

Fibre-optic expansion in Zurich moves ahead

Swisscom and ewz (Zurich city power utility) have reached agreement on further joint expansion of the city's fibre-optic network after renegotiation of the main elements of the cooperation agreement in the past few months. Individual clauses were required to be deleted or amended following the negative decision of the Competition Commission (ComCo) concerning fibre-optic cooperation. Zurich municipal council and the electorate will vote in the coming months on the next steps.

The goodwill of both contracting parties allowed substantial amendments to be made to the agreement within a very short space of time. Investment protection as well as Layer 1 exclusivity have been deleted in full. Both ewz and Swisscom will now offer passive, unlit fibre-optic cable (Layer1) and by so doing comply with one of ComCo's key requirements. The mechanism for compensation payments was also clarified. Swisscom is pleased that agreement has been reached as it means that expansion can now be driven forward quickly and with an acceptable level of business risk. Swisscom is investing around CHF 300 million in fibre-optic expansion in the city of Zurich and will therefore bear around 60 percent of the basic connection costs for the city. Zurich city council has applied to the municipal council for a property loan for the part of the city that will be connected to the fibre-optic network. The final decision rests with the electorate of the city of Zurich. Swisscom is responsible for fibre-optic expansion covering roughly a quarter of Zurich's residential and business property. This work will be completed by summer 2012 so that all customers in these areas will be able to use the new fibre-optic services.

Swisscom agreed similar contract amendments in Basel, Berne and Lucerne. The amendments were necessary because the final report of the ComCo Secretariat raised questions over key elements of the partnership model. Negotiations with other cooperation partners are still ongoing.

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