

## Note 4 Operating costs

FOR THE YEAR ENDED DECEMBER 31	NOTE	2019	2018
Labour costs			
Wages, salaries and related taxes and benefits <sup>(1)</sup>		(4,303)	(4,284)
Post-employment benefit plans service cost (net of capitalized amounts)	24	(247)	(266)
Other labour costs <sup>(1)(2)</sup>		(1,005)	(1,042)
Less:			
Capitalized labour <sup>(1)</sup>		1,032	1,052
<b>Total labour costs</b>		<b>(4,523)</b>	<b>(4,540)</b>
Cost of revenues <sup>(1)(3)</sup>		(7,380)	(7,349)
Other operating costs <sup>(1)(4)</sup>		(1,955)	(2,044)
<b>Total operating costs</b>		<b>(13,858)</b>	<b>(13,933)</b>

(1) We have reclassified amounts from the previous period to make them consistent with the presentation for the current period.

(2) Other labour costs include contractor and outsourcing costs.

(3) Cost of revenues includes costs of wireless devices and other equipment sold, network and content costs, and payments to other carriers.

(4) Other operating costs include marketing, advertising and sales commission costs, bad debt expense, taxes other than income taxes, information technology costs, professional service fees and rent.

Research and development expenses of \$109 million and \$106 million are included in operating costs for 2019 and 2018, respectively.

## Note 5 Severance, acquisition and other costs

FOR THE YEAR ENDED DECEMBER 31	2019	2018
Severance	(63)	(92)
Acquisition and other	(51)	(44)
<b>Total severance, acquisition and other costs</b>	<b>(114)</b>	<b>(136)</b>

### SEVERANCE COSTS

Severance costs consist of charges related to involuntary and voluntary employee terminations. In 2018, severance costs include a 4% reduction in management workforce across BCE.

### ACQUISITION AND OTHER COSTS

Acquisition and other costs consist of transaction costs, such as legal and financial advisory fees, related to completed or potential acquisitions, employee severance costs related to the purchase of a business, the costs to integrate acquired companies into our operations and litigation costs, when they are significant.

## Note 6 Interest expense

FOR THE YEAR ENDED DECEMBER 31	2019	2018
Interest expense on long-term debt	(1,024)	(918)
Interest expense on other debt	(153)	(133)
Capitalized interest	45	51
<b>Total interest expense</b>	<b>(1,132)</b>	<b>(1,000)</b>

Included in interest expense on long-term debt is interest on lease liabilities of \$220 million for 2019 and interest on finance leases of \$142 million for 2018.

Capitalized interest was calculated using an average rate of 3.96% and 3.88% for 2019 and 2018, respectively, which represents the weighted average interest rate on our outstanding long-term debt.