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The Swiss Broadband Promotion Act

Introduction

In the ELQ of March 2024, we informed about the Swiss high-bandwidth strategy which aims to provide all households and companies in Switzerland with internet with a download bandwidth of one (1) gigabit per second ("Gbit/s").

On March 14, 2025, the Swiss Federal Council launched the consultation on the preliminary draft of the Federal Act on the Promotion of the Expansion of Broadband Infrastructure (Broadband Promotion Act, BBFG) of March 14, 2025. The consultation will run until June 23, 2025. The Broadband Promotion Act is intended to create a temporary promotion program to promote nationwide access to high-speed internet throughout Switzerland.

Funding program

The expansion of the broadband network should continue to be carried out primarily by market participants and without financial assistance. The funding program therefore only provides start-up financing where an expansion with a capacity of 1 Gbit/s is not financially viable, which is likely to be the case in sparsely populated areas.

According to the legislative project, the funding will be available as part of a program limited to seven to a maximum of ten years and will amount to a maximum of CHF 730 million. The Confederation will bear a maximum of 50 % of this sum (amounting to CHF 375 million). The other half of the funding is to be provided by the cantons concerned. The cantons are free to pass on all or part of their contribution obligations to the municipalities.

The subsidies are to be paid to municipalities in instalments if they meet the requirements specified by the federal government. The amount is limited to the expected loss of an expansion project. The final payment is made after the Federal Office of Communications (OFCOM) has reviewed the subsidized project.

The preliminary draft aims to promote passive infrastructures, i.e. components that do not carry electricity and accommodate other network components: These include, for example, fiber optic lines, conduits, masts, cables, cable ducts, man-holes, distribution boxes and buildings. Active network components, on the other hand, are electronic devices for transmitting signals. These are excluded from funding. The funding is aimed at both fiber optic networks (in point-to-point topology) and terrestrial radio systems (i.e. not satellite technology) with shared capacities in the radio link.

Applying for funding

In accordance with the preliminary draft, municipalities in Switzerland can submit a funding application to the respective canton after they have put an expansion project out to tender. The canton examines the funding application and decides on the cantonal funding contribution. The canton then forwards the application to OFCOM, which decides on the federal subsidy and its amount. OFCOM only assesses the application if the canton has undertaken to provide 50 % of the funding

Requirements for funding

The municipality must prove in its application that no expansion is planned in the coming years. This requires a prior investigation procedure in

which it must identify any expansion plans of network operators and usable infrastructure in the area concerned. Usable infrastructures of the parties involved, such as existing empty conduits of electricity grid operators, must be made available for the subsidized expansion in return for appropriate compensation. The Federal Council must still specify in detail how the exploration procedure should be carried out.

The municipality must also prove that no funding has yet been provided for the planned expansion project and that the project will result in a loss as the planned expenditure exceeds the expected income.

Subsidy contribution

The costs of expansion projects are generally borne by the grid operators. The financial assistance is limited to expansion projects that would not be realized without funding, and to the expected shortfall of an expansion project. The details of the calculation have yet to be specified by the Federal Council.

According to the preliminary draft, it is clear that when calculating the shortfall, the costs are compared with the expected revenue. The federal subsidy is to be limited to a maximum of 25 % of the eligible costs. The canton will provide the same amount. The subsidy will thus cover a maximum of 50 % of the costs of the expansion project. This means that at least 50 % of the costs must be covered by own revenues for a project to be eligible for funding.

Operator model vs. economic gap model

The municipality must weigh up whether it wants to become the owner of the network (operator model) or whether it wants to transfer the contract for construction and operation to a network operator who will become the owner of the network (economic gap model). In this case, it invites tenders for a supply contract for certain connections and buildings, whereby the provider with the lowest demand for subsidies is to be awarded the contract. This will inevitably be the case for municipally owned plants, which must in principle be treated equally to other providers in the tendering process.

In the operator model, the municipality puts the construction, operation and long-term use out to

tender, with the contract also being awarded to the provider with the lowest development costs.

The obligation for the applicant municipality to use its passive supply infrastructure for the expansion or to offer it in the tendering procedure applies in principle regardless of the operator model or economic gap model and also in the event that the municipality has outsourced passive infrastructure to a public-law or a private-law institution and has a full or partial stake in it.

If subsidies are granted, these flow to the municipality. In the operator model, the municipality uses the subsidies for construction and operation. In the economic gap model, it forwards the subsidies to the grid operator that was awarded the contract in the tender.

It is to be expected that the preliminary draft will be criticized in the consultation process amongst others as being too bureaucratic. There is also a risk that network operators' expansion plans could be put on the back burner due to the legislative project and that the expansion of the fiber optic network could be impeded overall.

Marc Grüninger (marc.grueninger@valfor.ch)
Patrizia Lorenzi (patrizia.lorenzi@valfor.ch)

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