

# PROPERTY TAX CASE STUDY

## SMALL FRY BIG SAVINGS

### Small Fry's Challenge

The rolling farmland around Hartland, New Brunswick cradles Small Fry Snack Foods Inc's chip plant in its bosom. These verdant acres produce some of the country's finest potatoes, allowing Small Fry to create a product beloved of chip aficionados north and south of the border. Economics however, favour a plant location in close proximity to its market, rather than its source of supply ... and Small Fry's market had changed, much of it was now in the United States. Americans have different tastes to their Canadian cousins, preferring that their chips be cooked in cottonseed rather than canola oil. Small Fry rose to the challenge: their property assessment rose too. They turned to Turner Drake for advice.

### Turner Drake's Approach

Turner Drake started by conducting an intensive interview with the Plant Manager. The plant had been constructed in 1982 and expanded in 1989, to produce the "Humpty Dumpty" brand for the Canadian market. Competition dictated that volume was "key": the plant now operated three shifts daily producing its own brand, and those of major retailers, to be sold throughout Atlantic Canada and the north-eastern United States. To cater to the differing tastes of its two customer groups it cooked its chips in cottonseed and canola oil. Since the original configuration of the plant did not contemplate this eventuality fryer capacity was limited, necessitating extra staff to accommodate the two different product processes. Donning hard hats, work boots, coveralls, ear and eye protection, Turner Drake painstakingly inspected the entire plant, witnessing and diagramming the manufacturing process from receipt of the raw product through to dispatch of the finished material. They noted functional super-adequacy due to a changed business practice which favoured "just in time" delivery. This had shifted responsibility for climate controlled storage of the raw product from the plant to the farmer. They measured the extra staff cost resulting from the fryer constraints. They interrogated plant personnel to determine which equipment was process rather than building dependant ... and hence not assessable for property tax. Turner Drake studied the market logistics for the finished product. They carefully catalogued their research and produced a "court ready" Master Valuation Report detailing their conclusions.

### Winning Results

**The New Brunswick Assessment and Planning Appeal Board heard the case. Turner Drake represented Small Fry at the hearing, providing the examination and cross examination, as well as the expert testimony. The Board scathingly dismissed the testimony tendered by the provincial Director of Assessment and rendered a decision, which for the three years under appeal, resulted in tax savings to Small Fry of \$78,255.**

