

The company of 6 December 1871

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With the financing secured, the Gotthard Association transferred its rights to a company limited by shares. The Gotthardbahn-Gesellschaft was constituted in Lucerne on 6 December 1871.¹ Lucerne became its seat because the city lay at the northern end of the line and because the central Swiss cantons had supported the Gotthard from the beginning. Escher became president of the board of directors (*Direktionspräsident*) and head of the construction department, while Josef Zingg became vice-president. The first chief engineer was Robert Gerwig, an engineer from Baden who had built the Black Forest railway and who brought the experience of mountain lines with spiral tunnels.²

The constitution of the company completed a legal structure that combined international, federal and cantonal law. The company held concessions from the cantons through which the line passed. These concessions required the approval of the Confederation, which under the federal railway law of 1872 also acquired the supervision of construction, operation, tariffs and accounts of all Swiss railways.³ The international conventions bound the company through its concessions. The company's own articles governed the relations between shareholders, bondholders and management. The arrangement gave the Gotthardbahn a status between that of a private enterprise and that of a public utility. It was a company owned by investors, financed in part by foreign states and governed by treaties that it had not signed.

1 Ticino and the Escher system

Ticino had no bank capable of participating in the syndicate and no industrial capital that could subscribe significant amounts. The Banca Cantonale Ticinese, founded in the late 1850s, was a modest institution, while the Banca della Svizzera Italiana was founded in Lugano only in 1873, after the Gotthard financing was complete (Chapter C.IV).⁴ Ticino's

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contribution consisted of the cantonal subsidy of CHF 3 million and of its concessions. The canton honoured the man who had brought the railway to it. In 1871 the town of Lugano made Alfred Escher an honorary citizen, a distinction that recognized his role in the decision for the Gotthard and in the inclusion of the Monte Ceneri and the line to Chiasso in the network.⁵

For the later history of Lugano as a financial centre the Gotthard financing has a structural significance. The railway was planned in Lucerne, financed in Berlin and Zurich and built by a Geneva contractor. The south of the country had the territory, the workforce and the traffic, but not the capital. The banks that emerged in Lugano and Chiasso after 1873 were from the beginning oriented towards the deposits of emigrants, the financing of hotels and local trade and later the business with Italy. The capital market and the issuing business remained concentrated in Zurich, Basel and Geneva. That division of labour between a northern capital market and a southern deposit and client business has persisted, in different forms, until today.

For the practitioner. The financing of 1871 contains the elements of modern project finance. Its structure can serve as a checklist for analysing an infrastructure transaction: - A special-purpose company (the Gotthardbahn- Gesellschaft) holding the concessions and the construction risk. - Nonrepayable public grants (CHF 85 million) paid in instalments and in proportion to verified progress, which functioned as first-loss capital. - Market capital split into shares (CHF 34 million at the first issue) and fixed-income bonds, underwritten by an international syndicate. - Performance obligations, technical specifications, time limits and tariff caps fixed in international treaties and enforced through the concessions. - A lump-sum construction contract for the critical work (the tunnel) with bonuses, penalties and a security deposit. - Concentration risk in governance, since the same person chaired the sponsor, the lead Swiss bank and the project company.

2 Notes

1. H. Etter (as above): constitution of the company in Lucerne on 6 December 1871; HLS, art. "Gottardo, Ferrovia del" (as above): "Costituita nel 1871 a Lucerna"; HLS, art. "Escher, Alfred" (as above), for his position as Direktionspräsident and head of the construction department; H. Etter (as above), for J. Zingg as vice-president. ↩
2. H. Etter (as above), naming Oberbaurat Gerwig as technical director; HLS, art. "Gottardo, Ferrovia del" (as above), for the first name Robert;

Wikipedia (de), "Robert Gerwig", https://de.wikipedia.org/wiki/Robert_Gerwig (used as a last resort), for the "Planung und Bau der Schwarzwaldbahn Offenburg–Singen von 1863 bis 1873" and his leave from the Baden service from 1872 to 1875 for the Gotthard. ↩

3. HLS, art. "Eisenbahnen" (as above), on the railway law of 1872, which transferred to the Confederation the supervision of construction, operation, tariffs and accounting. ↩
4. Dodis, "Banca cantonale ticinese", <https://dodis.ch/R23215> (joint-stock company founded 1859, liquidated 1914); Gian Franco Pordenone, "Banca della Svizzera Italiana (BSI)", in DSS, version of 24 October 2019, <https://hls-dhs-dss.ch/it/articles/041947/2019-10-24/>: "La Banca della Svizzera italiana (BSI) aprì i suoi sportelli nel 1873 a Lugano." See Chapter C.IV. ↩
5. HLS, art. "Escher, Alfred" (as above), noting the honorary citizenship of Lugano (1871). The interpretation of the motive is the author's. ↩

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