

The Gotthard Railway: Capital, Treaties and the Opening of the South — overview and summary

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The previous chapters followed the political birth of the canton (Chapter C.I) and the Italian exiles who made Lugano and Capolago a refuge of the Risorgimento (Chapter C.II). This chapter follows the largest single investment project of nineteenth-century Switzerland. Between 1869 and 1882 three states, a Swiss railway company, an international banking syndicate and some fifteen cantons financed, built and opened a railway from Lucerne and Zug to Chiasso and the Italian border, with a summit tunnel of about 15 kilometres under the Gotthard massif. For the territory of the Canton of Ticino the line ended a geographical isolation that the carriage road of the 1830s had only softened. The Sopraceneri and the Sottoceneri were now joined by rail to each other, to Zurich and Basel in the north and to Milan and Genoa in the south. The result was a new economic order in the south of the country, in which railway workshops, customs stations, forwarding agents, hotels and banks took over the functions that the carriers' corporations and the *dazio* had performed for six centuries (Chapter A.IV).

The question of the chapter is how this railway was financed and governed, and what its financing teaches about the relationship between public subsidies, private capital and international treaty law that still shapes infrastructure finance in Switzerland. The argument has three parts. First, the Gotthard railway was a public-private project from the beginning. Its financial plan of 1869 rested on CHF 85 million of state subsidies and CHF 102 million of private capital, which a syndicate led by German banks and supported by Alfred Escher's Schweizerische Kreditanstalt raised in 1871. Second, the treaties that secured the subsidies also limited Swiss sovereignty over the line. That limitation became visible during the financing crisis of 1876 to 1878, when the subsidizing states had to agree to the reduction of the construction programme and to new money, and again in 1909, when the Confederation nationalized the Gotthardbahn and had

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to buy the consent of Germany and Italy with tariff concessions. Third, the opening of 1882 transformed the economy of Ticino. Bellinzona became a railway town, Chiasso a customs and forwarding town, and Lugano a tourist resort with the first local banks and hotel companies that Chapter C.IV examines.

The chapter does not repeat the medieval and early modern history of the Gotthard route, which Chapter A.IV treats, or the history of the first Ticinese banks and their collapse in 1914, which is the subject of Chapter C.IV. It concentrates on the railway question, the treaties, the company and its capital, the construction and its human cost, the crisis of 1876 to 1878, the opening of the south and the nationalization of 1909. Two final sections follow the Gotthard axis into the twentieth and twenty-first centuries, from the road tunnel of 1980 to the base tunnels of the New Rail Link through the Alps (NRLA, *Neue Eisenbahn-Alpentransversale*, NEAT, in Italian *Nuova ferrovia transalpina*, NFTA, known as AlpTransit), and draw the line to the law of infrastructure finance today and to its meaning for Lugano as a financial centre.

1 Conclusion

The Gotthard railway was decided by foreign money. For two decades after 1845 Ticino, the eastern cantons and Piedmont pursued the Lukmanier, while the first Gotthard committee of 1853 lacked the capital and the political weight to impose the central route. The unification of Italy, the Italian choice of 1866 and Alfred Escher's conversion in 1863 turned the balance. The convention of 15 October 1869 and the German accession of 28 October 1871 provided CHF 85 million of subsidies and fixed the network, the technical standards, the time limits and the tariffs. A syndicate led by the Disconto-Gesellschaft, in which Escher's Kreditanstalt took part, raised the remaining CHF 102 million in shares and bonds, and the Gotthardbahn-Gesellschaft was constituted in Lucerne on 6 December 1871.

The construction exposed the weaknesses of the structure. Louis Favre's lump-sum contract placed the risk of the tunnel on a contractor with limited means, and the Italian miners who drove the tunnel paid with their health and lives: at least 177 to 199 accident deaths, many more from disease, and four strikers shot at Göschenen in 1875. When Hellwag's revision of 1876 revealed a deficit of CHF 102 million, the company could not cut its programme without the consent of the subsidizing states. The Lucerne conference of 1877, the supplementary treaty of 1878 and the Federal Act of 22 August 1878, approved by the people on 19 January 1879,

saved the enterprise at the price of Escher's resignation and of a "Gotthard compromise" that gave every region a share of federal money, including CHF 2 million for the Monte Ceneri line.

The opening of 1882 made Ticino a part of the Swiss and European economy. Bellinzona became a railway town, Chiasso a customs and forwarding town and Lugano a tourist resort whose hotels and mountain railways the new local banks helped to finance, while emigrants' remittances supplied the first deposit base of Ticinese banking. The nationalization of 1909 required a new convention with Germany and Italy, whose tariff concessions provoked the protest that produced the treaty referendum of 1921. A century later the base tunnels of 2016 and 2020, financed by a public fund under Art. 87a of the Federal Constitution and protected by the Alpine article of Art. 84, have brought Lugano within two hours of Zurich and an hour of Milan. The Gotthard has thus shaped the conditions under which the financial centre that Part D describes could grow, and the institutions whose first crisis Chapter C.IV examines.

2 In five sentences

After two decades of competition with the Lukmanier and the Splügen, the Gotthard route prevailed because Italy chose it in 1866 and Alfred Escher brought Zurich's railway and banking power to it in 1863. The convention of 15 October 1869 with Italy, joined by the German Empire on 28 October 1871, provided CHF 85 million of state subsidies, and a syndicate led by the Disconto-Gesellschaft with the Schweizerische Kreditanstalt raised CHF 102 million for the Gotthardbahn-Gesellschaft founded in Lucerne in December 1871. Louis Favre's tunnel, built from 1872 to 1880 at the cost of at least 177 to 199 accident deaths and the shooting of four strikers at Göschenen in 1875, was followed by a financing crisis that ended with the supplementary subsidies of 1878, the first federal Alpine railway subsidy approved by the people in 1879 and Escher's resignation. The opening of 1882 made Bellinzona a railway town, Chiasso a customs and forwarding station and Lugano a tourist resort financed in part by its new banks, while the nationalization of 1909 required a Gotthard Convention whose concessions to Germany and Italy led to the treaty referendum of 1921. The base tunnels of 2016 and 2020, financed by public funds under Art. 87a of the Federal Constitution and framed by the Alpine protection article and the Land Transport Agreement with the European Union, now link Lugano closely to Zurich and Milan and continue the history of a transit route governed by treaty.

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