

Contingent
reserve realty
and surplus
account.

As to the contingent reserve above set out, not a cent has ever been withdrawn from the same on account of operation account since its inception, and only relatively small amounts on account of capital losses. The appellants' contention as to this fund theretore is that it is practically a surplus account.

The balance in the "surplus account" from 1912 has been as follows:

Heavy
surpluses in
war period.

December 31, 1912.....	\$429,189.93
" " 1913.....	907,882.01
" " 1914.....	1,000,000.00
" " 1915.....	1,249,139.80
" " 1916.....	1,647,955.21
" " 1917.....	2,181,025.25
" " 1918.....	2,286,556.80

1918 balance
sheet shows
profit.

The balance sheet for 1918 taken from the Company's 1918 report to their shareholders is as follows:—

Telephone revenue.....	\$12,227,545.33
Operation expense.....	\$5,463,818.24
Current maintenance.....	1,903,624.51
Depreciation.....	2,648,760.00
Taxes.....	534,256.93
Total telephone expenses.....	\$10,550,459.68
Net telephone earnings.....	1,677,085.65
Sundry net earnings.....	427,602.36
Total net earnings.....	\$2,104,688.01
Deduct interest.....	562,053.82
Balance.....	\$1,542,634.19
Deduct dividends, 8%.....	1,440,000.00
	<hr/> \$102,634.19

Depreciation
allowance
entirely
arbitrary.

In connection with the above the appellant wishes to call special attention to the sum of \$2,648,760 set aside for depreciation. This is on the Company's own showing not based on experience but an entirely arbitrary amount and as the appellants have endeavoured to demonstrate entirely too high.

In 1918 actual
cash balance
nearly
\$5,000,000.

While the appellant does not dispute the propriety of an adequate depreciation reserve it does wish to emphasize as bearing on the question of an emergency the fact that on the 1918 operations the company had a cash balance of \$4,753,448.01.

Where is
emergency
shown?

To prepare proper data for a rate increase application would have taken possibly about eighteen months. The appellant submits that to suggest that this company, in the financial position above disclosed, could not await this period is preposterous, and the Board itself could hardly