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Technical Director
International Accounting Standards Board
30 Cannon Street
London
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Dear Sir or Madam:

TransCanada Corporation (TransCanada) is pleased to submit its comments in response to the Invitation to Comment on the Discussion Paper on *Preliminary Views on Amendments to IAS 19 Employee Benefits* as issued by the International Accounting Standards Board (IASB).

TransCanada is a leader in the responsible development and reliable operation of North American energy infrastructure, including natural gas pipelines, power generation, gas storage facilities and projects related to oil pipelines and power facilities.

We are supportive of the IASB's efforts to simplify the accounting and financial statement presentation of post-employment benefits, and its efforts to make this information more transparent and understandable to users and preparers. We believe that the proposed elimination of the multiple options for recognizing gains and losses in IAS 19 could address in the short term one of the areas that this standard is often criticized for. We question whether other changes to IAS 19 as outlined in the discussion paper can be made as part of a short term project, or if they would be more appropriately addressed by the IASB through a longer term project.

We believe it to be critical that the IASB consider the transition needs of countries converting to IFRS in 2011 when publishing final guidance, setting effective dates and considering whether to allow early adoption for standards expected to be effective in the 2011 timeframe or shortly thereafter. In particular the proposals outlined in this discussion paper constitute a significant change from existing IAS 19 which an entity converting for 2011 will need to consider in their transition plan and communication with stakeholders.

Our responses to the questions raised in the Discussion Paper are set out below.

Question 1

Given the objective of the IASB project to address specific issues in a limited timeframe, are there additional issues which you think should be addressed by the Board as part of this project? If so, why do you regard these issues as a matter of priority?

We understand that the IASB believes a two phased approach to this project is necessary in order to address immediate concerns with regards to accounting for post-employment benefit promises prior to the development of a converged standard with FASB. The IASB Work Plan and Projected timetable as at August 14, 2008 identifies 2011 as the estimated date of publication of amended IAS 19. We understand that the effective date of amendments and new standards typically follows 6 – 18 months after publication of a final document.

Allocating sufficient time to implement new standards

For Canadian companies and entities in other countries converting to IFRS in 2011, the changes proposed in this discussion paper constitute a significant change from existing IAS 19. The impact of amendments to IAS 19 will need to be considered as part of a converting company's IFRS conversion strategy including communication with stakeholders. We believe it to be critical that the IASB consider the transition needs of countries converting to IFRS in 2011 when issuing standards with effective dates on or shortly after this date. In particular, the IASB should ensure sufficient time is allocated between the publication of amended IAS 19 and the effective date in order to allow newly converting countries time to implement the amendments along with all other changes required on their transition to IFRS. We believe this could be most easily accomplished by limiting the scope of the short term portion of this project.

Option to early adopt

We request the IASB consider including early adoption provisions in an amended IAS 19 standard in order to allow countries converting to IFRS during 2011 the option of reducing post conversion work by switching direct from prior country specific post-employment benefit accounting rules to amended IAS 19.

IFRS 1 – Impact

We ask that the IASB provide guidance to companies converting to IFRS in 2011 with regards to how the employee benefits option in paragraph 20 of IFRS 1 - First-time Adoption of International Financial Reporting Standards may be impacted as a result of amendments to IAS 19, if at all.

Scope of changes to IAS 19

We suggest the IASB consider the reasonableness of the extent of changes proposed in the discussion paper in light of the numerous other projects currently included in the IASB workplan, in particular as related to projects scheduled for completion by 2011 as a result of the MOU with FASB.

We believe that of the changes to IAS 19 proposed in the discussion paper elimination of the multiple options for recognizing gains and losses is the change that would most immediately address the more significant criticisms of IAS 19. Overall we believe that this change would be relatively straight forward to address through a short term project. We are concerned that other changes to IAS 19 as outlined in the discussion paper require a more significant shift in accounting for benefit plans and as such may be more appropriately addressed through a longer term convergence project. In particular the introduction of a new definition for contribution-based promises and the measurement of liabilities under such plans at fair value reflecting the entity's own credit risk represent changes better addressed through a longer term project. We are concerned that the inclusion of such substantial changes to IAS 19 in the scope of the short term project may jeopardize the IASB's ability to address the more immediate changes needed to IAS 19 in the short term such as elimination of the multiple options for recognizing gains and losses.

<u>Recognition and Presentation of Defined Benefit Promises</u>

Question 2

Are there factors that the Board has not considered in arriving at its preliminary views? If so, what are those factors? Do those factors provide sufficient reason for the Board to reconsider its preliminary views? If so, why?

<u>Guidance on the concept of OCI</u>
Should the IASB select a recognition approach that requires components of a change in defined benefit promises to be recognized in other comprehensive income (OCI) we believe the IASB should also consider concurrently how adjustments to OCI might ultimately be recycled back into profit and loss, if at all. The IASB has indicated in this discussion paper that it "is reluctant to introduce recycling into a standard that currently does not require it, pending its work in the financial statement presentation project". The IASB Work Plan and Projected timetable as at August 14, 2008 indicates that the estimated date of issuance of a final document as a result of the financial statement presentation project is 2011, which is the same timeframe as the planned issuance of an amended IAS 19. As such, we believe the IASB will ultimately need to address the concept of recycling in amended IAS 19 either as part of its deliberations on amendments to IAS 19 or as part of its financial statement presentation project.

Question 3

(a) Which approach to the presentation of changes in defined benefit costs provides the most useful information to users of financial statements? Why?

The IASB has indicated that phase 1 of this project is being undertaken to provide users with better information about post-employment benefits. We believe that of the three approaches presented approach 2 is more likely to provide useful information to the users of financial statements than approaches 1 or 3. We note that all three approaches result in the funded status of employee benefits being presented on the balance sheet, which some users may consider an improvement to IFRS accounting. Additionally, under all three approaches the multiple options for recognizing gains and losses for which current IAS 19 has been criticized have been removed.

<u>Predictive value of information</u>
We do not believe that approach 1 would produce a result that would provide users with improved information. Rather approach 1 would co-mingle information with different predictive value in the statement of profit and loss. Users may not be able to easily separate information related to the performance of the business with information related to the changes in financial assumptions with regards to long term pension obligations and assets. Though approach 1 may seem more simplistic in application, we believe the results of its application could lead to further confusion. We believe that many financial statement users would essentially "add

back" profit and loss adjustments related to adjustments made as a result of changes in financial assumptions related to post-employment benefit obligations and assets and for that reason believe that OCI would be a more appropriate place in which to present such changes.

We believe approach 2 would result in information with better predictive value than the other two approaches. By recording all adjustments to OCI with the exception of service costs and adjustments made as a result of changes in assumptions relating to service costs, this approach would take to profit and loss the real current period cost to the organization of the benefit plan. We believe such information would be more relevant to financial statement users. For users who require further information as related to the components of the change in the value of plan assets and defined benefit obligations such information would be available in the related financial statement notes.

Understandibility
We believe that option 1 would result in the most simplified presentation of the change in the value of plan assets and defined benefit obligations. Option 2 would also result in a reasonably simplified approach to the presentation of such items. Conversely, approach 3 appears far more complex and susceptible to differences in the application of definitions, which we understand is a current criticism of IAS 19 that the IASB is trying to address through this project.

In conclusion we believe that approach 2 would produce information that is most useful to financial statement users in terms of its high predictive value, understandability and relative simplicity in application.

(b) In assessing the usefulness of information to users, what importance do you attach to each of the following factors, and why:

i. Presentation of some components of defined benefit cost in other comprehensive income; and

See response to part (a) of this question. We believe that information with better predictive value would be presented to financial statement users if components of the changes in the value of pension obligations and assets resulting from changes in financial assumptions were presented in other comprehensive income through use of approach 2.

ii. Disaggregation of information about fair value?

We believe that disaggregation of some fair value information may be useful to limited financial statement users, in particular as related to note disclosure requirements. Disaggregation of the change in the fair value of plan assets and defined benefit obligations resulting from the service costs, as presented in approach 2, may also be useful information for some financial statement users.

(c) What would be the difficulties in applying each of the presentation approaches?

We believe approaches 1 and 2 could be applied without significant difficulty. However we believe approach 3 would require further guidance in application. In particular we are not clear as to whether "interest income" as discussed in the discussion paper would include only interest income or whether such an item would also include realized and unrealized gains and losses and income from dividend distributions. We agree with the IASB's comments with regards to approach 3 being the most complex approach to implement because information about interest income is not required by IAS 19 at present and would as such require some method of identifying interest income on plan assets.

As noted in our response to question 2 – we believe the IASB needs to further develop their examination of items held in accumulated other comprehensive income prior to selecting an approach presenting any components of changes in the value of plan assets and defined benefit obligations in OCI. Should any component of such changes in value be recorded in OCI we believe it to be critical that the IASB fully consider the impact of OCI treatment including the longer term impact on the statement of profit and loss of recording such items in this category, in particular if they are not recycled back into profit and loss. The IASB should also consider how such adjustments to OCI might be treated on plan dissolution or expiry.

Question 4

(a) How could the Board improve the approaches discussed in this paper to provide more useful information to users of financial statements?

No comments noted.

(b) Please explain any alternative approach to presentation that provides more useful information to users of financial statements. In what way does your approach provide more useful information to users of financial statements?

No comments noted.

Questions 5 to 13 related to "contribution-based promises"

As noted in our response to Question 1, we are concerned that the introduction of a new definition of contribution-based promises and the measurement of the liability under such plans at fair value reflecting the entity's own credit risk represent changes better addressed through a longer term project. The inclusion of such substantial changes to IAS 19 in the scope of the short term project may jeopardize the IASB's ability to address the more immediate changes needed to IAS 19 in the short term such as the elimination of the multiple options for recognizing gains and losses.

We believe that the definition of contribution-based promises is confusing to interpret and may result in more defined benefit plans being categorized as contribution-based promises with different accounting applied. We question whether it was the intent of the IASB to change so dramatically the accounting for benefits that are today considered defined benefits. Additionally, it is unclear whether the concept of contribution-based promises would extend to other non-pension promises such as certain retiree medical promises and other long term benefits.

We also note that the proposed measurement of contribution-based promises at fair value reflecting the entity's own credit risk introduces inconsistency between the accounting for defined benefit promises discounted at the rate on high quality corporate bonds and contribution-based promises proposed to be discounted using the entity's own credit risk. We believe that such a difference would result in both inconsistency and reduced comparability between the two types of promises. A fair value measurement approach for such obligations could also require the IASB provide additional guidance on the application of such an approach, in addition to ensuring such guidance retains consistency with any related guidance resulting from the IASB's current project on fair value measurement.

Other Matters

Question 14

What disclosures should the Board consider as part of that review?

No comments noted.

Question 15

Do you have any other comments on this paper? If so, what are they?

No comments noted.

TransCanada hopes that its comments will be useful to the IASB in its deliberations. If you have any questions or would like to discuss any of these matters, please do not hesitate to contact us.

Yours very truly,

Glenn Menuz, C.A.
TransCanada Corporation
Vice-President and Controller

Copy: Mr. Peter Martin, Accounting Standards Board (Canada)