

The Gotthard base tunnel and the FinöV fund: a comparison

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More than a century after the opening of the first Gotthard tunnel, Switzerland built a second, much longer tunnel under the same massif. The Gotthard base tunnel, 57 kilometres long and at its opening the longest railway tunnel in the world, forms the centrepiece of the New Rail Link through the Alps (*Neue Eisenbahn-Alpentransversale*, NEAT). The Swiss people approved the NEAT decision in a referendum of 27 September 1992 with 64 per cent of the votes.¹ The revived Gotthard committee, which traced its origins to the Lucerne committee of 1853, had campaigned for the base tunnel as the principal Alpine transversal in its theses of 1987 and supported the project that the Federal Council adopted in May 1990.² The base tunnel was officially opened on 1 June 2016 and entered commercial service on 11 December 2016.³

The financing of the NEAT differed fundamentally from that of its predecessor. It was entirely public and entirely Swiss. In the popular vote of 29 November 1998 on the construction and financing of public transport infrastructure, the Swiss electorate approved a special fund, generally known as the FinöV fund. The fund was fed by the heavy vehicle fee, by a share of the mineral oil tax, by an increase in value added tax of 0.1 percentage points and by advances from the federal treasury.⁴ The costs were controlled by a parliamentary oversight delegation, which reported annually. At the end of 2016 the forecast final cost of all NEAT projects stood at 17.65 billion francs at 1998 prices, of which 12.051 billion francs related to the Gotthard axis. The increase since 1998 amounted to 5.46 billion francs, or 44 per cent.⁵ On 1 January 2016 the railway infrastructure fund (*Bahninfrastrukturfonds*, BIF) replaced the FinöV fund.⁶ The BIF is fed by up to two thirds of the net revenue of the heavy vehicle fee, by value added tax per mille, by a share of personal direct federal tax revenues, by a contribution from the general federal budget, by cantonal contributions and by a share of the mineral oil tax.⁷

The comparison is instructive. The first Gotthard was financed through an international treaty, a private company and a private banking consortium, with foreign states and foreign investors providing most of the money. The base tunnel was financed through a dedicated public fund approved by popular vote and fed by earmarked taxes, with no private equity, no bonds issued by a project company and no foreign subsidies. Both projects exceeded their original estimates significantly: the first by about 55 per cent, the second by some 44 per cent in real terms over the period of construction. The difference lay in the capacity to absorb the overrun. The FinöV fund could draw on federal advances and on a stream of tax revenue, and parliament could increase the credits without a crisis of confidence. The Gotthard company of 1876 had no such reserve and had to negotiate with three governments and a hostile public. The modern structure thus reflects a lesson learnt partly from the nineteenth century: that very large Alpine tunnels carry risks that private capital cannot bear at an acceptable price without public backing.

For the Zurich financial centre, the NEAT offers a mirror image of the Gotthard of the 1870s. The Swiss banks did not finance the base tunnel as lenders or arrangers, because the Confederation financed it through the fund and through its own borrowing on the capital market. Their role was indirect: as underwriters and dealers in Confederation bonds, as advisers to contractors and suppliers, and as providers of guarantees and bonds for the construction consortia. The international transaction finance that Zurich had learnt to organise on the Gotthard in the 1870s found its outlets in other projects and other countries.

1 Notes

1. Wikipedia (German), “Neue Eisenbahn-Alpentransversale”, https://de.wikipedia.org/wiki/Neue_Eisenbahn-Alpentransversale. ↩
2. Meister, Geschichte des Gotthard-Komitees (see above). ↩
3. Parliamentary Oversight Delegation for the NEAT, “Oberaufsicht über den Bau der Neat im Jahre 2016”, report of 26 April 2017, <https://www.parlament.ch/centers/documents/de/bericht-nad-2017-04-26-d.pdf>. ↩
4. Wikipedia (German), “Neue Eisenbahn-Alpentransversale” (see above), which gives the planned shares of the funding sources as 55 per cent from the heavy vehicle fee, 20 per cent from value added tax, 10 per cent from the mineral oil tax and 15 per cent from borrowing. ↩

5. Parliamentary Oversight Delegation for the NEAT, report of 26 April 2017 (see above). ↩
6. Parliamentary Oversight Delegation for the NEAT, report of 26 April 2017 (see above). ↩
7. Federal Office of Transport (BAV), “Der Bahninfrastrukturfonds BIF”, <https://www.bav.admin.ch/de/bahninfrastrukturfonds-bif>. ↩

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