CHAPTER XIV

TRANSPORTATION AND COMMUNICATIONS[1]

1. Main Developments

The output of the transportation and communications sector remained unchanged in 1966, owing to the much poorer performance of the domestic transport branches and the slower growth of international transport services.

The economic slowdown in 1966 resulted in a smaller volume of inland cargo and passenger business and, together with the developments in the international market, also affected the output of shipping and ports. The deceleration in international civil aviation stemmed primarily from the slower expansion of supply, which was unconnected with the local market. All told, the sector's output, as already noted, remained at the previous year's level, following a growth of 10 percent in 1965—in itself a lower rate than in preceding years. Prices of transportation and communication services rose slightly compared with the year before (6 and 4 percent respectively), and revenue totalled IL 1,630 million at current prices. Real investment in the sector contracted by a substantial 24 percent approximately.

Output was off 5 percent in land transport, with both passenger and cargo volume being affected (see Table XIV–1). Data on the fuel consumption of civil motorized transport (excluding the railway)—which serve as a measuring rod for the level of activity in land transport—point to the acceleration of the downward trend in the second half of 1966. Domestic freight and passenger conveyance[2] declined by 5 percent, in contrast to a rise of 6 percent in 1965. Demand for such services started sagging in 1965 with the completion of several large development projects. This trend gathered momentum in 1966 as a result of the drop in building starts, investment in earthwork, and agricultural production, as well as the slower growth of industrial production. A 9 percent fall in the prices of this branch did not prevent part of the capacity from being idle. Domestic passenger traffic was down 6 percent, after gaining 2 percent in 1965. The decline was relatively slight in respect of regular bus routes and taxis plying fixed routes, but more marked in special bus and

[1] Includes land transport, shipping, civil aviation, sea and air ports, communications, and oil pipelines.

[2] Haulage by trucks, railway, inland airlines, and buses. This accounts for 22 percent of the sector's revenue at current prices.

Table XIV-1

CHANGES IN REAL OUTPUT AND PRICES OF THE TRANSPORTATION AND COMMUNICATIONS SECTOR, BY BRANCH, 1965-66

(percentages)

	Increase or decrease (–) as against previous year			
	Output		Prices	
	1965	1966	1965	1966
Domestic services				
Land transport				
Buses and subway	2	–5	16	11
Taxis	3	–10	11 [a]	15
Trucks	6	–5	8	–10 [b]
Railway (goods and passengers) [c]	–2	–8	22	12
Total	4	–5	11	—
Other				
Oil pipelines	14	7	–2	6
Domestic air service	14	2	11	6
Posts and telecommunications	14	2	7	37
Total	14	2	6	32
Total domestic services	6	–4	10	7
International services				
Shipping and ports				
Shipping	16 [a]	6 [b]	3 [a]	–1 [b]
Ports	6 [a]	5 [b]	5 [a]	13 [b]
Total	14	5	3	2
Civil aviation and airports				
Civil aviation	26 [a]	9	–9	–5
Airports [d]	28	8	1	19
Total	26	9	–8	–4
Total international services	17	6	—	1
Total output at market prices [e]	10	—	6	4

NOTE: The method of calculation and the sources of data are presented in the appendix to this Report (in Hebrew only).

[a] Revised figure.

[b] Preliminary estimate.

[c] Excluding sundry revenue and income from external sources.

[d] Data are for the financial year.

[e] Excluding subsidies to bus companies and the deficit of the railway; including defense stamp duty on bus, railway, and postal services.

taxi journeys. In contrast to cargo rates, passenger fares were raised—with Government approval—following an increase in production costs.

In maritime shipping, the output growth rate slowed down from 16 percent in 1965 to 6 percent. The carrying capacity of Israel's cargo fleet grew to a lesser extent than in 1965, and for the first time there was a decline (5.2 percent) in general cargo capacity. Total revenue at current prices rose by 4.5 percent, compared with 19 percent the year before. The increase took place in cargo transport, while income from passenger travel, the chartering of ships, and other sources decreased (see Table XIV–8). The economic recession affected shipping, with the volume of general cargo to and from Israel falling off. On the other hand, there were a number of contervailing factors—*inter alia* an increase in the share of Israeli shipping in the haulage of freight to and from the country, and a rise in the bulk transport of grain. Maritime freight prices fell, while those of passenger conveyance went up (as a result of a structural change in the types of passenger service and not in fares).

The growth of civil aviation slowed down. Output of El Al Israel Airlines rose by 9 percent, as compared with 26 percent in 1965; the lower rate was primarily due to the much slower increase in available ton-km.

2. Domestic Transport and Communication Services

Domestic transport and communication services—civil motorized transport, inland airways, postal services, and oil pipelines—account for 60 percent of the sector's revenue at current prices. The share of motorized transport (freight and passenger) in total revenue from domestic transportation and communications comes to over 70 percent. A large proportion of the total output of inland services originates in cargo haulage, which is closely connected with the volume

Table XIV–2

CHANGES IN FUEL CONSUMPTION OF CIVIL MOTOR TRANSPORT (EXCLUDING RAILWAY), 1963–66

(percentages)

	Increase or decrease (–)	
	Gasoline	Diesel
1963	8.9	9.5
1964	16.2	5.1
1965[a]	10.4	7.0
1966	3.9	-1.6
Jan.–June 1966[b]	9.9	8.6
July–Dec. 1966[b]	–1.9	–11.7

[a] The last year in which diesel-driven buses operated; even in 1964 their share was small.
[b] Compared with the corresponding period of the previous year.
Source: Fuel Administration, Ministry of Finance.

of activity in other sectors of the economy and is much more sensitive to changes therein than are other transportation services. While the output of all domestic transportation and communication services declined by 4 percent, that of motorized transport alone decreased by 5 percent, following a deceleration of the growth rate in 1965. These trends are also reflected in the changes in fuel consumption: consumption of diesel oil by motorized transport (excluding the railway) dropped by about 2 percent, following a rise of 7 percent in 1965. This indicates a smaller volume of business by buses, a large part of the trucking industry, and part of the taxi fleet. Gasoline consumption—by private cars and some of the taxis and trucks—rose by 4 percent, following a marked slowdown in 1965. The effects of the recession, however, were more evident in the second half of 1966 (see Table XIV–2).

(a) *Trucks*

After slowing down considerably in 1965, the real output of the trucking industry declined during the year reviewed by about 5 percent.[1] This was accompanied by an increase in load capacity, though relatively smaller than that of the previous year. These factors depressed prices sharply—by an average of about 10 percent.[2]

The demand for trucking services began to decline in mid-1965, with the termination of several large-scale development projects, such as the National Water Carrier, the building of the first stage of Ashdod Port, and the Dead Sea Works' expansion program. The downtrend continued in 1966, and was mainly due to a decrease of some 20 percent in the transport of mine and quarry products, which account for 25 percent of the ton-kilometrage of the branch. This, in turn, was a result of the drop in building starts and in investment in earthwork. More moderate decreases took place in agriculture and industry, while haulage of quarry products (accounting for some 12 percent of the branch's ton-km.) increased. There were other factors contributing to the smaller output in 1966, among them the reduced volume of freight from the more distant quarries and the shortening of the transport lines to the north with the operation of the Dimona-Beersheba rail line. On the other hand, the opening of Ashdod Port led to an increase in the share of fruit conveyed by truck at the expense of rail transportation. It should be noted that among subcontractors the decline in output was much more pronounced, reaching 20–30 percent. These truckers work under agreements with the transport concerns, and with the fall in business they were the first to be affected.

Until 1964 the growth of demand for trucking services outstripped the

[1] Estimated jointly with the Ministry of Finance.

[2] The calculated price drop includes a worsening in the terms of payment: previously credit had been given for an average period of about three months, while in 1966 it was given for six to seven months.

expansion of carrying capacity. It is not surprising therefore that there was a big rise in vehicle purchases, both by trucking concerns and by individuals entering the branch and who thus swelled the number of operators and led to the ordering of special-purpose vehicles. In 1965 demand began to slacken, but the truck fleet continued to expand (although at a slow rate), especially through new orders (sometimes a year and a half elapses between the ordering of the vehicle and its delivery). This partially explains the increase in the number of vehicles in 1965, and to a lesser degree even in 1966, despite the recession. All told, the number of trucks (of over 2.5 tons authorized cargo) rose by 16–17 percent during the years 1965/66 and 1966/67.[1] It should be noted that, despite the surplus capacity, the incidence of overloading did not disappear. The large firms tended to lay up some of their trucks (particularly the small ones), with a view to increasing the utilization of the remaining vehicles and thus save on variable costs. Among small carriers, on the other hand, the utilization rate declined, and they sometimes worked on a very low profit basis.

The fall in demand and the increase in supply sharpened competition among the carriers, particularly in the case of marginal operators who did not hold any special concessions or who were not included in agreements dividing up certain categories of freight or areas. This brought down the prices of the branch by 10 percent on an annual average.[2] The drop was not uniform: where tenders were submitted it was considerable—15–20 percent; on the other hand, there was a slight rise in some types of transportation. The fall in prices, however, did not prevent unemployment in the branch, and according to a Ministry of Transport estimate (which takes into account a decline in productivity), some 13 percent of total capacity was idle at the end of 1966.

Inputs were 5–6 percent dearer in 1966, and this, together with the decline in transportation prices and output, dampened profitability. A by-product of this development was the reduced scrapping of old vehicles. The years immediately before 1966 saw the discarding of numerous trucks—particularly gasoline-driven, which were replaced by heavier and more expensive diesel trucks. This trend apparently weakened during the year under review.

(b) *Buses*

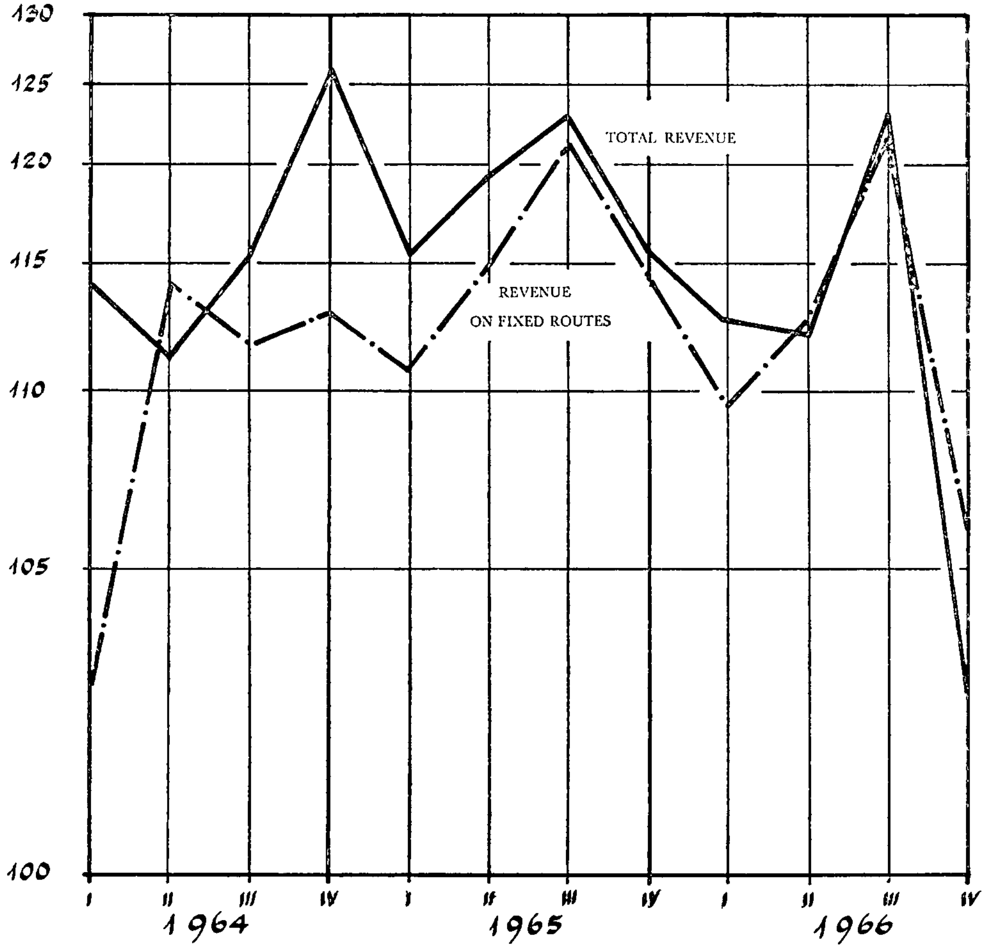
Real output of the bus companies decreased by about 5 percent in 1966,[3] following a marked slowdown in the growth rate in 1965—2 percent only as against 17 percent in 1964. Fares averaged 11 percent higher, compared with

[1] Owing to the lack of final data on the number of vehicles, Ministry of Transport data for fiscal years have been used.

[2] These developments led to pressure on the part of operators to fully or partially cartelize the branch.

[3] Traffic on Haifa's subway was down 9 percent.

Diagram XIV–1
INDEX OF BUS REVENUE, 1964–66
(1963=100)



Semi-logarithmic scale.
SOURCE: Central Bureau of Statistics.

16 percent the year before. The increase during the year reviewed occurred on fixed routes only. Revenue at current prices amounted to IL 226.8 million.

On fixed routes, the drop in real output came to 3 percent, and was particularly steep in the final quarter of the year (see Diagram XIV–1). The decrease can apparently be ascribed in part to the economic slowdown and the decline in incomes. On irregular lines—special trips and excursions—output was off 21 percent. Revenue from such business (including the regular transport of workers, group and and individual excursions, and tourist services[1])

[1] The revenue of the three bus cooperatives from tourist services are included in the transportation sector.

amounted in 1966 to IL 17.6 million, or 8 percent of total revenue, compared with IL 23.8 million, or 13 percent of total revenue, the year before. According to preliminary data, income from foreign tourist services apparently increased in absolute terms, while that from local tourist services fell, both absolutely and relative to the former. Another factor contributing to the smaller volume of traffic on irregular lines in 1966 was the diminished demand for conveyance of workers to distant development projects (included in this category) which were completed or reduced in scope during the year; demand for this type of service was strong in 1965, an election year.

Fares on fixed routes were last raised in March 1966[1]—10 percent by Egged, 11.5 percent by Hamekasher,[2] and 14 percent by Dan. Until 1966 fares were fixed by the Fares Authority on a cost-plus basis, and hence were revised following an increase in production costs. This system in itself led to a considerable rise in costs, particularly in the wage component, for the bus cooperatives regularly incurred deficits,[3] expecting them to be covered by a revision of fares or by a Government subsidy. The deficits were financed by liquidating the cooperatives' equity capital[4] and by greater resort to borrowing, which led to the deterioration of their financial strucure.

(c) *Taxis*[5]

Real output of taxi services dropped by 10 percent in 1966, accompanied by an increase in supply. Prices, however, averaged 14–15 percent higher.[6]

The type of service hit hardest by sagging demand was special trips, which accounts for 40–50 percent of total taxi revenue. The drop in output here was far above the average, as many passengers used alternative means of transport.

The contraction of demand on the one hand, and the expansion of supply on the other,[7] depressed profitability and even prompted some operators to switch from special trips to plying fixed taxi routes.

The rise in costs following the imposition of higher excise taxes on gasoline led to the revision of fares in March 1966.[8] However, this was apparently not

[1] In return for deferring a rise in fares in January–February 1966, the cooperatives received a subsidy of IL 3.5 million.

[2] Egged and Hamekasher merged in January 1967.

[3] The accumulated deficits in 1965/66 amounted to over IL 102 million.

[4] By diluting the depreciation reserve or by nonrenewal of equipment.

[5] Excluding those of tour operators and self-drive cars.

[6] Data are from the Central Bureau of Statistics.

[7] Whereas between 1961/62 and 1964/65 the number of taxis rose by 40, in 1965/66 alone nearly 140 were added, and in 1966/67 about 80.

[8] The rise in interurban service was 10 percent; in special trips—18 percent; and in intraurban service on fixed routes—12 percent.

fully implemented, and hence did not completely offset the effect of increased costs.[1]

(d) *Rail transport*

Real output of Israel Railways fell by about 8 percent in 1966, with the decline being about equal for freight and passenger traffic;[2] this compares with a decrease of 2 percent in the previous year.[3]

Table XIV–3

RAILWAY SERVICES, 1960–66

Year	Ton-km. (million)	Percent increase or decrease (–) as against previous year	Passenger-km. (million)	Percent increase or decrease (–) as against previous year
1960	227	—	363	—
1961	226	—	364	—
1962	278	23	405	11
1963	317	14	412	2
1964	331	4	402	–2
1965	321	–3	398	–1
1966	318	–0.9	368	–7.5

SOUCRE: Reports of Israel Railways.

Measured in ton-km., freight transport edged down 1 percent. The biggest change was a 33 percent decrease in citrus cargo, mainly owing to the reduced volume carried by rail with the opening of Ashdod Port[4] (the percentage of fruit carried by rail to Ashdod is less than that to Haifa Port). Additional reasons were a slight decrease in the average distance of citrus hauls, the establishment of new packing plants far from the rail lines, and technical difficulties. Moreover, there was keener competition on the part of trucks—such competition grows stronger the shorter the distance of the hauls. There was also a drop in the conveyance of fuel, building materials, and cement,

[1] Most gasoline-driven taxis are employed on special journeys and fixed routes, and consequently the increase in the tariff for these services was greater.

[2] In external work, such as engineering jobs, construction of sidings, and workshop operations, output was considerably higher in 1966.

[3] The change in real output is measured by the ton-km. of the various types of cargo, weighted by their relative share in freight revenue.

[4] Ashdod's share in the handling of citrus cargoes in 1965 was negligible.

Table XIV–4

INCOME[a] AND EXPENSES OF ISRAEL RAILWAYS, 1964–66

	Income				Expenses			Deficit	
	Passenger	Freight	Misc.[b]	Total	Operating[c]	Depreciation and interest	Total	Operating	Total
					IL thousand				
1964	5,968	11,449	591	18,008	22,471	5,961	28,432	4,463	10,424
1965	7,310	13,439	2,289	23,038	31,342	6,024	37,366	8,304	14,328
1966	7,621	13,900	3,126	24,647	34,938	6,160	41,098	10,291	16,451
					Percent increase or decrease (–) as against previous year				
1964	–1	10	–37	3	12	9	11	65	28
1965	22	17	287	28	39	1	31	86	37
1966	4	3	37	7	11	2	10	24	15

[a] Including defense stamp collections.
[b] Including external sources of income.
[c] Including allocations for pensions.
SOURCE: Reports of Israel Railways.

owing to the decline in construction activity and domestic investment.[1] On the other hand, grain transport was up about 20 percent (the railway has an advantage over other modes of transportation in this type of cargo). There was also an increase of about 46 percent in the conveyance of phosphate and of 17 percent in potash. The increased ton-km. in mineral exports was partly due to the greater average distance of the hauls. The relative share of these items in total ton-km. rose from 36 percent in 1965 to about 50 percent.

The 7.5 percent drop in output in passenger transport (measured in terms of passenger-km.) continued the downward trend of the previous year. The number of passengers fell even more steeply—by about 10 percent. The most conspicuous decrease was on the Haifa–Tel Aviv line (about 13 percent), which accounts for about 65 percent of total passenger revenue.

Prices were raised by an average of 12 percent for freight and 13 percent for passenger transport. Freight tariffs were raised selectively—from 25 percent on import cargoes to 5 percent on export cargoes. It should be noted that many of the freight charges are not based on profit considerations or on cost calculations, but are fixed by the Government. This indirect form of subsidizing various industries adversely affects the profitability of the railway and results in tariffs which do not always reflect its true economic performance.

Railway revenue was up 7 percent, compared with 28 percent in 1965. This was the net result of a decline in the haulage of cargoes yielding an above-average income per ton-km. (citrus, lumber, plywood, and fuel), an increase in freight yielding a smaller income (phosphate and potash), and a big rise in grain transport. Costs were up 10 percent in 1964, and consequently the total deficit rose by 15 percent to IL 16.4 million. It should be pointed out that the accounting deficit of the railway has no clear economic significance,[2] and even less importance attaches to annual changes therein. Thus, for instance, the operational deficit rose by 86 percent in 1965 owing to the payment of retroactive wage increments for 1964, while the increase in 1966 was in any event smaller.

3. Domestic Aviation, Postal Services, and Petroleum Pipelines

(a) *Domestic air services*

Output of this branch grew by 2 percent in 1966, compared with 5 percent the year before. The number of passengers in Arkia planes dropped, however, by 2 percent,[3] and totalled 177,000.

[1] In 1964 the haulage of stone and gravel to Ashdod came to an end. Such cargo had accounted for a large percentage of rail output in the years 1962/63 to 1964/65, reaching a peak in 1963/64 when income from this source amounted to 22 percent of the railway's total revenue.

[2] See the Bank of Israel Annual Report for 1965, p. 302.

[3] Transport of foreign tourists rose by 67 percent and of Eilat residents by 5 percent, while other traffic was down 13 percent.

Prices averaged 6 percent higher in 1964, about the same rate of increase as in the previous year. Passenger fares alone rose by over 8 percent. Total revenue in current prices amounted to more than IL 6 million. The utilization rate for Arkia planes dropped from 73 percent in 1965 to 68 percent, following an increase of 5 percent in available passenger-km. and a decrease of 3 percent in passenger-km. flown.

(b) *Posts and telecommunications*

Post Office revenue in 1966 amounted to IL 244.3 million[1]—a gain of 39.5 percent over 1965. Prices were 36.7 percent higher on an average, so that the increase in real output was only 2 percent, as compared with 14 percent in 1965. The share of revenue from telephone services has risen in recent years, amounting to 68 percent of total revenue in 1965 and 72 percent in 1966.

Table XIV–5

POST OFFICE REVENUE,[a] 1965–66

(IL thousand)

	1965	1966	Percent increase
Postal services	33,729	41,454	22.9
Philatelic service	5,003	7,628	52.5
Telephones	118,931	175,641	47.7
Telegrams	16,475	17,630	7.0
Miscellaneous	960	1,945	102.6
Total	175,098	244,298	39.5

[a] Excluding income of the Post Office Bank and service fees, and including collections of the defense stamp duty on postal and telephone services.
SOURCE: Ministry of Posts.

In March 1966 the fee for installing telephones was raised from IL 450 to IL 850,[2] following a IL 100 rise in 1964. The elasticity of demand in this price range was apparently greater than expected, for there was a drop in the number of applications submitted and an increase in the number of applications cancelled (see Table XIV–6).

This development induced the Ministry of Posts in March 1967 to permit remittance of the fee in installments, and preliminary data indicate that this arrangment has resulted in a larger number of applications.

[1] Excluding income of the Post Office Bank and service fees, and including collections of the defense stamp duty.

[2] Those submitting applications before February 15 were charged IL 650.

Table XIV-6

DEMAND FOR TELEPHONES AND NUMBER INSTALLED, 1964-66

(thousands)

End of period	No. of direct lines connected[a]	No. of phones installed	No. of appli-cations	Appli-cations cancelled[b]	Backlog of appli-cations[c]	Increase or decrease (–) as against previous year	
						Instal-lations	Appli-cations
1963	111.3	21.1	42.6	—	50.7	—	—
1964	132.2	21.8	34.2	4.3	58.8	3	–20
1965	162.7	32.9	48.5	1.7	72.7	51	42
1966	197.5	36.9	26.4	10.4	51.8	12	–46

[a] A line is defined as a connection from a central exchange to a subscriber; a subscriber may have more than one line.
[b] Applications approved but not yet paid for.
[c] Execution orders in the hands of the Engineer, including unfilled applications from the previous year and applications received during the current year, less phones installed during the year and cancellations.

(c) *Petroleum pipelines*

The country's petroleum pipelines derive their revenue from the transportation of crude oil from Eilat and the Heletz fields to Haifa, as well as of refined petroleum products (gasoline, kerosene, and heavy fuel oil). In 1966 output increased by 7 percent, accompanied by an average rise of 6 percent in transportation charges. The latter increase did not apply to the entire branch: while the rates for conveying crude oil from Eilat dropped, those on the Heletz line and for finished products were raised.

4. International Transport Services[1]

International transport services are less affected than domestic transport by the state of domestic demand, since they carry passengers and goods between foreign ports and tourists to and from Israel. The effect of the recession on this branch was therefore milder than on land transport. The output of international transport services increased in 1966, though more slowly than the year before (6 as against 17 percent).

The international shipping market experienced a slump in 1966, following an almost steady upswing since 1962. This was reflected particularly in passenger and tanker services.[2] Charges on cargo routes operating under conference agree-

[1] Shipping, aviation, sea and air ports.

[2] The drop in the fuel cargo rates did not affect Israel's tanker fleet.

ments, have for some years been rising persistently. Such business accounts for a large share of Zim's output (about two-thirds of total revenue).

In the last few years there has been a shift from passenger travel by sea to air, and this has resulted in the development of "floating hotels", with the emphasis on recreation and entertainment during the voyage. Zim's efforts in this direction have not been very successful.

The output of air services in the world market, on both international and domestic routes, expanded rapidly in 1966, continuing a trend that began in 1964. However, the big percentage increase in 1966 resulted from the accelerated growth of cargo transport. The output of El Al Israel Airlines expanded more slowly than in 1965, even though it achieved a higher overall load factor.

El Al cut its fares by 5 percent in 1966, thus continuing the downward trend of recent years which has characterized international air passenger rates. The receipt of modern equipment in the last few years, with a view to still further improvement in the future, has made it possible to trim production costs per ton-km., but this entails a greater increase in the number of passengers. The expansion of traffic was the outcome of a stronger sales effort, improved service, and in particular lower prices. Under present aviation policy, which bans charter flights to this country from North America and Europe (apart from pilgrims taking part in combined tours to Israel and the Arab countries), El Al has reduced prices for group flights to Israel. Opinion is still divided over the effect of the present policy on tourist movement to this country and on the income to the economy from tourism and aviation together.[1]

The number of tourist arrivals rose more slowly in 1966—10.7 percent as against 17.8 percent the year before—and reached 328,000. The number coming by air increased by 13.9 percent, as against 15.7 percent in 1965. However, in view of the larger number of tourists departing by air (after arriving by sea or land), the growth of total air passenger traffic exceeded that of the previous year.

Of all incoming tourists (excluding those arriving by sea for a one-day visit), 13.1 percent came by sea, 64.1 percent by air, and 22.8 percent by land.

(a) *Shipping*

Real shipping output grew more slowly in 1966—6 percent as against 16 percent the year before. In cargo transport there was a gain of 11.4 percent, but other sources of revenue, including that from the chartering of ships, was down 9 percent. In the passenger branch, real output dropped by 8 percent (the share of such business in Zim's total revenue comes to over 20 percent, and in the shipping industry as a whole it amounts to about one-seventh). The increase in revenue, as estimated in 1966, stemmed almost entirely from the

[1] At the beginning of 1967 a committee was set up to examine Israel's aviation policy.

Table XIV–7

CHANGES IN PASSENGER TRAFFIC TO AND FROM ISRAEL, 1964–66

(percentages)

	By sea				By air			By land			Total		
	Arrivals	Departures	Total	Of which: one-day visits	Arrivals	Departures	Total	Arrivals	Departures	Total	Arrivals	Departures	Total
Tourists[a]													
1964	8.8	11.1	10.1	9.3	12.8	18.4	15.8	32.8	33.5	33.4	15.2	16.9	16.0
1965	26.8	28.3	27.6	66.2	15.7	14.0	14.8	12.5	4.7	11.0	17.8	17.6	17.8
1966	–3.4	–4.3	–3.9	4.6	13.9	20.3	17.4	21.3	13.0	19.6	10.7	12.3	11.5
Residents													
1964	–14.5	–15.4	–15.0		–14.0	–11.7	–12.8	13.2	–10.6	–0.7	–14.2	–13.4	–13.8
1965	–3.9	–7.8	–5.9		20.9	20.8	20.8	–16.3	0.4	–7.6	10.0	8.4	9.1
1966	–2.5	3.3	0.5		30.3	28.6	29.4	32.2	19.9	25.2	17.8	19.3	18.6
Total passengers[b]													
1964	33.3	0.2	15.9		16.0	10.9	13.3	31.1	28.3	30.4	23.0	8.2	15.0
1965	–0.8	14.7	6.2		14.4	17.2	15.9	9.5	–2.7	6.5	8.9	15.5	12.0
1966	–11.9	–2.2	–7.1		14.9	20.9	18.0	18.6	8.9	16.3	7.6	13.6	10.5

[a] Excluding one-day visits by plane.
[b] Including immigrants, residents, holders of civil licenses, temporary residents, tourists, and one-day visitors by plane.
SOURCE: Central Bureau of Statistics.

expansion of the relatively new branches: during the year a much larger volume of freight was carried by refrigerator ships and bulk carriers (particularly chemicals). In recent years bulk shipments have increased by an average of 33.4 percent per annum, compared with a 22.7 percent rise in total cargo transport. In 1966 the expansion of the merchant fleet's carrying capacity slowed down, the growth being 7.7 percent as against 26 percent in 1965 and 16.4 percent in 1964. For the first time since the establishment of the State, there was a drop in general cargo capacity—by 5.2 percent as contrasted with a rise of 12 percent in 1965 and of 27.8 percent in 1964. This was due to the pronounced shift to bulk carriers and to the obsolescence of a number of ships acquired several years ago and which are now unsuitable for Israel's purposes (see Table XIV-9 and Diagram XIV-2).

Revenue from the conveyance of import goods to Israel rose during the year reviewed, while that from export shipments declined. Revenue from import cargoes was up 12 percent, whereas there had been no change in the previous year. The recession resulted in a smaller income from general import cargoes,

Table XIV-8

REVENUE AND PRICE INDEXES OF ISRAELI SHIPPING, 1964–66

(IL million)

	1964	1965	1966[a]
Revenue			
Cargo (incl. fuel)	211	246	274
Passenger	49	54	47
Charter and misc.	37	53	48
Total revenue, at current prices	297	353	369
Price indexes (%)			
Cargo[b]		5	—
Passenger[c]		–5	–5
Charter[d]		—	—
General price index		3	–1

[a] Estimate.
[b] Calculated half according to the index of prices on fixed routes and half according to the index of prices for freight charters. (The former rose in 1966 by about 5 percent, and the latter dropped to about the same extent.)
[c] The changes are mainly due to a steady structural change in the classes of passenger travel and to the revision of fares.
[d] Short-term charters are for cargo. Charter hire on a long-term basis depends on the commencing date of the charter and not on the year when payment is received.
SOURCE: Revenue—Central Bureau of Statistics; prices—Bank of Israel calculations.

but this was offset by an accelerated rise in grain imports following the drought of 1965/66, and by the larger relative share of Israeli shipping in total import cargoes. Revenue from the haulage of export goods dropped by about 2 percent, after a strong gain the year before. This is attributable to the slower expansion of citrus and bulk mineral exports, and to the smaller share of Israeli shipping in total export cargoes. There was also a slower increase in the transport of cargo between foreign ports (which accounted for some 42 percent of total cargo revenue in 1966). The growth rate—16 percent—was still the highest among the various sources of income.

Freight charges on routes to and from Israel were revised upward by an average of 10 percent toward the end of 1966. However, the effect of this rise on the companies' financial position was slight, since it occurred in the latter part of the year. Rates for the principal export items went up by 5–8 percent in the year reviewed; the rise was checked in 1967, and agreements concluded for the year suggest the firming of prices or even a drop.

The national shipping company, Zim, experienced grave difficulties in 1966, and the Government, as one of the main shareholders, had to inject large

Table XIV–9

ISRAEL'S MERCHANT FLEET, BY TYPE OF SHIP, TONNAGE, AND AGE, 1964–66

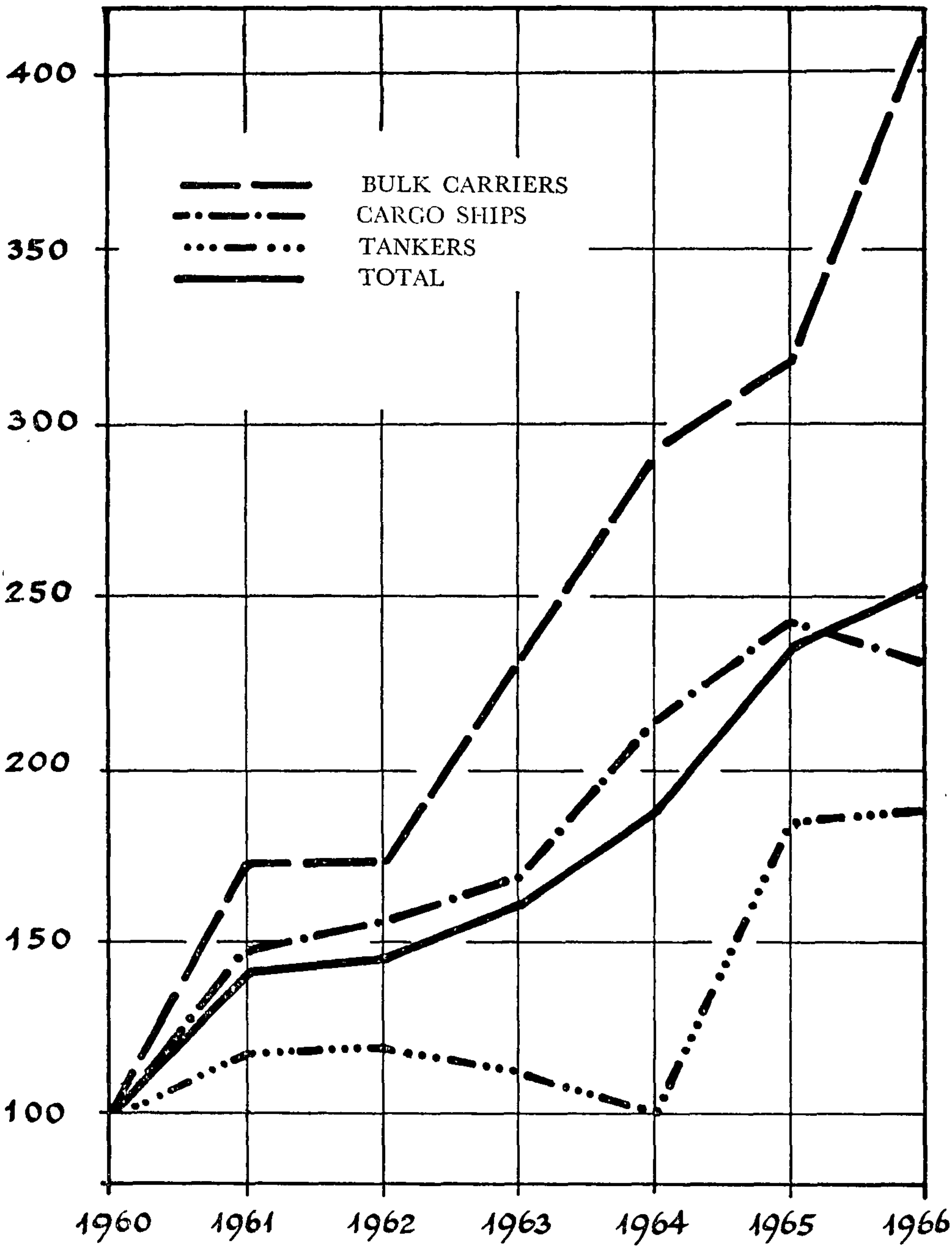
Type of ship	No. of ships			Tonnage or passenger capacity[a]			Increase or decrease (–) in carrying capacity[b]		Average age (years)		
	1964	1965	1966	1964	1965	1966	1964–1965	1965–1966	1964	1965	1966
Passenger[c]	8	8	6	3,977	4,527	3,881	15.1	–14.6	4.8	5.3	4.9
Cargo[d]	65	71	69	389,137	425,200	396,434	12.0	–5.2	5.9	6.1	5.8
Bulk carriers	13	13	15	312,162	322,418	432,554	8.5	30.9	3.3	4.4	4.3
Tankers	7	11	12	190,258	333,674	341,229	79.1	1.9	5.3	4.4	5.4
Total	93	103	102	—	—	—	26.0[e]	7.7[e]	—	—	—

[a] Of passenger ships.
[b] The carrying capacity of a cargo ship is calculated by multiplying the tonnage by the speed, and that of a passenger ship by multiplying the passenger capacity by the speed.
[c] Including mixed passenger-cargo ships in 1964–65.
[d] Including refrigerator ships.
[e] Excluding passenger ships.
SOURCE: Based on data of the shipping companies and of the Shipping and Ports Division of the Ministry of Transport.

Diagram XIV-2

INDEX OF CARRYING CAPACITY OF ISRAEL'S MERCHANT FLEET, 1960–66

(January 1960=100)



sums in order to alleviate the situation.[1] Another company—Somerfin—collapsed as a result of financial complications. This was the only firm apart from Zim engaging in passenger transport; it also operated an oil tanker, a small refrigerator ship, and a fishing boat. In the latter part of 1966 all of Somerfin's vessels were impounded by creditors. The company, though not yet liquidated, was thus deprived of all its assets. The difficulties of these two companies stemmed largely from the crisis in the passenger branch. The optimistic forecasts of both Zim and Somerfin in the early sixties—when passenger ships were ordered—did not materialize, and both concerns incurred losses running into tens of millions of pounds. The passenger liner Shalom in particular suffered heavy losses, and in 1967 the Zim management decided to sell her. Another handicap is the financial structure of the companies. The recovery of the shipping industry will apparently require a large infusion of equity capital.

The chartering of one of Zim's passenger liners, the sale of two of its cargo-passenger ships, and the laying up of both of Somerfin's passenger vessels led to the dismissal of hundreds of workers—mainly maintenance staff, who could not be employed on other cargo ships in place of foreign seamen. The latter work in technical jobs or on routes generally shunned by Israelis, and consequently the resulting unemployment mainly affected the labor market in the catering and tourist trades. There was also a diminished rotation of workers at sea owing to the shortage of alternative posts on land. The seamen nevertheless demanded an increase in salary, and this was partially granted at the beginning of 1967 when their basic wages were raised by 6–7 percent.

The merchant navy was augmented in 1966 by two bulk carriers, a cargo ship, and a tanker, costing $ 12 million all told. At the same time, two mixed passenger-cargo ships and three small freighters were sold for a total of $ 6 million.

(b) *Ports*

The real output of Israel's ports increased by about 5 percent in 1966,[2] and prices by nearly 13 percent. Total cargo volume handled expanded more slowly during the year—by 7 percent compared with 11 percent in 1965. The growth rate in import cargoes was 4.5 percent, as against a slight decrease of 0.3 percent in 1965, but the rate for export cargoes was less than half of that in the previous year—11 as against 30 percent. As to imports, the most striking

[1] A public commission was set up during the year to investigate Zim's financial situation. After completing its assignment, a ministerial committee recommended various measures for improving the company's equity position. Implementation of these recomendations was made conditional on an increase in the Government's share in the company.

[2] In the absence of data for the calendar year, it was necessary to use Central Bureau of Statistics data, which are for the fiscal year. Data on cargo movement, however, are, for the calendar year.

Table XIV-10

CARGO AND PASSENGER TRAFFIC THROUGH ISRAEL'S PORTS, 1965–66

	1965					1966				Percent increase or decrease (–) from 1965 to 1966
	Haifa	Tel Aviv-Jaffa	Ashdod	Eilat	Total	Haifa	Ashdod	Eilat	Total	
Import cargo ('000 tons)										
Grain (bulk)	907	—	—	—	907	1,220	—	—	1,220	34.5
Minerals (bulk)	67	—	—	—	67	85	—	—	85	26.9
Chemicals and edible oils (liquid)	60	—	—	—	60	64	—	—	64	6.7
General cargo	1,138	226	19	54	1,437	897	260	55	1,212	–15.7
Total import cargo	2,172	226	19	54	2,471	2,266	260	55	2,581	4.5
Export cargo ('000 tons)										
Citrus	575	33	4	8	620	485	137	8	630	1.6
Cement	8	—	—	12	20	104	—	11	115	475.0
Minerals (bulk)	663	—	—	146	809	712	100	65	877	8.4
Chemicals and edible oils (liquid)	23	—	—	—	23	18	—	—	18	–21.6
General cargo[a]	297	—	—	66	363	303	25	65	393	8.3
Total export cargo	1,566	33	4	232	1,835	1,622	262	149	2,033	10.8
Total cargo volume[b]	3,738	259	23	286	4,306	3,888	522	204	4,614	7.2
Passenger traffic ('000)										
Incoming	132	0.3	—	—	132.3	116.0	—	. .	116.0	–12.3
Outgoing	125	—	—	0.1	125.1	122.3	—	. .	122.3	–2.3
Total	257	—	—	0.1	257.4	238.3	—	. .	238.3	–7.4

[a] Including grain in bulk.
[b] Excluding fuel.
SOURCE: Israel Ports Authority.

developments were the larger volume of bulk grain, which accounted for 47 percent of all imported cargo and the 16 percent decline in general cargo, which accounts for a large percentage of total port revenue.

In exports, the growth rate fell off in citrus fruit and minerals, while general cargo—mainly industrial goods—increased by 8.3 percent, compared with 6.8 percent in 1965.

Ashdod Port was opened at the end of 1965 and operations were thereupon discontinued at Tel Aviv and Jaffa. General cargo began to pass through Ashdod only in April 1966. In total cargo movement, there was a slight decline in the share of Haifa and Eilat, to the advantage of Ashdod.

Table XIV–11

CARGO TRAFFIC THROUGH ISRAEL'S PORTS, 1965–66

(percentages)

	Haifa	Tel Aviv-Jaffa	Ashdod	Eilat	Total
Import cargo					
1965	87.9	9.1	0.8	2.2	100.0
1966	87.8	—	10.1	2.1	100.0
Export cargo					
1965	85.3	1.8	0.2	12.7	100.0
1966	79.8	—	12.9	7.3	100.0
Total cargo					
1965	86.8	6.0	0.6	6.6	100.0
1966	84.3	—	11.3	4.4	100.0

SOURCE: Table XIV–10.

The ports of Haifa and Ashdod were beset by serious labor problems during the year reviewed—a slowdown strike and the discontinuance of overtime at Haifa and a full strike at Ashdod. These disturbances caused heavy losses to the ports and to the economy as a whole.[1]

(c) *International civil aviation*

Real output of El Al Israel Airlines, measured in terms of revenue at constant prices, rose by 9 percent in 1966, compared with 26 percent the year before. This marked slowdown was mainly due to the smaller percentage increase in available ton-kilometrage[2] (passenger and cargo) of the companies' own and

[1] As a result of the strike at Haifa, the maritime conferences imposed a surcharge on transportation to that port.

[2] Available ton-kilometrage is a function of the number of planes, their capacity, and the frequency and distance of flights.

Table XIV–12

OUTPUT AND UTILIZATION OF EL AL AIRCRAFT, 1964–66

		1964			1965			1966		
	Unit	Total	Of which in chartered planes	Percent increase over previous year	Total	Of which in chartered planes	Percent increase over previous year	Total	Of which in chartered planes[a]	Percent increase over previous year
Available seat-km.	'000	1,811,251	8,028	10.8	2,225,955	195,363	22.9	2,272,204	235,945	2.1
Revenue passenger-km.	'000	1,031,783	5,928	15.6	1,337,086	128,991	29.6	1,406,908	161,371	5.2
Passenger load factor	%	57.0	73.8		60.1	66.0		61.9	68.4	
Available ton-km.[b]	'000	212,335	1,162	9.1	254,083	22,108	19.7	259,501	26,831	2.1
Revenue ton-km.	'000	116,566	776	14.1	150,169	13,583	28.8	161,125	16,985	7.3
Ton-km. load factor	%	54.9	66.8		59.1	61.4		62.1	63.3	

[a] Data are not final and include special flights.
[b] Passenger and cargo.
SOURCE: El Al Israel Airlines.

chartered equipment—2.1 percent only in contrast to 19.7 percent in 1965. The big increase in 1965 occurred mainly in the company's chartered planes, but the available ton-km. of its own equipment also increased—by approximately 10 percent. The growth rate, for both the company's own equipment and its chartered equipment, fell off precipitately in 1966. In 1965 the company operated five Boeings and two Britannias, and chartered flight time on another Boeing preparatory to receiving a sixth plane of this make which had been ordered. In 1966 El Al operated five Boeings and one Britannia, the second Britannia having been sold in April. The company's plans for putting the sixth Boeing into operation in 1966 were disrupted by the failure to conclude negotiations with the air crews, and the plane was chartered to a foreign company in January. It was introduced into service by El Al only in October, the company having in the meanwhile chartered flight time on a similar plane.

Revenue ton-km. rose by 7.3 percent in 1966, compared with 28.8 percent the year before, and revenue passenger-km. expanded by 5.2 percent, as against 29.6 percent. As a result of these changes in supply and output, the ton-km. of the company's own and chartered equipment rose from 59.1 to 62.1 percent (see Table XIV–12). A further measure of the company's performance is the daily utilization of aircraft. On an annual average, the rate fell (as shown in Table XIV–13), owing to the decline in the peak season in 1966 as compared with that in the previous year, when week-end flights from the U.S. and Europe were introduced. It should be noted that the nonoperation of the company's flying equipment on the Sabbath and holydays reduces the possibilities of achieving a higher daily utilization rate in comparison with other international airlines.

The number of passengers carried by El Al on regular and chartered flights rose by 9.6 percent in 1966, compared with 26.6 percent in 1965, and amounted to 316,000. The volume of traffic on the transatlantic route was mainly responsible for this slower growth. The marked rise of 25 percent in traffic on

Table XIV–13

AVERAGE DAILY UTILIZATION OF EL AL AIRCRAFT, 1964–66

(hours)

	Boeing 707-320B	Boeing 707			Boeing 720-B			Britannia		
	1966	1964	1965	1966	1964	1965	1966	1964	1965	1966
Annual average	6.9	9.7	10.7	10.6	8.7	9.2	9.0	4.1	3.6	3.5
Peak-season average	8.7	13.0	14.6	13.4	12.3	12.3	11.5	6.8	5.2	8.5
Off-season average	4.2	6.5	7.3	7.5	5.8	5.8	5.8	2.1	1.8	0.3

SOURCE: El Al Israel Airlines.

regular flights did not offset the 69.7 percent decline in the number of passengers on chartered flights, and consequently total traffic volume fell off by 2 percent. It should also be noted that in 1965 El Al carried thousands of persons on this route from the U.S. to Greece.[1]

The transatlantic route is of particular importance, since it is the source of 60 percent of the company's total revenue and 50 percent of its passenger revenue.

Business fell off on the Teheran section of the African route, the number of passengers declining, as in 1965, by 13.6 percent.

El Al's revenue, which constitutes an invisible export and an import substitute, amounted in the year ending December 1966 to over IL 156 million, of which $ 38.4 million was in foreign currency. Net profit totalled IL 698,000.[2]

The company's share in passenger movement to and from Israel edged down from 52 to about 51 percent, and its share in cargo transport from 63.5 to 62.7 percent.

(d) *Airports*

Air traffic through Lydda airport was up 3 percent, compared with a growth of 8 percent in 1965. The number of passengers rose by 19 percent to 620,000, and the volume of cargo and mail by 15 percent.

The airports' revenue increased in 1966[3] by about 28 percent to reach IL 11.5 million. Service charges averaged 19 percent higher.[4] Real output thus grew by approximately 8 percent.

5. Investment[5]

Gross investment in transportation and communications in 1966 totalled approximately $ 452 million at current prices; this represented some 28 percent of total gross domestic investment other than housing.

The decline in real gross investment grew more pronounced in 1966—24 percent approximately as against 10 percent in 1965. Decreases were particularly

[1] Passenger traffic on the transatlantic route by all aviation companies was 13.6 percent higher than in 1965. The growth on regular flights came to 14.4 percent, and that on chartered flights to 6.6 percent.

[2] In the financial year 1965/66 El Al's income was IL 149 million and its net profit IL 1.8 million. Equity capital totalled IL 47.3 million, and long-term liabilities (including loans from the Government) amounted to IL 83.1 million. The balance sheet totalled IL 181 million. Profit figures for 1966 are from the company's provisional profit and loss statement.

[3] Financial year.

[4] The rates were raised on January 10, 1965 and April 1, 1966.

[5] Further details on investment in transportation and communications will be found in Chapter V, "Domestic Investment".

sharp in passenger cars and commercial vehicles—30 percent as contrasted with only 3 percent the year before.

Outlay on buses and highway construction was also lower. The completion of work at Ashdod Port resulted in a smaller port investment, with a rise in the share spent on equipment and a decline in that on structures.

Shipping investment continued downward—by 70 percent as contrasted with 46 percent the year before. This was the net result of the addition of two bulk carriers, one freighter, and one tanker, and the sale of two mixed cargo-passenger ships and three small freighters. Real gross investment in civil aviation added up to IL 20 million; most of the increment was due to the purchase by El Al of a Boeing 707-320B, whereas in the previous year the company had not expanded its air fleet whatsoever.