

The Pearson Papers

Pearson's letter of resignation to Flora MacDonald

The following is reported to be Peter Pearson's letter of resignation from the post of executive director of Telefilm Canada. The letter is accompanied by 11 pages of journal entries. They constitute an indictment of the behaviour of the chairman of Telefilm, Jean Sirois.

Although they relate one incident, dealing in large part with Marcel Aubut, owner of Quebec's Nordiques and a well-known Quebec City lawyer, they refer to others. Stories circulate freely in the industry of many instances in which Sirois' comportment has been judged detrimental to the healthy functioning of the agency he oversees.

To date, Ottawa's only reaction to the publication of parts of this document has been to renew its confidence in the chairman.

Montreal, October 12, 1987

The Honourable Flora MacDonald
Minister of Communications
Journal Tower North
300 Slater Street
20th Floor
Ottawa - K1A 0C8

Dear Minister,

Today, with regret, I am prepared to tender to you my resignation, as Executive Director of the Canadian Film Development Corporation, in the hopes of resolving what has become an untenable situation.

The most recent sequence of events started on September 14, 1987, in Toronto, when at a meeting with the Chairman, he raised several concerns about four senior members of Telefilm Management. He had, he said, that day been lobbied by a prominent Toronto entertainment lawyer to get rid of both myself and another senior staff member. The Chairman stated frankly that one senior staff member was a major problem within the Corporation; that a second should be replaced as soon as possible; that a third was a "rêveur" and if I wished to have him replaced, I should do so forthwith; and that a fourth should immediately be transferred so that in the revised organigram, the administration become more "hiérarchique".

He offered several disparaging comments on all four members of senior staff. I stated to him that I found his comments unacceptable, and wished for a vote of confidence in the management of Telefilm.

On September 16, at 6 p. m., your Assistant Deputy Minister phoned me to say that the Chairman had met with him, to express the view that there were "serious concerns about the administration of Telfilm". He also stated that Mr. Sirois had forthrightly and frankly commented on the competence of several personnel.

On September 17, at the University Club in Montreal, at a private dinner convoked by the Chairman, Muriel Sherrin and Harvey Corn, all Members of Telefilm, had dinner with me. They raised several more charges, including low morale within the Corporation, a lack of decision-making, a lack of coherence, and other concerns. They all stated they had, privately, and without my knowledge, talked with various members of senior staff, who confirmed their opinions. They quoted some senior staff liberally. One member discussed a secret meeting held with two staff to hear out their complaints. They solicited my comments.

In the ensuing discussion, I stated that the Members' comments reflected a serious expression of non-confidence in the management of Telefilm. I also indicated that an ad hoc dinner was not an appropriate forum for such a discussion. I further stated that this recurring pattern of members' behaviour; ad hoc meetings; various criticisms of staff; vague and unfocussed innuendos, was highly inappropriate.

The Members agreed to convoke a Board Meeting as soon as possible, to raise this issue. We all understood that should it come to a vote of non-confidence, I would perforce resign.

Fifteen days later, there was no Board meeting convoked. On Friday, October 2nd, at Le Dauphin Restaurant in Montreal, the Chairman informed me that he had polled the Members concerning a possible vote of non-confidence. He stated that the vote was 6-0 against me with one Member abstaining. He strongly recommended that I submit my resignation forthwith, and contact the Assistant-Secretary of the Cabinet & Deputy Clerk of the Privy Council to negotiate a settlement. I stated to him, what I reiterated to the three Members on September 17, that I wished a full debate on a motion of non-confidence. That if the Members wished to move a vote of non-confidence, a full Board meeting was the appropriate forum.

An informal polling of Members on a question

The legitimate question can and is increasingly being asked, "Who runs this joint"? And the answer is fairly evident: two people. Two people with different mandates, different styles, different attitudes. Such an arrangement is disastrous for any corporation, for the client base it serves, and ultimately for the country.

Within a month of his arrival, at Telefilm, the Chairman singled out for attacks four senior staff. At the Halifax Board Meeting, he moved actively for the dismissal of one for reasons of "manque de loyauté". Two others, he wished removed for vague general reasons that they were "rouge". A fourth, he actively discredited both in front of the Members and myself for various undefined reasons. Three of those four people have now left Telefilm.

J'accuse

Diary entries point finger at Sirois

INTRODUCTION

What follows are a series of notes developed from records, journal entries and files of my memory of events surrounding Rendez-Vous '87.

1. October 21, 1986

My entry in my journal reads Sirois, Marcel Aubut, François Carignan, Marcel Brousseau, one TFC - Fonds - Special Variety Rendez-Vous '87 - Canadien/Rousse/ 2 heures d'antenne/projet de télévision/non à développement/variétés/Captation d'événements.

2. Making of... Le Crime d'Ovide Plouffe/possible/ONF.

3. Red Line

Ice Riders/Michael Levine impliqué/Mari de Cheryl Ladd/Bruce Jackson.

The notes reflect conversations that I had with André Picard, who phoned me from Toronto, immediately subsequent to a call he had received in his office in Toronto. He informed me that Jean Sirois had just called him, from the office of Marcel Aubut in Quebec City. Sirois, Aubut, Carignan, Brousseau and Jean D. Legault were on a speakerphone enquiring about Telefilm's policies about investing in four separate proposals.

The first was a proposed two-hour live event surrounding Rendez-Vous '87. It was to be a variety show live transmitted to the world, organized by Rendez-Vous '87. A.P. explained to me that he told the policies of Telefilm to the group in Quebec City, explained that while Telefilm did not invest in "captation", we were prepared to invest in the television production of such a "captation" and had done so in the past.

According to A.P., Rendez-Vous '87 intended to do two variety shows, one budgeted at approximately \$ 600,000 in French, another at \$ 1 million.

Two. "The Making-of", consisted of a documentary to be made about the whole of the Rendez-Vous '87 event. André Picard explained to the assembled group that Telefilm did not participate in such documentaries generally, and had never done so within the Broadcast Fund.

Three. While they were on the line, Marcel Aubut enquired of two major feature films, *Red Line*, and *Ice Riders*, which he said were also going to be produced with his involvement. Aubut explained to Picard that these productions came with Michael Levine's involvement, but

they were productions that originated in Los Angeles through somebody called Bruce Jackson, supposedly the husband of Cheryl Ladd, a prominent Los Angeles actress.

October 22nd, at the Hotel Bonaventure, I had lunch with Alain Gourd, explaining to him several problems arising because of the confusion of roles between the Chairman of the Board and the Executive Director. This lunch arose at Alain Gourd's invitation, subsequent to conversations that he had had with the Chairman of the Board, and seeking clarification of questions that have arisen in Halifax at Telefilm Canada's Board Meeting.

During the meeting, I explained that on several occasions, the Chairman was inserting himself into the management process, and often directing the Executive Director and staff to take certain decisions. No mention was made of the Rendez-Vous '87 situation, although the Picard conversation was fresh in my mind.

At two p.m., Jean Sirois joined Alain Gourd and myself, and it was agreed that the Department of Communications would undertake a legal opinion, to be presented to Telefilm as soon as possible, defining the roles of the Executive Director and the Chairman of the Board.

Following the lunch, both Alain Gourd and Jean Sirois went off together, to continue negotiations with Jack Valenti.

October 24?

On Friday afternoon, on October 24, I met with the Chairman, and raised in detail my concerns about his implication in the Marcel Aubut, Rendez-Vous '87 project. He was extremely apologetic about having been involved in a conversation, and indicated to me that this would not happen again.

Notes of Meeting prior to November 7, 1986, possibly October 31st.

My third item on meeting with Sirois is Aubut/meeting. If my memory is correct, Jean Sirois asked me if I would have a meeting with Marcel Aubut. I suggested that if he was a producer looking for financing, the proper channel would be through Francine Forest, however that I would be glad to meet with Mr. Aubut and talk with him about his project. Later, item 8, in the same meeting, it states M. Aubut - 4 projets - *Red Line*/*Ice Breakers*. The

of non-confidence seems to me an appalling abuse of due process. That seven Members, four of whom are lawyers, would agree to straw-vote a motion of non-confidence without hearing management's position reflects very badly on the Members' acquittal of their responsibilities.

On Wednesday, October 7th, in Ottawa, I met with Mr. Manion at 3 p.m. in his office. Again the situation was reviewed in detail. What follows then is a position that I have put to the Members, to Mr. Manion, and to Members of your staff, on various occasions.

I-1. ACHIEVEMENTS OF TELEFILM:

Canadian talent is producing world-class productions. Not only seen and appreciated here in Canada, but around the world. In almost every success of the last four years, Telefilm has been involved. Not only in developing the projects, but in their financing as well. The titles of our successes are well-known: *The Decline of the American Empire*; *Anne of Green Gables*; *I've Heard the Mermaids Singing*; *Pouvoir intime*; *Kids of Degrassi*; *Sword of Gideon*; *Lance et Compte*; all the films of Rock Demers, starting with *La Guerre des Tuques*; *My American Cousin*; *Loyalties*; *The Bad Boy*; *John and the Missus*; *Un Zoo la nuit*; *Danger Bay*, and many, many others.

It is no mean feat. In the past, on other occasions, the industry has had equal amounts of money, and discredited itself. Other agencies, with equal resources, have never produced such ongoing, distinguished productions with such a consistency and on such a scale.

Thus, one must look to the staff of Telefilm, for their distinguished administration of the mandate to generate high quality, prime-time television programs, and feature films suitable for exhibition in Canadian and world theatres.

No one will argue that it is exclusively Telefilm's credit. To the contrary, the success belongs to the talent that has made these productions, marketed and distributed them with such excellence.

2. HONESTY OF ADMINISTRATION:

Over the past four and one-half years, Telefilm has administered 354.2 million dollars. We have signed 1,398 contracts during that period and all, I repeat, all these contracts have been administered with the policies and parameters set down by the various Memoranda of Understanding, Cabinet guidelines and other relevant documents. Not once has there been any suggestion of misappropriation of funds, misallocation of resources, in the handling of literally hundreds of millions of dollars.

Again, senior staff, responsible for administering this money, deserves an enormous vote of confidence, and further gratitude by all those responsible for that administration.

3. EFFICIENCY OF ADMINISTRATION:

Telefilm is, and remains, a very small organization. Now, with slightly more than a hundred people on staff, it remains one of the best administered Crown Corporations according to the Auditor General. Indeed, in the last two years, the Auditor General's staff in submitting their report to the Members of the Board, has commended Telefilm for its competence of administration.

CONCLUSIONS:

Thus, then, as Executive Director, I have taken great pride in the competence of my staff. They have fulfilled the primary mandate, the generation of hundred of hours of Canadian production with great skill. They have, in addition, administered the monies allocated from the public purse both with impeccable integrity, and efficiently.

And they have accomplished these tasks in the face of three great challenges.

II. THREE GREAT CHALLENGES:

1. Telefilm: A Rapid-Growth Corporation

Over the past four years, Telefilm has exhibited all of the classic strains of a rapid-growth Corporation: instant size (Telefilm's growth is over 700%, in a four-year period); internal turmoil; extraordinary resources need.

There is no doubt that any Corporation that would increase its responsibilities 700% in four years has extraordinary demands placed upon it. Problems of disaffection: an unending stream of new faces; pressure cooker decision-making; turf battles and burn-out, are only some of the symptoms.

Nevertheless, despite all of these strains we have made and continue to make adjustments in line with our increasing mandate and responsibilities.

2. VOLATILE ENVIRONMENT

In the face of such rapid growth, Telefilm has also existed in an extraordinarily volatile environment.

For example, in the last year alone, the Feature Film Fund was announced and Telefilm charged with its administration: the CRTC, in licencing Canadian broadcasters, placed on them a considerably increased onus for independent Canadian productions; Treasury Board, after long negotiations, refused Telefilm its rollover monies; and finally, on June 18, Michael Wilson's fiscal reform policies effectively reduced the Capital Cost Allowance as an attractive investment for Canadian production.

Each of these measures makes eminent sense. But each time one arrives, Telefilm performs

must adjust. New policies and procedures. New analysis of Telefilm resources. New planning and communications with our clientele groups. New consultations with all of the partners involved.

Telefilm in its mandate its involved intimately with government. Not only with the Department of Communications, but with Treasury Board, the Department of Finance, agencies such as the CRTC, and the CBC, as well as provincial agencies and other partners. Thus, the concomitant effect of rapid growth with dramatic change in the environment make for an extraordinarily difficult, though possible, management.

In short, this government has created a revolution in the Canadian film and television production environment. It has done all of the things that it has said it would do, and with great success. As administrators of a Crown Corporation, we reacted to these initiatives positively and with enthusiasm.

But, and you must understand, change does create problems.

3. THE MEMBERS OF TELEFILM CANADA

And now for the untenable situation.

The role of the Executive Director of the Canadian Film Development Corporation is quite clear in Law:

"the Chief Executive Officer of the Corporation has supervision over the direction of the work and staff of the Corporation..."

Indeed, the Ministry of Justice in a legal opinion on November 27, 1986 spelled out the importance of the Executive Director's functions:

"The central role expressly foreseen by the Parliament for the Executive Director must, necessarily, require that the Corporation and the Minister, in approving by-laws, be careful not to trespass upon the legislative mandate of the Executive Director. Therefore, any act of the Corporation - i.e. its members, including of course the Chairman that did so trespass would be unauthorized, and invalid."

The role of the Chairman of the Corporation is also quite clear:

"to preside at any meeting of the Corporation, (par. 6(1)(a)); to cast a "second or casting" vote in the case of an equality of votes (par. 6(1)(c)); to call a meeting "at any time", "if requested in writing by four or more members..." (par. 4(4)); and to submit the Annual Report of the Corporation to Parliament (par. 5).

As the Palmer opinion points out:

"The only explicit duty imposed on the Chairman is that of transmitting the Annual Report of the Corporation to the appropriate Minister within three months of the termination of each fiscal year (section 20-CFDC ACT)".

The members of the Corporation are also clearly defined both in the Law of the CFDC, and the By-Laws. As the Palmer opinion points out (November 27, 1986):

"These appointees are members of the Corporation, not Directors. They constitute the Corporation - not the Board of the Corporation. These points are of fundamental importance. While the members function, in certain respects, like a board, the members are both more powerful than a board, and more accountable than a board, in that the Act imposes duties directly on them beyond those placed on the shoulders of most corporate entities."

All of the above is quite clear: The Act of Parliament, the By-Laws of the Corporation, the Palmer opinion, and other supplementary interpretations. Nevertheless, for the past 15 months, there has been an ongoing, unresolved conflict between the Chairman of Telefilm and myself.

At the Halifax Board Meeting, October 9-10, 1986, the Chairman submitted for consideration by the Members, a "Position Description", for the Chairman of the Board, outlining his proposed functions:

"The Chairman is the lead agent of the Board of Directors, and is charged with responsibilities of developing policies, evaluation of performances, establish (sic) strategy, overseeing the general conduct of the affairs of the Corporation, ensuring that its mandate is properly fulfilled".

On October 21, 1986, I wrote to you, as Minister of Communications, at the Members' request asking for an independent legal opinion on the powers of these two positions (Chairman and Executive Director)

In a six-page plus legal opinion, Philip Palmer, a Senior Counsel, provided your Deputy Minister with a response, which was furnished to myself and the Members. Mr. Palmer commented at length on the Sirois' submission, most notably:

"The description of the functions of the Chairman appears to overstep any present statutory requirement of the by-laws. It is the members who are the Corporation, and who therefore are charged with its general management. Delegation of overall responsibility for those management functions may well violate the principle of *delegatus non potest delegare*."

And

"It is the Corporation which relates to the government through the Minister, and not the Chairman. While the by-laws may specify a particular representative role for the Chairman, the members should be concerned that they not lose sight of their collective responsibility toward Parliament and the law."

And

"The collective powers of the members

notes refer to Jean Sirois filling me in greater details as to the Aubut projects.

November 3rd

Under my signature, a memo was issued with the following text:

"The Chairman, Jean Sirois, and I have agreed that direct dealing by the Chairman and Board with Telefilm staff will be channeled through the offices of the Executive Director.

From time to time, you or your staff may receive requests from the Chairman. In that event, take full note of the request and advise me immediately in writing.

Any such request must be approved by the Executive Director. At no time should you or your staff make financial commitments, at the Chairman's request". (Appendix A)

This memo was a direct result of a frank conversation the Chairman and I had concerning several approaches that he had made to various Telefilm staff, and the confusion that it was causing. We both agreed that in order to end such a confusion the memo would be circulated.

The same day, a letter under my signature, was sent to Alain Gourd, following up our discussion of Wednesday October 22nd, in which the Department "offered the services of the Legal Counsels of the Department of Communications, to provide a legal opinion on the respective powers and authorities of the Chairman and the Executive Director, to clarify the roles and responsibilities of each within the Corporation". (Appendix B)

November 6, 1986

Three days after our frank discussion about the respective roles of the Executive Director and the Chairman of the Board, I again wrote to the Chairman concerning two specific incidents which caused additional confusion. In the letter I stated:

"Une fois de plus, il s'agit d'une situation difficile découlant directement de la confusion qui, de plus en plus, caractérise les champs d'action et de responsabilités qui sont les vôtres et les miens. À l'intérieur comme à l'extérieur de Telefilm Canada, ces domaines, et la nature distincte des décisions que nous prenons, de même que les moyens d'exécuter ces décisions, se doivent d'être clairement compris, respectés et communiqués, conformément à leur définition dans la Loi et les Règlements de la Société." (Appendix C)

Further, in the letter, I wrote:

"Ainsi, tout en vous offrant mon entière collaboration personnelle à vous fournir toute information ou assistance dans le cadre de votre propre mandat, je vous avais expressément demandé de ne pas intervenir directement auprès des membres du personnel. Malgré certaines améliorations à cet égard, plusieurs de ceux-ci

m'ont encore demandé des directives sur la façon de traiter les demandes que vous leur faites. À cet égard, plus un organisme est important en termes d'effectifs, plus il doit fonctionner selon une procédure uniforme et une ligne d'autorité bien établie."

The week of November 3rd - 7th, 1987

Although, I have no diary entry, I believe that on the afternoon of Friday, November 7, 1986, I received a call from Peter Simpson, who was concerned about certain projects coming through Marcel Aubut. He stated to me that he had met a producer in Los Angeles, who had Telefilm Canada financing, thanks to Marcel Aubut. Simpson, who was not new to Canadian politics, thought that he understood what was going on. He asked for a meeting as soon as possible. He said he wanted to discuss frankly and off the record what he had learned in Los Angeles.

Sunday, November 9, 1986

At a Chinese restaurant on Prince Arthur in Toronto, Peter Simpson and I met for a couple of hours, discussing primarily the role of the Chairman and Simpson's concerns about his involvement in production. Simpson said to me that he had met this producer who said he had guaranteed Telefilm financing for two projects, both around \$ 6 million. He also stated that he thought that Michael Levine was involved somehow, although he was not certain of that. He wanted to know if Jean Sirois had any involvement in these projects, and indeed if Sirois was having any influence over the projects within Telefilm. I stated to him that while we had had our differences, that today Jean Sirois had not in any way involved himself in any particular project.

Simpson stated that he was extremely concerned about the story, asked if we had had any contact with Marcel Aubut, and in what context? I stated that it was none of his business.

Simpson stated that he was going to take it up with Paul Curley, and looked forward to talking with Jean Sirois at the earliest possible instance.

November 19, 1986

In Los Angeles, at the request of the Chairman, Lorraine Good organized a dinner with our Los Angeles lawyers Penelope Glass and Charles Silverberg, so that the Chairman could get to meet and know our lawyers and discuss how business was done in Hollywood. Because of several factors, the Chairman did not get into Los Angeles until late, and the dinner was started without him. At the restaurant, at approximately 10 p. m., he phoned to say that he would be unable to make the dinner with the lawyers and to offer his apologies. I stated that I

would communicate his regrets, but suggested that he come around at least for coffee, given that lawyers gave up a week-day evening to come out and meet with him.

The Chairman stated that he could not, because he was with Marcel Aubut, at the Beverly Wilshire Hotel. He requested that I finish up the dinner as soon as possible, because Marcel Aubut wished to meet with me. I expressed my reticence at meeting with M. Aubut so late at night, and in a social context. I further stated that for me, it was by then 1 a.m. (Montreal time), my having travelled from Montreal that day. The Chairman said that it would not be a meeting to discuss business, but a social event.

At the completion of our dinner, in Los Angeles, I returned to the Beverly Wilshire Hotel, and met with Marcel Aubut, one of his associates Jean D. Legault, Jean Sirois and Jean Sirois' son. I was decidedly uncomfortable. Seated around a banquet, the men were in the process of having their dinner, and were very aggressive with me. The conversations started up with questions like "Where is my check?", "Why are bureaucrats so difficult to get along with?" and other unpleasant jovial remarks, that were inappropriate. I stated to M. Aubut, that I felt that his approach was not acceptable. While I was glad to meet him, I did not feel that this was an appropriate way to discuss business.

There were several jocular references to bureaucrats, and their inability to do business, particularly from M. Aubut's associate, M. Legault, but also from M. Aubut. I explained the policies stating that if as a producer, he had a project to submit, we would be glad to receive it. I told him the details of the Broadcast licence, and other parameters. He stated that no wonder Telefilm has such a bad reputation. And was generally abusive. At no time, did the Chairman in any way support me, or the organization in this very difficult and awkward meeting.

Towards midnight, Los Angeles time (3 a.m. Montreal time) I excused myself, stating that if the producers wished to submit an application to Telefilm, we would be glad to receive it.

In the morning, I stated to the Chairman that I was very angry, not only with the situation, but his lack of support for me in such a difficult ambiance. I further stated that he had gone back on his commitment to stay out of projects, and their negotiations, and that he had tacitly by his refusal to support Telefilm, indicated his support for M. Aubut.

November 27th, 1986.

On November 27th, the Chairman invited me out for a social dinner at the Club St-Denis, on Sherbrooke, with my wife, Suzanne. He also stated that he wished that I would go to Quebec City with him on the morning of Saturday, November 29, to meet with Marcel Aubut. He

said that Marcel Aubut would be providing a plane, and that if we went down in the morning, we would be back by mid-afternoon.

We had a very strong difference of opinion. I stated to the Chairman first that I felt he had no business being in the negotiations. Secondly that as Executive Director, I was preempting the ability of my staff to negotiate with the production. Thirdly, that he had no business travelling on clients' airplane, under any circumstances. He was quite jocular about my reaction, feeling that I was being far too harsh.

At the end of the conversation, I instructed him as Chief Executive Officer of Telefilm, not to get on the plane, if in any way he was representing Telefilm. I stated that if he did so, I would have to take it up with the Members of the Board.

He ridiculed me.

On the evening of November 28th, on two separate occasions he asked me if I changed my mind and was coming with them (François Macerola and Alain Gourd) to Quebec City the following morning. I stated that I was not.

December 1, 1986.

The Chairman phoned to state that because of fog, the meeting with Marcel Aubut had not taken place. They had gone to the airport, got on the plane, but because of the fog and weather conditions, they could not land in Quebec City. He stated that he thought I would be very happy that we did not have our meeting with Marcel Aubut.

He also stated the application for Rendez-Vous '87 should be through the door. Would I go and enquire of Sylvie Fournier if the application has arrived and get back to him.

December 18, 1986.

In a long meeting with the Chairman, item 7 states: "Aubut - 4 billets". In the meeting, the Chairman asked as a condition of Telefilm's participation in Rendez-Vous '87, that four tickets be set aside for each event during Rendez-Vous '87. (The Fashion Show, The Gourmet Dinner, the Hockey Games, etc.). He stated that Marcel Aubut was quite prepared to provide these tickets, and indeed offered them, but just to make sure that Aubut provided them, that they should be made terms of the conditions of the contract.

January 6, 1987

Paul Racine in the Department of Communications phoned to find out what Telefilm position was on Rendez-Vous '87. I asked him why he was interested. He stated that DOC probably would be involved in the production in some way. He said however that and the notes read "DOC - aucune décision - \$ 100,000" that Marcel

cannot be assumed to easily be capable of delegation to or devolution upon any one of its members. Nor, in our view, can the members easily rid themselves of the necessity that they perform their responsibilities as a collectivity."

And finally

"The position description for the Chairman amounts to a questionable delegation of the powers of the members. It cannot be assumed that, in the absence of statutory authority, an aggregate corporation such as the Corporation can rely on the extensive delegation powers inherent in modern business corporations."

Notwithstanding, the Chairman has arrogated unto himself precisely those functions outlined in his position description: responsibility for developing policies, evaluation of performances, establishing strategy, overseeing the general conduct of the affairs of the Corporation. And on most occasions, without any reference to other members of the Corporation.

As a result, after 15 months, the authority of the Executive Director is now significantly eroded, both within and without. The legitimate question can and is increasingly being asked, "Who runs this joint"? And the answer is fairly evident: two people. Two people with different mandates, different styles, different attitudes. Such an arrangement is disastrous for any corporation, for the client base it serves, and ultimately for the country.

Thus, with reluctance, I must inform you of some of the major tensions created by the Chairman's interpretations of his role:

1. Attack on senior personnel.

Within a month of his arrival, at Telefilm, the Chairman singled out for attacks four senior staff. At the Halifax Board Meeting, he moved actively for the dismissal of one for reasons of "manque de loyauté". Two others, he wished removed for vague general reasons that they were "rouge". A fourth, he actively discredited both in front of the Members and myself for various undefined reasons. Three of those four people have now left Telefilm.

Most recent events precipitated by the September 14 meeting in Toronto, have of course exacerbated an already tense situation within the senior people at the Corporation.

2. Direct intrusion into the administration of programs.

From the very beginning, indeed from the very first meeting I had with the Chairman, he insisted upon his right to direct management into the expenditure of monies.

As you are aware, the administration of Telefilm programs are governed by a whole series of covenants:

The Canadian Film Development Corporation Act;
The Corporation By-Laws;
The Amendments to Section 18.1 of the CFDC statute;

- 11 bilateral coproduction agreements administered by Telefilm;

- Income tax regulations governing the definition of certified Canadian production for purposes of Capital Cost Allowance;

Regulation to the CRTC on Canadian programming broadcast purposes.

The Memorandum of Understanding establishing the Canadian Program Broadcast Development Fund is a contract between the Corporation and the Minister of Communications. The Feature Film Fund is subject to guidelines approved by the Cabinet, and conveyed to Telefilm by the Minister of Communications.

Telefilm now has a very ample budget; but even with all of our monies, there is usually never enough to finance all of the applications. And so choices have been and must be made. Not only with productions but scripts, markets, festivals, and closed-captioning.

No one would claim that Telefilm is perfect in its decisions. But we have striven to be fair, and evenhanded. As a consequence, there is a whole system of automatic appeals in place for those dissatisfied with various levels of management decision.

However, there is no mechanism in place to deal with the aggressive, strident interventions of a Chairman at every level of the decision-making process. Before, during and after decisions, on certain select occasions, the Chairman has made his wishes known. Not only on production, but on Festivals, consulting contracts, etc. In short, wherever the monies are to be spent. Nor is the intrusion only at the level of the Executive Director. Throughout the organization, he has intruded often imposing or contradicting decisions already taken either at the Members or Management levels.

I attach, for your information, an aide-mémoire that I prepared after a project called Rendez-Vous '87. It illustrates the intensity, the persistence, and the difficulties created by such practices. (See enclosed).

3. Improper use of Telefilm Canada resources.

No examination of the Chairman's expense account and billings could stand public scrutiny. On numerous occasions, as Administrator charged with the responsibility for public monies, I have had long and acrimonious disputes with him over these matters. Repeatedly, I have cautioned him that his behaviour was inappropriate, and urged him to cease and desist. On occasions, I have raised these matters with the Members, seemingly to no avail. The abuses are wide-ranging, and ongoing. It is not for me to cite individual

instances. The information, should you seek it, is available.

4. Direct intrusion into the administration of Telefilm

His directions to Senior and Middle management, his direct intervention on behalf of others, his ordering of work to be done, or not done, run contrary to his responsibilities and functions. It subverts the authority of the Executive Director, and creates an impossible environment for the direction of the Corporation's affairs.

Conclusions.

1. Telefilm, as a consequence of all of these practices, has become a politicized cultural agency. It can no longer fairly and evenhandedly administer its monies, nor its responsibilities.

2. The authority and responsibilities of the Executive Director of the Canadian Film Development Corporation have now become undermined. As a contribution to the resolution of this situation, I therefore am prepared to tender my resignation.

In closing, there are several positive observations I wish to make. First and foremost, that the experience of being a senior public servant has been very enriching. Despite all of the travails of the past 15 months, I have been immensely honored by the charge of responsibilities and greatly appreciated the opportunity.

Secondly, I would wish to convey to you my sincerest appreciation for your support. Like

your predecessor, both Ministers of Communications for whom I have served, have been unflinching in their devotion to, and efforts towards Canadian production. Not once, have you, nor your senior staff, ever interfered in any decision, or decision-making process related to the administration of monies. Further, I would wish you to communicate to your senior staff my unflinching appreciation for their support, intelligence, counsel, and wisdom.

I must also note, for the record, the distinguished contribution of your party in the area of film and television production. From September 1984, the Progressive Conservative government has lived up to its commitments to strengthen Canadian production with dedication and effort. The environment before the September 1984 election was indeed unsure and uncertain. Because of several initiatives and measures which you have put into place, we seem assured of a future that is both stable and long-lasting. As I mentioned earlier, while the volatile environment makes these adjustments very difficult, the initiatives have been positive, forward-looking, and indeed exciting.

Lastly, I would do nothing to endanger the future of Telefilm Canada. The people with whom I have worked have demonstrated an exemplary public dedication.

If you accept my resignation, I would leave this office fulfilled, and proud of our achievements.

Yours sincerely,

Peter Pearson •

Aubut had asked \$ 100,000 from DOC but, and the notes read: "Gel des dépenses" - Bédard et Jean Legault". Paul Racine said that he wondered if there could be a way that DOC and Telefilm could coordinate its response to Marcel Aubut. I told him to get in touch with Francine Forest, who was in charge of the negotiations.

The same day, I received a call from Toronto from Peter Steinmetz, who is involved in a Variety special called Canadian Night at MIDEEM with a budget of approximately \$ 1.5 million financed primarily by CBC and DOC. He wondered if Telefilm would be able to participate.

There were many parallels between the Steinmetz proposal and that of Rendez-Vous '87. Both live shows, both with Canadian music-hall variety acts, both foreign acts and other similarities. I asked immediately that Linda Beath and Francine Forest be extremely careful in their negotiations around both of these projects. That we could not seem to be favoring one at the expense of the other.

Separately, Telefilm's position on Canadian Night at MIDEEM is well documented.

That same day, Steinmetz phoned back to say that he had some involvement with Rendez-Vous '87, and that he represented some of the artists, and that (Stan Harris, Bernard Rothman and Garry Blyte) were involved in the Rendez-Vous '87 project. He wanted to know if we were going to do that, and not his project. He also detailed a revised financing, available in my notes. I stated to him that we would try to be as coherent as possible, and be fair to both parties.

January 7, 1987

Marcel Aubut talked to me directly. He stated that he wanted \$ 200,000 for the French-language show and somewhere between \$ 300,000 and \$ 400,000 for the English-language show, an English-language show he stated where (Allan Thicke) as Master of Ceremonies, Danny Kaye, John Denver, Suzanne Summers, André-Philippe Gagnon and others.

We talked in some detail about two projects. I stated that I did not envision any possibility of being involved in the English-language project, that we had not even seen the application form. I stated that if I understood properly the proposal, and I stated that I neither had seen the application form nor the supporting material to go with it, that indeed there may be some role that we could play in "la captation", but that was indeed a matter that should be taken up between the producer of the show and Francine Forest. I stated that I had no part in the negotiations, and that I would not be able to indicate any kind of figure. He pushed me hard at accepting \$ 200,000, stating that if in fact Telefilm would put in \$ 200,000, they would not make any application for the English-language show. Before he went on to suggest that Jean Sirois had felt that \$ 200,000 was perfectly reasonable and that he was taking that as a given in terms of Telefilm's participation.

I myself doubted that Jean had quoted such a figure, given that most producers quote one Telefilm official to another, to their advantage. Never in the past had Jean indicated that he was supportive of any particular sum. →

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