

## The Gotthard conference of 1869 and the treaty of 15 October 1869

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The diplomatic preparations took most of the 1860s. After Italy had indicated its preference for the Gotthard and the German states had come round to the same view, the Swiss Federal Council, pressed by these foreign signals and by the Gotthard association, endorsed the Gotthard alignment.<sup>1</sup> The negotiations culminated in an international conference that met in Bern from 15 September to 15 October 1869. Federal Councillor Emil Welti, head of the Post and Railway Department, presided over it. The conference fixed the construction programme, the total sum of the costs and the manner in which the funds would be raised.<sup>2</sup> Italian and German delegates sat at the table with the Swiss negotiators.<sup>3</sup> The technical side of the conference was as important as the diplomatic one, because the subsidy states wanted assurances about the route, the gradients and the length of the summit tunnel before they committed public funds.

The financing plan agreed at the conference assumed a total cost of 187 million francs for the whole network. Italy would contribute 45 million francs, the German side 20 million and Switzerland 20 million, which together made 85 million francs in subsidies. The remaining 102 million francs were to be raised on the capital market by the company that would build and operate the line.<sup>4</sup> The Swiss share was not a federal subsidy in the modern sense. Under the constitution of 1848 and the Railway Act of 1852 the Confederation left railway building to the cantons and private companies, so the Swiss 20 million francs were borne by the interested cantons together with the Nordostbahn and the Centralbahn.<sup>5</sup> In proportional terms the subsidies covered some 45 per cent of the estimated costs, while the capital market was expected to provide the rest. The German Wikipedia article on the railway computes the proportions as 24.05 per cent for Italy, 10.7 per cent each for Germany and Switzerland and 54.55 per cent for the international capital market.<sup>6</sup>

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The treaty between Switzerland and Italy was signed in Bern on 15 October 1869. The German side acceded by a convention of 28 October 1871, after the foundation of the German Empire had replaced the North German Confederation and the southern states as the relevant contracting party. After ratifications had been exchanged on 31 October 1871, the combined instrument was published in the *Reichsgesetzblatt* of that year.<sup>7</sup> The treaty is a remarkable document for a lawyer. It defined the network to be built, a system of lines of about 263 kilometres running from Lucerne and Zug by way of Goldau, Flüelen and the summit tunnel to Biasca and Bellinzona, and from there to Lugano and Chiasso and to Magadino and the Italian frontier on Lake Maggiore. It fixed the subsidies at 45 million francs for Italy, 20 million for Switzerland and 20 million for Germany. It provided that one third of the subsidies would be paid in nine equal annual instalments, while the remaining two thirds were to be released in step with verified progress on the tunnel. It assumed a construction period of nine years for the tunnel between Göschenen and Airolo.

Three further clauses reveal how the treaty balanced public and private interests. The subsidy states obtained a right of supervision: every year, at a fixed time, the works were to be verified in the presence of delegates of the contracting states. The treaty set maximum tariffs for passengers and goods, with freight rates graded according to the gradient of the line and the type of cargo, so that the subsidising states could be sure that their public money would not be turned into monopoly profits at the expense of their traders. Finally, Switzerland reserved the right to take the measures necessary for the maintenance of its neutrality and for the defence of the country.<sup>8</sup> The neutrality reservation would take on great importance in the twentieth century. For the financial story it is the first two clauses that matter. They made the foreign states more than passive donors: the subsidising governments became monitoring parties with an interest in the progress of the works and in the tariffs, which is the position that public grantors and development banks occupy in modern project finance.

The legal architecture of 1869 was layered. At the top stood an international treaty between sovereign states, which created obligations among governments. Below it stood a Swiss concession, which the cantons granted under the Railway Act of 1852, and below that a private company that would receive the subsidies, hold the concession and raise the capital. The subsidies were conditional upon the formation of a company with adequate share and bond capital, while the company's ability to raise that capital depended in turn on the credibility of the subsidies. Each layer supported the others. The Swiss federal authorities acted as the intermediary between the foreign governments and the private company,

because the treaty was concluded by the Confederation even though the Confederation itself contributed nothing at this stage. This intermediary role would expose the Federal Council to heavy political pressure when the project ran into difficulty.

The Italian side had strong reasons to make the largest contribution. For the young kingdom the Gotthard offered a route to the north that avoided both Austrian and French control, and Milan in particular expected to become the southern terminus of a new European trade artery. The Italian prime minister Luigi Federico Menabrea, who handled the negotiations, was sceptical of the Swiss federal system and remarked that it was Switzerland that could never understand itself.<sup>9</sup> The comment reflected the difficulty of negotiating with a state in which the central government had little power over railway matters and in which cantons, companies and a private association spoke with different voices. Escher's achievement was to present these voices to foreign partners as a single, credible counterparty. Few other Swiss figures of the time could have combined the political authority of a national councillor with the financial authority of the chairman of the Kreditanstalt in such negotiations.

## 1 Notes

1. Heid et al., “Verkehr – Nord-Süd-Transit”, sozialgeschichte.ch (see above), noting that in 1869 Italy and the German states declared their preference for the Gotthard route and that the Federal Council subsequently endorsed it following foreign pressure. ↩
2. Claudia Aufdermauer, “Welti, Emil”, Neue Deutsche Biographie online (1 October 2022), and Wilhelm Oechsli, “Welti, Friedrich Emil”, Allgemeine Deutsche Biographie 55 (1910), 376–384, both via Deutsche Biographie, <https://www.deutsche-biographie.de/dbb03791.html>. ↩
3. AlpTransit Portal, “Geschichte des Gotthardkomitees”, [https://www.alptransit-portal.ch/Storages/User//Meilensteine/Pin\\_066/Dokumente\\_066/Geschichte\\_Gotthardkomitee.pdf](https://www.alptransit-portal.ch/Storages/User//Meilensteine/Pin_066/Dokumente_066/Geschichte_Gotthardkomitee.pdf), which names Germany (initially the North German Confederation together with the Grand Duchy of Baden), Italy and Switzerland as the parties of 1869 and gives the contributions of 45 million francs from Italy and 20 million each from Germany and Switzerland to the planned construction capital of 187 million. ↩
4. Dodis, “Diplomatie auf Schienen” (see above), which gives the financing structure agreed at the Bern conference of 1869: private

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investors 102 million francs, Italy 45 million, Germany and Switzerland 20 million each; Meister, *Geschichte des Gotthard-Komitees* (see above), gives the same planned capital of 187 million francs. ↩

5. Swissvotes, vote no. 20 of 19 January 1879 on the federal act on subsidies for Alpine railways, short description, <https://swissvotes.ch/vote/20.00/kurzbeschreibung-de.pdf>, which states that the cantons had borne the original subsidy of 20 million francs jointly with the Schweizerische Nordostbahn and the Schweizerische Centralbahn. ↩
6. Wikipedia (German), “Gotthardbahn”, section on financing, <https://de.wikipedia.org/wiki/Gotthardbahn>. ↩
7. “Übereinkunft zwischen Deutschland, Italien und der Schweiz wegen Herstellung und Subventionierung einer Eisenbahn über den St. Gotthard”, *Deutsches Reichsgesetzblatt* 1871, no. 44, 376–389, transcribed on Wikisource, [https://de.wikisource.org/wiki/%C3%9Cbereinkunft\\_zwischen\\_Deutschland,\\_Italien\\_und\\_der\\_Schweiz\\_wegen\\_Herstellung\\_und\\_Subventionierung\\_einer\\_Eisenbahn\\_%C3%BCber\\_den\\_St.\\_Gotthard](https://de.wikisource.org/wiki/%C3%9Cbereinkunft_zwischen_Deutschland,_Italien_und_der_Schweiz_wegen_Herstellung_und_Subventionierung_einer_Eisenbahn_%C3%BCber_den_St._Gotthard). ↩
8. Übereinkunft (Wikisource, see above), arts. 3, 6, 8, 12, 16, 17 and 20, on the tunnel period, neutrality, maximum tariffs, annual verification and the subsidy amounts and instalments. ↩
9. Dodis, “Diplomatie auf Schienen” (see above), quoting Menabrea’s remark on Swiss federalism. ↩

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