

CHAPTER XIV

TRANSPORTATION AND COMMUNICATIONS¹

1. MAIN DEVELOPMENTS

THE REAL OUTPUT of the transportation and communications sector rose by 12 percent in 1964, compared with 7 percent the previous year. This growth rate approximated the annual average for the period 1957-62. Output of the domestic transport branches went up more rapidly than that of international services.

Income originating in transportation and communications expanded by 19 percent, compared with an advance of 16 percent in national income; as a result, the weight of the former in national income went up.

Real output of domestic passenger services rose by an average of 13 percent, or 9 percent per capita. The increase in the consumption of passenger services was more rapid than that in real disposable income, owing to the comparatively high elasticity of demand for such services and to the relative decline in the price to the consumer.² This growth was made possible by the enlargement of carrying capacity and the increased utilization of transport equipment.

The expansion of freight traffic corresponded to the rise in the overall load capacity of the truck fleet. On the demand side, the increase can be explained by the higher rate of economic activity in the economy in general and the construction sector in particular.

The real growth of road transport services was faster than that of the railway, thus increasing the weight of the former. Highway investment was 17 percent larger during the year reviewed. Most of the sum was expended on interurban roads. Because of the retarded development of the road system in previous years and the relatively rapid increase in the number of motor vehicles and road haulage, not only has the lag not been overtaken but bottlenecks are forming with increasing frequency on the main arteries of the large cities and the approaches to primary highways.

The level of domestic freight prices,³ including the postal services, went up by 3.4 percent during the year reviewed, even though rates were hardly re-

¹ Including the railway, buses, taxis, trucks, shipping, civil aviation, airfields and ports, communications, and oil pipelines. Private automobiles are not included in calculating the sector's output.

² Passenger fares went up to a lesser extent in 1964 than the index of producer prices.

³ The reference throughout this chapter, unless otherwise specified, is to producer prices, which in several branches reflect the average income.

Table XIV-1

OUTPUT OF THE TRANSPORTATION AND COMMUNICATIONS SECTOR, 1963-64

	Output ^a in 1963 (IL million, at current prices)				Percent increase or decrease (-) from 1963 to 1964					
	Passenger	Freight	Posts and telecom- munications	Total	Real output				Prices	Revenue
					Passenger	Freight	Posts and telecom- munications	Total		
Domestic freight traffic	231.4	338.6	109.0	679.0	12.7	11.5	16.8	12.8	3.4	16.6
Land	227.9	321.7	—	549.6	12.6	11.7	—	12.1	4.2	16.8
Other ^b	3.5	16.9	109.0	129.4	16.0	7.1	16.8	15.5	0.1	15.6
International freight traffic	148.5	278.8	3.0	430.3	15.7	9.5	10.0	11.6	1.8	13.6
Shipping and ports	40.8	267.3	—	308.1	18.4	9.5	—	10.6	2.5	13.4
Civil aviation and airfields	107.7	11.5	3.0	122.2	14.8	9.6	10.0	14.1	—	14.1
Total	379.9	617.4	112.0	1,109.3	13.9	10.6	16.6	12.3	2.8	15.4

^a Bank of Israel estimates. The method of computing the estimates is explained in the statistical appendix to this Report (in Hebrew only).

^b Oil pipelines, domestic air service, postal services.

vised. The increase is partly explained by the larger volume of price supports extended to the bus companies and the railway under the Government's price stabilization policy, and also by the changed composition of the sectors' operations.¹ In the first months of 1965 prices in a number of inland branches went up from 15 to 20 percent.

The year reviewed saw a continuation of several trends which had prevailed in the international passenger and cargo transport market for the past several years. The relative share of air passenger services, particularly on the transatlantic route, continued upward, at the expense of shipping. The international shipping market showed further signs of recovery, which began to manifest themselves in 1963.

These developments left their impress on Israel's shipping and international civil aviation branches. The real increase in air passenger services, which reached 14 percent, stemmed from the brisk demand on the transatlantic route. This growth was achieved without any enlargement of the air fleet.

The 11 percent expansion of maritime cargo-transport capacity matched the growth of real output of such services. The rate of vessel utilization remained unchanged. Part of the incremental carrying capacity found employment in carrying cargo between foreign ports. Freight rates went up as a result of the rise in the international shipping market.

The expansion of maritime passenger capacity exceeded the growth of demand for such services, and consequently the average rate of utilization fell off. The easing of demand resulted from the decline in the number of persons making long sea journeys, the smaller number of Israelis going abroad, and the failure of tourism to this country to measure up to expectations.

In maritime freight transport, there was a rise in prices owing to developments in the international market.

2. DOMESTIC TRANSPORT SERVICES

The relative share of domestic transport services² in the sector's output reached 61 percent in 1964. Road freight and passenger traffic³ went up by nearly 13 percent, and rail traffic⁴ by 1.5 percent only.

The increased output of the motorized transport branch coincided with a rise in its carrying capacity. The expansion of the country's road network did not keep pace with the rise in the number of vehicles, and consequently road congestion grew worse.

¹ In several branches there was a rise in the weight of passenger and freight services where tariffs were higher than average.

² Including the posts.

³ Commercial only, i.e. excluding private vehicles.

⁴ Including the subway in Haifa.

Table XIV-2
NUMBER OF MOTOR VEHICLES, 1963-64

End of March	Trucks and combinations	Buses	Taxis	Private vehicles	Special vehicles ^a	Total ^b
1963	28,008	2,742	2,493	46,853	1,181	81,277
1964	31,930	2,927	2,513	60,581	1,253	99,204
Percent change from 1963 to 1964						
	14.0	6.6	0.8	29.3	6.0	22.1

^a Ambulances, sanitary vehicles, etc.

^b Excluding motorcycles and motor scooters.

SOURCE: Central Bureau of Statistics.

All types of motor vehicles, except taxis, grew in number during the year reviewed, the highest rate being recorded for private cars.¹

(a) *Trucks*

The number of trucks rose faster than their capacity, thus bringing down the average capacity per vehicle.²

The dieselization of the truck fleet continued during the year reviewed. This applies especially to vehicles of over 5-ton authorized cargo, where the proportion

Table XIV-3
TRUCKS, BY LOAD CAPACITY, 1963-64
(tons)

End of March	No. of trucks			Load capacity			Average capacity per truck ^a		
	Gasoline	Diesel	Total	Gasoline	Diesel	Total	Gasoline	Diesel	Total
1963	22,740	5,268	28,008	41,057	46,597	87,654	1.81	8.85	3.13
1964	26,045	5,885	31,930	43,096	53,330	96,426	1.65	9.06	3.02
Percent change from 1963 to 1964									
	14.5	11.7	14.0	5.0	14.5	10.0	-8.8	2.4	-3.5

^a Load capacity divided by the number of trucks.

SOURCE: Central Bureau of Statistics.

¹ Private vehicles are not included in output and investment data. The discussion relates only to their weight within total traffic.

² The estimate of the trucks' capacity is based on the authorized cargo, while according to Ministry of Transport estimates, some 40 percent of the total ton-km. of trucks in 1964 involved overloaded hauls.

of diesels went up from 82 to 86 percent. The existing structure of fuel prices helped to bring down the costs of truck operators.

The average age of the trucks declined from 10.2 years in 1963 to 10.0 in 1964. The proportion of those more than 20 years old—whose maintenance is expensive both to the carrier and to the economy in comparison with the younger vehicles—stood at 13 percent in 1964, and in the 2.5–5.9-ton authorized cargo group—at 28 percent.

Real output of the road haulage branch rose in 1964 by 12 percent, and the value of output, at constant prices, reached IL 360 million. The growth rate for output was similar to that for capacity.

A large part of the cargo is conveyed under overloaded conditions, a situation hastening the depreciation of equipment and roads. The rise in the percentage of cargo carried under such conditions made it possible for the carriers to increase their income despite the relative stability of haulage rates.

(b) *Buses*

Bus traffic grew by 13 percent in 1964 in terms of passenger-km. In the transport of passengers, the relatively high share of buses and the upward trend in the share of private vehicles stood out in 1964.

Table XIV-4
PASSENGER-KM., BY MODE OF TRANSPORTATION, 1963-64^a

	1963		1964		Percent increase or decrease (-)
	Million passenger-km.	%	Million passenger-km.	%	
Buses	8,000	67.0	9,000	67.0	13
Railroad	412	3.5	402	3.0	-2
Taxis	700	5.9	720	5.4	3
Tourist buses	200	1.7	250	1.9	25
Trucks	1,050	8.8	1,100	8.2	5
Private vehicles	1,575	13.1	1,960	14.5	24
Total	11,937	100.0	13,432	100.0	13

^a The method of computing the estimates is explained in the statistical appendix to this Report (in Hebrew only).

SOURCE: 1963—Ministry of Transport and Communications.

1964—Bank of Israel estimate.

The number of buses¹ came to 2,628 at the end of 1964—a rise of 7 percent over the previous year; of these, 98 percent were diesels. The standardization

¹ The reference is to three bus cooperatives.

of the bus fleet continued during the year, the proportion of Leyland buses reaching 80 percent. The number of buses over 10 years old stood at 630 at the beginning of 1965.

The 19 percent growth of output was rapid compared with previous years. The demand for bus service is a function of income and has a relatively high elasticity. The relative price declined owing to the freezing of the fare tariff. Supply factors in the increased output were the opening of new routes, the greater frequency of interurban journeys, and the marked expansion of tourist services. The rise in output on urban lines was smaller than in interurban transit.

Income¹ of the bus companies, including tourist and delivery services, rose by 24 percent, and the annual kilometrage by 15 percent. The increase in revenue per km. thus came to about 8 percent, while income from fixed passenger routes went up 17 percent. Special bus revenue—mainly from tourist services—jumped 87 percent.

Table XIV-5

INDEX OF NO. OF BUSES, REVENUE, NO. OF SEATS, AND
KILOMETRAGE, 1964

(1963 = 100)

No. of buses	Revenue ^a	No. of seats	Revenue per seat	Annual kilometrage	Revenue per km.	No. of employed	Revenue per employed
107.7	123.5	108.9	113.4	114.5	108.0	106.3	116.1

NOTE: The data relate to the three bus cooperatives.

^a Including subsidies.

SOURCE: Ministry of Transport and Communications.

The rise in output outstripped that in the number of vehicles and number of seats. Part of the growth of output can be attributed to the increased weight of long journeys, including tourist services, and also to the addition of buses to the timetable. Bus fares remained stable during the year, thanks to a Government subsidy in the amount of IL 7 million (compared with IL 0.3 million in 1963) as compensation for deferring a rise in tariffs until January 1965. In that month fares were upped by 17 percent on the average. The present system of fixing fares, under which every rise in costs is followed by a rise in fares, assures the covering of increases in wages and return on capital, the two major components of costs.

¹ Including subsidies.

(c) *Taxis*

Taxi revenues went up 17 percent in 1964. Prices rose by 13 percent on the average,¹ and consequently real output was nearly 3 percent higher. This moderate expansion of output was mainly due to the reduction of supply resulting from the freezing of the number of taxi licenses.² In consequence of this policy, the number of taxis has remained unchanged for the past several years.

The demand for taxi service is especially heavy on the Sabbath and holidays and during the late hours of the day, when public transportation does not run. The administrative restriction of supply by freezing the number of licenses has resulted *inter alia* in a low level of service on a large percentage of the fixed taxi routes.³ About a third of all employees in this subbranch drive taxis after completing work in other places—a very undesirable situation from the road safety aspect.

(d) *Private automobiles*

The number of private cars⁴ grew from 56,000 in December 1963 to 72,000 at the end of 1964, a rise of 29 percent approximately. Per capita, the number went up by 117 percent during the period 1960–64—from 115 per 10,000 inhabitants to 250.

Demand for private vehicles has been influenced by the rise in disposable incomes and the increase in loan-financed purchases. In the first half of 1964, demand mounted owing to the expectation of changes in vehicles purchase taxes, and toward the end of the year it eased up. The greater mobility of the population and the desire to cut down travel time, as well as the lack of public transport on the Sabbath and holidays, also contributed to the growth of demand.

(e) *Rail transport*

Israel Railways reported a growth of nearly 2 percent in real output in 1964, in both passenger and freight service. Measured in ton-km., the increase in freight haulage was 3.8 percent, while passenger traffic declined by 2.4 percent.

The growth rate in freight conveyance was much lower than during the five preceding years, when it averaged nearly 9.3 percent per annum. The haulage of stone for the construction of Ashdod Port accounted for a third of total cargo tonnage. The figure for citrus and for iron and building materials dropped

¹ According to a Ministry of Transport estimate.

² Except for a few isolated cases in development areas.

³ The reference is mainly to the standard of cleanliness and vehicle maintenance.

⁴ The number of automobiles, as it appears in the Central Bureau of Statistics data, includes both those whose acquisition is defined as consumption and commercial vehicles whose acquisition is defined as investment.

Table XIV-6
INCOME AND EXPENSES OF ISRAEL RAILWAYS, 1962-64
(IL thousand)

	Income				Expenses			Deficit	
	Passenger	Freight	Misc.	Total	Operat- ing ^a	Deprecia- tion and interest	Total	Operat- ing	Total
1962	5,852	9,033	789	15,674	17,273	4,881	22,154	1,599	6,480
1963	6,031	10,423	946	17,400	20,100	5,448	25,548	2,700	8,148
1964	5,968	11,449	591	18,008	22,471	5,961	28,432	4,463	10,424
Percent increase or decrease (-) as against previous year									
1963	3	15	20	11	16	12	15	69	26
1964	-1	10	-37	3	12	9	11	65	28

^a Including allocations for pensions.
SOURCE: Reports of Israel Railways.

No revisions were made in 1964 in the tariff structure, which is based on the indirect subsidization of certain commodities through the fixing of special rail cargo rates. For this reason, the deficit does not constitute a measure of the economic performance of the railway. In 1965 a number of revisions were made in the tariff with the object of replacing the indirect subsidy by direct aid to producers shipping by rail.

Despite the fact that freight charges were not changed during the year, average revenue per ton-km. and passenger-km. was 10 percent greater than in the previous year. This was partly due to the changed composition of the cargoes, and also to the higher utilization of passenger trains during the first half of the year.

Railway investment was expanded in 1964, reaching IL 11 million as against IL 3-5 million in preceding years. Most of the sum was spent on the laying of the Beersheba-Dimona track and the purchase of carriages and of locomotives for hauling minerals. The construction of this line is intended to base the rail freight service on the transport of homogeneous cargoes over long distances, where the railway enjoys an advantage over other modes of transportation.

(f) *Subway*

The number of persons using the Carmelit subway in Haifa came to about 6 million annually during the past three year. Fares were raised in January 1965 by an average of 12 percent.

(g) *Domestic air service*³

Arkia Airways added two Herald planes in mid-1964 and toward the end of the year retired one Dakota. The company's carrying capacity² went up by 48 percent on an annual average. Real output rose by 16 percent, and revenue by 24 percent.

The number of regular paying passengers increased more rapidly than the number of Eilat residents using the service.³ As a consequence, average revenue per ton-km. flown (passenger and cargo alike) advanced 7 percent. The utilization rate⁴ declined from 82 percent in 1963 to 76 percent during the year reviewed. Owing to the rise in its operating expenses (due to the 22 percent growth in average wages per employed⁵ and the relatively high cost of maintaining the Dakotas, whose average age exceeds 20 years) and the nonincrease in flight fares, the company wound up the year with a loss.

(h) *Posts and telecommunications*

Post Office revenue⁶ totalled IL 129 million in 1964—an 18 percent gain over the previous year. Prices went up 1.3 percent, so that the rise in real output came to approximately 17 percent.

Table XIV-7

DEMAND FOR TELEPHONES AND NUMBER INSTALLED, 1961-64

Year	No. of direct lines ^a	No. of applications ^b ('000)	Backlog of applications ('000)	No. of phones installed ('000)	Excess demand ('000)	Percent increase or decrease (-) as against previous year	
						Installations	Applications
1961	75,556	17.6	36.8 ^c	12.2	24.6	—	—
1962	91,198	27.0	51.6	17.2	34.4	41	53
1963	111,341	37.4	71.8	21.1	50.7	23	39
1964	132,232	26.9	77.6	21.8	55.8	3	-28

^a A line is defined as a connection from a central exchange to a subscriber; a subscriber may have more than one line.

^b Net of cancellations.

^c Including 19,200 unfilled applications at the end of 1960.

SOURCE: Ministry of Posts.

¹ Based on data of Arkia Airways.

² This is computed by multiplying the number of available passenger seats by the speed, taking into account the number of months of service.

³ Inhabitants of Eilat receive a 33 percent discount.

⁴ The ratio of ton-km. flown to available ton-km.

⁵ Taking into account the rise in employment, the wage bill (including fringe benefits) went up 20 percent.

⁶ Excluding the Post Office Bank.

Some 61 percent of total income came from the telephone service. The bulk of the investment in this branch went to expand this service, most of the sum being spent on central exchanges and the automation of interurban dialing facilities. Installation of direct lines went up by only 3 percent, compared with 23 percent the year before.

The number of telephone applications received during the year dropped to 27,000, compared with 37,000 in 1963.¹ The backlog of applications stood at 56,000 at the end of 1964, an increase of 10 percent over the previous year. In the first quarter of 1965 installations were speeded up by 39 percent in comparison with the corresponding period of 1964.

3. INTERNATIONAL TRANSPORT SERVICES

The international cargo shipping market continued to recover from the slump of 1958-62. The uptrend in cargo transport carried over through the year surveyed, and world shipping, a substantial part of which was laid up in earlier years, was almost totally employed in 1964. Orders for various types of cargo vessels went up, and there was even a rise in their prices. The year reviewed saw the accentuation of the downtrend in international ocean passenger traffic in

Table XIV-8

PASSENGER TRAFFIC TO AND FROM ISRAEL, BY SEA AND AIR,^a 1963-64
(percentage change from 1963 to 1964)

Arriv- als	Sea		Air ^b			Total			
	Departures	Total	Arrivals	Departures	Total	Arrivals	Departures	Total	
			1. Tourists						
	8.0	11.0	9.6	12.4	18.1	15.4	11.0	16.0	13.6
			2. Residents						
	-14.5	-14.8	-14.7	-14.1	-11.8	-12.9	-14.3	-13.2	-13.7
			3. Total passenger traffic						
	1.1	0.4	-0.3	4.9	9.7	7.4	2.7	6.4	4.6

^a Excluding immigrants and tourists coming by land.

^b Excluding one-day stopovers.

SOURCE: Central Bureau of Statistics.

¹ The decline in the number of applications in 1964 was partly due to the raising of installation fees by IL 100 per subscriber.

general and that on the transatlantic run in particular, together with a conspicuous advance in the number of persons travelling by air.¹

The increment to Israel's maritime fleet was diverted to carrying the country's seaborne commerce as well as freight between foreign ports. Cargo rates for Israeli commerce were increased, owing to price developments in the world market.

Israeli sea and air passenger services were affected not only by international trends but also by the slower growth of tourism to this country, via sea and air alike, and the absolute drop in the number of Israelis going abroad. The latter stemmed from the discontinuance of the relatively cheap tourist flights to Cyprus and the raising, as from February 1964, of the flat-rate tax on ship tickets from IL 120 to IL 270 and on plane tickets from IL 140 to IL 320.

The present arrangements in the international civil aviation market prevent airlines organized in the International Air Transport Association from competing with one another price-wise, limiting competition to the standard of service provided.

(a) *Shipping*

Israel's maritime fleet was augmented in 1964² by 16 cargo vessels with a total deadweight tonnage³ of 178,575, and two passenger ships with a gross registered tonnage⁴ of 31,765 and accommodation for 1,580 travellers.

The value of the new ships came to over \$ 60 million,⁵ and that of the passenger vessels alone to more than \$ 20 million.

Shipping revenues from both cargo and passenger traffic aggregated IL 268 million in 1964, a rise of 13 percent over 1963. Prices⁶ rose by an average of 2 percent; those for dry cargo went up by nearly 4 percent.

Real shipping output⁷ grew by approximately 11 percent in 1964. That of dry cargo haulage went up by 10 percent, similar to the rise in the carrying capacity of the freighters.

¹ The number of sea passengers travelling over the Atlantic in both directions fell by 10 percent in 1964, while the number of air passengers on the route went up 25 percent.

² Data on Israel's fleet are from the Ministry of Transport and Communications.

³ The ton weight of the load which a ship may carry under international regulations.

⁴ The internal volume of a ship (hull and superstructures) expressed in terms of 100 cubic feet.

⁵ This figure is not identical with the annual expenditure on equipment because of payments on account of ships delivered in previous years and down payments on new orders. The reference here is to the original prices stipulated in the construction contract, i.e. excluding revisions or additions during the period of construction.

⁶ The index of shipping prices is based on international indices as well as partial information on changes in the tariff for Israeli cargoes. The index serves only as a general indicator of the level of freight prices and appears to have a downward bias.

⁷ The index of real output is derived from the revenue and price indices.

Table XIV-9

ISRAEL'S MERCHANT FLEET, BY TYPE OF SHIP, TONNAGE,
AND AGE, 1963-64

Type of ship	No. of ships ^a		Deadweight or gross registered tonnage ^b		Percent change in carrying capacity ^c	Average age (years)	
	1963	1964	1963	1964		1963	1964
Passenger	3	5	27,624	59,389	70 ^a	5.8	3.7
Mixed (cargo-passenger)	2	2	17,173	17,173	—	8.5	9.5
Cargo	62	78	518,544	701,299	11	5.8	5.4
Tankers	7	7	190,258	190,258	—	4.5	5.5
Total	74	92	753,599	968,119	10	5.5	5.4

^a Excluding the hydrofoil.

^b Freighters and tankers in deadweight tonnage, passenger ships in gross registered tonnage. Mixed cargo-passenger ships are figured at 60 percent deadweight tonnage and 40 percent gross registered tonnage, according to a Ministry of Transport key.

^c The carrying capacity of a cargo ship is calculated by multiplying the deadweight tonnage by the speed, and that of a passenger ship by multiplying the passenger capacity by the speed.

^d The percentage change in the capacity of passenger ships is not identical with the percentage change in total passenger capacity because of the noninclusion here of passenger accommodation in mixed ships, which remained the same in 1964. The capacity of passenger and mixed ships taken together increased by 52 percent.

SOURCE: Based on data of Zim Israel Navigation Co. Ltd. and the Shipping and Ports Division of the Ministry of Transport and Communications.

The growth of output stemming from the transport of Israeli sea commerce amounted to nearly 17 percent, and exceeded the physical increase in cargo haulage.¹

In the transport of cargoes between foreign ports, the figures for 1964 show further growth, although at a slower rate than in previous years. The relative share of such shipping (including that on charter) in total dry-cargo output came to 46 percent in 1964.

The increased output in passenger transport—19 percent—was achieved despite the reduced demand for such service to and from Israel; this can be attributed to the smaller number of passengers carried by foreign lines, which pushed up the share of the Israeli companies in total passenger business. The introduction of two new passenger liners into service boosted the passenger capacity of the Israeli fleet by nearly 50 percent, at the same time bringing down the utilization rate for such vessels.²

¹ This was mainly due to the changed composition of the cargoes and partly to changes in the routes plied.

² Taking into account the fact that in 1964 two passenger ships were laid up for a time for repairs, the annual rate of increase in carrying capacity was 50 percent lower.

Table XIV-10
REVENUE OF ISRAEL'S SHIPPING INDUSTRY AND INDICES OF
REAL OUTPUT AND PRICES, 1963-64

Item	Revenue in 1963		Percent change from 1963 to 1964		
	IL m.	Of which: from chartered ships	Real output	Prices	Revenue
1. Dry cargo					
(a) Israeli trade					
Import	61.8		23	4	28
Export	21.6		-1	—	-1
Total	83.4	22	17	3	20
(b) Between foreign ports	79.8	38	3	4	7
Total	163.2	30	10	3	14
2. Fuel	24.0	—	—	—	—
Total dry cargo and fuel	187.2	26	8	3	12
3. Passenger fares	38.7	12	19	—	19
4. Other transportation	15.9	15	21	—	21
Grand total	241.8	23	11	2	13

SOURCE: Based on reports of shipping companies.

Table XIV-11
NO. OF PASSENGERS CARRIED BY ISRAELI SHIPS,^a BY ROUTE, 1963-64

Route	1963	1964	Of which in chartered ships (%)		Weight of Israeli ships in total (%)		Percent increase or decrease (-) in no. of passengers on Israeli ships in 1964 ^c
			1963	1964	1963	1964	
			Mediterranean	86,031	91,243	28.6	
North America	10,198	13,983	—	—	76.1	83.8	37.1
South America	3,688	2,195	46.9	—	100.0	100.0	-40.5
Turkey and Black Sea	—	337	—	—	—	4.3	—
Total	100,236 ^b	107,758	26.6	19.8	51.7	57.3	7.5

^a Excluding cruises, passengers on freighters, and transit passengers.

^b Including 319 passengers on the Eilat-Africa line.

SOURCE: Zim Israel Navigation Co. Ltd.

The growth of passenger business on the Mediterranean line was mainly due to the introduction of the car-ferry Bilu into service. This ship conveyed 17,285 passengers over the Mediterranean, while the number carried by foreign companies and Zim Israel Navigation Co., Ltd. on the same route declined by 25,509, or 15 percent. Despite the difficulties encountered in running in the Bilu, the type of service which it offers apparently is eminently suitable to the popular tourism that is flourishing in Europe and has extended also to Israel.

Zim's transatlantic passenger business grew during the year reviewed, constituting 84 percent of total passenger traffic on this route as compared with 76 percent in 1963. But owing to the expansion of carrying capacity, the rate of utilization fell off.¹ Attempts to achieve a more even passenger traffic revenue throughout the year by offering cruises in foreign seas during the off-season did not measure up to expectations.²

At the end of 1963 fixed assets of the local shipping companies, net of depreciation, totalled IL 422 million, while aggregate capital investment reached almost IL 495 million.³ Equity capital⁴ amounted to IL 70 million, or some 15 percent of total investment.

Table XIV-12

TOTAL FIXED ASSETS OF ISRAEL'S SHIPPING INDUSTRY AND FINANCING THEREOF, 1962-63

(IL million)

Year	Fixed assets	Equity capital (paid-up share capital and retained earnings)	Long-term liabilities and reserve for severance pay	Total financing from noncurrent sources	Financing from current sources	
					IL m.	%
1962	405	65	286	351	54	13.3
1963	422	70	298	368	54	12.8

The ratio between equity capital and total investment is much lower in Israel than in other countries. Whereas it stands at a mere 15 percent here, in

¹ Zim data show that the utilization of ships plying the transatlantic route dropped from 68 percent in 1963 to 65 percent.

² At the time of this report no financial statements had yet been received from the shipping companies, so that it was impossible to estimate the losses sustained in their passenger business. For the same reason no calculation has been made of the value added or of the cost of the dollar saved on import substitution.

³ The analysis in this section is based on the balance sheets of Zim and El-Yam Ltd.

⁴ Paid-up share capital, payments on account of shares, and retained earnings.

Britain, for instance, it has reached 82 percent.¹ This marked disparity is partly due to the sizeable reserve funds—some 75 percent of equity capital—of the foreign companies. These reserves have been built up over many years, while the relatively young Israeli shipping industry, which in the last few years had to contend with the depressed state of international shipping, has naturally been unable to match these reserves. The capital structure of Israel's national shipping company, which is characterized by a low percentage of equity capital in comparison with foreign lines, was fixed at a time when world shipping was on a relatively high level. Following the prolonged depression in the international market, and even after it began to recover ground in the last few years, this capital structure has involved an onerous burden of interest payments which reduces the possibility of accumulating profits. Even after part of the shareholders' loans were converted into shares in 1959, the percentage of equity capital edged steadily downward. Since the company is owned by the public sector, the difference in investment by way of expanding equity capital and by granting loans is actually reflected in the yield received by the Government and the other public sector bodies on their investment.

The low profitability of the local industry during the slump years hampered efforts to raise capital in the Israeli money market. The issue of some \$ 1.4 million in preference shares in the international market in 1963 added only a small fraction to equity capital and did not produce any noticeable change in the consolidated balance sheet.

The companies' working capital is of a negative magnitude, about 13 percent of the fixed assets being financed from current sources.

For the past several years Israeli shipping has suffered from an acute manpower shortage, which is reflected in the rising proportion of foreign seamen in the total complement of the fleet—34 percent in 1964 compared with 23 percent at the end of 1963.² As a result of the expansion of the local merchant marine, especially passenger vessels, the total number of seamen went up in 1964 by 1,200, of whom 780, or 65 percent, were foreigners.

(b) *Ports*

The real output of Israel's ports increased by 10 percent in 1964, while the average level of port charges rose by about 3 percent. The volume of cargo handled was up nearly 7 percent.³ The relative share of export cargoes remained at 36 percent.

¹ The estimate for the British companies is based on the consolidated balance sheets appearing in *Fairplay Shipping Journal*; January 1965; these relate to liner and cargo-liner companies.

² According to Zim data.

³ The difference between the rate of change in cargo volume and that in real output was due to the changed composition of the cargoes.

Table XIV-13

CARGO AND PASSENGER TRAFFIC THROUGH ISRAEL'S PORTS, 1963-64

	1963					1964					Percent increase or decrease (-) from 1963 to 1964
	Haifa	Jaffa	Tel Aviv	Eilat	Total	Haifa	Jaffa	Tel Aviv	Eilat	Total	
Cargo volume, by major commodity group ('000 tons)											
Imports											
Grain (bulk)	938	—	—	6	944	843	—	—	—	843	-10.7
Cereals (bulk)	68	—	—	—	68	96	—	—	—	96	41.2
Chemicals and edible oils (liquid)	61	—	—	—	61	53	—	—	—	53	-13.1
General cargo	867	128	167	53	1,215	1,049	151	219	68	1,487	22.4
Total	1,934	128	167	59	2,288	2,041	151	219	68	2,479	8.3
Exports											
Citrus	478	77	—	4	559	475	17	—	8	500	-10.6
Cement	40	—	—	—	40	95	—	—	20	115	187.5
Minerals (bulk)	274	—	—	51	325	373	—	—	55	428	31.7
Chemicals and edible oils (liquid)	22	—	—	—	22	23	—	—	—	23	4.5
General cargo	311	1	—	56	368	288	1	1	50	340	-7.6
Total	1,125	78	—	111	1,314	1,254	18	1	133	1,406	7.0
Grand total^a	3,059	206	167	170	3,602	3,295	169	220	201	3,885	7.9
Shipping movement											
Number of passenger and passenger-cargo ships											
	426	—	—	3	429	401	—	—	—	401	-6.5
Number of cargo ships											
	999	268	261	57	1,585	1,128	233	248	60	1,669	5.3
Passenger traffic (thousands)											
Incoming	136.6	0.1	—	0.3	137.0	133.0	0.1	—	0.2	133.3	-2.7
Outgoing	108.0	—	—	0.2	108.2	108.2	—	—	0.1	108.3	0.1
Total	244.6	0.1	—	0.5	245.2	241.2	0.1	—	0.3	241.6	-1.5

^a Excluding crude oil and refined petroleum products.

The volume of imports rose by 8 percent. This was mainly due to the 22 percent growth of general cargoes, while grain shipments, which represent a large part of the total volume unloaded at Haifa Port, declined by nearly 10 percent following an increase in the local wheat yield.

The volume of export cargoes was some 7 percent higher in 1964, compared with a 10 percent rise the year before. Whereas in 1963 most of the increase took place in the Mediterranean ports while Eilat registered a lower figure, during the year reviewed outgoing shipments through Eilat advanced by roughly 20 percent, and through the Mediterranean outlets by 6 percent.

The relative share of cargo handled by the various ports did not undergo any marked change: that of Jaffa Port declined somewhat while Eilat's share went up slightly. Work at Haifa Port proceeded smoothly during the year despite inclement weather, and there were no delays in loading and offloading the ships.

This favorable situation, together with the efforts of the Israeli Transport Users Organization, led to the rescinding of the shipping conferences' decision to raise the tariff on Israel-bound freight during the year reviewed.

(c) *International civil aviation*

Real output of El Al Israel Airlines, measured in terms of ton-kilometers performed,¹ grew by 14 percent in 1964. In contrast to the previous year, this was attained without any increase in the air fleet; in fact, toward the end of the year the number of planes owned by the company was reduced following the sale of a Britannia.²

The expansion of output was mainly due the general growth of demand on the transatlantic route,³ while demand for flight service to and from Israel rose to a relatively moderate extent.

The number of passengers carried by El Al over the Atlantic went up by 37 percent in 1964. This growth rate was above the average for all carriers on this service, and consequently brought up El Al's relative share of total transatlantic passenger traffic. The utilization rate for the company's planes on the Europe-America run amounted to 58.9 percent, compared with 50.0 percent in 1963. This rate exceeded the average for the 15 airlines flying this route, among whom El Al ranks eight in respect of utilization.

¹ Cargo and passenger alike. The weight of each passenger is calculated at a standard figure per passenger and baggage, taking into account the flight class.

² The company acquired an option to two supersonic planes, and until they are ready for service it plans to buy and operate Boeing 707-320B's. One such plane will be put into service in January 1966.

³ According to provisional data, average revenue per passenger ton-km. flown went down owing to the larger percentage of passengers enjoying reduced rates.

Table XIV-14
OUTPUT AND UTILIZATION OF EL AL SERVICES,^a 1963-64

	Unit	1963		1964		Percent increase or decrease from 1963 to 1964
		Total	Of which in chartered planes (%)	Total	Of which in chartered planes (%)	
Available seat-km.	'000	1,634,153	2.7	1,811,251	0.4	10.8
Revenue passenger-km.	'000	892,915	3.2	1,031,783	0.6	15.6
Passenger load factor	%	54.6	—	57.0	—	4.9
Available ton-km.	'000	194,633	2.7	212,335	0.5	9.1
Revenue ton-km.	'000	102,120	3.0	116,566	0.7	14.1
Ton-km. load factor	%	52.5	—	54.9	—	4.6

^a Passenger and cargo.
SOURCE: El Al Israel Airlines.

El Al carried 7.7 percent more passengers in 1964 to and from Israel (excluding flights to Cyrus), but foreign airlines recorded a 22 percent advance. El Al's proportion of total passenger traffic amounted to 49 percent in 1964. The rise in the share of foreign operators resulted from the larger number of seats which they made available and the provision of additional flights following the expansion of service on the Israel route under the traffic rights agreements negotiated with various countries.¹

Table XIV-15
AVERAGE DAILY UTILIZATION OF EL AL AIRCRAFT, 1963-64
(hours)

	Boeing 707		Boeing 720		Britannia	
	1963	1964	1963	1964	1963	1964
Annual average	8.8	9.7	7.5	8.7	3.9	4.1
Peak-season average	12.1	13.0	10.4	12.3	5.9	6.8
Off-season average	5.0	6.5	3.3	5.8	2.2	2.1

SOURCE: El Al.

¹ The traffic rights are laid down in bilateral agreements based on the Five Freedoms, as defined in international air agreements. As far as El Al is concerned, the fifth freedom is especially important, for under it the company carries passengers between the U.S. and various points in Europe. The scheduling of additional flights over these routes, or the expansion of the network of intermediate stops, entails the granting of equal rights to the airlines of those countries maintaining flight service to and from Israel.

Available ton-km. grew by 7 percent, and the overall load factor (cargo and passengers alike) rose from 52.3 percent in 1963 to 54.9 percent. The passenger load factor was somewhat higher than the overall load factor, reaching 57.0 percent as against 54.6 percent in 1963. As a result, output expanded more rapidly than carrying capacity.

The average daily utilization of the company's aircraft also went up, and despite the nonoperation of its flying equipment on the Sabbath and holidays, it achieved a fairly high average daily utilization rate.

Paid-up share capital on March 3, 1964 totalled IL 32.0 million, most of it held by the Government.

The company's fixed assets, less depreciation, amounted to IL 134 million. Equity capital, less cumulated losses, financed some 20 percent of the fixed assets; long-term liabilities, including Government and foreign loans and the severance pay reserve, covered 62 percent; while the balance, some 18 percent, was paid for out of current liabilities—a situation adding to the company's financing costs.¹

(c) *Airfields*

Air traffic through Lydda airport went up 14 percent in 1964. The number of passengers² reached 456,000, a 6 percent gain over 1963. Excluding those in transit, the increase came to 5.3 percent.

The growth of passenger traffic was not evenly distributed over the year: in January, March and December traffic was 20 percent higher than in the corresponding months of 1963, while the other months showed declines or moderate rises.

The peak month was July, when the figure reached 56,000; in July and August of 1963 the number of passengers came to 57,000 and 59,000 respectively.

The increase in the volume of cargo and mail carried amounted to 14 percent as compared with 1963.

4. INVESTMENT IN TRANSPORTATION AND COMMUNICATIONS³

Investment in transportation and communications expanded by 79 percent in 1964. Most of the sum (nearly IL 174 million) went on ship purchases. When the decision was made to invest in passenger liners for the transatlantic

¹ Owing to lack of data on the company's income and expenses, value added has not been computed. According to El Al calculations, value added in the year 1963/64 came to 26.7 percent, with each dollar costing IL 2.68. The company's profit, according to the profit and loss statement for the year ending March 31, 1964, totalled IL 3,289,061.

² Arriving, departing, and transit.

³ Provisional data.

Table XIV-16
AIR TRAFFIC THROUGH LYDDA AIRFIELD, 1963-64

	1963	1964	Percent increase or decrease (-)
Passengers (No.)			
Arriving	207,067	208,823	0.8
Departing	201,131	221,195	10.0
Transit	21,615	25,896	19.8
Total	429,813	455,914	6.1
Cargo (kg.)			
Import	2,854,420	3,552,781	24.5
Export	4,530,662	4,877,478	7.7
Total	7,385,082	8,430,259	14.1
Mail (kg.)			
Import	469,832	545,692	16.1
Export	387,416	435,472	12.4
Total	857,248	981,164	14.5
No. of flights	3,879	4,410	13.7

SOURCE: Ministry of Transport and Communications.

route, the developments that occurred on this route apparently were not foreseen.¹

Investment in flying equipment was made for the domestic service only. Capital outlay on land transport, including the paving of roads, went up 27 percent. That on the railway was substantially expanded because of the construction of the Beersheba-Dimona line. In communications most of the outlay was for the construction of new central exchanges and the automation of inter-urban dialing facilities; the rate of telephone installations, on the other hand, was not stepped up.

Investment in ports fell below the planned estimate, owing to the delay encountered in building Ashdod Port. Total capital expenditure in this sector came to 32 percent of aggregate gross domestic investment and about 36 percent of net investment.

¹ The investments in transatlantic passenger facilities which were made in the past with German Reparations funds were also problematical, according to the operators, from both the price and quality aspects.

Table XIV-17

**INVESTMENT IN TRANSPORTATION AND COMMUNICATIONS, BY BRANCH
AND TYPE OF ASSET, 1963-64**

(IL million, at 1963 prices)

Branch	1963			1964			Percent increase or decrease (-) from 1963 to 1964
	Bldgs.	Equipment	Total	Bldgs.	Equipment	Total	
Land transport							
Railway	1.8	2.4	4.2	5.9	5.6	11.5	173.8
Buses	—	18.3	18.3	—	23.9	23.9	30.6
Other vehicles	0.1	122.8	122.9	0.1	154.4	154.5	25.7
Roads	50.2	—	50.2	58.7	—	58.7	16.9
Total	52.1	143.5	195.6	64.7	183.9	248.6	27.1
Shipping and civil aviation							
Ships	—	50.4	50.4	—	174.1	174.1	245.4
Aircraft	—	-0.5	-0.5	—	1.8	1.5	—
Total	—	49.9	49.9	—	175.9	175.9	252.5
Other branches							
Ports ^a	26.5	1.1	27.6	44.2	1.5	45.7	65.6
Airfields	2.7	3.3	6.0	2.0	2.6	4.6	-23.3
Communications and others	16.4	31.7	48.1	20.6	89.9	110.5	129.7
Total	45.6	36.1	81.7	66.8	94.0	160.8	96.8
Grand total	97.7	229.5	327.2	131.5	453.8	585.3	78.9

^a Including transportation services of local authorities.

SOURCE: Central Bureau of Statistics.