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## CONCESSION HUNTING IN MADEIRA

### GERMAN PLOT TO EXPLOIT THE ISLAND

Some two years ago the story of a German concession raid in Madeira appeared in these columns. The story told all the facts as far as they were known of the doings of Mr Ernest Hoffman and Captain von Blottnitz in getting from the Government of Portugal a concession for erection of sanatoria in Madeira – a concession got in the name of Prince Hohenlohe. Unfortunate consumptives, poor and rich, were to be nursed and brought back to health by the joint operations of the German syndicate and the beautiful climate. In this beneficent work the Portuguese Government was to assist by allowing the importation of materials and furniture for the sanatoria free of duty. It was seen that this was unfair to hotelkeepers and others in the island who catered for consumptives without a concession. They paid duties – heavy duties – on their imported building material and furniture; the concessionaires were to get theirs without paying duties. There was something more. It was suspected that the so-called sanatoria were to be what the Germans call *Kurhotels* with gambling facilities. The promoters of the scheme denied this with a great show of indignation. In their concession the Portuguese Government was given the right to allow them to expropriate owners of land and houses in a certain area by the sea. Included in the property thus, so to speak, scheduled for expropriation, were houses, hotels and other property belonging to British subjects. When the concessionaires applied for leave to expropriate certain owners, British subjects, these latter appealed to the British Government and Lord Lansdowne made energetic representations to the Portuguese Government on the subject, with the result that the action of the concessionaires was checked. Meantime they had succeeded in founding a German coaling station, and a newspaper devoted to their interests. A Quinta belonging to the Hon. John Gordon had been bought and fitted up with furniture free of duty, as a first class hotel. No consumptive people were taken in

there. Some buildings close to the new *Kurhotel* were put up, professedly for consumptives, but were never occupied, and some distance away, at a place called the *Marmelleiros*, a large building was erected professedly for poor patients. It seems to have been built in a somewhat flimsy fashion, for in the rainy season of 1905-6 it suffered severely. No patient was ever in it. In May 1906 the *Kurhotel* was closed professedly for the season, and has not been opened since. It was freely said that the German syndicate had come to an end of its resources, and that for all practical purposes, the sanatoria design was at an end.

In one sense this might be true; practically it was a mistake. Though nothing further was overtly done by the concessionaires, reports sprang up that the old concession was to be taken up by a new Anglo-German syndicate or 'group' as it was called. Nobody believed much in this story, yet it turned out to have some foundation. In January of this year the Prime Minister of Portugal, Senhor João Franco, brought forward a *proposta de lei* – what would be called in Great Britain a 'Bill' – for a new concession. It proposed to give to John Williams of London and Manoel Gonçalves of Funchal the right to take over Prince Hohenlohe's concession, and to get up a company or companies to work it in a new form. The new concessionaires were to have the right to put up *Kurhotels* in Madeira with annexes – unlimited – where gambling, as it is conducted at Monte Carlo and other places, might be carried on. They were to have the right to bring in their building materials and furniture duty free, and in return they were to place forty beds for poor consumptives at the disposal of the National Association for dealing with Tuberculosis. It was, in any case, a bad bargain for the Government; forty beds would have been maintained on less than the amount of duties which, under the concession, would not be paid. But, as we shall see, there were other objections to the proposal apart from the great objection of the duties. The concession would legalise gambling in Madeira, while the law of Portugal forbids it.

Evidently the Portuguese Government had felt that such a proposal wanted some sufficient excuse; for along with the *proposta de lei* they presented a report that was meant to be an explanation of

the reasons for bringing it in. From this report it was learned that the rumours that had prevailed for some time that the Prince Hohenlohe syndicate had claimed indemnity from the Portuguese Government for being hindered by the refusal of expropriations from carrying out their work to a conclusion was correct. The report did not tell in full what is now known to be the fact, that a late Prime Minister of Portugal, Senhor Luciano de Castro had, on the pressure of the German Government, admitted the right of the Hohenlohe syndicate to an indemnity. The present Government felt bound by this, and, as Mr John Williams and Manoel Gonçalves undertook to relieve them of the indemnity if a concession such as that set forth in the *proposta de lei* were granted, they agreed to bring in the Bill and to press it to acceptance.

It can scarcely be said that the proposed concession profoundly alarmed the British colony in Madeira. Their commercial existence was threatened by it. They had had experience of what the concessionaires might do if they were allowed to bring in goods duty free. One of these experiences may be described. The Hohenlohe syndicate had imported into Madeira a large quantity of iron water pipes, the duty on which, if it had been paid, would have amounted to something over £8000. Anyone else than the concessionaires would have had to pay that amount of duty on the pipes; but, because they were said to be for the sanatoria, they came in free. Under the direction of Mr Manoel Gonçalves, these pipes were used for conveying water from a spring in the hills to the *Quinta Vigia*, and that water is now being sold to ships by Manoel Gonçalves & Co. This is but one specimen of the way in which the concession was abused, and British commercial men had no hope that a more honest course would be pursued if the *proposta de lei* passed. In a hundred ways they would be placed at a disadvantage. A meeting of British subjects in Madeira was held at the British Consulate, and a statement of the objections to the proposed law, and of the grounds for those objections, was agreed to, the Consul being asked to forward it to the British Foreign Office.

This meeting was denounced in the German syndicate newspaper. Those that had attended it were told that they were guilty

of gross impertinence in interfering with the internal affairs of Portugal, which they had not done. An attempt was made to stir up the Funchalese against the British in the island. That attempt has failed. Presumably the Funchalese saw that their would-be leader in the Press was not disinterested. But other things were happening which proved to the Funchalese, as to other people, what the sanatoria concession was.

The *proposta de lei* was before the Portuguese Parliament when the Lisbon papers began to publish documents in connection with the concession. There had been a lawsuit in Berlin between Mr Ernest Hoffman and Dr Pannwitz. The Doctor, who is an authority on tuberculosis, had been engaged to come to Madeira in connection with the sanatoria. He honestly believed that a real attempt was to be made to deal with the tuberculosis scourge. A comparatively short time served to show him that the talk about sanatoria was intended to cloak the introduction of roulette and other games of hazard into Madeira. He severed his connection with the Hohenlohe syndicate and made accusations against Mr Ernest Hoffman, who brought what we should call an action for libel against him, claiming heavy damages. In the result Dr Pannwitz was found to have erred on a more or less technical point, and was fined 90 marks – about £4 10s. of our money. Some, if not all, of the documents published in Lisbon were put into Court in this trial at Berlin. Let us see what they were.

In 1903 two Americans named Darnborough and Thornton were in Madeira, and they were gambling nightly at Casino, *Quinta Vigia*. They and a third person named Aarons made a contract with Mr Manoel Gonçalves to the effect that if he would get them a concession for a gambling place in Madeira he should be paid £15,000. At or about the same time Mr Manoel Gonçalves made an agreement with Mr Ernest Hoffman and Captain Blottnitz that if he could get a concession for hotels and gambling hotels in Madeira he should be paid £40,000. It is not clear whether Hoffman and Blottnitz acted under his advice; but, any way, a document published shows that they made a contract with Mr Ritz of the Ritz Hotels Company, for getting a concession for hotels and gambling places in Madeira. The terms of these contracts are curious. It is between (1)

C. Ritz, (2) Ernest Hoffman (3) Hans Blottnitz and (4) an unnamed person for whom Captain Blottnitz was to act. The contract provided for the distribution of profits, and the curious thing was that the unnamed person was to take the largest share. It is openly assumed that the fourth person was a prominent German statesman. Be that as it may, the contract seems to have come to nothing. It appears to have been found hopeless to get a concession for gambling even when coupled with hotels; and then it was that the desire of sanatoria for consumptives was invented. A letter written in English by Mr Manoel Gonçalves to Mr Ernest Hoffman assured that worthy that as much gambling as might be desired could be got under the ‘magic sanatorias’. In other words, the pretence of philanthropic treatment of consumptives would cover any gambling iniquity.

When the Lisbon papers published these documents it was seen that the new *proposta de lei* could not be persevered with, and it has, in fact, been withdrawn. This has led to a torrent of abuse of all concerned by the German newspaper here, and other revelations have been made by the legal agent of the Hohenlohe syndicate in Lisbon. From him we learn that Dr Semler, a well known German politician, had been in Lisbon as agent of Prince Hohenlohe, and had asked £600,000 as indemnity to the Prince’s syndicate. He seems to have suggested that if the Portuguese Government would consent to allow the original concession to be made over to an Anglo-German syndicate it would be relieved of the payment of the indemnity. Negotiations were entered into with a Captain Bennett and a German representing unnamed capitalists, and a concession for *Kurhotels* and gambling was drawn up. It contained a clause which empowered the Portuguese Government, if it thought fit, to grant exemption from Customs duties to other hotels if such exemption should be required. Captain Bennett’s syndicate refused to accept this clause, and so far the matter ended. Then it was that Mr John Williams of London and Mr Manoel Gonçalves came forward and offered to take up the concession, including the objectionable clause. Mr Gonçalves knew that the precise value of the clause was nothing, except as a sweetener of the concession; nobody save the concessionaires would ever get exemption from Customs duties.

The revelations that have been made have been followed by the vilest abuse from the representative newspaper of the would-be concessionaires. Mud had been thrown in shovelfuls, and downright naked lying has been used against those who have disapproved and fought against the plot to exploit Madeira for the benefit of those whom a distinguished Portuguese has called 'birds of rapine'.

**(Copied from THE SCOTSMAN of 6<sup>th</sup> March 1907)**

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