

CHAPTER XIII

TRANSPORTATION AND COMMUNICATIONS

1. MAIN DEVELOPMENTS

Output in the transportation and communications sector continued to expand rapidly in 1971, with total revenue at current prices reaching nearly IL 3,830 million. In real terms, the rise was 16.6 percent, compared with 13 percent in 1970.¹ The sector's product apparently trailed behind the growth of output, for the international branches (where the product component of output is smaller than that of the domestic branches) boosted their share of total revenue.

Two factors were mainly responsible for the stronger expansion of output. The first was a 49 percent upsurge in tourism to Israel, which doubled the growth rate of the civil aviation and airport branches (31 as against 15 percent in 1970). This also increased output in the passenger transport branches — both road transport and domestic air services. (The number of private cars also rose steeply, but this is not taken into account in calculating the sector's output.) The second factor was the rise in shipping output and in income from oil tanker operations, especially in connection with the Eilat-Ashkelon pipeline (which went into operation at the beginning of 1970). This gain was made possible by the huge sums invested over the past two years in enlarging the tanker fleet. In the year reviewed 12 more tankers were put into service, boosting the fleet's capacity by 126 percent.

International transport revenues were up 40 percent in 1971, accounting for 45.6 percent of the sector total, as against 42.5 percent in 1970. The accelerated growth here stands out in view of the international shipping and aviation crises during 1971, which were due both to sagging demand in the wake of the economic slowdown in the U.S.A., Western Europe, and Japan and to a surplus of carrying capacity. Israeli transportation companies, however, were hardly affected: El Al benefited from the tourist boom, and the shipping industry suffered no ill effects, both because of the nature of its markets and because of the structural change it underwent with the enlargement of the oil tanker fleet.

In domestic freight transport the growth of trucking output slowed down and rail output even declined. The main cause was the slackening in the defense establishment's haulage requirements as compared with 1970. Another factor was the standstill in mining and quarrying (due mainly to smaller phosphate exports and the reduced defense demand) following the accelerated expansion of output in 1970. The increased transport of other industrial products and agricultural produce and the boom in passenger transport

1. In 1968/69 the net product of the sector amounted to 53 percent of total revenue at market prices.

Table XIII-1
CHANGES IN REAL OUTPUT AND PRICES OF THE TRANSPORTATION
AND COMMUNICATIONS SECTOR, BY BRANCH, 1969-71
(percentages)

	Share in total revenue in 1970	Annual increase or decrease (—)					
		Output			Prices		
		1969 ^a	1970 ^a	1971	1969 ^a	1970 ^a	1971
Domestic services							
Land transport							
Buses and subway	10.6	6.7	3.0	10.1	—	5.1	16.2
Taxis	4.4	4.5	5.0	4.0	—	4.4	15.2
Trucks ^b	21.8	8.8	11.7	8.9	2.0	4.0	10.0
Railway ^c	1.2	4.2	7.5	—1.1	1.4	9.0	14.8
Total	38.0	7.5	8.2	7.8	1.2	4.5	12.8
Other							
Oil and gas pipelines ^d	1.5	14.9	82.1	46.1	11.1	—57.4	10.3
Domestic air services	0.7	48.3	7.1	14.5	0.8	8.9	12.7
Posts and telecommunications ^e	17.3	29.9	15.5	13.6	—	3.7	9.1
Total	19.5	28.8	22.6	16.1	1.2	—6.2	9.3
Total domestic services	57.5	13.8	13.0	10.6	1.2	0.6	11.6
International services							
Shipping and ports							
Shipping ^f	24.5	4.7	11.3	26.1	7.6	9.0	15.4
Ports ^g	6.7	6.1	14.1	9.4	3.3	2.0	8.9
Total	31.2	5.0	11.9	22.5	6.6	7.4	14.2
Civil aviation and airports							
International civil aviation ^h	10.5	6.1	15.0	30.5	—0.7	—4.2	6.9
Airports	0.8	11.0	20.9	39.7	—	3.3	9.3
Total	11.3	6.4	15.4	31.2	—0.7	—3.7	7.1
Total international services	42.5	5.4	12.9	24.8	4.5	4.2	12.2
Total output at market prices ⁱ	100.0	10.2	13.0	16.6	2.5	2.1	11.8

^a Revised data.

^b In estimating the 1971 output, the weights obtained from the Central Bureau of Statistics 1970/71 Truck Survey were used. For previous years the weights were based on the 1966/67 Survey.

^c The figures for 1969/70 have been revised because of the changeover to CBS data.

^d The real index measures the changes in throughput, weighted by the revenue from the different types of fuel transported.

^e The price index was calculated by the CBS from Ministry of Communications revenue data. Figures for 1969-70 have been revised because of the changed definition of the output of postal and communication services.

^f Revenue data include chartering by one Israeli company to another.

^g Calendar year data.

^h CBS data. The figures for 1969-70 have been revised because of the changeover to the 1968 "basket" for calculating the indexes.

ⁱ Including the defense stamp duty on bus, railway, and postal services; excluding bus and shipping subsidies and the deficit of the railway.

(workers from the administered areas and foreign and domestic tourism) were not sufficient to completely offset the slowdown.

The rates of expansion in the postal services and pipeline transportation industry failed to match the impressive gains of 1970 but were still high.

The sector's prices moved up on an annual average by about the same rate as for the economy as a whole — 11.8 percent. The rise in domestic transport prices (most of which are controlled) was mainly the result of tariff increases approved by the Government in September-October, 1970 and 1971. International transport prices, which are decisively influenced by the world market, were up 12.2 percent, owing chiefly to the devaluation of the Israeli pound (most of the revenue is received in foreign currency).

The number of employees in the sector (including storage) increased by 7.1 percent, as against 4.5 percent in 1970.²

Following a heavy investment in ships and aircraft, real gross investment shot up 52 percent to reach IL 1,425 million. This rate of increase far exceeded the national average of 22 percent (excluding housing).³ The sector accounted for 36 percent of the growth in the economy's capital stock.

2. DOMESTIC TRANSPORT

(a) *Road haulage*⁴

Trucking, which accounts for most of the ton-kilometers of freight haulage, increased its share in the sector's total revenue to 20 percent and to almost 57 percent of total revenue from inland transport.

The real growth of the branch's output went up more slowly than in 1970 — 8.9 as against 11.7 percent — but was similar to the rate for 1969. The slackening in the year reviewed was apparently due to the smaller demand of the defense establishment following a strong rise in the previous year.

The general industrial expansion was not fully reflected in road haulage because it occurred predominantly in branches that are light users of trucking services. Industrial freight accounted for 71.9 percent of total trucking output,⁵ and mine and quarry products (including quarried sand) for more than one quarter.

After expanding by 19 percent in 1970, the output of the mine and quarry products tapered off in the year reviewed; this in itself depressed the growth of trucking output by

2. Central Bureau of Statistics data based on National Insurance Institute sources. According to manpower surveys, the increase in the number of employed in 1971 was 2.5 percent. This figure should be treated with caution because of the high sampling error. Manpower survey data do not include workers from the administered areas.

3. See also the text and tables of Chapter V, "Domestic Investment".

4. Including rented vehicles and those owned by enterprises and agricultural settlements.

5. According to the Central Bureau of Statistics Survey of Trucks for 1970/71. These survey data, together with the indexes of industrial production, farm marketings, and other indexes, serve as an indicator for estimating real trucking output. The estimates for 1970 are based on the 1966/67 Survey of Trucks. Care should therefore be taken in comparing the 1971 and 1970 data, although the difference in the totals is not significant.

4-5 percent. The slowdown affected most products – quarried sand, salts extracted by evaporation, and nonmetallic minerals (especially phosphates and potash); only “other quarry products” and crushed stone posted bigger gains in 1971.

Among the other relatively heavy users of trucking services there was a much stronger demand in 1971 on the part of the food, rubber and plastics, and metal and wood products industries. On the other hand, demand fell off in the cement, cement products, petroleum, machinery, paper and cardboard, and printing and publishing industries.⁶ Total industrial freight was up by an estimated 7.4 percent, as against 13.8 percent in 1970.⁷ The accelerated rise in farm marketings and purchases of agricultural inputs (12 percent as against 8 percent in 1970) boosted agricultural freight (which accounts for about 15 percent of total trucking output) by 11.4 percent, compared with 5.6 percent in the previous year.⁸

The conveyance of passengers by truck also expanded in 1971,⁹ owing to the transport of workers from the administered areas and the boom in tourism. This type of traffic accounted for 2 percent of total road haulage.

As regards supply, 1971 saw a more sluggish expansion of the truck fleet and its carrying capacity.¹⁰ The increases in the number of vehicles and carrying capacity were 10.3 and 7.7 percent respectively, as against 14.7 and 17.4 percent in 1970.¹¹ The particularly steep rises in 1969 and 1970 are explained by the boom conditions which began in 1968 and by the lifting of the restrictions on truck imports at the beginning of 1969. At the end of 1971 there were 72,800 trucks, of which 15,100 had an authorized load of over 2.5 tons.

Road haulage freight rates went up on an annual average by an estimated 10 percent during 1971. This resulted from two major, officially authorized tariff increases: one of 8-11 percent in most subbranches of the industry in 1970, and an 18 percent rise in September 1971, following the devaluation of the Israeli pound. The latter rise did not go into effect immediately, and in some cases it was implemented only by stages or else did not reach the maximum.¹² In the case of tenders for earthmoving jobs, prices even

6. In cement and cement products, where domestic production had almost reached full capacity in 1970, there was an increase in imports. But this does not have the same effect on ton-km. of revenue freight carried as does domestic production.

7. If we use the weights of the 1966/67 Truck Survey for estimating the real change in industrial freight between 1970 and 1971, we find that in 1971 output increased by 6.5 percent in real terms.

8. The acceleration of the upward trend was particularly noticeable in grains, citrus, and raw materials for agriculture and the food industry.

9. An estimated 500-600 trucks are engaged in passenger transport.

10. In terms of authorized tonnage.

11. The rates are based on a comparison of end-year figures. The slackening in the growth of the truck fleet was particularly striking in the case of vehicles with an authorized load capacity of over 2.5 tons – only 4.8 percent in 1971 compared with 15.4 percent in the previous year. The total capacity of this class of vehicle expanded by 4.8 percent, as against 18.7 percent in 1970.

12. The Central Bureau of Statistics indexes show the following annual average increases in haulage rates: heavy equipment – 12.7 percent; asphalt – 9.1 percent; other paving materials – 19.5 percent; building materials – 14.8 percent. In vehicle rental fees there was a rise of 6.6 percent in road construction and 8.6 percent in agriculture.

dipped toward the end of the year. There were several reasons for the failure to take full advantage of the authorized tariff hikes: the ebbing of demand for haulage services, the expansion of the truck fleet over the past few years, the existence of seasonal contracts, and the presence in certain sections of the haulage market of big customers with a considerable say in the fixing of tariffs. Following the 1970 increase in production costs, the year reviewed, and particularly the second half, saw a further steep rise in most cost items.¹³ This was the decisive factor in the revision of tariffs.

In March 1971 the Control of Transport Services Order was issued. This introduced the compulsory registration of all carriers, restricts the operation of haulage services to those possessing a permit, and lays down the conditions for receiving a permit. The order was issued in response to haulers' demands that entry into the branch be controlled, particularly in boom periods. It could well prove to be a step toward the cartellization of the branch, which would mean, besides controlled entry, the fixing of minimum prices.

(b) *Buses*¹⁴

Real output of the bus companies accelerated in 1971, after slowing down in the previous year, the gain being 10.1 percent in 1971 as against 3.0 percent in 1970 and 6.7 percent in 1969. Total revenue for 1971 at current prices amounted to IL 395 million.

This faster growth can be largely attributed to the increase in special trips and excursions following the extraordinary expansion of tourism. The real output of such services was up 41.3 percent and accounted for almost 21 percent of total bus revenue at current prices.

Output on regular routes also showed a greater increase in 1971 — 3.3 percent as against 2.1 percent in 1970. This was mainly due to the fourth-quarter gain (compared with the corresponding period of 1970), while in the other three quarters the figure moved up at roughly the same rate as for the whole of 1970. The explanation apparently lies in the fact that in November 1971 workers from the administered areas employed in Israel began to commute by regular bus routes (and passenger-carrying trucks) and not under special purchased transportation arrangements, as previously. In addition, the tourist boom not only increased the demand for special trips, but undoubtedly also raised revenue on the regular bus routes.¹⁵ Nevertheless, in both 1970 and 1971 the latter

13. The rise in prices — including the effects of devaluation — was particularly marked in the case of fuel, spare parts, and repairs. Fuel prices were revised in July-August 1971, the annual average increase for the year being about 30 percent; spare parts went up 17-20 percent, and garage services by about 15 percent. Oil, tires, insurance, and wages also became dearer.

14. Including East Jerusalem buses and the Haifa subway; excluding tourist buses operated other than by the major bus companies (their output in 1971 is estimated at IL 12-15 million). Also excluded are the nontransportation operations of subsidiaries of the bus companies.

15. The output estimate for the third quarter of 1971 is biased downward owing to the method of calculation. Revenue from ticket sales is measured at the point at which the driver buys the tickets. Because of the expectation of a fare increase in September 1971, drivers restricted their purchases of tickets in August and September and increased them in mid-October, when fares were actually raised. This development also accounts for the upward bias in the fourth-quarter output estimate for 1971.

expanded proportionately less than private transportation, owing partly to the steady uptrend in the degree of motorization.¹⁶

The number of buses grew by a monthly average of 9.7 percent in 1971, as against 11.1 percent in 1970, while passenger-kilometers increased by 11 percent. The average number of persons employed rose by 5.3 percent, compared with 3.3 percent in 1970. These figures point to a growth in output per employee and a stable output per bus.

The sector's production costs were considerably higher in 1971, particularly in the second half of the year: the index of bus input prices advanced 18.9 percent, compared with 11.3 percent in 1970. Labor costs (the reference is to hired workers only) were up 23.6 percent, following a 21.0 percent increase in 1970. Prices of materials and services averaged 15.8 percent higher in 1971, compared with 6.2 percent the year before.

Bus fares went up 16.2 percent on an annual average: 17 percent on fixed routes, 11.2 percent for special trips and excursions, and 14.3 percent for other services – mainly parcel deliveries.

These increases reflect the fare revisions of September 1970 and mid-October 1971, when the Government authorized the two main operators, Egged and Dan, to up fares on their regular routes by an average of 19 and 22 percent respectively.¹⁷ During the financial year 1971/72 the two companies received a Government subsidy of IL 58 million – IL 24 million in lieu of a fare hike, and the rest to compensate for increases in operating costs between the tariff rises and for delays in their implementation (including the rise of September 1970).¹⁸ The last increase was the first deviation from the usual cost-plus system of revising rates. The bus companies agreed to compensation for their higher costs based on a calculation of the increased price of a given "basket of inputs", rather than on a comparison of their revenue and expenditure data.¹⁹ The extent to which input items became dearer was to be determined by reference to an objective calculation of these items (including wages) in the economy as a whole.

(c) *Taxis*²⁰

In 1971 total revenue of this branch (special, urban, and interurban services) rose by an estimated 4 percent in real terms – a very low figure considering the boom in tourism. This is explained primarily by constraints on the supply side: the taxi fleet expanded by only 2.4 percent to reach 3,500 by the end of 1971,²¹ in comparison with rises of 13.3

16. The degree of motorization, which is expressed in terms of the number of private cars (excluding commercial vehicles used partially as private cars) per thousand population, was 55.3 percent at the end of 1971, compared with 49.2 and 45 percent at the end of 1970 and 1969 respectively.

17. Because of the abolition of the night shift allowance, the freezing of fares on certain routes, and the rounding-off of fares, actual increases on many lines were well above the average.

18. The bus companies undertook, in return, to allocate one percent of their revenues to a special fund for improving the quality of their services – the fund to be managed jointly by representatives of the Government and the companies.

19. As recommended by a special committee set up to study Egged's and Dan's "basket of inputs" and the increase in their operating costs.

20. Excluding those of tour operators and self-drive rented cars.

21. On an annual average the increase was about 3 percent.

and 6.6 percent in 1969 and 1970 respectively. This relative freezing of the taxi fleet precluded the expansion of output in 1971, since almost all the possibilities had already been exploited in 1970 (including *inter alia* operating agreements between different taxi stands to ensure the efficient use of vehicles).

Taxi fares were raised along with bus fares in both 1970 and 1971, but to a lesser extent. Prices of urban services went up by an annual average of 16.4 percent, while special service prices rose 14.6 percent and those of interurban services by 13.4 percent. The combined average increase was 15.2 percent. At the end of September fares were upped by 17 percent for special trips, and in mid-October those for taxis plying regular routes were increased by the same absolute amount as bus fares on the corresponding routes. As in other branches, these increases were in response to the rapid rise of operating costs.

Taxi revenue in 1971 is estimated at more than IL 150 million. At the beginning of 1971 regulations were published governing the issue of taxi licenses. But the policy of allowing the controlled, selective entry into the branch on a quota basis is being continued, so that the regulations fail to ensure the adjustment of supply by preventing entry into and exit from the branch in accordance with profitability considerations.

(d) Rail transport

The real output²² of Israel Railways edged down 1.1 percent in 1971, after advancing 7.5 percent in 1970. There was a 1.4 percent gain in the passenger branch (as against 1.6 percent in 1970);²³ freight transport was down 4.3 percent, after rising 9 percent in 1970.

Revenue ton-km. slumped 8.3 percent, with the largest drop being in the haulage of phosphates (for export), metals and metal pipes, cement, and gravel. The decreases here were only partly offset by the increases in grain, logs, petroleum products, and potash.

Table XIII-2
RAILWAY SERVICES, 1968-71

	Freight		Passenger	
	Million ton-km.	Percent annual increase or decrease (-)	Million passenger-km.	Percent annual increase or decrease (-)
1968	383	33.5	349	3.5
1969	418	9.1	332	-4.9
1970	468	12.0	355	6.9
1971	429	-8.3	372	4.8

SOURCE: Reports of Israel Railways.

22. Revenue at constant prices.

23. In miscellaneous and external work, including that in the Gaza Strip and Northern Sinai, there was a real output gain of 10.6 percent.

The expansion of passenger business slackened, the rise in the number of passengers dropping from 5.4 percent in 1970 to 2.6 percent and that in passenger km. from 6.9 to 4.8 percent (see Table XIII-2).

Passenger fares were not revised until December 1971, so that the average increase in the price of such services during 1971 was mainly the result of the rises that went into force in September 1970. The annual average increase in passenger fares was 14.2 percent, and that in freight tariffs 14.6 percent. In October freight rates were upped by 10-11 percent and in December 1971 passenger fares were raised by 20 percent or more.

The growth of railway revenue²⁴ slowed from 20 percent in 1970 to 15.6 percent, while operating expenses went up 19 percent. Total expenses (including a 4.2 percent increase in depreciation and interest) amounted to IL 54.4 million. The operating deficit reached IL 7.1 million, and the overall deficit rose 19.1 percent to IL 16.3 million.

3. DOMESTIC AVIATION, POSTAL SERVICES, AND OIL PIPELINES

(a) *Domestic air services*²⁵

Real output²⁶ of Arkia Airways rose 14.5 percent in 1971 (in passenger services alone by 14.6 percent), as compared with 7.1 percent in 1970. This doubling of the growth rate can be credited to the boom in tourism, the increase in inclusive tours, and the growth of available seat-km.²⁷ During the year Arkia flew a total of 362,400 passengers, a gain of approximately 16 percent as against 12.2 percent in 1970. There was a strong rise in the number of persons taking air tours of Eilat and Sinai – 24.1 and 56.5 percent respectively.²⁸ Available seat km. (excluding charter flights) increased 28.7 percent, but revenue passenger-km. advanced a little less – 24.7 percent. This brought down the passenger load factor from 70.5 percent in 1970 to 68.3.

Arkia's tariffs were raised by 12.7 percent in 1971; this came on top of an 8.9 increase in the previous year. Passenger fares went up 12.5 percent on an annual average. In September they were raised by an average of 22 percent (for residents of Eilat the change went into effect in mid-October). Charter flight rates were 14 percent higher than in 1970.

Arkia's revenue totalled IL 27 million in 1971, up 29 percent from the previous year; however, heavier operating expenses, particularly in connection with the absorption of a new plane, prevented the company from ending the year in the black. In 1970 it had a loss of IL 0.2 million.

24. Excluding the collection of the defense stamp duty, Treasury participation, and income from the Ashkelon-El Arish line; but including revenue from the transport of military personnel.

Freight-revenues in 1971 came to IL 25 million, while passenger revenues totalled IL 8.9 million.

25. In the absence of other current information, this survey covers Arkia only.

26. Revenue at constant prices.

27. The addition of a third Viscount in May 1971 brought Arkia's fleet up to eight (the other five aircraft are Herolds).

28. A new route, to St. Catherine, was added in August 1971.

(b) *Posts and telecommunications*

Port Office revenue²⁹ in 1971, was, at IL 631.6 million, up 23.9 percent from 1970 (see Table XIII-3). However, prices of postal services averaged 9.1 percent higher as compared with the previous year's 3.7 percent, so that the growth of real output³⁰ slowed from 15.5 percent in 1970 to 13.6 percent.

Income from telephone services accounted for 69.5 percent of total revenue. The growth of such income (service charges and installation fees) accelerated from 21.5 percent in 1970 to 27 percent, but this was mostly due to the price increases; output went up at about the same rate as in 1970 — 18.2 percent as against 18.4 percent.

In other postal services both revenue and real output expanded more rapidly in 1971, but income from agency fees and "miscellaneous" (including payment for work performed — mainly for the defense establishment) went up more slowly than in 1970. This group of services contributed to the stronger rise in total Post Office output in 1969 and the slackening in 1970.

The number of applications for new telephones was up by a steep 26 percent, following a 4 percent decline in 1970.³¹ This was a faster increase than in disposable

Table XIII-3

REVENUE FROM POSTAL AND COMMUNICATION SERVICES,^a 1968-71

(IL million)

	1968	1969	1970	1971	Percent annual increase or decrease (-) ^b		
					1969	1970	1971
Telephone services	231.6	284.3	345.5	438.8	22.7	21.5	27.0
Installation fees	25.0	23.5	20.4	22.0	-6.2	-12.9	7.6
Operating revenues	206.6	260.8	325.1	416.8	26.2	24.6	28.2
Other postal services ^c	84.1	90.5	101.8	125.2	7.6	12.5	22.9
Service charges	11.7	50.7	62.4	67.6	334.7	23.1	8.4
Total	327.4	425.5	509.7	631.6	30.0	19.8	23.9

^a Excluding income of the Post Office Bank; including collection of the defense stamp duty on postal and telephone services.

^b Calculated from unrounded figures.

^c Postal, philatelic, and telegraph services.

SOURCE: Ministry of Communications, monthly reports.

29. Excluding income of the Post Office Bank and including the defense stamp levy on postal and telephone services. Since 1968 the definition of Post Office revenue includes income from service charges and payments for work performed; data from previous Reports have been revised accordingly.

30. Total revenue at constant prices.

31. Care must be taken in interpreting the data on current applications for telephones and the number outstanding, because of the duplication of applications and the lack of accurate records on cancellations. Presumably the lengthening of the waiting period leads to an increase in cancellations.

Table XIII-4
DEMAND FOR TELEPHONES AND NUMBER INSTALLED, 1967-71
(thousands)

	Direct subscriber lines connected ^a	No. of installations	No. of applications	Applications outstanding ^b	Percent annual increase or decrease (-)		
					Installations	Applications	Applications outstanding
1967 ^c	233.1	34.6	28.4	41.9	-6	8	-
1968	278.4	48.8	62.3	43.2	41	119	3
1969	321.3	45.4	64.6	53.5	-7	4	24
1970	361.0	43.7	61.9	64.5	-4	-4	21
1971	386.3	42.8	77.9	87.1	-2	26	35

^a A direct subscriber line is defined as a connection from a central exchange to a subscriber (a subscriber may have more than one direct line). The number of direct lines connected at the end of the previous year, plus the number of connections during the year, is not equal to the number of lines connected at the end of the current year, mainly because of lines disconnected and adjustments in respect to external removals.

^b Applications outstanding from previous years, applications received during the year, and installation orders in the hands of the engineers, less installations during the year. In the absence of data on applications cancelled, the total figure is inflated accordingly.

^c The data include East Jerusalem since June 1967, but exclude the administered areas.

SOURCE: Based on Ministry of Communications data.

real private income and real private consumption. But this is not very surprising, considering that 1971 also saw a much heavier sale of durable goods, such as private cars (where the increase amounted to as much as 38 percent). There may be some connection between the jump in applications and the growing number of persons receiving a telephone allowance from their employer as a form of wage or salary emolument. Other factors were the drop in installation fees and service charges (in real terms) and the expectation of a rise in installation fees at the end of the year.

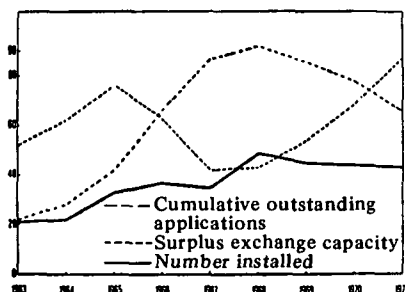
The number of installations fell 2 percent in 1971, compared with declines of 4 and 7 percent in 1970 and 1969 respectively. The downtrend over these three years can be attributed to the unbalanced development of the telephone infrastructure. During 1971 the gap between new applications and new installations widened to over 35,000. Since 1967 surplus capacity at the telephone exchanges³² has dropped steeply — from 27 percent to 14.1 percent by the end of the year under review (see Table XIII-4 and Figure XIII-1).

32. The reference is to gross capacity. In order to maintain a proper standard of service, a certain amount of capacity has to be kept in reserve. International standards set this at approximately 13 percent of the total capacity of an exchange.

Figure XIII-1

NUMBER OF TELEPHONES
INSTALLED, OUTSTANDING
APPLICATIONS, AND SURPLUS
EXCHANGE CAPACITY, 1963-71

(in thousands)



SOURCE: Ministry of Communications.

Most of the increases in Post Office prices took place in the final quarter of 1970 and of 1971. On an average, postal service tariffs were up 15.4 percent and those for telephone services by 7.6 percent (with no changes in 1971); all told, the rise was 9.1 percent.

(c) Pipelines

Real output of the pipeline transportation industry continued to expand strongly in 1971, although less than in 1970 — 46.1 percent as against 82.1 percent. The slower growth, however, was not unexpected in view of the upsurge that followed the opening of the Eilat-Ashkelon pipeline in February 1970.

The annual capacity of this pipeline, in which \$100 million has been invested so far, amounted to 22-24 million tons at the beginning of 1972. Further expansion of capacity depends upon additional investment in pumping equipment, storage tanks, and jetties. The throughput of crude in 1971 came to over 17 million tons.³³ Of this figure, 12 million tons were in transit (imports-for-exports); this was 120 percent more than in 1970. The greater throughput was made possible by a significant increase in the number of tankers bringing oil from the Persian Gulf and Sinai to Eilat and from Ashkelon to Europe.³⁴

The throughput of refined products fell 11 percent during the year,³⁵ and that of natural gas also declined, continuing a trend begun when Chemicals and Phosphates Ltd. at Oron switched from the use of gas to crude oil.

The real output growth of the industry was accompanied by a 10.3 percent annual average rise in prices, due to the devaluation of the Israeli pound and minor changes in the product mix rather than to tariff revisions.³⁶ Total revenue for 1971 is estimated at more than IL 69 million (as against IL 43 million in 1970); of this amount, 90 percent derived from the pumping of crude for both the export and domestic markets.

4. INTERNATIONAL TRANSPORT SERVICES³⁷ AND TOURISM

The tourist boom in 1971 directly and indirectly affected all branches of transport, as well as the economy as a whole. During the year 656,800 persons visited Israel³⁸ — a

33. The data of the Fuel Administration apparently do not include changes in fuel stocks in the pipeline and in storage tanks.

34. See the section on shipping.

35. Provisional estimate.

36. Except for the gas transport tariffs, which are linked to the consumer price index.

37. Shipping, aviation, ports, and air ports.

38. Excluding 106,000 summer visitors from Arab countries to the administered areas, some of whom undoubtedly also visited Israel; including tourists from Arab countries who came to East Jerusalem.

Table XIII-5
ANNUAL CHANGES IN PASSENGER TRAFFIC TO AND FROM ISRAEL, 1966-71
 (percentages)

	By sea				By air			By land			Total		
	Arrivals	Departures	Total	Thereof: one-day visits	Arrivals	Departures	Total	Arrivals	Departures	Total	Arrivals	Departures	Total
Tourists^a													
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
1967	-36.3	-41.6	-39.1	-41.3	14.0	-2.7	4.8	-53.2	-40.2	-51.0	-11.3	-14.5	-12.9
1968	29.5	16.3	22.7	22.9	73.2	65.2	69.1	-92.2	-64.3	-86.9	84.4	52.5	50.4
1969	-16.0	-16.0	-16.0	-13.3	-3.7	-4.4	-4.0	20.7	4.0	11.8	-5.3	-5.9	-5.6
1970	-10.6	-13.2	-11.8	-7.4	8.1	6.0	7.1	315.1	325.0	320.0	7.9	5.9	6.9
1971													
Percentage change	45.5	51.7	48.5	76.5	48.3	49.8	49.1	77.9	76.6	77.3	48.8	50.8	49.8
Absolute total	68,907	64,900	133,807	39,195	566,325	553,083	1,119,408	21,524	21,098	42,622	656,756	639,081	1,295,837
Total passengers^b													
1966	-11.9	-2.2	-7.1	4.6	14.9	20.9	18.0	18.6	8.9	16.3	7.6	13.6	10.5
1967	-37.3	-41.0	-39.2	-41.2	12.0	1.5	6.4	-53.0	-43.8	-51.0	-9.2	-11.1	-10.2
1968	24.9	10.1	17.5	22.9	53.9	46.1	49.9	-92.8	-74.6	-88.3	38.1	37.0	13.8
1969	-13.6	-15.0	-14.3	-13.3	2.0	0.4	1.2	29.8	16.7	22.8	-0.2	-1.6	-0.9
1970	-8.3	-14.8	-11.3	-7.4	6.0	5.7	5.9	289.1	280.9	285.0	5.6	4.8	5.4
1971													
Percentage change	23.9	37.6	30.0	76.5	39.1	39.2	39.1	137.4	133.8	135.6	39.2	41.0	40.1
Absolute total	90,421	81,412	171,833	39,195	791,106	764,495	1,555,601	29,450	29,077	58,527	910,977	874,984	1,785,961

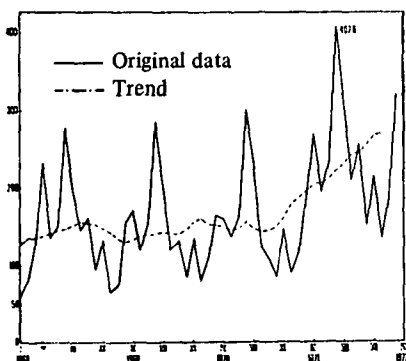
^a Excluding one-day visits by plane.

^b Including one-day visits by plane. The percentage of passengers traveling to and from Israel in 1971 under the Israeli flag was as follows: by sea - 22.2; by air - 45.8.

SOURCE: Central Bureau of Statistics.

48.8 percent rise, compared with one of 7.9 percent in 1970 and a 5.3 percent drop in 1969. The upsurge is mainly attributable to the improved security situation following the cease-fire in August 1970: apparently some of the 1971 visitors had postponed their trips in 1970.³⁹ The upward trend reasserted itself in December 1970 and the curve rose steadily until March 1972, when it hit the 66,000 mark (see Table XIII-5 and Figure XIII-2).

Figure XIII-2
INDEX OF TOURIST ARRIVALS,
MONTHLY, 1968-71
(average 1967 = 100)



SOURCE: Central Bureau of Statistics.

The growth of tourism to Israel in 1971 is all the more outstanding when compared with the worldwide slowdown in tourist traffic following the economic slump in the U.S.A. and Europe and the international monetary crisis. It is estimated that world tourism grew by 7 percent in 1971 as against 10 percent in 1970,⁴⁰ while that to the Middle East (excluding Israel) was up 21 percent after zero growth in 1970. This supports the theory that the improved security situation contributed greatly to the tourist boom.

An analysis of the tourist traffic shows that 86.2 percent arrived by air, 3.3 percent overland, and 10.1 percent by sea (including one-day visits by cruise ships). Europe accounted for 42.5 percent of the total and the U.S.A. for 39 percent; the 1971 gains came to 50.1 and 53.3 percent respectively.⁴¹

In 1971 the average stay of visitors spending less than one year in the country dropped slightly to 24 days, while the median held steady at 16 days (since 1969). Foreign currency receipts from tourism soared 73 percent to reach \$178 million,⁴² with the average figure per tourist up from \$236 in 1970 to \$278. The total number of tourist-nights rose 39.8 percent in 1971 to reach approximately 5.1 million.⁴³ Hotel rooms recommended for tourists increased by 8.2 percent to number 16,300 at year's end, with 39 percent being in the top two categories. Since the expansion of accommodation failed to keep pace with the growth of tourism, the average annual occupancy rate of recommended hotels went up from 50.1 percent in 1970 to 60.4 percent. In the

39. The 1970 tourist season was also affected by the cholera outbreak.

40. Estimate of the International Union of Official Tourist Organizations.

41. Among the major sources of tourism to Israel, the following increases were recorded: France - 37.9 percent; U.K. - 36.4 percent; West Germany - 70.7 percent; and Scandinavia - 55.6 percent.

42. Including the conversion and redemption of Independence and Development Bonds held by tourists; excluding tourist earnings of El Al and Zim Passenger Lines. The value-added component of the various tourist services is estimated at about 80 percent.

43. The total number of tourist-nights in recommended rooms rose even faster - 41.1 percent.

case of the highest category (five-star hotels) the occupancy rate was well above the average, reaching 71.6 percent for the year (90 percent in July), while for four-star hotels the rate was 69.9 percent (90 percent in August). Occupancy rates were lower in the other categories. Above-average rates were recorded in the three principal cities: in Tel Aviv the annual average reached 76 percent (92 percent in August, the peak month); in Jerusalem it was 61 percent (71 percent in the Western part), with 93 percent during July; in Haifa 68 percent (92 percent in August). From the above figures it is clear that, given the seasonal character of Israeli tourism, the limitations of hotel space combined with the shortage of trained personnel will effectively prevent any further rapid growth of tourism.

(a) *Shipping*⁴⁴

Real shipping output⁴⁵ accelerated strongly in 1971, thanks largely to the much larger volume of fuel transported and an increase in charters (where the proportion of tanker tonnage is also high). The gain came to 26.1 percent, compared with 11.3 and 4.7 percent in 1970 and 1969 respectively.

This expansion, combined with the upward revision of freight rates, increased total revenue by over 45 percent to IL 1,048 million⁴⁶ (see Table XIII-6).

The 1970 boom in world shipping gave way to a slump in 1971, and tramp shipping rates dipped sharply. Charter rates — in particular for fuel and bulk cargoes — were down 40-50 percent on an annual average. The slump was caused by the slackening of international trade⁴⁷ in the wake of the economic slowdown in Japan⁴⁸ and Western Europe; the absence of the special factors that had driven up fuel tanker rates in 1970 (the shutdown of the Tapline, the curtailment of Libyan petroleum output, and the stockpiling of oil in Western Europe⁴⁹); and the unstable international monetary situation. Despite the slacker demand for shipping services, available tonnage was expanded (governments encouraged shipbuilding), with a consequent increase in the number of vessels laid up.

These developments had comparatively little effect on Israeli shipping prices, since a large part of the fleet is employed in the liner trade (here the carriers either enjoy an

44. Excluding the activities of Israeli entities not defined as shipping companies, such as the Citrus Marketing Board, which operates chartered vessels.

45. Revenue at constant prices. Since the revenue figure has been adjusted for the estimated change in prices, and owing to the method of calculating price changes, these figures should be accepted with caution.

46. This represents gross revenue, including income from charters between Israeli companies. The measurement of shipping output is very sensitive to contractual changes (e.g. in chartering, whether the shipper or the carrier pays for port services). In comparing changes in carrying capacity with those in output and product, and in measuring productivity and utilization rates, the figures should be accepted with reserve.

47. World trade expanded by 8.3-8.5 percent in 1969 and 1970 but by only 4.4 percent in 1971. In dry cargo (including bulk cargo) the growth rate fell from 7.5 percent in 1970 to 1.8 percent.

48. In recent years Japan has been importing about 400 million tons of cargo a year (mainly raw materials), thus becoming a major factor in international shipping.

49. Crude petroleum production rose by only 5.5 percent in 1971, compared with 9 percent the year before.

almost complete monopoly or are organized into shipping conferences and hence are less vulnerable to fluctuations in supply and demand in the world shipping market; moreover, there is little substitutability between liner and tramp shipping). Another part of the Israeli fleet is employed on long and medium charters and is therefore not affected by slumps or booms. Furthermore, liner shipping rates were raised to meet higher ship-building and operating costs. It should be noted that in recent years there has been an almost continuous rise in such rates, while those for tramp shipping have fluctuated sharply – sometimes in the opposite direction from those in the liner trade.

Table XIII-6
ISRAELI SHIPPING REVENUE, 1969-71
(IL million)

	1969	1970 ^a	1971	Percent annual increase or decrease (-) ^b		
				1969	1970	1971
Cargo (incl. fuel)	443	568	757	13.6	28.2	33.3
Israeli-owned ships	295	375	531	8.0	27.1	41.6
Chartered ships	148	193	226	26.5	30.5	17.2
Passenger	23	12	15	–	-47.9	25.9
Charter hire ^c	119	134	268	12.3	12.9	99.5
Miscellaneous	9	6	8	12.5	-32.2	31.0
Total revenue	594	720	1,048	12.5	21.3	45.5

^a Revised data.

^b Calculated from unrounded figures.

^c Includes chartering by one Israeli company to another, which amounted to an estimated IL 56.1 million in 1969, IL 68.0 million in 1970, and IL 181.2 million in 1971.

SOURCE: Central Bureau of Statistics.

Zim's tariffs were increased by about 10 percent (in dollar terms) on almost all routes.⁵⁰ There was a rise in average per-ton receipts from oil transport, and passenger fares also went up.⁵¹ Such marginal price cuts as there were affected only a small segment of the industry. The total annual average increase in prices (including the effect of the devaluation) came to 15.4 percent.

The carrying capacity of the Israeli fleet was expanded by an impressive 43.6 percent in 1971. Almost all the extra tonnage came from the addition of 12 tankers (some of them of over 200,000 dwt.), the majority for serving the Eilat-Ashkelon pipeline.⁵² The

50. The change in average revenue per ton transported, disregarding changes in the cargo mix and in the relative shares of the various Zim lines in total tonnage carried and in revenue, amounted to about 9 percent.

51. The IL 4-4.5 million loss sustained from the operation of the two passenger ships in 1971 will be covered by the Government and Zim Israel Navigation Co.

52. Besides the tankers, another cargo vessel was acquired and one freighter and two refrigerated ships disposed of.

Table XIII—7
ISRAEL'S MERCHANT FLEET, BY TYPE OF SHIP AND TONNAGE, 1968-71

(End of year)												
Type of ship	Number of ships				Tonnage or passenger capacity ^a				Percent annual increase or decrease (—) in carrying capacity ^b			
	1968	1969	1970	1971	1968	1969	1970	1971	1968	1969	1970	1971
Passenger ^c	3	4	2	2	1,685	2,227	1,064	1,064				
General cargo	64	58	57	57	376,121	351,637	348,406	353,688	3.6	—5.4	1.4	1.5
Refrigerated	14	13	13	11	104,531	101,233	101,233	89,679	60.4	—3.0	—	—2.3
Bulk carriers	20	22	22	22	765,656	933,246	937,304	937,304	39.4	22.7	0.4	—
Total, excl. tankers	101	97	94	92	1,246,308	1,386,116	1,386,943	1,380,671	28.5	11.9	0.6	0.1
Tankers	12	13 ^d	16 ^d	28 ^d	341,229	770,129	815,092	1,897,421	—	18.6	77.6	126.2
Grand total	113	110	110	120	1,587,537	2,156,245	2,202,035	3,278,092	20.9	13.4	18.3	43.6

^a Of passenger ships.

^b The carrying capacity of cargo ships is calculated as the product of the tonnage, speed, and percentage of the period during which the vessel was Israeli-owned.

^c In 1968 excluding the Jamaica Queen (formerly Nili), which sailed under the Israeli flag but was not Israeli-owned.

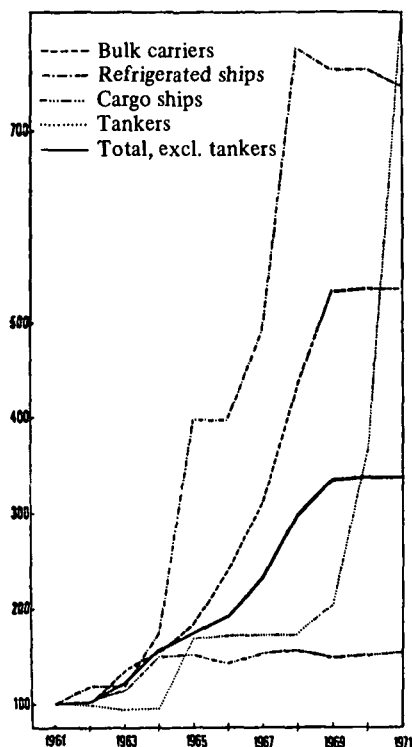
^d Excluding one supertanker which was introduced into service in January 1970, withdrawn in April 1970, and put back into service in 1972; included in the 1970 data on carrying capacity.

SOURCE: Based on data of the Central Bureau of Statistics, the Shipping and Ports Division of the Ministry of Transport, and the shipping companies.

fleet is undergoing a rapid transformation, with greater emphasis placed on tankers; in 1971 imports of new tonnage amounted to about \$150 million (less sales of secondhand ships).

All the tankers acquired during the year sail under foreign flags, bringing up the percentage of Israeli ships so registered – whether for security-political or purely economic-commercial reasons (usually in order to obtain easier financing terms).

Figure XIII-3
INDEX OF THE CARRYING CAPACITY
OF ISRAEL'S MERCHANT FLEET,
1961-71



SOURCE: Bank of Israel calculations.

Total revenue from cargo shipping (including fuel) was up 33 percent in 1971, as against 28 percent in the previous year, while that from chartering shot up 99.5 percent, owing mainly to the leasing of the newly acquired tankers. In addition, Maritime Fruit Carriers chartered all its refrigerated ships to a foreign company for a 10-year period.⁵³

Import cargoes (excluding fuel carried by Israeli shipping companies) expanded less in 1971 than in the previous year, when there was a rapid recovery from the decline of 1969, and their share in total import cargo volume inched up from 70.9 to only 71.8 percent. Nearly 57 percent of the total had to be carried in chartered vessels, since the capacity of the Israeli-owned fleet was not expanded to the same extent as import cargo volume in the year reviewed.

Export cargoes carried by Israeli companies also increased at a slacker rate in 1971⁵⁴ – by 2.7 percent (excluding fuel), compared with 9.8 percent in 1970.⁵⁵

The greater use of chartered tonnage for operations between foreign ports, coupled with the growing proportion of foreign seamen on Israeli ships, is sharply depressing the product (value added) component of Israeli shipping output.

53. Maritime Fruit Carriers has another 10 refrigerated ships and six tankers sailing under a foreign flag. Because of the way in which their operations are financed, they are not treated as Israeli-owned shipping.

54. The share of the Israeli companies was 58.1 percent in 1971, compared with 57.5 percent in 1970; 70.7 percent of the total was transported in chartered shipping.

55. For example, only a small percentage of the citrus exports was carried in Israeli bottoms; a large share of such cargo is handled by the Citrus Marketing Board itself, using chartered shipping. There was actually a slight decline in the volume of cargo (excluding bulk cargoes) transported by Zim on all its routes.

In view of the steady price rise marking the local shipping industry, it seems that it benefits only slightly from the system of administrative protection in force. It should also be noted that the Restrictive Trade Practices Law does not apply to the shipping conferences covering Israeli routes. The Arab boycott is also responsible for driving up prices somewhat.

Zim's profits for 1971 are estimated at IL 23.7 million⁵⁶ – less than in 1970. The company's balance sheet for the end of 1970 shows equity capital and reserves of

Table XIII–8
NONFUEL CARGO CARRIED BY ISRAELI SHIPPING,^a 1969-71
(thousands of tons)

	1969	1970	1971 ^b	Percent annual increase or decrease (–)	
				1970	1971
Imports					
Israeli-owned shipping	1,286	1,306	1,446	1.6	10.7
Chartered shipping	999	1,715	1,905	71.7	11.1
Total	2,285	3,021	3,351	32.2	10.9
Exports					
Israeli-owned shipping	675	585	573	–13.3	–2.0
Chartered shipping	1,196	1,335	1,381	11.6	3.4
Total	1,871	1,920	1,954	2.6	1.8
Between foreign ports					
Israeli-owned shipping	1,330	1,034	848	–22.3	–18.0
Chartered shipping	187	252	244	34.8	–3.2
Total	1,517	1,286	1,092	–15.2	–15.1
Total					
Israeli-owned shipping	3,291	2,925	2,867	–11.1	–2.0
Chartered shipping	2,382	3,302	3,530	38.6	6.9
Grand total	5,673	6,227	6,397	9.8	2.7

^a Excluding cargoes carried in Israeli ships chartered to others and cargoes carried by entities not defined as shipping companies (such as the Citrus Marketing Board, Agrexco, etc.).

^b Estimate. The 1971 data do not include cargoes carried by Maritime Fruit Carriers, all of whose vessels were chartered to a foreign company.

SOURCE: Central Bureau of Statistics.

56. Including a Government subsidy to the passenger branch and special income and expenditure items. In 1971 Zim suffered an estimated \$3 million in losses as a result of the prolonged U.S. port strike.

IL 105.7 million, while long-term liabilities (including those to the Government but excluding current maturities) amounted to IL 282.0 million.

(b) *Ports*

The year under review saw a marked slackening in cargo movement through Israel's ports and a corresponding deceleration in real output⁵⁷ growth, from 14.1 percent in 1970 to 9.4 percent. Total port revenues came to IL 234 million for the year.

About 8 million tons of cargo were handled in 1971 — a gain of only 5.7 percent, as against the 16.5 percent recorded in 1970 and 3.4 percent in 1969 (see Table XIII-9).⁵⁸

In import cargoes the increase was 9.6 percent, less than half the previous year's figure. The slowdown can be ascribed primarily to the bumper grain yields after the previous year's drought, which had necessitated a larger import to make up the shortfall.

The growth of general cargo also slowed, with imports of basic metals and metal products even declining 8 percent. In contrast to the 1970 spurt, export cargo volume hardly grew at all in the year reviewed, the major cause being a 29 percent drop in phosphate shipments. Haifa and Ashdod both experienced a decline in their share of total cargo traffic in 1971, while that of Eilat Port continued upward.

Port service prices were up 8.9 percent on an annual average. Most of the tariffs were raised by 10 percent at the end of April 1971, and after the devaluation 20 percent was added to the charges payable in foreign currency, with the Government taking 6 percent of the total revenue in the form of a special surcharge.⁵⁹

Investment in the ports was stepped up in 1971 with a view to adapting them for handling the constantly swelling volume of unitized and especially containerized freight.

(c) *International aviation*

In 1971 El Al's output⁶⁰ soared 30.5 percent (double the previous year's gain) to reach IL 431 million. Revenue from passenger business was up 28.2 percent, as against 14.1 percent in 1970. This impressive headway can be credited to the expansion of tourism to Israel. In the past two years international aviation underwent a crisis: whereas during the past decade (1960-70) it enjoyed an annual average growth (measured in terms of revenue ton-km. from passenger, freight, and mail operations) of 14.5 percent, in 1971 the figure came to a mere 2 percent.⁶¹ This crisis, which hit American airlines hardest of all, stemmed on the one hand from the weakening of demand because of the economic slump in the U.S. and world monetary developments, and on the other hand from the existence of surplus carrying capacity. The latter was accentuated both by the large-scale introduction of jumbo jets and by the release of chartered flying equipment with the

57. Revenue at constant prices.

58. The volume of unitized (including containerized) freight handled by the ports increased, and accounted for 16 percent of total general cargo volume.

59. The schedule of wharfage fees was altered in 1971: for offloadings it remained at 2 percent of the dutiable value of imports, but with the devaluation the fee for outgoing cargo was reduced from 0.25 percent to 0.2 percent of the value of exports as a form of incentive payment.

60. Revenue at constant prices.

61. Output of the scheduled carriers belonging to the ICAO (excluding the U.S.S.R.).

Table XIII—9
CARGO TRAFFIC THROUGH ISRAEL'S PORTS, 1969-71
(thousands of tons)

	Share in port revenue in 1970/71 ^a (%)	1969				1970				1971				Percent annual increase or decrease (—) in total	
		Haifa	Ashdod	Eilat	Total	Haifa	Ashdod	Eilat	Total	Haifa	Ashdod	Eilat	Total	1970	1971
Import cargo															
Grain (bulk)	12.6	1,185	—	—	1,185	1,557	—	—	1,557	1,606	—	1	1,607	31.4	3.2
Minerals (bulk)	0.7	59	17	12	88	56	18	30	104	118	44	41	203	18.2	95.2
Chemicals and edible oils (liquid)	0.7	133	1	—	134	141	2	—	143	137	1	—	138	6.7	—3.6
General cargo	67.6	1,177	858	116	2,151	1,363	911	183	2,457	1,453	1,012	256	2,721	14.2	10.8
Total import cargo	81.6	2,554	876	128	3,558	3,117	931	213	4,261	3,314	1,057	298	4,669	19.8	9.6
Export cargo															
Citrus	8.6	485	361	19	865	511	446	13	970	587	475	16	1,078	12.1	11.1
Minerals (bulk)	3.5	260	1,048	165	1,473	171	1,271	225	1,667	117	1,097	255	1,469	13.2	—11.9
Chemicals and edible oils (liquid)	—	17	—	2	19	19	—	1	20	18	—	—	18	5.3	—10.0
General cargo, incl. bulk grain	6.3	329	179	100	608	400	185	95	680	410	271	117	798	11.8	17.4
Total export cargo	18.4	1,091	1,588	286	2,965	1,101	1,902	334	3,337	1,132	1,843	388	3,363	12.5	0.8
Total cargo volume (excl. fuel)	100.0	3,645	2,464	414	6,523	4,218	2,833	547	7,598	4,446	2,900	686	8,032	16.5	5.7

^a Excluding revenue from fuel and passenger transport.

SOURCE: Israel Ports Authority.

Table XIII-10
OUTPUT AND UTILIZATION OF EL AL AIRCRAFT, 1969-71

	Unit	1969			1970 ^a			1971		
		Total	Thereof in chartered planes	Percent annual increase	Total	Thereof in chartered planes	Percent annual increase	Total	Thereof in chartered planes	Percent annual increase
1. Available seat-km.	'000	3,662,470	307,117	7.4	3,865,063	110,924	5.5	4,584,440	162,358	18.6
2. Revenue passenger-km.	'000	2,229,469	209,322	-1.9	2,533,218	82,583	13.6	3,232,206	121,283	27.6
3. Passenger load factor (2÷1)	%	60.9	68.2	-	65.5	74.5	-	70.5	74.7	-
4. Available ton-km. (passenger and freight)	'000	478,541	44,220	20.6	557,053	23,832	16.4	667,034	33,960	19.7
5. Revenue ton-km.	'000	285,787	25,605	10.0	331,008	14,913	15.8	410,084	18,892	23.9
6. Ton-km. load factor (5÷4)	%	59.7	57.9	-	59.4	62.6	-	61.5	55.6	-

^a Revised data.

SOURCE: El Al Israel Airlines.

reduction of the American presence in Vietnam. These changes in demand and supply sharply depressed the passenger load factor and led to stiffer competition among the scheduled air carriers, particularly on the North Atlantic run,⁶² and between the scheduled and nonscheduled carriers.

While these developments had their effect on El Al and on the Israeli service of foreign airlines, the impact was relatively small. Business trips account for only a small fraction of El Al's passenger volume, and the company benefited from the tourist boom and the fact that in general there are no charter flights to and from this country. But the worsening business situation of the scheduled European carriers impelled them to penetrate El Al's markets in an effort to raise their passenger load factor during the off-season. These airlines took advantage of the fact that El Al holds landing rights at only one airport in the U.S. The tendency to reduce fares so as to boost the passenger load factor is liable to harm El Al in the short run, since its planes are anyway very well filled (moreover, a large percentage of its passengers fly at group rates.)

The company's revenue from cargo and mail transport rose by about 22 percent in 1971, as against more than 20 percent the year before.⁶³

Passenger traffic (excluding nonpaying passengers) on scheduled flights was up 29.7 percent in 1971, compared with an 11.1 percent rise in 1970, and reached 651,200. The increase was felt on nearly all of El Al's routes, but most of all on those to and from Lod, where the gain was 30.8 percent. Available seat-km. on these routes lagged behind the growth in the number of passengers, and even though El Al's share of total available seat-km. moved up to 38.3 percent in 1971, its share in total passenger traffic to and from Lod declined from 49 percent in 1970 to 45.8 percent.⁶⁴ It should be noted in this context that the foreign companies are able to both step up their available seat-km. and substantially raise their passenger load factor (which is lower than El Al's).

El Al acquired two Boeing 747s (jumbo jets) in 1971, involving an investment of \$46 million,⁶⁵ but they had a limited effect on available passenger- and ton-km.,⁶⁶ since the first of the two aircraft was put into service only in June and the second in December.

El Al boosted its available ton-km. (passenger and freight in both own and chartered equipment) by 19.7 percent in 1971, as against 16.6 percent in the previous year, while

62. Reflected in the discontinuation and curtailment of scheduled flight services, the undercutting of the IATA tariff by various means, and the increase in charter flights by both scheduled carriers and their subsidiaries.

63. The growth of El Al's regular cargo tonnage slowed from 20.3 percent in 1970 to 11.3 percent. There was hardly any increase in mail freight, though excess baggage was up 18.5 percent. The reason for this deceleration is apparently the high passenger load factor and the high cargo volume attained in 1970 following the introduction of a special cargo plane into service in the last quarter of 1969. Miscellaneous revenue doubled in 1971 to reach IL 25.3 million (a price index has not been calculated for this item).

64. El Al's share of total freight handled was 66.5 percent in 1971, compared with 63.7 percent in the previous year.

65. The purchase price of the aircraft, excluding all other expenses connected with their absorption. In 1971 El Al also operated 10 Boeing 707s.

66. Available ton-kilometrage is a function of the number of planes, their capacity, and the frequency and length of flights.

revenue ton-km. was up 23.9 percent. The overall load factor rose from 59.4 percent in 1970 to 61.5 percent and the passenger load factor from 65.5 to 70.5 percent (see Table XIII-10).⁶⁷ The price index of El Al's services climbed 6.9 percent (8.7 percent for passenger traffic alone), after slipping 4.2 percent in 1970.

The rise in fares was the direct result of the August devaluation.⁶⁸ The company's revenues in 1971/72 came to IL 467 million, up 42.2 percent from 1970/71. The company's operating expenses rose considerably, owing to the rapid expansion of operations and to the increase in various costs both in Israel and abroad, such as fuel, landing fees, and labor; depreciation and interest charges also went up. The devaluation of the dollar and the revaluation of several European currencies contributed to the rise in operating expenses. As a result, the company wound up the year with a net profit of only IL 0.1-0.2 million.

Equity capital and reserves on March 31, 1971 totalled IL 110.4 million, while the company's long-term liabilities (excluding current maturities) amounted to IL 216.3 million, 133 percent more than in the previous business year; the increase was connected primarily with the financing of new equipment.⁶⁹

(d) *Airports*

The tourist boom in 1971 almost doubled the rate of increase in the real output of Israel's airports (20.9 percent in 1970). Revenue from passenger services was up 36.5 percent, from cargo services by 37.6 percent, and from aviation services by 20.7 percent.

In the year surveyed 1,569,000 passengers (including transit passengers) passed through Lod. This was an increase of 40 percent; freight volume was up 17.5 percent.⁷⁰ Revenue from the sale of concessions, rents, etc. reached some IL 8 million (out of total airport income of IL 25.5 million); this was 87.5 percent more than in the previous year.⁷¹ After the devaluation the airport passenger charge was raised 19 percent and other charges by 20 percent. Altogether, airport service charges went up by 9.3 percent on an annual average.

67. On the North Atlantic route the figure went up from 68 to 72.7 percent. It should be noted that these are among the highest load factors in the world.

68. The flight fares are established in dollars.

69. In 1970/71 El Al's revenue amounted to IL 328,200,000 and its profits to IL 1,050,000.

70. The domestic airports posted a 13.9 percent traffic gain in 1971.

71. No price index has been calculated for this type of service; the figure quoted here is therefore the nominal increase.