed as a show cave which, from its inception, has offered a high quality visitor experience.

The recognition of its potential value as a show cave provided the impetus for the exploration of the natural cave system, and paved the way for development of the attraction. The Danish speleologist, Ole Sorenson was engaged to lead the explorations and he drew on the resources of Tony Mason, a Barbadian with extensive and invaluable knowledge of the cave system. Harrison's Cave was developed as a show cave during the 1970s, and opened as a visitor attraction on November 28, 1981. Harrison's Cave has since become one of the most popular and most visited land-based tourist attractions in Barbados. At the 1981 opening, projections were that 100,000 persons would visit the Cave annually. By 1996 and 1987, however, over 190,000 persons were touring the cave, highlighting the already established need for longer term strategic redevelopment.

During the period 1981 to 1999, the Cave had been operating as a statutory agency, first under the Parks and Beaches Commission, later as the Caves Authority and subsequently under the management of the National Conservation Commission. On March 19, 1999 Caves of Barbados (CBL), was established as a private limited liability company, incorporated under the (Barbados) Companies Act Cap 308 to assume ownership and operating responsibility for Harrison's Cave. The Caves Act 2000-12 was enacted to provide legislated authority for the company's control and management of caves in Barbados, and CBL then assumed full management responsibility for Harrison's Cave in September 2000.

The redevelopment programme implemented the recommendations of a feasibility study commissioned in 1994. The study evaluated the administrative, technical and financial feasibility of further developing the Harrison's Cave facilities, to accommodate larger numbers of visitors and enhance the visitor experience. The study also examined the feasibility of establishing an Integrated Nature Tourism Area (INTA) incorporating the

Harrison's Cave, Welchman Hall Gully, and Jack in the Box Gully ecosystem. The civil works component of the approved re-development programme was implemented during the period July 17th 2006 and continued throughout 2009.

The beginning of 2009 marked the second year of operations in the partially upgraded facility, with tours being conducted on the Valley Floor while construction continued on the cliff side and cliff top. By the middle of the year, another closure was necessary to complete the civil works, even though this frustrated visitor expectations and severely restricted revenue. Expenditure levels increased during the year, resulting from the operation of the upgraded plant and technology driven systems. In spite of these challenges, a comparison of the monthly visitor returns and revenue for the first seven months of the years 2008 and 2009 indicated that the 2009 performance (over the six and a half month period immediately preceding the July 2009 closure), had shown a slight increase in the number of visitors, 46,133, as opposed to 44,127 for the first seven months of 2008. Revenue had also moved from the 2008 figure of \$2,206,574 over a twelve month period, to \$1,420,172 over a six and a half month period in 2009. The lower 2009 revenue therefore reflected a general increase in the monthly average revenue earned in 2009 as compared with 2008.

The Government of Barbados (GOB) is the company's sole shareholder and Caves of Barbados Limited (CBL) is led by a Board of Directors which reports to the Minister assigned responsibility for the Cave. In 2008, the Minister of Environment, Water Resources and Drainage was assigned that portfolio.

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

- 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 to the cave experience as well as through educational and interpretative offerings.

- c) To integrate the operation of the Cave into the surrounding communities by dealing quickly, effectively and fairly with community concerns and by ensuring that local residents are given the opportunity to benefit financially from the operation of the Cave.
- d) To develop and maintain a system to monitor and manage visitor flows and the uses of the Cave and surrounding gullies.

BOARD OF DIRECTORS

The following members of the Board, appointed to serve with effect from 1st March, 2008, continued to serve in 2009.

- Mr. Haldene Dottin - Chairman
- Mr. Graham Clarke - Deputy Chairman
- Mr. David Archer - Board Member
- Mr. Errol Lynch - Board Member
- Mrs. Paula Phillips - Board Member
- Sandra Walcott - Board Member
- Cardinal Clarke - Board Member
- Heather Headley-Corbin - Board Member
- Michael Alleyne - Board Member
- Mark Cummins - Board Member
- Olvin Forde - Board Member
- Steve Devonish - Board Member
- Mrs. Gabrielle Springer-Taylor - Board Member

Ms. Debra Howard performed the duties of Acting Secretary to the Board.

The Board of Directors was reconstituted with effect from 1st February, 2009 under the chairmanship of Mr. Haldene Dottin, with membership as follows:-

- Mr. Haldene Dottin - Chairman
- Mrs. Shelly Williams - Deputy Chairman
- Ms. Sandra Walcott - Board Member
- Mr. Cardinal Clarke - Board Member
- Mrs. Heather Headley-Corbin - Board Member
- Mr. Joseph Kellman - Board Member
- Mr. Michael Alleyne - Board Member
- Mr. Paul Ashby - Board Member
- Mr. Olvin Forde - Board Member
- Mrs. Gayle Francis-Vaughan - Board Member
- Mr. Mark Cummins - Board Member
- Mr. Steve Devonish - Board Member

SUB-COMMITTEES OF THE BOARD

There were four sub-committees of the Board, with responsibility for oversight of critical areas of the company's business. Those serving during the month of January, 2009 were as follows:-

- 1) **The Human Resources Committee**
 - Mr. Michael Alleyne - Chairman
 - Mr. Cardinal Clarke - Member
 - Ms. Heather Headley-Corbin - Member

The staff members serving on this Committee were:-

- Mrs. Joe-Ann Grant - Managing Director/CEO
- Mrs. Brenda Edwards - Deputy CEO
- Mrs. Beverley Giles-Broomes - Personnel Officer

2) **The Finance Committee**

- Ms. Sandra Walcott - Chairman
- Mr. Haldene Dottin - Member

The staff members serving on the sub-committee were:-

- Mrs. Joe-Ann Grant - Member
- Mrs. Jennifer Williams - Finance Officer (Ag)
- The Representative of The Ministry the Environment

3) **The Marketing Committee**

- Mrs. Paula Phillips - Chairman
- Mr. Olvin Forde - Member
- Mrs. Heather Headley-Corbin - Member
- Mr. Cardinal Clarke - Member

The following members of staff served on the sub-committee by virtue of their office:-

- Mrs. Joe Ann Grant - Managing Director
- Mrs. Brenda Edwards - Deputy CEO

4) **The Tenders Committee**

- Mr. Haldene Dottin - Chairman
- Mr. Olvin Forde - Member
- Michael Alleyne - Member
- Ms. Sandra Walcott - Member

The following members of staff served on the sub-committee by virtue of their office:-

- Mrs. Joe Ann Grant - Managing Director

MEETINGS OF THE BOARD OF DIRECTORS

There were ten (10) meetings of the Board of Directors during the year, to address critical ongoing issues of re-development and the path to future profitability and sustainability.

MANAGEMENT TEAM

The following persons comprised the **Management Team**

- Mrs. Joe-Ann Grant - Managing Director
- Mrs Brenda Edwards - Deputy CEO
- Mrs. Jennifer Williams - Finance Officer (Ag)
- Mr. Scofield Clarke - Operations Manager
- Mr. Sam Wilkinson - Marketing Officer

Mr Sam Wilkinson, Marketing Officer, retired with effect from 1st January, 2009.

PROGRAMMES, ACTIVITIES & PERFORMANCE

The Re-Development Project

With the imminent completion of the Re-development Project, the focus in 2009 shifted increasingly to strategic areas, including environmental monitoring, management upgrade issues, marketing and the strengthening of networking linkages with international show cave and speleological stakeholders

The redevelopment civil works project exceeded the originally scheduled construction period, delaying the full re-opening of the upgraded facilities. The delay had resulted in large measure from the protracted land acquisition process and consequently the late handover of the cliff top site and, to a lesser extent, the intervening shift in emphasis to prepare for Cricket World Cup. The extended closure naturally deprived the company of its vital revenue stream, and after an eighteen (18) month break, visitor tours were resumed with the partial re-opening on January 16, 2008. The company utilised the partially completed facilities on the Valley Floor – the upgraded cave, the new Visitor Reception Centre which was retrofitted

with interpretive and interactive media, the attached administrative offices and a temporary sales kiosk. The partial re-opening provided some financial relief. It was however insufficient to ensure a full complement of visitors during the ongoing construction period. In order to fully complete the construction programme, the Cave was again closed from 16th July 2009 despite the inevitable negative impact on the company's financial resources. The five and a half (5 ½) month period, from mid - July to mid-December 2009, was used to ensure that the projected completion date of January 31st, 2010 would be met, that the requisite staff training would be completed and that adequately functioning systems would be ready to accommodate the full re-opening.

The entire site was released to the contractor, China State Construction Engineering Corporation, on 16th July 2009, for completion of the civil works, road works and footpath programmes, and to further advance the ventilation programme. These and other project components were all scheduled for completion no later than January 30th 2010.

By the 31st December, 2009, the following components of the project were either fully completed, or almost completed:-

- **On the valley floor:-**
 - the internal cave
 - the retrofitted Cave Interpretive Centre; and
 - the three (3) vendor kiosks;
- **On the cliff top:-**
 - The administration area and Visitor Reception Centre,
 - the Gift Shop,
 - the restaurant and bar,
 - the Tram Storage Building,
 - the installation of photovoltaic panels,
 - the car park, drainage, and
 - walkways;
- **On the cliff side:-**
 - the elevator shafts and
 - the installation of elevators

Re-development Financing

An additional \$25,000,000 was required to satisfactorily complete the project-\$19,000,000 for civil works and \$6,000,000 in counterpart funding. The Caribbean Development Bank (CDB) approved the additional US\$12,850,000 (BBD\$ \$25,421,000) for the project, the full cost of which had been revised to \$84,849,000.

ENVIRONMENTAL MONITORING AND MANAGEMENT

High priority was given to the procurement and installation of environmental monitoring equipment, relevant practical staff training and the conduct of a geotechnical and environmental study. These environmental initiatives were all measures to better equip the company to performance its statutory duties and these measures were expected to improve the company's capacity for ongoing monitoring, management and protection of the Cave environment, particularly in the areas of cave stability, air and water quality.

Professor Frank Dale Morgan was retained to conduct an investigation of the structure and stability of the Great Hall of the Harrison's Cave. The study had been commissioned as a means of assessing the long term structural stability of the Harrison's Cave system, and obtaining recommendations, on appropriate measures to improve the ongoing monitoring and management of this aspect of the internal and external Cave system. The study commenced on August 10, 2009.

MARKETING

Caves of Barbados Limited acknowledged that the quality of the new Harrison's Cave product offered improved potential for growth and for product differentiation, and these were incorporated into the strategic planning programme. However, given of the adverse impact of the global recession on the Cave's performance, and the negative responses of stakeholders to the multiple interruptions in the Cave operations, it was evident that an aggressive and innovative marketing programme would be required in order to fully recover market share. The marketing plan presented in June 2009, therefore included proposals for:-

- introduction of direct marketing and pre-bookings for potential visitors to Barbados (holiday and business travel)
- building of stronger partnerships with the BTA for promotional and marketing purposes
- strengthening of partnerships with other local stakeholders in the tourism, business, and educational sectors, with a view to stimulating business
- strengthening relationships with stakeholders in the community
- incentives to various categories of potential visitors and/or facilitators
- consideration of complementary activities to the existing Harrison's Cave product offerings
- alternative tours, conference business, etc
- targeting the untapped potential of the local market

During the year, CBL also participated in BTA promotional tours to Trinidad and Tobago, The Florida Caribbean Cruise Association (FCCA) Conference and met with cruise executives in Miami during the first week of October. These meetings provided the company with timely opportunities for marketing of the enhanced Harrison's Cave product.

Visitor Tours

Table 1: Visitor Arrivals 2008/09

	2009	2008
January	8,587	2,359
February	7,310	5,917
March	7,987	7,836
April	7,270	6,113
May	6,161	6,321
June	4,751	6,245
July	4,067	9,336
August	—	10,447
September	—	3,447
October	—	5,090
November	—	6,281
December	—	6,269
TOTAL	46,133	75,691

The Table 1 shows the visitor arrivals for the years 2008 & 2009. Visitors in 2009 numbered only 46,135 over the six and a half month period of operation, or, a monthly average of 7,088 persons. During the previous year, from January to July 2008, a total of 44,627 visitors, or an average of 6,375 per month, had toured the Cave. A total of 75,601 visitors were recorded for the twelve month period in 2008, or a monthly average of 6,300. This included the increased numbers touring during the higher traffic months of July, August, November and December. Despite the uncharacteristically low numbers recorded in July, (traditionally one of the peak months), the 2009 figures for the period January to mid-July, showed averages above those recorded during the same period in 2008, as well as averages above those recorded over the entire year, 2008. This appeared to be indicative of some degree of market share recovery during the first half of the year.

COMMUNITY OUTREACH

The community outreach programme, conceptualised as a part of the redevelopment project, remained a vital component of the project, and despite the challenges encountered. CBL was able to maintain good relationships with its neighbours. This was vital, as it sought to advance the negotiations for land acquisition process and to maintain a co-operative approach to the proper environmental management of the Cave and its environs. The company is grateful to the residents for their understanding and cooperation throughout this period.

HUMAN RESOURCES

Institutional strengthening, identified from the outset as a critical component of the Harrison's Cave redevelopment programme, was accorded priority during the year, with early attention given to the recruitment of suitably qualified and experienced management staff. The Financial Controller and Human Resources Manager assumed their respective duties with effect from 1st September and 1st November 2009, and a new Project Coordinator was recruited with effect from August 2009.

Ms. Veronica Millington assumed duties to the post of the Marketing Manager on 7th December, 2009 and Mr. Gregg Marshall assumed duties as the Deputy Operations Manager on December 7, 2009.

Training

Training was another vital component of the programme, since a highly responsive and effective workforce was a prerequisite for sustainable future growth. The training addressed service delivery in the improved and expanded facilities, and was designed to equip personnel for their various functions in that new environment created by the product upgrade. Training was an imperative also, given the vastly increased carrying capacity of the Cave and the company's commitment to enhancing the visitor experience.

The staff were deployed for training from the Sandy Lane, Hilton Barbados, the Barbados Museum, the George Washington House, the Department of Emergency Management, the Barbados Hotel and Tourism Association, the National Conservation

Commission, the Sanitation Service Authority and the Environmental Protection Department during the month of November to undertake training at CBL.

Pensions

Caves of Barbados Limited continued to grapple with terms and conditions of service for the remaining forty-seven (47) of the fifty-one (51) employees who had been transferred from the National Conservation Commission with the guarantee that their employment with CBL would be on terms and conditions no less favourable to them. There was ongoing collaboration with the Ministry of the Environment, Energy and Water Resources and the Ministry of the Civil Service, for a final resolution of this issue. Pending such resolution, the principle of preserving and honouring the employees' accrued rights was accepted in practice and applied wherever necessary.

FINANCIAL SUMMARY

Capital Contribution and Shareholding

The Government of Barbados made a capital contribution to the company on its incorporation in 1999, in the sum of \$5,485,224. This represented the value of assets transferred from its predecessor management agencies, the Caves Authority, Parks and Beaches Commission and the National Conservation Commission.

In 2009 the share capital remained fixed at 7,600,000 common shares and during the year the sole shareholder, the Government of Barbados, made a subscription of \$5,500,000 for the issue of \$5,500,000 common shares.

Revenue and Expenditure

The 2008 revenue intake had raised expectations of an ongoing recovery but that performance level could not be sustained during 2009 since the Cave was closed for approximately five and a half months to facilitate completion of the civil works project and for retrofitting the upgraded plant. Table 2 below provides data on revenue and expenditure during the year 2009, with comparative data for 2008.

Table 2: Summary of Revenue and Expenditure

	2009	2008
	\$	\$
Revenue		
Entrance fees	1,285,827	2,079,834
Shop & bar sales	135,992	192,422
Gross Revenue	1,421,819	2,272,256
Cost of sales	(95,624)	(43,392)
Gross profit	1,326,295	2,163,182
Other income	93,877	43,392
Total Income	1,420,172	2,206,574
Expenditure	5,029,840	5,007,138
Net loss	(3,609,668)	(2,800,564)

The revenue earned during the six and a half months of operations in 2009 amounted to \$1,421,819, with cost of sales amounting to \$95,624. Of this, \$1,285,827.00 had been derived from entrance fees, \$135,992 from the shop and bar sales. Income received from other sources was \$93,877. The Gift Shop & Bar had recorded sales of \$29,753 in 2007 during the Cricket World Cup opening. By 2008 these outlets were showing some signs of longer term recovery: sales of \$192,422, for the 12 month period in 2008; a basic monthly average of \$16,035.17 and \$135,992 in the 7-month period January 1 to July 15, 2009 an average of \$18,132.27 per month. 2009 therefore continued the general trend towards increasing annual sales during the two year period following Cricket World Cup 2007.

While revenue earned in 2009 was down by \$786,402 from the previous year's intake of \$2,206,574, it nevertheless indicated a slight, but continuing trend of improving revenue intake. The average monthly income in 2009 was, in fact, \$189,356.27, whereas it had been \$183,881.07 in 2008. It was therefore reasonable to expect that the year's income would have been boosted during the peak periods which normally fell during the latter part of the year.

As in 2008, there was little variation in the level of expenditure. In 2009 expenses were recorded at \$5,029,840, compared to \$5,007,138 in 2008. This level of expenditure reflected the increased cost of operating the upgraded plant and the information and communication technology systems, as well as the increased investment in ongoing staff training and retraining conducted during the transitional period between closure in August 2009 and the 2010 re-opening. This imbalance between the revenue and expenditure naturally intensified the company's financial challenges, as the company sought to regain its revenue levels and to manage the cost of its operations.


This resulted in a net loss of \$3,609,668 in 2009, whereas the net loss for 2008 was \$2,800,564, an excess of \$806,104 over the previous year's net loss.

The company's overdraft in 2009 was \$5,879,000, and subject to interest at the rate of 8.7%.

OUTLOOK FOR 2010

While the 2009 performance appeared to have lagged behind that of 2008, there were marginal signs of improvement in 2009 during the first half of the year. Whereas the previous interruption in operations had resulted in drastically reduced demand and revenue in the months preceding closure of the Cave, in 2009, the performance was relatively strong up to the end of May. Generally, the improved monthly average visitor numbers and revenue during the six and a half month period of operation in 2009 reflected improvement over the previous year. The movement, though modest, supported the view that there was a slow but consistent recovery which had been temporarily interrupted by the closure.

Chairman



Date

16/06/15
