TELUS

Bell

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International Accounting Standards Board 30 Cannon Street
London EC4M 6XH
United Kingdom

Delivered by email to info@ifrs.org and commentletters@ifrs.org

Re: IFRS 15, Revenue from Customers with Contracts - Effective Date

Dear Board members:

BCE Inc. and TELUS Corporation Inc., are Canada's two largest telecommunications companies, with a combined market capitalization of $61.4 billion. We collectively service over 56% of Canadian wireless subscribers. The purpose of this letter is to provide you with an update on our implementation activities as they relate to the effective date of January 1, 2017. While that date is still some time away, we believe that it will be difficult to meet from financial reporting, operational and business perspectives. We respectfully request that you consider deferring the mandatory effective date to January 1, 2018.

As previously noted in our letters to you, the International Accounting Standards Board observed in 2013 that the period of time from the expected issue of IFRS 15 until its effective date was longer than usual, but that this was warranted given the scope of entities that will be affected and the potentially significant effect that a change in revenue recognition guidance would have on the financial statements. The final standard was issued one year later than initially planned, which has significantly shortened the time available for implementation.

As the Board has observed, this standard is particularly difficult for telecommunications companies to implement. We provide mobility services, wireline and internet services, and television services which can be bundled to provide savings to the consumer and which are offered under numerous, and often changing rate plans and promotional offers, depending upon competitive circumstances. We also provide services to business customers which are often bundled in multiple-element arrangements.

Canadian telecommunications companies have determined that the portfolio approach to implement the new standard, an option afforded to telecommunication companies and others to ease implementation issues, is still extremely difficult due to the more granular information requirements for management reporting and Sarbanes-Oxley Act compliance. Further, using a portfolio approach would require that significant manual processes be developed and maintained, due to the large volume of customers and rate plans. We also note that, again due to the large volume of customers and rate plans, estimating revenue results for comparative periods is extremely difficult.

Preferred Implementation Timeline

Under a January 1, 2017 effective date, we would be required to "go-live" on a system solution on January 1, 2015 and run parallel results for two full years to fully understand the changes to revenue and related metrics that will result from this new standard. It would be impractical for a system solution to be implemented in such a short time. A January 1, 2015 go-live date also provides 15 full months of information for the 2017 budget cycle which generally starts in May. Budgets are fundamental to managing the business and 15 months of comparative data allows enough time to determine impacts on metrics and trending which are critically important to making business decisions.

Further, the 2017 budget is used to provide guidance to the analyst community in late 2016/early 2017. Without 2015 and 2016 restated revenues, it will be virtually impossible to have a meaningful discussion with the analyst community because there is not enough trending data underlying the budgeted results for 2017. It also is important that the analyst community see and understand the differences in revenues early.

All of this is complicated by the "run-off" of contracts in the first year of go-live which, depending upon the implementation approach, may not represent revenues in the same way as if contracts were accounted for individually.

Current Implementation Status

We have been working diligently using the Exposure Draft and the final Standard for over one year, reviewing service offerings and preparing the accounting analysis. We also have been working with two solutions providers, who will provide a revenue recognition "engine", to which numerous billing systems will be interfaced so that the appropriate allocations of the transaction price and deferral of associated costs can be performed.

Our discussions with solutions providers indicate that the general release of the software will not be available until the fourth quarter of 2014 or the first quarter of 2015, with updates occurring in 2015 and 2016. Additional functionality needed to comply with the standard will be added throughout the rollout period. This means that companies will have to make conscious decisions about whether to wait for the next release, customize the existing software, or implement manual workarounds, all of which create uncertainty and decrease the accuracy of the revenue and costs results. This protracted development timeline has also resulted in scarce IT resources as Systems Implementers/Partners have not yet been trained on these new applications. In addition, the accounting profession is working through significant interpretation issues that will likely result in system development rework.

This software release timetable means that companies will not be able to go live before January 1, 2016, a year later than needed, as explained above, and we will go live on a general application release that will need to be refined as time progresses. This assumes that the work to interface the billing systems, perform related testing, analyze results and build robust internal controls can be completed in one year. We are doubtful that this is achievable based on our experience with prior, simpler systems implementations. This change impacts a significant number of product lines and business units which will result in a significant number of change management requirements. Therefore, we believe a January 1, 2017 effective date leaves us exposed in terms of managing the business, establishing guidance targets for 2017 and being able to explain revenue results in a sufficient amount of detail, both internally and externally.

The above is not meant to be a criticism of the software providers. They, too, were waiting for the final version of the standard before they made significant investments in developing code. Our experience to date has been that the software providers have been very forthcoming in the provision of information about the development of their tools and their interaction with the telecommunications sector to fully understand our needs.

Lastly, we note that this implementation represents a significant investment in both capital and operating expenditures, and for that investment, we would like the change to be as seamless and error free as possible. We experienced largely a "no noise" changeover to IFRS in 2011 because we had enough lead time to do a robust implementation and educate the analyst community. We would like this change to be as uneventful but, for that to happen, we need enough time to do a proper implementation.

Conclusion

In summary, we do not believe we can finalize system requirements, implement the new software and the related interfaces to multiple billing systems by January 1, 2015. While this may be achievable by January 1, 2016, it still leaves insufficient time for management to understand and explain the differences to the capital markets and make commensurate adjustments to metrics. Although a little more than 2 years may seem like a long implementation period, it simply is not adequate to ensure a quality transition given the magnitude of changes to our systems and processes.

Again, we respectfully request that the Board provide relief and defer the effective date of the standard to January 1, 2018. This would provide a more appropriate timeframe for those industries that are significantly impacted to implement and understand the changes to amounts recognized as revenue. The Board could permit early adoption for other, less significantly impacted industries in 2017; a delayed mandatory effective date need not impact these other industries.

We hope these comments are of use to the Board as they consider the impacts of this standard. Please do not hesitate to contact us if you have any questions.

Yours truly,

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C.C. Financial Accounting Standards Board
Revenue Recognition Transition Discussion Group