

CHAPTER XIII

TRANSPORTATION AND COMMUNICATIONS

1. MAIN DEVELOPMENTS

OUTPUT¹ GROWTH in the transportation and communications sector slackened appreciably in 1969, with both the domestic and international branches reporting slower increases. In real terms, the gain was only 9 percent, compared with a substantial 25 percent in 1968. At current prices, total revenue came to about IL 2,500 million;² the price rise during the year was only 2.2 percent.

The growth of real gross investment also slowed down conspicuously, from 68 percent in 1968 to 16 percent, which was below the average for the economy as a whole. The biggest increases were in railway and aircraft outlays;³ by contrast, investment in ships contracted. The stock of capital assets expanded by 13 percent in real terms, roughly the same rate as in 1968.

Total employment in the sector was up by a comparatively high 9.6 percent during the year.⁴

In land transport, the year reviewed saw a continuation of the boom that started immediately after the Six Day War, though the pace slowed down, output rising by 9.5 percent as against 17.6 percent in 1968. The demand for such services is a function of the level of output (and investment) in other sectors of the economy, but land transport revenues are also affected by fluctuations in the relative shares of the branches using these services. The slower output growth in trucking stemmed largely from the slower expansion of GNP—11 percent as against 15 percent in the previous year. The smaller rate of increase in industrial freight was due partly to a decline in the relative importance of those branches that are heavy users of trucking services, as well as to the much slower increase in the volume of imports and exports. Toward the end of the year trucking output began to turn downward, apparently due, among other things, to the completion of the Eilat-Ashkelon oil pipeline. In passenger conveyance the output growth rate also fell off, to about 6 percent on an annual average, although in the second half of the year it accelerated somewhat. This branch

¹ Total revenue at constant prices.

² The net product of the sector in 1968 at factor cost amounted to over 47 percent of total revenue at current prices.

³ For further details on investment see Chapter V, "Domestic Investment".

⁴ According to manpower survey data. The figures for individual branches should be treated with reserve because of the relatively large sampling error. For a more detailed discussion of employment, see Chapter IX.

Table XIII-1

CHANGES IN REAL OUTPUT AND PRICES OF THE TRANSPORTATION AND COMMUNICATIONS SECTOR, BY BRANCH, 1967-69

(percentages)

	Share in total revenue in 1968	Annual increase or decrease (-)					
		Output			Prices		
		1967	1968 ^a	1969 ^b	1967	1968 ^a	1969 ^b
Domestic services							
Land transport							
Buses and subway	12.0	-5.1	13.9	6.7	3.0	0.9	—
Taxis	4.7	-3.6	14.0	4.5	2.0	—	—
Trucks	22.2	-1.0	21.0	12.0	7.0	10.0	2.0
Railway	1.2	-6.8	13.8	10.7	1.7	-0.4	-3.7
Total	40.1	-2.9	17.6	9.5	4.8	5.6	1.0
Other							
Oil and gas pipelines	1.9	4.2	26.0	31.6	-2.7	17.9	-0.7
Domestic air service	0.5	26.2	72.4	51.9	1.4	-0.9	0.2
Posts and telecommunications	14.5	3.1	36.6	19.5	7.4	-12.7	—
Total	16.9	3.5	36.3	21.8	6.2	-9.7	-0.1
Total domestic services	57.0	-1.1	23.2	13.1	5.2	0.5	0.7
International services							
Shipping and ports							
Shipping	23.5	-3.4	21.6	3.2	5.0	16.5	7.6
Ports ^c	6.9	12.4	27.2	0.3	1.2	1.6	3.3
Total	30.4	0.1	23.0	2.5	4.0	12.7	6.6
Civil aviation and airports							
International civil aviation	11.9	12.9	40.9	6.4	-1.4	8.2	-1.0
Airports	0.7	2.3	40.4	11.0	3.5	—	—
Total	12.6	12.0	40.8	6.6	-0.4	7.6	-0.9
Total international services	43.0	3.6	27.9	3.7	2.6	11.2	4.4
Total output at market prices ^d	100.0	0.6	25.1	9.1	4.2	4.9	2.2

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

^a Revised data.

^b Estimate.

^c Data are for the financial year.

^d Excluding subsidies to bus and shipping companies and the deficit of the railway; including defense stamp duty on bus, railway, and postal services.

was affected *inter alia* by the smaller number of foreign tourists visiting Israel in comparison with 1968 and the much slower growth of domestic tourism (including the administered areas).

Output of the oil and gas pipelines expanded strongly in the year surveyed, while that of postal services and domestic civil aviation moved up at a slower, though still very high rate. All told, these branches recorded an output gain of 21.8 percent in real terms, as against 36.3 percent in 1968.

In international transportation, which is affected by both domestic and foreign developments, the growth rate fell precipitately, from 27.9 percent in 1968 to a mere 3.7 percent. There was a particularly steep drop in the case of shipping revenues—a rise of only 11 percent as against 41.7 percent in 1968.¹ Several factors combined to cause this, the most important being the much more sluggish growth in the volume of import and export cargoes passing through Israel's ports, the decline in the relative importance of the North American routes (due to the dock strike in the U.S. East Coast ports, which lasted almost three months), and the smaller percentage increase in the carrying capacity of the merchant fleet. The capacity of Israeli-owned ships (excluding tankers) expanded by only 10.3 percent; that of bulk carriers, which as a rule operate under charter and ply between foreign ports, rose by as much as 21 percent; general-cargo shipping capacity contracted; while tanker capacity was enlarged appreciably in anticipation of the completion of the new Eilat-Ashkelon petroleum pipeline, which is much bigger than the Eilat-Haifa line.

Civil aviation likewise showed a marked slackening in the rate of growth—6.4 percent as against 40.9 percent in 1968. This is largely ascribable to the much smaller number of tourists visiting Israel in 1969, a development that followed an unprecedented upsurge in 1968, when the number of air arrivals jumped 73.2 percent. During the year reviewed El Al added two new Boeings to its fleet, one of which was specially adapted for cargo and enabled the company to greatly step up the volume of air freight carried to and from Israel. As the supply of air transport services expanded faster than demand, the overall load factor (the ratio of revenue ton-kilometers sold to total available ton-kilometers—passenger and freight) declined.

Prices held relatively steady in 1969, there being a rise of no more than 2.2 percent for the sector as a whole. The bus companies again received a Government subsidy in order to compensate them for mounting operating costs and to avert an increase in fares. In road haulage prices rose at a lower rate than formerly, owing mainly to the larger number of trucks available, the slower growth of demand, and the organizational structure of the branch. The rise in Israeli shipping rates in 1969 is estimated at 7.6 percent,¹ while air

¹ Real output was up only 3.2 percent, as against 21.6 percent in 1968. This is measured by deflating the index of shipping revenues by the estimated rise in prices. The calculation must be treated with reserve, however, since the estimated price change is liable to be biased upward, so that the increase in real output may be understated.

fares edged down by 1 percent, following an increase in 1967 after the devaluation of the Israeli pound. The biggest price decline was in air freight charges.

2. DOMESTIC TRANSPORT AND COMMUNICATIONS

(a) *Road haulage*¹

The trucking industry transports the bulk of the country's domestic freight, and therefore the fluctuations in its output reflect the fluctuations taking place in the rest of the economy, particularly in those branches that are heavy consumers of transportation services. In 1969 trucking accounted for over 57 percent of total output in land transportation.

The year reviewed saw a continuation of the boom in trucking, evident since the Six Day War and ascribable both to rising demand for such services with the upsurge in economic activity in general and in investment in particular and to the growing requirements of the defense establishment. Output growth, however, was somewhat slacker—12 percent as against 21 percent in 1968. During the first quarter of 1969 the curve went up 3 percent over the last quarter of 1968, in the second quarter by 2.1 percent, in the third by 4.7 percent, and in the fourth quarter it turned down, falling 1.2 percent below the third-quarter level.² The more sluggish growth of output for the year as a whole was due to the slower expansion of GNP (11 percent in 1969 as against 15 percent in 1968); the smaller rise (13.3 as against 35 percent in 1968) in industrial freight, which accounts for 41 percent of total ton-km.; and the smaller increase (11.9 as against 28.3 percent) in the haulage of mining and quarried products, which account for a further 33 percent of total ton-km. (in quarried products alone the increase came to nearly 26 percent).³ In addition, the requirements of industrial branches that are heavy users of trucking services likewise grew more slowly in the year reviewed.

The much smaller percentage increase in export cargo volume in 1969 also contributed to the slower expansion of the trucking industry. But in the haulage of farm products, which account for some 18 percent of total ton-km., there was a rise of 5 percent, the same rate as in 1968 (all of the increase was recorded in the second half of the year, output during the first half of 1969 being below that of the corresponding period of 1968).

The growing demand for transportation services from July 1967 onward, along with the expectation that boom condition would persist, led to a big increase in orders for new vehicles (imported and locally assembled alike), both for the

¹ Including rented vehicles and those owned by enterprises and agricultural settlements.

² Data unadjusted for seasonal variations.

³ Phosphates, potash, and cement are hauled mostly by rail. The more standardized the loads and the fewer the destinations, the more the railway constitutes a potential competitor to the trucking industry.

replacement of old vehicles and for expanding the fleet. At the end of 1969 orders for some 1,200 imported and 100 locally assembled vehicles were outstanding. It is estimated that the number of trucks increased by 15.8 percent during 1969; in vehicles of eight or more tons authorized cargo the rise was even greater, amounting to 700–750 net, or 34 percent. During the second half of the year the rate of vehicle additions accelerated, following the lifting in the latter part of 1969 of the restrictions on truck imports¹ (the ban on imports and the limited capacity of the Leyland assembly plant in Ashdod had held back the renewal and expansion of the fleet).

Road haulage rates remained more or less stable in 1969, tariffs averaging a mere 2 percent higher, compared with a 10 percent increase in 1968. In certain individual items the rise was greater: in building and paving materials it came to 3–5 percent; in tanker haulage—9 percent (as of June 1969); citrus—5 percent; and heavy equipment—7 percent (as of September–October 1969). For loads hauled from the ports, those for the Ministry of Commerce and Industry and the Ministry of Defense, and for food, rates remained at their 1968 level. For jobs performed on a tender basis, there were both increases and decreases, while charges for the transport of rubble began to drop toward the end of 1969.

The comparative stability of haulage rates despite the surging demand for transport services is explained by the fact that rates had already been upped considerably in 1968, while in the year under review the expansion of the truck fleet led to stiffer competition among the carriers. In this context it should be pointed out that the branch is so organized that numerous groups of truckers hold concessions on certain categories of freight or areas and operate under pooling agreements; thus it is only natural that rates are adjusted to changed market conditions only after a time-lag and comparatively infrequently.²

Because of the rapid expansion of the fleet, carriers grew more concerned about the future profitability of the branch if the boom were to turn into a slump, and they continued to press for the right to cartelize the branch by controlling entry therein and by fixing minimum and maximum tariffs. The policy adopted by the trucking organizations and the existence of transport agencies has facilitated the entry of new truckers into the branch, since most of the business is divided among the existing groups, and under boom conditions a new carrier can gain a foothold—usually as a subcontractor to one of the large companies, which takes a share of his receipts as commission and terminates the arrangement when

¹ The administrative protection extended to domestically assembled Leyland trucks was replaced by a high rate of fiscal protection—a 70 percent ad valorem duty on light and medium diesel vehicles and a 35 percent duty (but with a minimum of IL 35,000) on heavy vehicles.

² In 1969 operating expenses began to rise owing to the increased cost of garage services, insurance, and labor.

business drops off. The above-mentioned policy is therefore aimed primarily at eliminating the transport agencies.

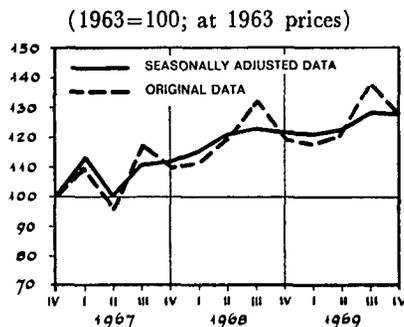
(b) *Buses*¹

Real output of the bus companies rose 6.7 percent in 1969. This was below the 13.9 percent gain recorded in 1968, which had, however, followed two years of declining output. Total revenue for the year came to IL 287.4 million at current prices.

A quarterly analysis of the output data for fixed routes (adjusted for seasonal variations) shows that in the first and second quarters of the year the curve held steady or moved up very slightly, in the third quarter it went up 5.1 percent, and in the fourth it turned downward; in the second half of the year the rise was steeper than in the first half (see Figure XIII-1). The increase for the year as a whole was 4.4 percent, but as this was well below the 18.5 percent rise recorded for special trips and excursions, the share of fixed routes in total output declined from 85 to 83 percent. The 18.5 percent gain in special trips and excursions was far below the 41.9 percent rise of 1968. This, however, was not an unforeseen development, as foreign and local tourism could hardly be expected to match the exceptionally high level attained in 1968, which also witnessed the resumption of large-scale development projects and other investments involving the transport of a much greater number of workers to and from their places of work (some of them between Israel and the administered areas).²

The expansion of the population and economic activity tends to increase the demand for bus services, while the growth of personal incomes and the resulting greater degree of motorization (expressed in terms of the number of private cars per thousand population³) depresses demand. A rise in the number of private

Figure XIII-1
BUS OUTPUT ON FIXED ROUTES,
QUARTERLY, 1967-69



¹ Including East Jerusalem bus companies and the Haifa subway; excluding tourist buses operated other than by the major bus companies (the output of these smaller companies is estimated at about 20 percent of the total output of the branch). Also excluded are the nontransportation operations of the major companies, such as hotels and other tourist facilities.

² The large-scale transport of workers to and from the administered areas and of workers to development and other large projects helped to expand output on irregular lines more than it did on fixed routes, where changes in demand tend to be comparatively slight.

³ In December 1968 there were 38.6 private cars per thousand population, and in December 1969 an estimated 44.8.

vehicles, if unaccompanied by an improvement in the road network, offsets the output growth that could otherwise be expected from the expansion of the bus fleet, as it decreases the average number of journeys each bus is able to make. The growing congestion on the roads is apparently one of the factors slowing down the expansion of output.

The bus fleet grew by 5.4 percent—more than in 1967 and 1968 but less than in 1966. The demand for buses for replacement and expansion was in 1969 met to some extent by the import of nearly 150 vehicles. The commercial speed of buses¹ on urban, suburban, and interurban lines averaged 8.7 percent lower in the year reviewed (6.6 percent in the Tel Aviv area). Nevertheless, the output of the bus companies as a whole grew faster than the number of available bus seats.

Bus fares were not raised in 1969, and in return the companies continued to receive the IL 2 million monthly Government subsidy they had been getting from the end of 1967. The original agreement between the Government and the companies was designed to enable the latter to balance their current budgets during the year December 1967 to December 1968, based on November 1967 input prices, while the agreement for 1969 was based on input prices as of April 1969. Since the bus companies enjoy a monopoly, supervision of their service and control of fares are essential in safeguarding the public interest. Fares are revised, as a rule, in accordance with changes in production costs; a proper measurement of the latter depends on the inclusion of the relevant costs, for otherwise any incentive for the bus companies to improve the efficiency of operations and reduce costs would be stifled.²

(c) *Taxis*³

Output of taxi services rose by 4.5 percent in 1969. The number of taxis in operation increased by about 4 percent on an annual average, and stood at over 3,000 at the end of the year. The growth of output occurred in interurban services; in other categories—special, urban, and suburban services—output did not expand, and in the fourth quarter of the year it even began to fall off.

While in the interurban services the level rose by 17 percent, this category accounts for a comparatively small proportion of total output in this subbranch. To a large extent interurban services are a substitute for travel by private car or bus, and it seems that following an improvement in standards (newer vehicles, more frequent runs, etc.) output grew faster in 1969 than in the previous

¹ The commercial speed of a bus is measured in relation to the distance between the two terminal points, taking into account the time lost at the various passenger stops along the route, delays at traffic lights, traffic jams, etc.

² There is as yet no agreed index on which to base changes in production costs. Also, the companies themselves fix the prices of many of their inputs.

³ Excluding those of tour operators and self-drive rented cars.

year. One of the factors preventing a more rapid expansion of the various urban services, despite rising demand, is the growing road congestion, particularly in the Tel Aviv area. In the year under review, additional factors were the drop in foreign tourism to Israel and the greater number of tourist taxis, which are frequently used for special journeys as well.

Like bus fares, those for taxis remained unchanged in 1969, even though operating expenses went up because of the higher prices paid for spare parts, garage services, and insurance.¹

(d) *Rail transport*

The upward trend in the real output² (passenger and freight) of Israel Railways, which began in 1968, carried over through the year reviewed, although at a slower rate. The total increase came to 10.7 percent:³ in freight traffic revenue at constant prices went up 20.7 percent, while in the passenger branch output (in terms of passenger-kilometrage) fell off 4.9 percent, after a gain of 4 percent⁴ in the previous year.

Table XIII-2
RAILWAY SERVICES, 1967-69

	Million ton-km.	Percent annual increase or decrease (-)	Million passenger-km.	Percent annual increase or decrease (-)
1967	287	-10	337	-8
1968	383 ^a	33 ^a	349 ^a	4 ^a
1969	418	9	332	-5

^a Revised data.

SOURCE: Israel Railways.

Measured in ton-km., freight business increased by only 9.1 percent, as contrasted with a steep 34 percent in 1968. Among the major cargoes, quantitative increases were recorded in cement (33.6 percent), iron and pipes (10.7) phos-

¹ The price of a taxi license traded in the free market ranged in 1969 between IL 50-70,000, depending on the area. However, trade in such licences is very limited, and in most cases entry into the branch is gained by procuring a license from the Ministry of Transport. The tendency of the Ministry to allow controlled entry into the branch by, among other methods, charging for a license led to a drop in the number obtained in the free market in the early part of 1970.

² Measured as revenue in constant price terms.

³ In 1969 there was an increase of 20.4 percent in miscellaneous and external work.

⁴ The number of passengers carried fell by 240,000, or 5.8 percent.

phates (11.4), potash (12.9), and grains (about 4 percent); decreases took place in heavy fuel oil, gas, Bruce boxes, and sugar. In recent years the contracting of freight services to heavy users on a long-term basis has become more widespread. The greater the utilization of the freight cars involved, the more the average price per ton-km. is reduced without any revision of the tariffs. The average price per passenger-km. rose by 3.4 percent, while the overall index of passenger and freight prices fell by 3.7 percent.

Railway revenue (excluding the Gaza Strip and Sinai) increased by a modest 7 percent in 1969 and reached IL 28.4 million.¹ Operating expenses edged up by 1 percent and, together with depreciation and interest (which rose by 12 percent during the year), amounted to IL 42.2 million. As a result, the operating deficit, as shown by the railway's accounts, shrank considerably—to IL 5.4 million—while the total deficit dropped by 5 percent to IL 13.8 million (see Table XIII-2). In 1969 the Government increased its subsidy to the railway by IL 1.3 million to compensate it for keeping fares down. This step, however, lacked economic significance, since the Government owns the railway and has to cover its deficits in any event.

3. DOMESTIC AVIATION, POSTAL SERVICES, AND OIL PIPELINES

(a) *Domestic air services*²

Real output of Arkia Airways continued to move up strongly in 1969, though at a slower rate than in the preceding year—51.9 as against 72.4 percent. The main growth factors in the last two years were the heavier volume of business from the defense establishment and the increase in special tourist flights both in Israel and the administered areas. In 1969 revenue from these services accounted for some 55 percent of the company's total income of IL 17.9 million at current prices, and was 81.8 percent greater than in 1968. Output on regular routes (passenger and freight) rose by a substantial 21.8 percent, though this was less than in 1968.

Passenger revenue moved up slightly, while that from freight fell considerably—both developments the result of changes in the composition of the traffic carried rather than in tariffs.

Arkia flew 279,000 passengers on its regular routes during 1969—a rise of 14 percent, as compared with a 39 percent increase in 1968. This smaller

¹ The increase in freight revenue offset the decline in passenger revenue. Freight revenue amounted to IL 18.4 million, and passenger revenue to IL 7.6 million.

² In the absence of other current information, this survey covers only Arkia Airways. There are several other small domestic aviation companies. Two of them specialize in agricultural spraying and in 1969 had an estimated combined turnover of IL 5-6 million. Another three concerns engage in passenger and freight conveyance, flying instruction, aircraft hire, photography, and advertising; in 1969 they had an estimated aggregate turnover of IL 1.5 million.

expansion is explained by the decline in domestic and foreign tourism, although this was partly offset by the greater use of Arkia's services by residents of Eilat and by those working on development projects in that town and in Sinai.

The company operated six Herald aircraft¹ during the year, but total seat-km. available (excluding charter flights) did not change materially, because aircraft taken out of service for overhauls could not be replaced by chartered planes.

Higher operating expenses in 1969 left the company with a smaller profit than in the previous year—approximately IL 350,000.

(b) *Posts and telecommunications*

Post Office revenue² was, at IL 385.4 million, up 19.5 percent in 1969, about the same rate of increase as in the previous year. However, whereas in 1968 real output³ advanced 36.6 percent while prices fell sharply, in the year reviewed real growth slowed down appreciably and prices held steady. The biggest gain

Table XIII-3
POST OFFICE REVENUE,^a 1967-69
(IL thousand)

	1967	1968	1969	Percent annual increase or decrease (-) in 1969
Telephone services	193,592	231,083	286,801	24.1
Installation fees	16,278	24,796	23,452	-5.4
Other operating revenues	177,314	206,287	263,349	27.7
Other postal services	76,898	91,531	98,631	7.8
Total	270,490	322,614	385,432	19.5

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

SOURCE: Ministry of Posts; Department of Customs and Excise.

¹ One of the aircraft was chartered to another concern, and not all were in continuous operation throughout the year. Two 76-seat Viscount turbo-props were purchased at \$ 204,000 apiece in the latter part of the year and were introduced into service at the beginning of 1970.

² Excluding income of the Post Office Bank and service charges; including collections of the defense stamp duty on postal and telephone services.

³ Real output is defined as revenue in constant-price terms. In the absence of an alternative price index, the index of postal prices is calculated according to the weights assigned the various Post Office services included in the consumer price index. These weights, however, do not correspond to the relative importance of the individual items. A cut in the tariff for overseas services, for example, was not reflected at all in the consumer price index, just as the higher charges for overseas telegraph and telex services were not reflected in it.

was in revenue from telephone services, which rose by 24.1 percent in 1969 (compared with 19.4 percent in the previous year) and accounted for 74.4 percent of total gross income, as against 71.6 percent in 1968. While revenue from this source as a whole was 27.7 percent greater in the year surveyed, that from telephone installation fees declined by 5.4 percent (after expanding by 52.3 percent in 1968, when the cutting of the installation fee from IL 850 to IL 450 resulted in a much larger number of new telephone subscribers). Revenue from other postal services also grew at a slower rate than in 1968—7.8 as against 19.0 percent (see Table XIII-3).

Applications for telephones rose by 4 percent in 1969, after soaring by an unprecedented 119 percent in 1968 because of the reduction of the installation fee. Since applications do not have to be accompanied by payment of the installation fee, and since considerable time usually elapses until the telephone is actually installed, some of the applications that year may have been submitted by persons who had originally intended to do so in the coming years but decided to take advantage of the reduced rate. For this reason it is difficult to assess and explain the development of demand.

The number of installations dropped by 7 percent in 1969, after rising 41 percent in the previous year, while the number of unfilled applications was up 25.9 percent, after rising by only 8.4 percent in 1968. A number of factors contributed to the drop in installations: the policy of improving the quality of the service by reducing the number of stop-gap arrangements for providing speech

Table XIII-4

DEMAND FOR TELEPHONES AND NUMBER INSTALLED, 1967-69

(thousands)

End of period	No. of direct lines connected ^a	No. of phones installed	No. of applications	Applications cancelled ^b	Applications outstanding ^c	Percent annual increase or decrease (-)	
						Installations	Applications
1967	233.1	34.6	28.4	14.6	31.0	-6	8
1968	278.4	48.8	62.3	10.9	33.6	41	119
1969	321.3	45.4	64.6	10.5	42.3	-7	4

NOTE: The data include East Jerusalem but not the administered areas.

^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 paid for.

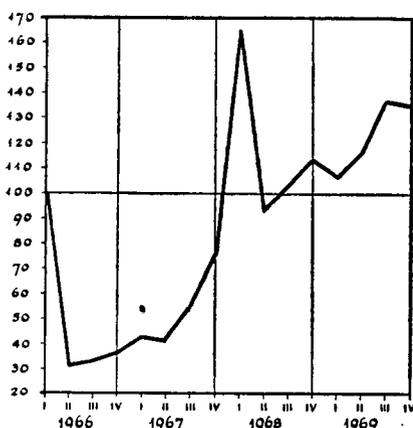
^c Installation orders received by the Engineer, including unfilled applications from previous years and applications received during the current year, less telephones installed during the year and cancellations.

SOURCE: Based on Ministry of Posts data.

Figure XIII-2

INDEX OF APPLICATIONS FOR TELEPHONES, QUARTERLY, 1966-69

(First quarter 1966=100)

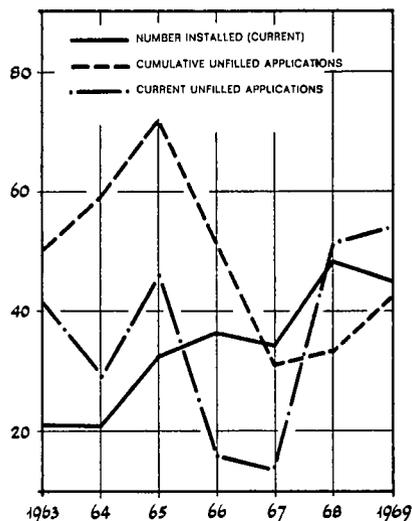


SOURCE: Ministry of Posts.

Figure XIII-3

NUMBER OF TELEPHONES INSTALLED AND UNFILLED APPLICATIONS, 1963-69

(thousands)



SOURCE: Ministry of Posts.

circuits; the overloading of exchanges, especially in the Tel Aviv area,¹ and the growing scarcity of technical manpower.² Telephone services are not only essential, they also earn the Post Office a profit (both absolutely and in comparison with other Post Office services). But underinvestment in the expansion of the service has led to a mounting backlog of unfilled applications and has kept Post Office earnings from rising as much as they might have, given the large unsatisfied demand and the volume of investments already made.

(c) *Petroleum pipelines*

Real output of the pipeline transportation industry³ rose by 31.6 percent in 1969, compared with a 26 percent gain in 1968 and only 4.2 percent in 1967. Total revenue at current prices is estimated at IL 56.7 million, as against IL 43.4 million in 1968. Prices for the transport of crude oil and refined products remained unchanged, so that the real output growth in these products came to

¹ In 1969 the Tel Aviv area accounted for 61.1 percent of all direct lines connected, 64.4 percent of all phones installed, and 73.5 percent of the unfilled applications at year's end.

² Even though the total number of Post Office employees, excluding those working in the administered areas, rose by 6.1 percent over the year.

³ Including the pumping of crude oil from Eilat and the Heletz fields to Haifa for the local and export markets, the transport of refined products, and the piping of gas.

32.5 percent. Although the quantity of crude pumped through the pipeline for export declined by 11 percent, the amount pumped from Eilat to the refinery rose by 38.9 percent. That from the Heletz field, a small source of crude, declined by 13.4 percent,¹ while the volume of refined products piped from the refinery was up by an appreciable 43.1 percent. The quantity of natural gas handled increased by 4.2 percent.²

In 1969 some IL 150 million was invested in the completion of the 42-inch Eilat-Ashkelon oil pipeline. The line, which was put into operation in February 1970, will initially have a capacity of 20 million tons of crude a year, with the possibility of expanding this at a later stage to 65 million tons. It has already become an important factor in Israel's oil economy.

4. INTERNATIONAL TRANSPORT SERVICES³ AND TOURISM

International transportation services experienced a very sluggish expansion in 1969, real output rising by a mere 3.7 percent. It was hardly to be expected that the year reviewed would see a continuation of the exceptionally high growth rates posted in both maritime and air transport in 1968, when the recovery of the economy from the recession was in full swing, stocks were being replenished, defense imports were on a high level, and tourism to Israel in the wake of the Six Day War was on an unprecedented scale. Moreover, such services are sensitive to international marketing and political changes, and these were less favorable in the year reviewed.

The volume of Israel's sea- and airborne commodity imports rose by 12 percent in 1969, as contrasted with 45 percent the year before, while for commodity exports the growth rates were 10 and 24 percent respectively. In the world market, the output of air passenger services expanded by 12 percent,⁴ the same rate as in 1968 but below that attained in 1967; cargo transport volume was up by a record 27 percent. As a result of the levelling-off of passenger business, the airlines found themselves with surplus capacity, and this led to keener competition and price cutting. El Al's performance fell short of the international average owing to the smaller number of tourist arrivals in 1969 as compared with 1968, when there was a big jump in tourism to Israel. Some 409,000 visitors came to the country in the year reviewed—a drop of 5.3 percent (8.4 percent if one-day visits by cruise ships are excluded). The number arriving by air was down 3.7 percent, as compared with a 73.2 percent increase in 1968. The decline began in December 1968 and continued through March 1969. In April the trend reversed itself, and by November the level was back to that of De-

¹ The quality of the crude oil partly determines the quantity pumped to the refinery. A given quantity of refined petroleum products requires more heavy than light crude oil.

² A change in the percentage distribution of types of gas consumers led to a 22 percent drop in the average price of transporting a cubic meter.

³ Shipping, aviation, and sea and air ports.

⁴ According to estimates of the International Civil Aviation Organization (ICAO).

Table XIII-5
ANNUAL CHANGES IN PASSENGER TRAFFIC TO AND FROM ISRAEL, 1966-69
(percentages)

	By sea				By air			By land			Total		
	Arriv-als	Depar-tures	Total	Of which: one-day visits	Arriv-als	Depar-tures	Total	Arriv-als	Depar-tures	Total	Arriv-als	Depar-tures	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	-41.2	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	48.4	52.5	50.4
1969													
Percentage change	-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
Absolute total	52,951	49,269	102,220	23,996	353,109	348,156	701,265	2,914	2811	5,725	408,974	400,236	809,210
Total pas-sengers^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	-10.1
1968	24.9	10.1	17.5	22.9	53.9	46.1	49.9	-92.2	-67.4	-86.9	38.1	37.0	37.5
1969													
Percentage change	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
Absolute total	79,622	69,412	149,034	23,996	536,679	519,513	1,556,192	3,188	3,265	6,453	619,489	592,190	1,211,679

^a Excluding one-day visits by plane.

^b Including immigrants, residents, holders of civil permits, temporary residents, tourists, and plane travellers making one-day visits. The percentage of passengers travelling to and from Israel under the Israeli flag in 1969 was as follows: by sea—55.6; by air—45.5.

SOURCE: Central Bureau of Statistics.

ember 1968, since when it has continued to advance steadily (through the early part of 1970).

The fall in tourism to Israel in 1969 was due to a number of factors: the exceptionally high level achieved in 1968 in the wake of the Six Day War and because of the events marking Israel's 20th Anniversary, which encouraged tourists, especially Jews, to make return visits or to advance the date of their planned visits; the security situation; the attacks on civilian aircraft; and the cancellation of such special events as the Independence Day Parade, which normally attract large numbers of visitors. Seasonal fluctuations

were somewhat more pronounced than in 1968; the peak season (March–September) accounted for 71.3 percent of total tourist traffic, as against 70.9 percent in the previous year.

The downturn affected almost all countries of origin except France, from which 17.1 percent more persons arrived than in 1968 (a large part of them apparently Jews). As a result, France became the second largest source of tourism to Israel—12.1 percent of the total.¹ Nearly 18 percent of the arrivals from that country declared that they came to look into the possibilities of immigrating to Israel, and they accounted for 23.5 percent of the total number of tourists coming for that purpose.² The proportion of visitors from the U.S.A. remained unchanged at 38 percent, although their number declined by 4.8 percent. In 1969 a survey showed that 54.7 percent of the tourists were Jewish. The same survey revealed that the average expenditure per tourist in 1968 was \$ 298, while the figure for Americans alone was \$ 337.

In the country's balance of payments, income from tourism was down 11.9 percent—from \$ 101.7 million in 1969 to \$ 89.6 million. This was a steeper drop than in the number of tourists,³ and is explained by the fact that net dollar earnings from tourism depend on the value-added component of the various tourist services (which ranges from 75–80 percent) and on the foreign currency earnings of El Al and Zim.

¹ There were also increases in the number of tourists from Canada, South Africa, Rumania, Turkey, and Cyprus.

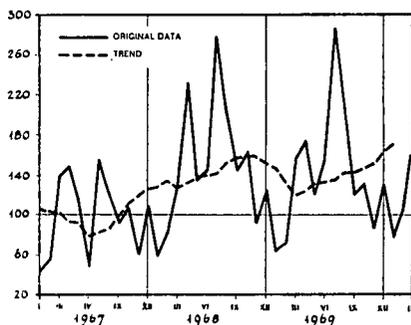
² According to preliminary results of a survey conducted for the Ministry of Tourism.

³ The balance of payments data are based on the amount of currency converted by tourists and by those authorized to receive foreign currency in payment for tourist services. When there is a growing expectation of a devaluation, as in 1969, a lag in converting these receipts may well accompany an increase in their volume.

Figure XIII-4

INDEX OF TOURIST ARRIVALS,
MONTHLY, 1967-69

(average 1967=100)



SOURCE: Central Bureau of Statistics.

In hotel accommodations, the principal tourist service, there was a 9 percent rise in the number of rooms recommended for tourists (December 1969 as against December 1968), bringing the figure up to 14,400, of which 36 percent were in the highest categories—A-1 and A. The occupancy rate (by foreign and local tourists) of recommended rooms moved down from 56 percent in 1968 to 51 percent as a result of both the smaller average number of nights spent in the hotels and the addition of rooms and beds. The most striking feature revealed by the statistics is that the higher the rating of the hotel, the higher is its occupancy rate. As regards the expansion of the tourist industry, great importance attaches to the occupancy figures for Jerusalem and Tel Aviv; in the peak tourist month of July, the average ratio for all grades of tourist-recommended hotels was 88.9 percent in Tel Aviv and 67 percent in Jerusalem (50.4 percent in East Jerusalem).

(a) *Shipping*¹

After expanding by 21.6 percent in 1968, real shipping output² slowed down in the year reviewed, growth amounting to only 3.2 percent. However, total revenue was, at IL 585 million, up 11 percent. It should be noted that the measurement of shipping output is very sensitive to changes in the contractual relations between the various parties (the reference is to the chartering of vessels, whether the shipper or the carrier pays for port services, etc.); hence care has to be exercised when comparing changes in carrying capacity with changes in output and in the product, and also in measuring productivity and utilization rates.

The boom in world shipping continued through 1969, and although tramp freight rates remained comparatively stable and even declined slightly during the period, they remained above the level reached in the first half of 1967. Some rates began to rise toward the end of the year in spite of the weakening of world trade—apparently because of a strong demand for shipping in the Far East. The security and political situation in the Middle East and the strike in U.S. ports also affected international shipping prices. On the supply side, a number of factors limited the expansion of fleets and led to price changes in several branches of the shipping industry: the tight situation in the money markets, the rise in steel prices, and the full employment prevailing in world shipyards. The role of price-leader in shipping is apparently played by the oil transport branch, and, since there is a degree of substitutability between some tankers and bulk carriers, changes in oil tanker rates are reflected by changes in other tariffs.

Liner shipping, where the carriers are generally organized into conferences,

¹ Excluding the operations of Israeli bodies not defined as shipping companies, such as the Citrus Marketing Board and Agrexco, which operate chartered vessels.

² Revenue measured at constant prices; see also note 1 on p. 245.

Table XIII-6
ISRAELI SHIPPING REVENUE, 1967-69

(IL million)

	1967	1968	1969	Percent annual increase or decrease (-)	
				1968	1969
Revenue by ship ownership					
Israeli-owned	312	400	427	28.2	6.8
Chartered	60	127	158	111.7	24.4
Total	372	527	585	41.7	11.0
Revenue by source					
Cargo (incl. fuel)	263	390	435	48.3	11.5
Of which:					
In Israeli-owned ships	204	273	287	33.8	5.1
In chartered ships	59	117	148	98.3	26.5
Passengers	33	23	23	-30.3	—
Charter hire ^a	70	106	119	51.4	12.3
Miscellaneous	6	8	9	33.3	12.5
Of which:					
In Israeli-owned ships	5	5	6	—	20.0
In chartered ships	1	3	3	200.0	—
Total revenue	372	527	585	41.7	11.0

^a Includes chartering by one Israeli company to another.

SOURCE: Central Bureau of Statistics.

is affected to only a minor extent by such changes, and then only after a time-lag.

Israeli shipping prices, taken as an annual average for all categories, rose by an estimated 8 percent in 1969. Prices on the American run were up by 5-10 percent, and those on the European run also moved up. At the same time average revenue per ton in the liner trade increased by 15.5 percent, owing in the main to a change in the cargo mix and in the relative shares of the various lines in total tonnage and revenue, as well as to various surcharges levied because of the security situation and congestion in the ports.¹

¹ Because of the method used for measuring prices, a change in the composition of cargoes affects prices and not output, as it should were the method of measurement more exact.

Table XIII-7

ISRAEL'S MERCHANT FLEET, BY TYPE OF SHIP AND TONNAGE, 1967-69

Type of ship	Number of ships ^a			Tonnage or passenger capacity ^b			Percent annual increase or decrease (-) in carrying capacity ^c			
	1967	1968	1969	1967	1968	1969	1966	1967	1968	1969
Passenger ^d	4	3	4	2,256	1,685	2,227 ^e	-1.3	-11.4	-23.3	-3.3 ^e
General cargo	61	64	56	365,022	376,121	343,286	0.3	7.1	3.6	-8.1
Refrigerated	11	14	13	66,921	104,531	103,612	15.2	23.7	60.4	-0.5
Bulk carriers	17	20	22	554,304	765,656	919,808	22.7	30.1	39.4	21.0
Total, excl. tankers	93	101	95	986,247 ^f	1,246,308 ^f	1,366,706 ^f	11.2 ^f	20.3 ^f	28.5 ^f	10.3 ^f

^a At December 31 of each year.

^b Of passenger ships.

^c 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. In the case of passenger ships, it is the product of the number of berths and the percentage of the period during which the vessel was Israeli-owned.

^d In 1967-68 excluding the Jamaica Queen (formerly Nili), which sailed under the Israeli flag but was not Israeli-owned.

^e Excluding the 132-berth Hey Daroma.

^f Excluding passenger ships.

SOURCE: Bank of Israel calculations.

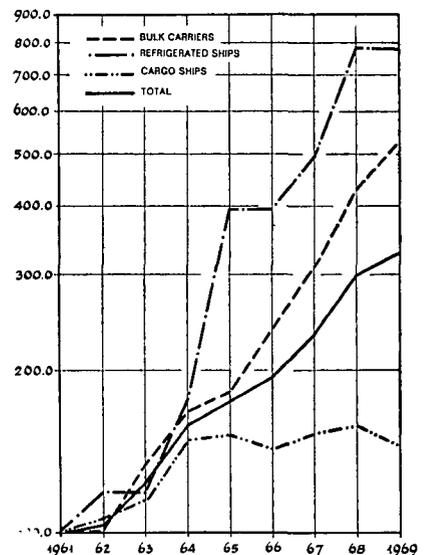
The carrying capacity of the Israeli-owned fleet was enlarged by 10.3 percent in 1969 (excluding tanker and passenger ships). Two bulk carriers were put into service during the year, increasing the total capacity of this category of vessels by 21 percent, while the general-cargo fleet was reduced by eight ships, accounting for 8.1 percent of its carrying capacity. The ships sold by Zim were old, and since the sales were made at a time when the industry was enjoying boom conditions, a satisfactory price was received for them; in most cases Zim chartered the ships back for a medium period.

In the passenger branch, one ship was sold and a second withdrawn from service in March 1970, while the Nili reverted to Israeli ownership. The Government decided to operate the ferry vessels Dan and Nili, which had previously been owned by Somerfine (now defunct) and plied the

Figure XIII-5

INDEX OF CARRYING CAPACITY OF ISRAEL'S MERCHANT FLEET, 1961-69

(1961=100)



Semi-logarithmic scale.

SOURCE: Bank of Israel calculations.

Mediterranean routes.¹ In this context it should be noted that passenger shipping is for many countries an unprofitable business, suffering from the competition of airlines. The carrying capacity of the tanker fleet expanded rapidly in 1969, following the opening of the Eilat-Ashkelon pipeline. Net imports of ships amounted to \$ 10.4 million in the year reviewed.

Cargo volume carried to and from this country continued upward in 1969, but at a much slower pace than before; this of course affected the output of the shipping industry. The volume of imports (excluding fuel) transported in Israeli bottoms in 1969 was 1.1 percent less than in the previous year (as contrasted with the 44 percent increase recorded in 1968). The drop was particularly marked in the first half of the year—12.6 percent—apparently because of the dock strike in the East Coast ports of the U.S. In the second half of the year, however, the trend was reversed, and volume went up 10 percent over the second half of 1968. The decline in cargo imports affected Israeli-owned ships, while chartered shipping showed a big rise in both tonnage and revenue, due primarily to Zim's policy of selling off or chartering old ships. The growth of export cargo business slowed down conspicuously, the increase in tonnage handled being only 15.7 percent as against 58.8 percent in 1968. A greater share of this business too was accounted for by chartered shipping.

While the volume of cargo carried between foreign ports rose by 13.9 percent in 1969 (compared with a decline in 1968, when the upward trend in the volume of cargo carried to and from Israel reasserted itself), revenue was down 2.3 percent (see Table XIII-8 and Table XIII-4 in the appendix—in Hebrew only). All told, cargo volume (excluding fuel) carried in Israeli bottoms was up 7.9 percent, while revenue (including fuel) rose by 11.5 percent (compared with increases of 27.7 and 48.3 percent respectively in 1968).² Income from the transport of fuel was 12 percent higher than in the previous year. A striking development in 1969 was the drop in traffic on the American run, both in absolute terms and relative to total cargo volume in the liner trade. Nevertheless, it yielded a larger revenue, owing to changes in the cargo mix and hikes in freight charges.

On the Mediterranean and European routes both tonnage handled and revenue were considerably greater than in 1968, while revenue per ton averaged more than 18 percent higher. In this connection it should be noted that Zim now enjoys a monopoly of the Mediterranean routes, following the purchase

¹ The vessels will be operated by Zim Passenger Lines, owned jointly by the Government and Zim. Even with the reduction of crews, their operation will entail a IL 3 million annual subsidy, and it has been agreed to lay up the ships in the off-season if necessary. The company started operations on January 1, 1970.

² The proportion of imports carried in Israeli bottoms fell steadily from 57 percent in 1966 to 42.7 percent in 1969. The corresponding figures for exports were 24.3 percent in 1966, 33.8 percent in 1967, 28.5 percent in 1968, and 28.3 percent in 1969.

Table XIII-8
CHANGES IN CARGO REVENUE (INCL. FUEL) AND VOLUME (EXCL. FUEL),
1969 AS AGAINST 1968
 (percentages)

	First half of year		Second half of year		Total	
	Revenue	Volume	Revenue	Volume	Revenue	Volume
Imports						
Israeli-owned shipping	9.4	-30.3	14.1	-1.2	13.6	-15.9
Chartered shipping	43.4	25.1	44.8	30.3	38.8	27.9
Total	19.3	-12.6	23.1	10.0	21.3	-1.1
Exports						
Israeli-owned shipping	-0.6	18.5	27.3	-8.8	15.3	5.0
Chartered shipping	5.4	44.9	35.3	5.3	17.0	22.8
Total	2.4	33.6	31.8	0.1	16.2	15.7
Between foreign ports						
Israeli-owned shipping	-0.9	66.3	-10.8	-30.3	-6.3	14.3
Chartered shipping	-24.7	—	238.1	27.1	14.6	11.3
Total	-8.1	55.8	4.1	-22.0	-2.3	13.9
Total						
Israeli-owned shipping	3.8	10.5	3.9	-12.4	5.0	-1.3
Chartered shipping	9.0	31.9	58.3	16.9	26.5	23.9
Grand total	5.5	18.1	17.6	-1.4	11.4	7.9

NOTE: These data do not include Israeli ships chartered to others or income from charter hire.
 SOURCE: Based on Central Bureau of Statistics data.

or chartering in recent years of the ships operated by other Israeli companies. The growth of receipts from charter hire slowed down in 1969, the figure being only 12.3 percent above that for 1968.¹ The main reason for this was the smaller expansion of carrying capacity of those types of ships usually employed on charter. Israeli shipping revenues and profits were strongly affected by the dockworkers' strike on the Eastern seaboard of the United States, which lasted from December 1968 to the beginning of March 1969 and disrupted sailing schedules, tied up ships in port, etc. Strikes in Italian, British, and Israeli ports also had an adverse effect on the operating results, as did the steep increase in war risk insurance rates.

Zim's profit for the year, including the IL 3 million subsidy to the passenger branch, is estimated at IL 18 million, as against IL 19.8 million in 1968. The company's balance sheet for December 31, 1968 showed equity capital and

¹ Excluding income from the chartering of ships between Israeli companies, the deceleration was even more pronounced.

reserves (not counting an accumulated deficit of IL 8.7 million) of IL 78.1 million, while long-term liabilities (including those to the Government but excluding current maturities) stood at IL 289.5 million.¹

(b) *Ports*²

The year 1969 witnessed a marked slackening in the growth of cargo volume moving through Israel's ports:³ total tonnage (excluding fuel) was a bare 3.4 percent over the 1968 figure, as contrasted with a 33.4 percent gain in 1968 and a 2.5 percent rise in 1967. Real output⁴ of the ports remained unchanged during the year.

The deceleration occurred in both import and export cargoes, the former rising by a mere 4.5 percent as compared with 40.9 percent in 1968. The contrast was even sharper in the offloading of general cargoes, which account for 67 percent of total port revenue: they increased by only 7.1 percent, after a 69.1 percent upsurge in the previous year. The smaller increase in 1969 can be attributed to the extraordinary conditions prevailing in the economy in the previous year, which saw the replenishing of stocks of imported goods, a huge increase in defense imports, and the handling of imports for UNWRA and the administered territories (begun at the end of 1967). Another factor was the large import of iron for the Eilat-Ashkelon oil pipeline in 1968; although in 1969, when the pipeline was completed, smaller quantities were shipped from abroad for this purpose, the import of iron for other needs was up 3.2 percent. Timber imports rose by some 10 percent, and other general-cargo items—excluding those shipped in bags or barrels and consisting chiefly of industrial products and raw materials—increased by 14.2 percent.

Export cargo volume was up only 2.2 percent in 1969, as against 25.6 percent the year before. In general cargoes (principally industrial products) there was a gain of 8.2 percent, and in quarried products one of 7 percent; citrus exports, on the other hand, were down 5 percent.

Port service prices⁵ were 3.3 percent above the 1968 level. This was due to the

¹ In January 1970 Zim's ownership structure underwent a change: 50 percent of its shares were sold to the Israel Corporation, 26 percent were retained by the Government, and the Jewish Agency and Hevrat Ovdim (the Histadrut holding company) each retained 12 percent (Hevrat Ovdim also holds an option to purchase an additional 16 percent of the shares from the Government).

² In the absence of calendar year data, fiscal year data of the Central Bureau of Statistics have been used in this section. The estimate for the year 1969/70 is apparently biased downward.

³ During fiscal 1969/70 there was an increase of 14 percent in nonfuel cargo volume—imports rose by 20 percent and exports by 6 percent.

⁴ Revenue at constant prices.

⁵ In the absence of other data, the Central Bureau of Statistics calculated changes in wharfage fees by comparing the figures for April–December 1969 with those for the corresponding period in 1968.

Table XIII-9

CARGO AND PASSENGER TRAFFIC THROUGH ISRAEL'S PORTS, 1968-69

	Share in port revenue in 1968/69 (%)	1968				1969				Percent increase or decrease (-) in total traffic
		Haifa	Ashdod	Eilat	Total	Haifa	Ashdod	Eilat	Total	
Import cargo ('000 tons)										
Grain (bulk)	11.5	1,195	—	—	1,195	1,185	—	—	1,185	-0.8
Minerals (bulk)	0.6	67	20	12	99	60	17	12	89	-10.1
Chemicals and edible oils (liquid)	0.7	101	3	—	104	133	1	—	134	28.8
General cargo	67.0	1,074	864	71	2,009	1,177	858	116	2,151	7.1
Total import cargo	79.8	2,437	887	83	3,407	2,555	876	128	3,559	4.5
Export cargo ('000 tons)										
Citrus	9.7	549	349	13	911	485	361	19	865	-5.0
Cement	0.3	62	^a	7	69	36	—	3	39	-43.5
Minerals (bulk)	4.5	263	965	150	1,378	261	1,048	165	1,474	7.0
Chemicals and edible oils (liquid)	0.03	19	—	—	19	17	—	2	19	—
General cargo, incl. bulk grain	5.7	295	117	114	526	293	179	97	569	8.2
Total export cargo	20.2	1,188	1,431	284	2,903	1,092	1,588	286	2,966	2.2
Total cargo volume (excl. fuel)	100.0	3,625	2,318	367	6,310	3,647	2,464	414	6,525	3.4
Passenger traffic ('000)										
Incoming		89	—	—	89	77	—	—	77	-13.5
Outgoing		79	—	—	79	67	—	—	67	-15.2
Total		168	—	—	168	144	—	—	144	-14.3

^a Included in general cargo.

SOURCE: Israel Ports Authority.

increase in wharfage fees, which have been fixed at 2 percent of the dutiable value of imports and $\frac{1}{4}$ percent of the value of exports. The Ports Authority continued its policy of encouraging the modernization of cargo handling by reducing handling charges for specialized ships, roll-on-roll-off ships, unitized cargoes,¹ etc., while raising the charges for cargoes which could have been unitized but were not. In spite of these efforts, it is estimated that unitized cargoes accounted for no more than 5 percent of total nonbulk cargo volume in 1969. If Israel's ports are to develop, they must prepare themselves to handle unitized cargoes on a large scale. Their success in this endeavor will determine the types of ships that will continue calling on them, their future profitability, and the schedule of freight rates to and from Israel.

Ashdod's share of total cargo traffic continued to grow during 1969, 24.6 percent of the country's imports and 53.5 percent of its exports moving through this port. Eilat's share also rose (see Table XIII-6). Work disputes and strikes continued to plague the ports and served as an excuse for the imposition of congestion surcharges by the shipping conferences;² they also resulted, directly and indirectly, in losses to the ports, the shipping industry, and the economy as a whole.

(c) *International aviation*

El Al's output³ grew by only 6.4 percent in 1969, as contrasted with 40.9 percent in the previous year. In passenger conveyance there was even a drop of 0.7 percent, but this was more than offset by the strong 54.8 percent increase in freight revenue.

The smaller revenue in the passenger branch was due to a 3.7 percent decline in the number of tourists flying to Israel, following an unprecedented jump of 73.2 percent in 1968, which was apparently a one-time spurt in the wake of the Six Day War. The changing pattern of entry to Israel after the war, with the percentage of tourists arriving by land⁴ diminishing and that by air growing, also left its mark on air passenger traffic, particularly in the second half of 1967 and in 1968.⁵

The number of persons (excluding immigrants and nonpaying passengers) carried by El Al in 1969 was 451,700—a decline of 2.6 percent, as contrasted with an increase of 36.3 percent in 1968. There was a drop of 2.3 percent in the number of the company's passengers to and from Lod (Lydda), and since

¹ Cargoes conveyed in containers, pallets, slings, etc.

² In 1969 the shipping conferences raised the classification of Haifa and Ashdod Ports from grade 2 to grade 1.

³ Revenue at constant prices.

⁴ Via Mandelbaum Gate in Jerusalem.

⁵ The percentage of all passengers (ignoring one-day visits by cruise passengers) entering the country by air was 64.1 in 1966, 91 in 1968, and 91.7 in 1969.

Table XIII-10
OUTPUT AND UTILIZATION OF EL AL AIRCRAFT, 1967-69

	Unit	1967			1968			1969		
		Total	Thereof in chartered planes	Percent annual increase	Total	Thereof in chartered planes	Percent annual increase	Total	Thereof in chartered planes	Percent annual increase
Available seat-km.	'000	2,605,832	29,245	14.7	3,411,584 ^a	586,420 ^a	30.9	3,633,202	307,389	7.4
Revenue passenger-km.	'000	1,606,508	23,863	14.2	2,272,017 ^a	421,100 ^a	41.4	2,223,536	209,465	-2.1
Passenger load factor	%	61.7	81.6		66.6 ^a	71.8		60.7	68.1	
Available ton-km.	'000	304,104	4,476	17.2	396,678 ^a	68,811 ^a	30.4	478,441	50,722	20.6
Revenue ton-km.	'000	193,305	3,287	20.0	259,782 ^a	46,145 ^a	34.4	285,590	29,324	9.9
Ton-km. load factor	%	63.6	73.4		65.5	67.1 ^a		59.7	57.8	

^a Revised figure.

SOURCE: El Al Israel Airlines.

the total number of passengers passing through this airport was up 1.2 percent, El Al's share of the traffic edged down from 46.3 to 45.6 percent. This is explained by the stiffer competition from foreign carriers and the decline in El Al's share of available seat-kilometers on routes via Lod from 39.7 percent in 1968 to 35.1 percent—a steeper decline than in the company's share of total passenger traffic.

On the transatlantic route—the company's main source of revenue—passenger traffic was down 1.7 percent (as compared with a 40.7 percent rise in 1968), owing primarily to the decline in tourism from the U.S.A. to Israel. The only route to post a higher figure in 1969 was that to East and South Africa. Here there was a gain of 4.5 percent, which came on top of a very marked expansion in 1968 following the rerouting of aircraft over the Straits of Tiran and the extension of the service to Nairobi. In 1969, for the second year in succession, El Al succeeded in greatly boosting its first-class business after a vigorous sales campaign. The company's cargo business¹ expanded by 39.2 percent, surpassing the average for the world's airlines as a whole.² This can be credited to the acquisition of a special cargo plane and to the stronger demand for the air-transport of agricultural exports as well as of imports (including goods which could not be shipped by sea because of the U.S. port strike and which were suitable for transportation by air). The high growth rates achieved in recent years in cargo volume were also due to the small quantities handled in previous years, from which levels the gains were measured.

In contrast to 1968, the supply of aviation services outstripped demand; available ton-km. (passenger and freight)³ rose by 20.6 percent, as against 30.4 percent in 1968. El Al's fleet was augmented during the year by two Boeings:⁴ a 707-320-B was delivered in January, and a 707-320-C, specially adapted for freight, was delivered in May. The latter was put into service in September on regular cargo flights to Europe and the U.S.A., and was not used for mixed passenger-cargo business. It was the addition of this plane that explains the strong growth in the volume of freight carried. With the introduction of the new flying equipment, the relative importance of chartered flights fell from 17.3 to 10.6 percent of total available ton-km. Revenue ton-km. (passenger and freight) was up 9.9 percent in 1969, as against 34.4 percent in 1968 (these figures include chartered aircraft). Since supply outpaced demand, the overall load factor on all routes dropped from 65.5 to 59.7 percent, and that

¹ Including passengers' excess baggage.

² The airlines affiliated with ICAO achieved a record 27 percent increase in air freight in 1969.

³ Available ton-kilometrage is a function of the number of planes, their capacity, and the frequency and length of flights.

⁴ This involved an investment of nearly \$ 15 million. At the beginning of 1970 the company acquired a tenth Boeing, at a cost of \$ 8.6 million.

on the transatlantic route from 66.7 to 63.1 percent—still above the average for the other international carriers.¹

The price index of El Al's services edged down by 1 percent in 1969: passenger fares remained practically unchanged, but freight prices declined by about 7 percent, owing chiefly to the cheaper rates charged for agricultural exports carried on the new cargo plane. In the winter of 1969/70 passenger fares from the U.S.A. to Europe and the Middle East² were cut, and this affected some of El Al's prices.

El Al's gross income for 1969/70 is estimated at some IL 280 million. The small percentage increase in revenues and the rise in operating expenses reduced the company's profits in 1969/70 to an estimated IL 3.5 million, as against IL 6.7 million in 1968/69.³ El Al incurred heavy expenses in 1969 in absorbing its new cargo aircraft and in preparing for the absorption of a Boeing 747.⁴ Equity capital, as listed in the balance sheet for March 31, 1969, amounted to IL 89.9 million, and long-term liabilities⁵ to IL 62.9 million.

(d) *Airports*

Israel's airports recorded an output gain of 11 percent after the substantial 40.4 percent increase attained in 1968. Service charges remained unchanged and revenue totalled IL 18.6 million.⁶ The output of passenger services rose by 2.4 percent, as against 51.9 percent in 1968; this steep decline resulted from the smaller volume of traffic handled by Lod during the year. The figures for freight and other services were up 15.2 and 12.2 percent respectively.

In 1969 over one million passengers passed through Lod,⁷ about the same number as in the previous year. The volume of incoming and outgoing freight handled by this airport rose by 28.7 percent, while mail cargo was up 18.2 percent. Income from the sale of concessions, rents, etc. was, at IL 3.2 million, 30 percent higher than in 1968, bringing up its share in total airport income to 21.2 percent.⁸

¹ The average daily utilization of the company's aircraft (expressed in terms of flying hours) also dropped off. This index is a measure of the technical efficiency of operations, but it is not independent of changes in the demand for transportation services.

² The reduction of fares was the outcome of an "open rate situation", resulting from Alitalia's offering lower fares than those approved by the IATA.

³ Expenditure on insurance and on the security of aircraft, passengers, and freight increased in 1969 following the attacks on the company's planes.

⁴ The first aircraft of this type is scheduled to be delivered in November 1971.

⁵ Including Government loans but excluding current maturities.

⁶ Including IL 319,000 from the country's four domestic airports, which was 57.9 percent higher than in 1968.

⁷ Including transit passengers.

⁸ Lod Airport is now run on a strictly commercial basis.