

The Gotthardbahn-Gesellschaft and its capital

*Dr Alexander Ressos, TEP
Attorney-at-Law (Switzerland), Solicitor (Hong Kong),
Solicitor (England & Wales)*

Once the German accession had completed the treaty framework, the Gotthard association transferred its rights to a company founded for the purpose. The Gotthardbahn-Gesellschaft was constituted in Lucerne on 6 December 1871 as a joint-stock company charged with building and operating the line.¹ The Italian-language article of the Historical Dictionary of Switzerland summarises the sequence precisely: thanks to Escher's contractual and financing policy, Switzerland, Germany and Italy concluded an international convention on the construction and operation of the line, after which the Gotthard association transferred its rights to the Gotthardbahn company that it had founded in Lucerne in 1871.² Lucerne was a deliberate choice of seat. It lay at the northern end of the line, it had been the home of the first Gotthard committee, and it balanced the central Swiss cantons against the dominance of Zurich in the association. Escher became president of the company's direction and personally headed its construction department, while the Lucerne government councillor Josef Zingg served as vice-president.³

The company's own capital had to cover 102 million francs of the estimated 187 million. The original share capital amounted to 34 million francs, and the balance was to be raised through bonds secured on the line.⁴ The share capital carried the residual risk and was expected to earn dividends once the line was in operation. The bonds, secured on the lines of the network, were meant to attract investors who wanted a fixed income. The subsidies of 85 million francs functioned in economic terms as a first-loss layer of grant capital: they were never to be repaid and bore no interest, so that the returns on the line could be distributed to the private investors alone. This structure made the Gotthard attractive to private capital in a way that no unsubsidised Alpine line could have been, because a large part of the cost of the summit tunnel was borne by the treasuries of three states.

The Gotthardbahn-Gesellschaft and its capital

The private capital was raised through a consortium of three national banking groups, a German, an Italian and a Swiss group, each of which took one third of the capital.⁵ The Swiss group was led by the Schweizerische Kreditanstalt, whose chairman was Escher himself (see Chapter D.II). The consortium as a whole was formed at the end of 1871 under the leadership of the Berlin Disconto-Gesellschaft.⁶ The Swiss National Library summarises the result in a single sentence: in addition to the treaty subsidies of the three states, Escher secured 102 million francs from a financial group.⁷ Other accounts emphasise that Escher kept sole control over the international financing, exercising it through the Kreditanstalt.⁸

For the Kreditanstalt the Gotthard was the largest and most prestigious issuing business it had undertaken since its foundation in 1856. The bank had been created precisely to mobilise capital for railway building. Until then it had placed mainly Swiss railway securities with Swiss and some foreign investors. In the Gotthard consortium it acted for the first time as the Swiss leader of an international syndicate in which German and Italian banks participated on equal terms. A syndicate of this kind required agreements on the allocation of the issue, on underwriting commitments, on the timing of the calls on shareholders and on the distribution of commissions. It required regular correspondence between Zurich, Berlin and Milan, reliable information about the progress of the works and a shared understanding of how the risk would be handled if things went wrong. All of these elements belong to the standard toolkit of a modern syndication desk. In the early 1870s they had to be developed from scratch, largely in the office of the Kreditanstalt on the Paradeplatz and in Escher's own study at the Belvoir.

The share and bond capital of the Gotthard company became a significant part of the Swiss securities market, which is described in Chapter D.IV. The securities were traded on the exchanges of Zurich and Basel as well as in Germany and Italy, where their price became a barometer of confidence in the project. Many small Swiss investors bought Gotthard shares out of patriotic conviction as well as in the expectation of dividends. This popular participation would give the later crisis an unusual political force, because the losses of Gotthard shareholders were felt in many Swiss towns and villages. It also explains why the subsequent parliamentary and popular votes on additional subsidies were so fiercely contested.

The Gotthard financing had a further feature that distinguished it from the domestic railway transactions of the 1850s and 1860s. The capital was raised in instalments, called as the works progressed. The subsidies too

were paid in instalments linked partly to a fixed schedule and partly to verified progress on the tunnel. The whole construction depended on a financing timeline that assumed the estimate of 187 million francs to be correct. The planners believed that the summit tunnel could be built within the nine years assumed in the treaty and that the lines in the valleys of the Reuss and the Ticino could be built in parallel. If costs rose or the works slowed, the company would need further capital at a moment when the subsidies were already committed and the shareholders had already paid in. The architecture of 1871 left no contingency reserve of any size. Its authors had faith in their figures, which was a faith shared by most railway promoters of the time.

The personal dimension of this architecture deserves emphasis. Escher combined in one person the presidency of the Gotthard company, the chairmanship of the Kreditanstalt that led the Swiss banking group, the position of the most influential member of the National Council and a leading role in the Nordostbahn, one of the two railway companies that had contributed to the Swiss subsidy. The Historical Dictionary of Switzerland notes that his accumulation of political and economic functions, his tying of political office to economic interests and his use of power to protect wealthy interests attracted criticism from an early date.⁹ In modern terms Escher was sponsor, arranger, borrower and legislator at once. As long as the project went well, this concentration of roles gave it a speed and coherence that a more dispersed structure could hardly have achieved. When the project ran into difficulty, the same concentration turned every technical problem into a question about Escher's personal credibility.

1 Notes

1. Viktor von Röhl (ed.), *Enzyklopädie des Eisenbahnwesens*, 2nd ed. (1912), article "Gotthardbahn", via Zeno.org, <http://www.zeno.org/Roell-1912/A/Gotthardbahn>, which gives 6 December 1871 as the date of foundation. ↩
2. *Historisches Lexikon der Schweiz* (HLS), "Ferrovia del Gottardo" (Hans-Peter Bärtschi, translated by Sandro Guzzi-Heeb), Italian version, <https://hls-dhs-dss.ch/it/articles/042006/>. ↩
3. HLS, "Escher, Alfred" (Bürgi), French version (see above), stating that Escher presided over the company and directed its construction department; Wikipedia (German), "Gotthardbahn-Gesellschaft" (see above), on Zingg as vice-president. ↩

4. Röll, Enzyklopädie des Eisenbahnwesens (1912), “Gotthardbahn”, <http://www.zeno.org/Roell-1912/A/Gotthardbahn>, which gives the original share capital of 34 million francs (later raised to 50 million) and describes the company’s debt as consisting of bonds secured by a pledge (“Schuldscheinen der Gesellschaft mit unterpfändlicher Sicherheit”). ↩
5. Wikipedia (German), “Gotthardbahn” (see above), which states that the financing consortium comprised German, Italian and Swiss banking groups, each contributing 34 million francs. ↩
6. Bank und Geschichte. Historische Rundschau, no. 43 (December 2020), https://www.bankgeschichte.de/files/documents/publications/historical-review/Folge_2020_2_neu.pdf: “Ende 1871 bildete die Disconto-Gesellschaft unter ihrer Führung ein internationales Bankenconsortium, das 102 Millionen Schweizer Franken für den Tunnelbau aufbrachte.” Wikipedia (German), “Gotthardbahn” (see above), likewise describes the consortium as formed under the leadership of German banks. ↩
7. Swiss National Library, “Der Eisenbahntunnel von 1882”, <https://www.nb.admin.ch/de/der-eisenbahntunnel-von-1882>. ↩
8. Jean-Claude Gerber, “Der Gotthard brach ihm das Genick”, 20 Minuten, 14 October 2010, <https://www.20min.ch/story/der-gotthard-brach-ihm-das-genick-894637282934>. ↩
9. HLS, “Escher, Alfred” (Bürgi), French version (see above). ↩

For general information only. This article does not constitute legal or tax advice, does not replace advice on an individual case and creates no lawyer-client relationship. It reflects the legal position as of September 2026.

Online version: [helveticaregister.com/zurich-the-gotthardbahn-gesellschaft-and-its-capital](https://www.helveticaregister.com/zurich-the-gotthardbahn-gesellschaft-and-its-capital)