



# Public Film Policy and the Rise of Economic Principles: The Case of Switzerland

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## 1 Switzerland: National Film Policy in Transition

Films are probably the most powerful cultural products when it comes to defining European history and identity. European cinema has traditionally been a byword for “arthouse movies” and high-quality productions. When we think of European cinema, some countries stand out more often than others, namely France, Italy and Germany. However, smaller, less populated countries also have prestigious and globally renowned cinema traditions: Miloš Forman’s Czech Republic, Ingmar Bergman’s Sweden and Michael Haneke’s Austria, to name only some.

Cinema studies have generally neglected Switzerland, and this is particularly true when it comes to public film policy. We believe that a closer analysis of the Swiss system of financial support for the national industry is now particularly timely. There are two major reasons for this: (1) Switzerland’s recent exclusion from the EU’s MEDIA programme, following the 2014 vote “against mass immigration”,<sup>1</sup> an event which has stopped the supply of important European funds to Swiss film companies; and (2) the creation, in July 2016, of a new Federal fund devoted to national and international companies that shoot films within Swiss territory.

We believe that the exclusion event acted as a sort of “exogenous shock”, eventually leading to the introduction of the new Federal fund, constituting an unprecedented act of reform within Swiss film policy history. Indeed, in Switzerland, the film funding system has traditionally been grounded on exclusively cultural premises. Non-repayable funds, or typically “soft” money (i.e. grants, soft loans,

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<sup>1</sup>The referendum was proposed by the national conservative Swiss People’s Party with the aim to limit immigration through quotas, as it was prior to the bilateral treaties between Switzerland and the European Union. This initiative was accepted by a majority of the electorate and of the cantons on February 9th, 2014.

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etc.), have always been granted under the general purpose of protecting Swiss cultural identity. Such cultural concern is all the more important given Switzerland's very specific character, which is the result of three features discussed more extensively in Sect. 2:

- (a) The country's small size
- (b) Linguistic fragmentation
- (c) Bordering with three large countries

The exclusion from MEDIA, also addressed in Sect. 2, has pushed Swiss policymakers to integrate culture-based funds with new ones that foster local and regional economic growth, by means of encouraging national and international companies to select Switzerland as shooting location. This appears to be Switzerland's first, cautious step towards a "neo-liberal" transition that has already been affecting film policies in other European countries (European Audiovisual Observatory, 2015, 2016b).

In this chapter, we posit that Switzerland's current public policy drive for film is ambivalent: While the country's current film ecosystem withstands the negative effects of being excluded from European funds through MEDIA, we believe that the country's internal specificities have helped developing its own very specific national policy agenda based on support to both cultural development and economic growth. Lately, however, Switzerland is shifting more decisively from a public funding policy scheme which was firmly rooted on cultural premises towards one that values film production as a means for local and regional economic growth. The question remains open as to whether this move constitutes a transition to a "neo-liberal" style of film policy, embodied by the recent creation of a new public film funding scheme, and whether this policy will be imposed more widely on Swiss film policy matters at large.

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## 2 Switzerland: Small and Diversified

### 2.1 Small Size of the Country

Switzerland is a small and landlocked country in the heart of Europe. Neighbours of Switzerland are Germany, Austria, Liechtenstein, Italy and France. Switzerland has a strategic location at the crossroads of central Europe and covers 41,290 km<sup>2</sup> for 7702 m inhabitants. This makes it small in size in comparison to other European countries. In this context, we use "smallness" as operative framework by means of its geographical size and its population. The geographical area of Switzerland covers 41,285 km<sup>2</sup>, making it smaller than the majority of European countries. On top, countries are further defined as small when their population size does not exceed 18 million inhabitants (starting from a 100,000 people; Puppis, 2009). This definition allows us to identify three distinct groups: large countries, with more than 18 million inhabitants (France, Germany, Italy, Holland, Poland, Romania, Spain, the UK),

micro-States, with fewer than 100,000 inhabitants (Andorra, Liechtenstein, Monaco, San Marino, and the Vatican City), and the “small” countries in between—the largest in number of the three groups. The latter includes Switzerland, which has a population size of 8.2 million inhabitants, equally divided between men (49.5%) and women (50.5%). Foreigners account for some 22% of the population.

Usually, small countries have small media markets (Hjort & Petrie, 2007; Jones, 2014). Small countries have fewer financial resources to invest in media products (through lower volumes of advertising) and a smaller number of potential moviegoers, TV viewers, readers, etc. who pay for cultural consumption. Manuel Puppis writes that “while the production costs are roughly the same in small and big markets, audience markets in small states are too small to realize economies of scale” (Puppis, 2009, p. 10). In fact, the potential limitations of a small country relate not only to economic resources and audiences but also to professional know-how and creative talent. Arguably, these three factors make it harder for small countries than the larger ones to develop their own media industries and to create attractive products. This also means, as Siegert and von Rimscha (2013) observe, that “[...] small states struggle at times to protect their cultural heritage when confronted with the dominance of international content and content from larger neighboring states” (p. 129).

When it comes to film, the problem of a small market size is particularly relevant, since the cost of a film is generally greater than that of other products in the media industry (books, magazines, newspapers, CDs, TV programmes). A small domestic market does not only reduce the chances of box-office takings, and therefore the possibility to refund future projects with the profits from past films, but also denies the opportunity to make bigger-budget movies (that have greater probabilities of success). In the case of expensive films, a good economic performance on the domestic market is not necessarily sufficient for covering production costs. Furthermore, given that national productions are not intended to be distributed beyond the home market (or are released without a significant success), the producer does not reach foreign audiences in order to recover production costs.

## 2.2 Linguistic Fragmentation

Switzerland has four national languages, German, French, Italian and Romansh (a Romance language spoken predominantly in the south-eastern Swiss canton of Grison), and generally the country is divided into three linguistic regions (the Romansh region not being relevant in quantitative terms). German is the main language, accounting for 63.3% of the total population, French for 22.7%, Italian for by 8.1% and Romansh for 0.5% (Bundesamt für Statistik, 2016). While German is spoken by the largest constituency of the population, the country has no single common language, which therefore has important implications for the media. For example, Switzerland has no newspapers that straddle the three linguistic regions, and the TV and radio public service broadcasts different channels in each region (Künzler, 2013; Meier, 2004, 2009).

With regard to cinema, such linguistic fragmentation means that films are not necessarily distributed across the entire national market, but only in the respective linguistic region of their production. The costs of dubbing, subtitles and the translation or adaptation of promotional material increase potential costs in relation to possible revenue. For this reason, only a few films produced in the French or German-speaking regions are distributed in the Italian-speaking region, the latter being the smallest in terms of population. At best, distributors might opt to circulate original-language versions only, therefore reducing the film's success potential even more.

### **2.3 Large Neighbouring Countries**

As seen above, Switzerland borders five countries, three of which are large [Germany, France, Italy; according to Puppis (2009)]. Importantly, these three countries are also large in cinematographic terms. France, Germany and Italy are three of the principal film producers in Europe, each with a substantial domestic market. Moreover, all of them have a long and important filmmaking tradition. Second, each of these countries has a linguistic (but also cultural) link with one of the three Swiss regions. This means that films produced in France, Germany and Italy are easily exported to Switzerland, where they have a good chance of success. While in some cases, the language of a small country can ultimately protect it from stronger foreign influence (as, e.g. in Portugal); in Switzerland (but also in Austria, Belgium, Ireland and Luxembourg), the spoken languages actually facilitate the penetration of foreign cultural products. Only some films made in France, Germany and Italy are released in Switzerland, and therefore, the three linguistic regions cannot be considered merely an extension of those countries' domestic markets (Cucco, 2010).

Another reason for the high consumption of European films is based on the fact that for many decades, Switzerland has been an important destination for waves of migration. Beyond the immigrants from Germany, France and Italy, in Switzerland a further 20.9% of the population speak English, Portuguese, Albanian, Serbo-Croatian or Spanish as their main language (Bundesamt für Statistik, 2016). These people are interested in the films of their homelands and, therefore, contribute to the increased market quota of films from abroad.

### **2.4 Exclusion from the MEDIA Programme**

Switzerland is not a member State of the European Union, but it can access some of its programmes. In 2006, it became member of the MEDIA programme, alongside Norway, Iceland, Albania, Bosnia and Herzegovina and Montenegro. However, the country's participation in the programme was recently interrupted for political reasons. On the 9th of February 2014, the Swiss people voted in favour of a referendum "against mass immigration", which called on the Federal Government to introduce quotas, upper limits and nationality preferences of immigrants. The

referendum result puts into question the country's participation in the Schengen agreement, which has been guaranteeing the free movement of people between Switzerland and the EU since 2002. Following the vote, whilst waiting for a renegotiated version of the agreement, the EU decided to suspend Swiss participation in *Erasmus Plus*, *Horizon 2020* and, most relevantly here, MEDIA programme.

The principle objective of MEDIA is to support the distribution of films beyond domestic markets. Hence, an exclusion from the programme has two negative implications for Switzerland. Firstly, foreign distributors are less interested in acquiring the rights of Swiss films, since they will not receive any subsidies from Europe to support their circulation in theatres. And indeed, in previous years, the international distribution of Swiss films directed by, for example, Ursula Meier, Markus Imhoof and Jean-Stéphane Bron were made possible thanks to a MEDIA subsidy.

Secondly, Swiss distributors are less interested in releasing European films in Switzerland, since they will not receive any public assistance by Europe. In this case, the risk is a possible reduction of diversity in the films distributed in Switzerland. Apart from these two problems, it is worth mentioning that the MEDIA programme also used to support the Winterthur, Baden, Nyon and Locarno film festivals.

Despite such indisputable disadvantages in the country's media geography, media scholars have also reckoned the possibility for small nations to have some kind of competitive advantage over their bigger neighbours. According to Newbiggin (2014), in particular, this is a consequence of "forcedly creative" policymaking, which compensates the lack of market resources with the design of alternative, innovative ways for reaching goals. This is especially true in the creative industries that are largely built on immaterial skills and resources.

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### 3 Data on Swiss Film Market

Switzerland has a high annual rate of production when it comes to feature-length films. In 2015, it produced 78 films,<sup>2</sup> making it the seventh most active country in Europe, after the UK, France, Germany, Spain, Italy and Holland (European Audiovisual Observatory, 2016a). There are two reasons for this high level of film production. Firstly, Switzerland is a rich country, and the total amount of public resources devoted to support film production is among the highest in Europe (European Audiovisual Observatory, 2016b); this results in a high production rate. Secondly, more than half of the films are documentaries (54), which have lower production costs (Switzerland has a long tradition of documentary production).

If we examine distribution, instead, it emerges that the number of Swiss films distributed in 2015 (69, 15.2% of the total) trails not only the number of US (113) and European films (212), but also those of French films (94). There is also a significant presence of German (37), Italian (19) and British (20) films on the Swiss market (Table 1). These trends are all easily explained by (a) the main languages

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<sup>2</sup>Source: Federal Office of Statistics, [www.bfs.admin.ch](http://www.bfs.admin.ch)

**Table 1** Films released in Switzerland by country of origin

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Switzerland	46	56	58	59	75	66	63	77	67	69
Germany	32	36	30	34	32	38	34	43	43	37
France	89	88	89	95	87	88	86	96	99	94
Italy	19	27	27	17	23	22	16	18	21	19
UK	19	19	19	16	18	17	26	18	21	20
USA	106	112	110	117	110	105	112	121	118	113
Others	77	60	69	88	74	68	77	73	82	99
Total	388	398	402	410	419	404	414	446	451	451

Source: Federal Office of Statistics, [www.bfs.admin.ch](http://www.bfs.admin.ch)

**Table 2** Film market shares in the three linguistic regions of Switzerland

	CH	USA	EU	Others
2011				
Total	4.3	64.6	28.8	2.3
GSA	5.2	68.3	24.2	2.3
FSA	2.7	56.8	38.2	2.3
ISA	0.5	66.3	31.7	1.5
2012				
Total	4.8	58.2	34.0	3.0
GSA	5.3	60.2	31.4	3.1
FSA	4.1	52.7	40.4	2.9
ISA	1.5	68.6	28.7	1.3
2013				
Total	6.2	67.1	23.8	3.0
GSA	7.5	67.7	21.9	2.8
FSA	3.4	65.3	27.9	3.4
ISA	4.6	69.4	24.1	1.9
2014				
Total	4.8	61.9	29.3	4.0
GSA	6.1	65.1	25.6	3.3
FSA	2.3	54.6	37.7	5.4
ISA	3.2	72.3	20.0	4.5
2015				
Total	5.4	65.4	24.9	4.3
GSA	7.2	64.9	24.0	3.9
FSA	1.5	65.7	27.5	5.3
ISA	3.4	75.6	18.1	2.9

GSA German-speaking area; FSA French-speaking area; ISA Italian-speaking area

Source: Federal Office of Statistics, [www.bfs.admin.ch](http://www.bfs.admin.ch)

spoken in Switzerland; (b) the linguistic-cultural affinities with its neighbouring countries; and (c) the fact that these countries are among the most important film producers in Europe.

Audience data reveals that Swiss films are not well attended: the market quota of domestic cinema in 2015 was 5.4%, and over the previous 5 years, this figure fluctuated between 4.3 and 6.2% (Table 2). In terms of the performance of domestic filmmaking in the home market, this is one of the lowest figures in all of Europe: only the “micro-States” and Portugal have lower rates.<sup>3</sup> This data is particularly surprising considering the significant public investment into national cinema, the high total number of films produced, and the recent result of a quantitative survey of 1409 Swiss citizens, which revealed that the public is positive about its own national cinema (Moeschler, 2008). The same study also confirmed that spectators

<sup>3</sup>Source: MEDIA Salles, [www.mediasalles.it](http://www.mediasalles.it)

are happy with the variety on offer and, therefore, do not perceive a lack of competition, nor any limitations imposed by the market.

How can this data be explained? The market quota of US films is 65.4% (in line with the European Union's average, 64%); therefore, we can conclude that the quota of national films watched is instead curbed by European films. As such, once again the justification of this data leads us back to the issues presented above, its language fragmentation, which limits the distribution of domestic films to just one of the linguistic regions (reducing box office potential) and the Swiss market's permeation by the films of its neighbours.

Data on film consumption does indeed vary between the linguistic regions. National films have a greater market quota in the German-speaking region, most likely since the majority of films are produced in this region and therefore have Swiss–German dialogues. European films have greater success in the French-speaking region, therefore demonstrating that its audiences have the same viewing tendencies as France. Finally, US films have a particularly high quota in the Italian-speaking region, where very few Swiss films are distributed and where European cinema has little success (similar to Italy).

The data confirms that the Swiss film industry consists of three distinct markets, which have different economic characteristics. The majority of tickets are sold in the German-speaking region (67.9% of all tickets in 2015), while in quantitative terms the Italian-speaking region is insignificant (2.5%) (Table 3). The Italian region is geographically the smallest and also the region with the lowest annual rate of cinema attendance. The fact that the French-speaking region has the highest rate of annual revenue per capita confirms the existence of cultural affinities between the linguistic regions and their neighbours (Table 3).

**Table 3** Admissions and pre-capita admissions in Switzerland

	Admissions (%)			Per-capita admissions			
	GSA	FSA	ISA	GSA	FSA	ISA	Total
2006	67.5	29.2	3.3	2.1	2.5	1.7	2.2
2007	67	29.3	3.7	1.7	2.1	1.5	1.8
2008	66.1	30.4	3.5	1.7	2.2	1.5	1.9
2009	67.1	29.6	3.3	1.8	2.4	1.5	2
2010	66.3	30.2	3.5	1.8	2.3	1.6	1.9
2011	65.6	31.4	3	1.7	2.4	1.3	1.9
2012	67.5	29.7	2.8	1.9	2.4	1.3	2
2013	67.4	29.8	2.8	1.6	2.1	1.1	1.7
2014	66	31.6	2.4	1.5	2.1	0.9	1.6
2015	67.9	29.5	2.5	1.7	2.1	1	1.8

GSA German-speaking area; FSA French-speaking area; ISA Italian-speaking area

Source: Federal Office of Statistics, [www.bfs.admin.ch](http://www.bfs.admin.ch)



## 4 Swiss Film Policy Frame

Switzerland's highest cultural institution, the *Bundesamt für Kultur*/Federal Office of Culture, which operates within the Department of Internal Affairs, has acknowledged most of the aforementioned difficulties that afflict the country's market. In its presentation of the Cinema branch, the Federal Office for Culture (*Bundesamt für Kultur*) states: "In Switzerland, a multilingual and multicultural country, the film market is fragmented. Moreover, the film industry is too limited, compared to countries like France, Italy or Germany, to establish itself with its own forces. To ensure its survival, State financial support is necessary for production and distribution" (Bundesamt für Kultur, 2015a, p. 42). Given these premises, the Swiss film industry has always relied to a significant extent on public funding. A recent study shows that Switzerland is the 10th European country for total value of public funding to the audio-visual sector (European Audiovisual Observatory, 2016a). These funds operate at all levels of governance: federal (national), regional and cantonal (sub-national). This section analyses this multilevel support scheme, the rationale and rules guiding it, the institutions and organizations responsible for its implementation.

In Switzerland, like in most other small European countries, the biggest share of public financing to the film industry comes from the national (here: federal) government, based in Bern. Federal funds are managed by the *Bundesamt für Kultur* (Federal Office of Culture) and find their primary legal basis in the Swiss Constitution: "(1) The Confederation may encourage Swiss film production and film culture; (2) It may issue regulations to promote the diversity and the quality of the cinematographic works that are offered" (Art. 71). This general provision is further elaborated in the Federal Act on Film Production and Film Culture, which sets out to support measures for film production and distribution, as well as the promotion of film literacy and culture (LCin 14/12/2001, Art.1). Traditionally, the Confederation has granted financial aid to the film sector on the basis of two criteria: (1) quality (through selective aids) and (2) box-office performance (so-called "*success-linked aids*"). In July 2016, a new support fund was launched, based on the geographic location of the film production (Decree of the Federal Department of Internal Affairs 21/4/2016—OPCin). This location-based support scheme constitutes an unprecedented "third pillar" for the federal film policy, and it is likely to affect policy in substantial ways in the future. Section 4 of this chapter is specifically devoted to the analysis of this newly created support scheme.

### 4.1 Selective Aid

The Confederation provides financial aid to companies and professionals operating at all stages of the film value chain: screenwriting, project development, production, post-production, distribution and circulation. Criteria for selective aids, which are evaluated by committees of experts, include: (a) the originality and artistic quality of the project; (b) the level of contribution to Switzerland's cultural

landscape; (c) the feasibility and economic soundness of the film production package and (d) the potential for commercial exploitation in the different language regions, among others.<sup>4</sup> Federal selective funding can be granted to national films as well as international co-productions. The latter have lower funding caps. The total amount of funding cannot exceed 50% of the film's countable costs, and it is granted as non-repayable money. Such favourable conditions reflect the rationale underpinning the federal scheme of selective funding, which values cinema's cultural and artistic nature more than its economic dimension. At the same time, however, the small and fragmented nature of the market makes non-repayable funds the most viable form of support for Swiss film companies. Selective funds account for the biggest share of Swiss public funding to the cinema sector, and the majority of this subsidy benefits production. In 2015, almost 15 million Swiss francs (13.8 million euros)<sup>5</sup> were distributed to fiction films, documentaries, short and animated films and multimedia projects. The overall number of supported projects was 115, with documentaries (55 projects), fiction films (52) and most other applications coming from the German-speaking area (Bundesamt für Kultur, 2015a, b).

## 4.2 Non-selective Aid

The Confederation also awards non-selective, i.e. "automatic", financial support to film production, as well as the distribution and promotion stages. Automatic funds for film production are awarded on the basis of the film's theatrical success. This is calculated according to the number of tickets sold at the box office, and points are also earned for participation at important film festivals. This funding scheme, named *Succès cinéma*, remunerates the film's commercial and artistic success, at the same time promoting a more diverse range of films for the audience. It provides proportional rewards to all of the professional categories involved in the film's success: screenwriter, director, producer, distributor, and exhibitor. The amounts paid by the *Succès cinéma* programme must be reinvested in new film projects, both Swiss productions and international co-productions. With the single exception of exhibitors, these sums must be reinvested within a 2 years' time period. In 2015, the success-linked aid scheme has led to a total reinvestment of 4.9 million francs (4.52 million euros) in the preparation and production of new Swiss films (Bundesamt für Kultur, 2015a, b). Switzerland does not provide for specific fiscal incentives to the film sector (with the only, partial exception of reduced VAT on cinema tickets).

Non-selective aid to film distribution is divided into three funding schemes that cover different scenarios: (1) the distribution of national films in national theatres; (2) the distribution of foreign films in national theatres; (3) the distribution of

<sup>4</sup>For the detailed list of selective criteria see Annex n. 1, point 2.1 of the Decree of the Federal Department of Internal Affairs 21/4/2016—OPCin.

<sup>5</sup>All conversions are calculated with a currency exchange rate of 1 CHF/0.922 euros, as of 31 December 2015. Source: SIX Swiss Exchange.

national films in foreign theatres. The first scheme is aimed at Swiss films and international co-productions with Swiss directors, for activities such as copy printing and marketing. It places particular emphasis on film launches in French- and Italian-speaking cantons. This incentive follows a decreasing order: films exceeding 60,000 cinema tickets sold cease to be entitled to the aid. The second scheme supports foreign distribution companies specialized in arthouse features (*films d'essai*), therefore promoting a more diverse choice of films for Swiss moviegoers. Eligible films must have a production budget of less than 10 million Swiss francs (9.22 million euros), and they must not have received funding from the EU's MEDIA programme. This latter parameter also applies to the third categories: Swiss films distributed in foreign theatres (and Festivals). In this case, the *Bundesamt für Kultur* provides funding to the Swiss distributor for printing copies, subtitling and marketing activities carried out abroad. These funds are distributed by the *Bundesamt für Kultur* with the administrative collaboration of the SWISS FILMS Foundation, the promotion agency for Swiss cinema.

### 4.3 Sub-national Funds

Selective and success funding at the national level are the most important sources of support for Swiss filmmakers and producers. However, there is also sub-national aid available in the form of regional and cantonal film funds, although these are unevenly distributed across the territory. At time of writing, only nine of Switzerland's 26 cantons provide financial support for project development, production and/or distribution: Fribourg, Geneva, Jura, Neuchatel, Valais, Vaud (associated in the *Cinéforum* fund), Bern, Zurich and Tessin (the latter in the form of grants for young filmmakers) (OLFFI, 2016). All these funds share the goal of supporting local talents and enterprises, as only people residing in the territory for at least three consecutive years can access them. It should also be noted that Swiss sub-national funds function under the same kinds of rules (non-repayable) and criteria (quality-related selection) that guide the majority of national funds: in this sense, they act as decentralized supplements to the federal funding scheme.

### 4.4 International Engagement

As previously mentioned, the market's small and multilingual nature inhibits Swiss filmmakers from exporting their films across regional borders. To distribute Swiss films outside national borders is even more difficult. In order to foster the circulation of Swiss films abroad and international engagement with Swiss filmmakers, different support schemes are available. This includes both national and supra-national programmes, which have been recently aggregated into one policy act by the Federal Department of Internal Affairs: the decree concerning the promotion of the international presence of Swiss films and the MEDIA compensatory measures (OPICin 21/4/2016). Switzerland's international presence is supported by means of

selective funds that benefit: the distribution of Swiss films and co-productions in foreign countries; the participation of Swiss filmmakers in international festivals, markets and awards ceremonies and the continued training of film professionals (art. 4 OPICin).

Since 2014, the *Bundesamt für Kultur* has devoted a considerable amount of money (around 10 million Swiss francs; 9.22 million euros) as compensatory measure following Switzerland's exclusion from MEDIA, the most important European funding programme for the audio-visual sector. Between 2007 (the first year of the country's participation) and 2013, Switzerland contributed on average over 9 million Swiss francs per year (8.3 million euros) to the *European Commission*. In order to minimize the potentially disruptive effects of Switzerland's exit from MEDIA, the Confederation provides equivalent sums and administrative support to film companies through the *MEDIA Desk Suisse*. In terms of eligibility criteria and funding mechanisms, the compensatory measures follow the MEDIA programme very closely. A majority of funds (both selective and "automatic") are devoted to national companies for the distribution of European films in Switzerland. Additional funds moreover support Swiss producers in the development of single projects or packages of projects (so-called slate funding) with good distribution potential in Europe. Finally, financial support is also available for continued education initiatives aimed at the *European Economic Area*; for networking activities by Swiss filmmakers and to Swiss festivals that screen European works.<sup>6</sup>

#### 4.5 Trans-national Co-productions

For a small country like Switzerland, it is paramount to preserve and strengthen international engagement, not only for film distribution purposes but also for production. To this regard, the *Bundesamt für Kultur* is adamant: "With national financing alone, many movies could not be made or distributed abroad. For this reason, most of Swiss films are co-produced".<sup>7</sup> This is especially true for fiction films, which generally have higher production costs than documentaries. Trans-national co-productions (both majority and minority) accounted for 55% of the 45 full-length fiction films produced in Switzerland in 2014, against 24% of documentaries. The same ratio applies in 2015: co-productions equated to 56% of 39 fiction films, against 24% of documentaries (data: *Media Desk Swiss*). In order to encourage Swiss producers to collaborate with international partners, and to guarantee mutual advantages to both parties, the Confederation has signed co-production agreements with the neighbouring countries: bilateral agreements with France and Italy and multi-lateral agreement with Germany and Austria. Moreover, there are bi-lateral agreements with other French-speaking territories:

<sup>6</sup>See Chapter 3, Section 1 of OPICin 21/4/2016 for the detailed list of compensatory measures.

<sup>7</sup>*Bundesamt für Kultur* (BAK), Film, *Koproduktionsabkommen*, [www.bak.admin.ch/film/03604/index.html?lang=it](http://www.bak.admin.ch/film/03604/index.html?lang=it)

**Table 4** Chronological overview of the Swiss contribution to *Eurimages*

Year	Contribution (CHF)	EUR
2015	718,282	662,866
2014	648,000	598,006
2013	648,000	598,006
2012	675,000	622,923
2011	705,000	650,609
2010	810,000	747,508
2009	857,397	791,248
2008	889,880	821,225

Source: Bundesamt für Kultur (2015a, b)

**Table 5** Number of Swiss co-productions funded by *Eurimages*

Year	N. Funded films
2015	4 (3 fiction; 1 doc)
2014	5 (2 fiction; 2 animation; 1 doc)
2013	8 (7 fiction; 1 animation)
2012	5 (fiction)
2011	5 (fiction)
2010	6 (5 fiction; 1 doc)
2009	4 (3 fiction; 1 doc)
2008	5 (fiction)

Source: Bundesamt für Kultur (2015a, b)

Luxembourg, the French community of Belgium and Canada (the latter also includes television content). Co-production agreements allow Switzerland to overcome (or at least to reduce) some of the limitations of its film industry. They do so by allowing Swiss producers to access further funding provided by bigger States; to distribute their films in larger, more profitable film markets and to screen them at major film festivals abroad. Thus, co-productions offer opportunities not only for the economic growth of the national film industry but also for the international promotion of Switzerland's image and cultural values. The cultural dimension is at the core of *Eurimages*, the most important supra-national fund that supports co-productions between European countries. Switzerland is one of the 37 States currently participating in this programme, which is managed by the *Council of Europe* and has a total annual budget of 25 million euros.<sup>8</sup> In 2015, the Swiss contribution to *Eurimages* increased, following a 7-year decreasing trend (Table 4).

In the same time, frame 42 Swiss co-productions (both as majority and minority partner) received funding (Table 5).

<sup>8</sup>Over 90% of the budget is allocated to co-productions, 5% to distribution, 3% to cinema theatres and 1% to promotional activities (see the *Eurimages* activity report for 2015).

## 4.6 Co-productions with Broadcasters

In defining European films, Thomas Elsaesser points to two of its typical financing models: “co-productions and television money” (Elsaesser, 2014, p. 18). Swiss film production is no exception. In addition to the co-production schemes described above, Swiss broadcasters—particularly public broadcasters—play a pivotal role in financing and circulating national films. In Switzerland, there are four public radio and television companies, once for each language area: SRF (*Schweizer Radio und Fernsehen*) for the German-speaking cantons, RTS (*Radio Télévision Suisse*) for the French, RSI (*Radiotelevisione della Svizzera italiana*) for the Italian and RTR (*Radiotelevision Svizra Rumantscha*) for the Romansh. They all pertain to SRG SSR, the Swiss Radio and Television Company, which is a public association based in Bern. The SRG SSR is mostly financed through annual fees paid by viewers. Its television channels hold market shares of between 30.3 and 37.9% (2013) in the three main language regions. Audience figures oscillate between 36.7 and 45.7% of the total viewing population during primetime.<sup>9</sup>

As part of its mandate as a public service broadcaster, the SRG SSR has to contribute to the production and circulation of domestic films. Similarly to the funding scheme at the federal level, the support programme of the Swiss public broadcaster provides for selective as well as automatic mechanisms. The terms and conditions of these funds are set by the *Pacte de l'audiovisuel* (i.e. “audio-visual pact”), an agreement that was signed in 1997 by the SRG SSR and the major trade associations of the Swiss film industry (producers, filmmakers, screenwriters, etc.). In 2015, under the umbrella of the *Pacte*, 28.5 million Swiss francs (26.3 million euros) were invested in the development, production and dubbing of films for cinemas and television, as well as multimedia projects. The overall budget is divided among the four regional companies, which invest them in selected film projects on the basis of quality criteria. In 2015, the *Pacte* chose 203 projects for selective funding: 87 were funded by the German-speaking public broadcaster, 74 by the French, 35 by the Italian and 7 by the Romansh. The biggest share of the budget went to production support. A total of 89 films were funded: 33 documentaries, 23 animated films, 19 shorts and 14 feature films (SRG SSR, 2015). The SRG SSR is a non-profit association, so public broadcasters must reinvest revenues deriving from the commercial exploitation of co-productions in new film projects. This obligation for Swiss broadcasters to invest in cinematic production mirrors similar rules set by the EU's *Audiovisual Media Service Directive* (2010/2013). For the SRG SSR, this obligation falls within the cultural mandate of the public service broadcaster to contribute to a more diverse and quality-oriented base of audio-visual products.

In addition to selective funding, the *Pacte de l'audiovisuel* also includes two success-based programs: *Succès passage antenne cinéma* (SPA cinéma) and *Success Artistique*. The former has a 1.5 million Swiss francs (1.38 million euros) annual budget, awarding *Pacte* co-productions for each broadcast of the film on the SRG

<sup>9</sup>See [www.srgssr.ch/en/television/](http://www.srgssr.ch/en/television/)

SSR channels during a 1-year period. The producer must then reinvest the funds in new co-production projects, for which the SRG SSR has a first-look right.<sup>10</sup> *Succès Artistique* remunerates the artistic success of *Pacte* co-productions, by allocating 500,000 Swiss francs (461,000 euros) annually to the films that receive the highest number of awards or invitations to major international festivals in the previous year. The receivers of the *Succès Artistique* funds must comply with the same re-investment rules of the SPA cinéma programme.

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## 5 Conclusion: A New Federal Fund, a New Policy Direction

At the time of writing there were on-going negotiations to bring Switzerland back into the MEDIA programme, although it is unclear when this is going to happen. Currently, the Federal Government continues to support its industry without counting on potential European subsidies to be paid out in the future.

There has recently been an important change in film policy. On the 1st of July 2016, a new Federal fund (of 5 million Swiss francs; 4.61 million euros) was created, to support both Swiss films (including documentaries) and international co-productions with Switzerland that are filmed at least partially in Switzerland (*Location based fund for film production*, original name: *Standortbezogene Filmförderung*). To be eligible:

- Films must have a budget of at least 2.5 million Swiss francs (2.3 million euros) and carry out at least 5 days of the shoot in Switzerland.
- Documentaries must have a budget of at least 500,000 Swiss francs (461,000 euros).
- Swiss films must spend at least 80% of their budget in Switzerland (60% in the case of documentaries), equating to at least 400,000 Swiss francs of expenses (369,000 euros) (200,000 for documentaries, 184,000 euros).
- Co-productions must spend at least 400,000 Swiss francs in Switzerland (369,000 euros) (200,000 documentaries; 184,000 euros).

The condition that feature films—including domestic productions—must have a minimum production cost of 2.5 million Swiss francs (2.3 million euros) is surprising, especially for a small country. Nevertheless, the imposition of this elevated cost can be justified in view of two presumed objectives of the fund: (a) to increase Switzerland's chances of being included in international co-productions and (b) to use film production as a catalyst for economic development.

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<sup>10</sup>See detailed guidelines: [www.srgssr.ch/fileadmin/pdfs/012\\_Reglement-SPA-2012-2015\\_fr\\_Nouveau.pdf](http://www.srgssr.ch/fileadmin/pdfs/012_Reglement-SPA-2012-2015_fr_Nouveau.pdf) (in French).

## 5.1 Pushing Towards International Co-productions

The emergence of this fund makes Switzerland an interesting potential partner for foreign producers, who are attentive to the possibilities of public financing, especially when such funds are not connected to any selective criteria. In other words, this fund helps to involve Swiss producers in the strategic development of the national film industry—from which, in reality, they have always risked exclusion (especially following withdrawal from the MEDIA programme). Co-productions are typically distributed on several national markets, and therefore these agreements allow Swiss partnerships to reach countries where domestic films are not typically marketed.

In fact the Swiss case presents further advantages. Thanks to the potential of co-productions, for example, Switzerland can make high-budget films, which, as mentioned above, prove difficult for Swiss producers alone. A useful example is *Youth* (by Paolo Sorrentino), a co-production between Italy, France, the UK and Switzerland with a budget of 12.3 million euros, which gained a broad international distribution (including in the USA) and won four European Film Awards. Moreover, the film was almost entirely shot in Switzerland, demonstrating that Swiss producers are able to take part in important projects, organize extensive film shoots and provide below-the-line resources that match international standards. Furthermore, co-productions allow Switzerland to access the MEDIA programme indirectly: if the majority co-producing country has access to the programme, it is possible to request the European support for the production and distribution of the film.

Evidently, the co-production incentive has some downsides. As has been widely recognized, such collaborations risk becoming hybrid products that are not rooted within the culture of their home countries and, therefore, less able to attract audiences. In Switzerland, this problem embodies even greater risks. In fact, the country is often involved as a minority partner that essentially provides a financial rather than a creative contribution. Co-productions, therefore, rarely include elements that evoke Swiss culture and accordingly risk being perceived as foreign productions by domestic audiences. Moreover, Switzerland is often unable to secure reciprocal agreements from partner countries, that is, commitment to a second co-production for which Switzerland is the majority partner. This is perhaps little surprising, since Swiss-majority co-productions prove to be little exportable to foreign markets (as the data on Swiss national films demonstrates).

The co-production fund cannot rectify these problems. However, the condition that a certain amount of the shoot must take place in Switzerland guarantees some visibility for the territory and allows Swiss movie-goers to recognize at least some ingredients of their own country in the films.

## 5.2 From Cultural to Economic Principles

In essence, film policy in Switzerland has always been cultural policy (Moeschler, 2011). Even automatic funding (e.g. *Succès cinéma*) aims to guarantee greater resources for a sector that gains State support in view of its cultural value. The



arrival of this new fund, however, marks a change: for the first time the Federal government has decided to subsidize cinema for economic benefits that go beyond the film industry. The new fund assists film production with the aim of increasing spending in the Swiss territory and of inducing economic activity that has a greater value than the State's original financial contribution. In this case, the legislator has no interest in the technical or artistic value of the funded film, nor in the content it addresses, the influences the film could exert on the public or the availability of resources for future products. The legislator is exclusively interested in the potential for their financial contribution to become an incentive for national economic development. As a consequence, the only requirements when applying for the funding are budget size, a minimum spend in Switzerland and number of filming days in the country; the script itself and the box office takings do not count.

This new objective in public film funding is not unique to Switzerland. From the end of the 1990s, there has been increasing faith put in the creative industries in Europe, that is, in the ability of the arts and culture to inspire not only immaterial benefits on an intellectual level but moreover economic benefits in the short run (Garnham, 2005). With regard to cinema, this new approach to the creative industries has triggered the appearance and diffusion of fiscal incentives (tax credits and tax shelters), film commissions and regional funds (usually known as film funds): all tools that provide important support to film production (tax deductions, logistical support, financing) with the aim of generating an economic impact that is greater than the institution's original investment. However, these three tools were never used in Switzerland. No tax incentives are available for film production, and only film commissions or film offices have been established in Switzerland—several of which disappeared quickly (the *Zürich Film Office*, *Film Location Lucerne* and *Ticino Film Commission* remain active currently). There are several local film funds; however, unlike equivalent regional funds in other European countries, the aims of the Swiss funds have always been cultural and served to boost the Confederation's funding.

In recent years, the absence of these tools has proved a disadvantage for Switzerland's potential as a filming location. Indeed, foreign producers can find indistinguishable landscapes in France, Germany, Italy and Austria, all countries in which they can moreover rely on a series of film-friendly policies that reduce production costs. Such policies are absent in Switzerland, where the high costs of living handicap the country as such. Indian film productions constitute an emblematic case in this regard. For some decades, Indian productions have chosen to film in Switzerland, principally because the nation's mountainous landscape is compatible with an oneiric image of India that matches several song and dance sequences. Nevertheless, this well-established tradition has weakened in recent years, and one of the main causes is the choice, on behalf of Indian producers, to shoot in countries that have particularly favourable and hospitable film policies (e.g. in Italy and Austria) (Cucco & Scaglioni, 2014).

Nevertheless, several recent films that were ultimately shot in Switzerland have demonstrated the potential profitability of attracting production companies to the country. Let us return once again to the case of *Youth*. The Swiss economic

contribution (through public and private funds) was around 1 million euros, whereas the estimated spend on the territory was 3.5 million euros. This demonstrates that it is economically advantageous to host film shoots. Evidently, there are two possible ways to achieve this: (1) to initiate co-production agreements and (2) to offer money to producers that choose Switzerland as a film location.

The new fund encourages these two difficult paths. In doing so, it locates the rationale of film funding within a broader policy framework that is based on an economic rather than a cultural ethos. This trend is widely spread in the European context (Herold, 2010). In fact, the majority of European governments have moved away from direct and selective State aids, which potentially limit the development of sustainable, market-oriented film production. Virtually, all European States now provide indirect and non-selective aids to film companies in the form of tax incentives (European Audiovisual Observatory, 2015). This is not the case for Switzerland, where no tax incentives are available for film companies.

However, changes are imminent. The creation of a location-based fund aimed at Swiss films and international co-productions represents an unprecedented policy move. The integration of traditional, cultural-based support schemes with new equivalents that are grounded in economic measures is a necessary change for a small but wealthy State, which aims to remain relevant within an increasingly global and competitive film sector.

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