CHAPTER XII

TRANSPORT

THE OUTPUT of the transport sector was 12 per cent higher in 1958 than in 1957, reaching approximately IL.400 million. The increase was reflected in all branches of the sector, with the exception of the railway services.

In 1958 the shipping branch output rose by about 9 per cent, the corresponding increase being 13 per cent in 1957 and 33 per cent in 1956. The declining rate of expansion was due to the slump which began to affect international shipping in the middle of 1957, and resulted in an average annual decrease of 11 per cent in the freight rates of ships plying regular lines.

The output of the air transport branch increased considerably in 1958. "EL-AL" Airlines expanded their operations by more than 68 per cent (as compared with 1957), after introducing their new "Britannia" aircraft into service. The increase occurred in both passenger and freight traffic, which rose by 76 and 44 per cent respectively. The volume of inland passenger traffic remained practically unchanged, as—simultaneously with the opening of the new road to Eilat, which absorbed part of the air traffic—new air routes to the North of the country were established.

The output of the railway sector was 6.5 per cent lower in 1958 than in 1957, despite a 5 per cent increase in passenger traffic, since freights, which have a greater weight in the activity of this branch, decreased by 14 per cent.

The year saw no changes in the output of the ports, which had increased by about 10 per cent in 1957. Indeed, during these two years Israel ports reached their optimum output potential. Since a considerable expansion of exports and imports is anticipated in the near future, the capacity of existing harbours will have to be expanded, and an additional deep-water harbour must be constructed in the South to meet the requirements of the central and southern areas of the country.

In the motor transport branch, the process of replacing old equipment by new continued,—as did the transition to heavy diesel-propelled vehicles, eventually intended to standardize the types of vehicles in the country. Output in this branch increased at a rate similar to that of the preceding year.

No changes occurred in the index of transport prices, as harbour charges and the cost of road haulage and bus services were the same in 1958 as in 1957, while the slight rise in railway and air fares was offset by the decline in shipping tariffs.

Investment in the transport sector[1] totalled IL.93 million in 1958, as against IL.120 million in 1957,[2]—a decrease of 23 per cent. The major contraction—44 per cent—was in investment in aircraft. Investment in ships declined at the rate of 43 per cent, and in ports—at the rate of 19 per cent. On the other hand, investment in aerodromes rose by 30 per cent, and in commercial motor vehicles—by 22 per cent.

TABLE XII-1

Indices of Real Output and of Prices in the Transport Sector, by Branches, 1958

(1957=100)

Branch	*Index of real output*	*Index of prices*	*Weight of branch in total output of the transport sector*[a]
Shipping	109.0	94.9[b]	13.6
Aviation	168.1	104.2[b]	6.3
Railways	93.5	104.3	4.2
Buses	114.9	100.0	21.6
Other road vehicles, mainly trucks	107.7	100.2	48.9
Harbours	100.7	100.0	5.4
All branches	112.3	99.8	100.0

[a] Weighted according to the estimate of added value in the subsidiary branches of the transport sector in 1957, as calculated by the Central Buerau of Statistics.
[b] Including travel tax.

1. SHIPPING

The world-wide shipping slump of 1957 continued in 1958, causing a decline in shipping tariffs and the laying up of a number of ships. Nevertheless, the output of Israel's shipping rose by 9 per cent, as compared with 1957.

At the end of 1958 Israel's merchant fleet comprised 41 ships, with a total deadweight tonnage of 278,000 and a gross registered tonnage of 224,000 tons. Its passenger carrying capacity was 2,869. The average age of the Israel fleet was reduced from 11 years in 1957 to 10.7 years in 1958. This average is relatively low in comparison with the fleets of other countries. It should be noted, however, that vessels aged 20 years and over still constitute 23 per cent of the Israel fleet's total capacity.

[1] Excluding investment in postal services and pipelines.
[2] Revision of figure which appeared in the Bank of Israel Annual Report for 1957.

Table XII–2

The Israel Merchant Fleet, by Type of Ship, Gross Registered Tonnage, and Deadweight Tonnage, 1957–1958

(End of period)

Type of ship	*Number of ships*		*Gross registered tonnage*		*Deadweight tonnage*	
	1957	*1958*	*1957*	*1958*	*1957*	*1958*
Passenger and mixed (cargo and passenger)	6	6	53,745	53,745	27,038	27,038
Cargo	24	31	104,341	135,914	154,641	197,720
Tankers	4	4	34,527	34,527	53,058	53,058
Total	34	41	192,613	224,186	234,737	277,816

Source: Ministry of Transport and Communications, Shipping and Ports Division.

(a) *Freight*

The carrying capacity of the dry fleet rose by approximately 14 per cent during the year under review, increasing from 153,000 tons in 1957 to 206,000 tons in 1958. This increase, calculated by multiplying the increment of dead-weight tonnage by the change in average speed, was due to the combined effect of two counteracting factors: The increase in total dead-weight tonnage, on the one hand, and a slight decrease in average speed, on the other.

In 1958, $12.4 million were invested in the acquisition of 7 cargo ships with a total tonnage of 31,573 gross registered tons or 43,079 deadweight tons. These ships include three coastal trade vessels, two bulk carriers, one fruit carrier, and one refrigerator ship.

Table XII–3

Cargo Carried by Israel Ships, 1956–1958
(thousands of metric tons)

Type of cargo and year	*Cargo carried to and from Israel*	*Cargo carried between foreign ports*	*Total cargo carried*
Dry cargo			
1956	699	350	1,049
1957	732	528	1,260
1958	701	768	1,469
Oil in tankers			
1956	341	21	362
1957	211	123	334
1958	10	351	361[a]

[a] Excluding 465,000 tons of fuel carried from Sukreir to Haifa.
Source: Ministry of Transport and Communications, Shipping and Ports Division.

The volume of cargoes carried during 1958 expanded to 1,469 thousand tons, as compared with 1,260 thousand tons in 1957—i.e., an increase of 16.6 per cent. As in 1957, the amount of freight carried increased more than cargo carrying capacity, owing to the higher load factor in terms of metric tons.

The volume of imports and exports carried by the Israel fleet in 1958 fell by 4 per cent as compared with the previous year. The share of Israel shipping in the carrying of cargoes to and from Israel has been gradually declining since 1956, and this trend continued. Thus, imported fuel was carried to Israel almost exclusively by foreign vessels: Whereas in 1957 Israel tankers carried 12 per cent of the total amount of fuel imported into the country, in 1958 their share declined to 0.6 per cent only. The downward trend in the share of Israel tankers in the transporting of fuel to Israel, which likewise began in 1956, was due to a change in the sources of fuel supply and to the chartering of Israel tankers to foreign companies.

During the last two years, the upward trend in the volume of cargoes carried by Israel vessels between foreign ports continued, while the amount of cargo carried to and from Israel remained relatively stable. In 1958, cargoes carried by Israel ships between foreign ports for the first time exceeded the volume of cargo carried to and from Israel (see Table XII–3). This reflects a tendency to expand the operations of Israel ships to include new and distant markets. Liners as well as tramp ships were affected. The considerable increase

TABLE XII–4

Sea-borne Freight Traffic to and from Israel, by Flags, 1956–1958

(thousands of metric tons)

Flag and year	*Dry cargo*			*Fuel*
	imports	*exports*	*total*	
Israel flag				
1956	439	260	699	341
1957	516	216	732	211
1958	505	196	701	10
All flags				
1956	1,471	699	2,170	1,275
1957 [a]	1,540	862	2,402	1,727
1958	1,648	773	2,421	1,730
Percentage share of Israel flag				
1956	30	37	32	27
1957	34	25	30	12
1958	31	25	29	1

[a] Revised figures.

SOURCE: Ministry of Transport and Communications, Shipping and Ports Division in the tonnage transported between forign ports, despite the world-wide shipping slump, indicates that the expansion of Israel's tramp shipping was an effective move. This expansion was made possible by the newness of the Israel vessels engaged in trade between foreign ports, which enabled them to compete successfully in this sphere, and by the fact that most of the expenditure involved is in foreign currency, no large amounts being required for the local purchase of equipment and supplies.

(b) *Passenger and immigrant traffic*

The expansion programme of the Israel passenger fleet was fully implemented in 1957, no further acquisitions of passenger ships being made in 1958.

TABLE XII–5

Passenger and Immigrant[a] Traffic to and from Israel, by Shipping Lines, 1956–1958

Flag and year	*Passengers*				*Immigrants on Mediterranean lines*[c]
	Mediterranean lines[b]	*North American line*	*Turkish line & others*	*Total*	
Israel ships					
1956	33,900	5,800	—	39,700	45,900
1957	39,400	7,750	—	47,150	56,400
1958	44,570	11,000	—	55,570	9,220
Total					
1956	43,400	5,800	7,400	56,600	47,200
1957	51,750	7,750	4,250	63,750	56,900
1958	61,840	11,000	4,270	77,110	11,060
Percentage share of Israel ships					
1956	78	100	—	70	97
1957	76	100	—	74	99
1958	72	100	—	72	83

[a] Immigrants whose fare was paid by the Jewish Agency. Immigrants who paid their own fare are considered passengers.
[b] Mainly France and Italy.
[c] Including 26,800 immigrants and 1,400 non-immigrant passengers in 1957 as well as 9,500 immigrants and 600 non-immigrant passengers in 1956, who sailed on ships chartered by an Israeli company.
SOURCE: "Zim", Israel Navigation Co. Ltd.

Sea-borne passenger traffic to and from Israel expanded by 21 per cent in 1958, as against an increase of only 12.6 per cent in 1957. However, the share of Israel ships in carrying passengers to and from Israel declined from 76 per cent in 1957 to 72 per cent in 1958, mainly because the proportion of passengers carried by Israel ships on the Mediterranean lines decreased—a trend in evidence since 1956. Although the number of sea-borne passengers increased, the ratio of sea-borne to air-borne passengers continued to fall—as in most countries during the last few years. 83 per cent of all immigrants arriving in the country by sea during 1958 were carried by Israel ships, their absolute number being 9,220, as compared with 56,400 in 1957.

TABLE XII–6

Passenger[a] Traffic to and from Israel, by Type of Transport, 1956–1958

Year	*Sea*	*Air*	*Total*
		absolute numbers	
1956	56,600	81,000	137,600
1957	63,750	95,260	159,010
1958	77,100	133,700	210,800
		percentages	
1956	41	59	100
1957	40	60	100
1958	37	63	100

[a] Excluding immigrants.
SOURCE: Shipping and aviation companies.

(c) *The business situation*

The slump in international shipping, which continued in 1958, is the most severe since the thirties. The index of time-charters fell from an average of 120.2 points in 1957 to 55.5 points in 1958[1]. The world tonnage of idle tramp shipping totalled 6.5 million tons in 1958, or 26 per cent of world deadweight tonnage. Only the most modern ships, operated at low cost, were able to compete at the depressed freight rates prevailing during the year.

The Israel merchant fleet was affected by the slump in that rates were lower. Consequently, profitability and foreign currency receipts declined and some of the older ships had to be withdrawn from service. However, the slump did not affect overall tonnage, which was 17 per cent higher in 1958 than in 1957.

The average freight rates of Israel merchant ships plying regular lines fell by 10 to 11 per cent. An even sharper decrease occurred in the freight rates of tramp vessels sailing between foreign ports. The average of world freight rates fell somewhat more than the rates obtained by Israel ships plying regular lines, since most of the latter were chartered to foreign companies at rates fixed prior to the slump.

[1] According to the index numbers of time-charters, published by the United Kingdom Chamber of Shipping. 1952 average = 100.0.

TABLE XII–7

Receipts and Estimated Added Value in Foreign Exchange of the Israel Merchant Fleet[a]*, 1957–1958*

(thousands of U.S. dollars)

Item	*1957*[b]		*1958*	
Receipts after deduction of taxes		30,642		32,001
Foreign exchange expenditure				
Direct	17,326		18,727	
Indirect	4,065	21,391	4,376	23,103
Added value in foreign currency		9,251		8,898
Expenditure, in thousands of IL.		15,634		16,524
Price of dollar saved (IL.)		1.690		1.857

[a] Including chartered ships.
[b] Revised figures.
SOURCE: Reports supplied by shipping companies.

Despite the young age structure of Israel's cargo fleet, 10 per cent of its total tonnage was laid up. This rate, which is relatively higher than in developed countries, was due to the high percentage of ships 20 or more years old. These ships were the first to be affected by the slump, owing to their high operating costs per ton-mile. At the end of 1958, 5 obsolete vessels, totalling 35,000 deadweight tons, were withdrawn from service. An additional factor affecting the profitability of the Israel fleet is that receipts are calculated according to the official exchange rate of IL.1.800 per U.S. $1, while expenses incurred in Israel are at a rate exceeding IL.2 per $1.

2. INTERNATIONAL CIVIL AVIATION

In 1958, "El-Al" Airlines introduced into service four "Britannia" aircraft, the first operating from December 1957, and the remaining three—by the end of June 1958.

The addition of these new aircraft increased the carrying capacity[1] of "El-Al" by over 90 per cent as compared with 1957, but the load factor rose by only 68 per cent. Consequently, the percentage of exploited carrying capacity declined from 68.3 in 1957 to 60.4 in 1958.

Air-borne passenger traffic to and from Israel expanded by more than 40 per cent in 1958. Nevertheless, and despite its new aircraft, the share of "El-Al" in this traffic rose by only 1 per cent, from 44 per cent in 1957 to 45 per cent in 1958. A similar trend has been in evidence ever since 1955 (see Table

[1] Available Revenue Ton-Miles.

XII–8), due to the fact that passenger traffic in transit through Israel is carried by a large number of aviation companies, which have increased the frequency of their flights and are competing with "El-Al".

TABLE XII–8

Civil Aviation Traffic in Israel[a] (National[b] and Foreign Aircraft), 1956–1958

	Passengers		Freight and mail		Number of
	numbers	percentages	metric tons	percentages	immigrants[c]
Israel aircraft					
1956	33,800	42	720	47	3,446
1957	41,800	44	890	51	4,222
1958	60,506	45	1,212	54	8,056
Total					
1956	81,000	100	1,530	100	3,446
1957	95,260	100	1,730	100	4,222
1958	133,740	100	2,236	100	8,056

[a] Excluding traffic through Haifa airport.
[b] Including aircraft chartered by "El-Al".
[c] For definition of "immigrants" see note [a] to Table XII–5.
SOURCE: Reports of "El-Al" Airlines and the Central Bureau of Statistics.

The acquisition of "Britannia" aircraft enabled "El-Al" to expand its activities. The major expansion took place in transatlantic flights, in which the number of passengers doubled (on the Mediterranean lines the increase totalled 45 per cent). In consequence, "El-Al's" share of the total air traffic over the Atlantic Ocean increased from 0.9 per cent in 1957 to 1.8 per cent in 1958.

"El-Al's" operating costs per ton-mile have been steadily falling since 1955. At the end of 1957 and during the first months of 1958, these costs increased temporarily from IL.1.201 to IL.1.269 per ton-mile, owing to the special expenditure involved in the operating of the "Britannia" aircraft. During the year, however, they fell to IL. 1.081 per ton-mile—i.e., less than before the introduction of the "Britannia" aircraft. Nevertheless, the operating costs of "El-Al" are still higher than the world average of approximately 800 to 900 pruta per ton-mile[1] since "El-Al's" load factor is relatively low and expenditure on supplies, local equipment, etc., is high in Israel.

Before the "Britannia" aircraft were introduced into service, "El-Al" was mainly active on the Israel-Europe line. The limited scope of traffic on this line did not permit the expansion of output, and involved high fixed costs which could not be distributed over a larger amount of passengers and freight. If profitability was to be increased, "El-Al's" activities on the transatlantic

[1] Calculated at the rate of IL. 1.800=U.S. $ 1.

lines had to be expanded. Such an expansion—under existing competitive conditions— was possible only if new types of aircraft were acquired and operated at an adequate load factor. This was the consideration underlying the purchase of the "Britannias", which have a relative advantage as to speed and in being able to effect long-range non-stop flights, as well as a carrying capacity three times larger than that of the "Constellation" aircraft. The acquisition of the "Britannias" was based on the assumption that it would be possible to operate them regularly already in 1958. It was further assumed that no jet aircraft would be used in international civil aviation before 1961, which would have given "El-Al" an advantage for a period of over three years. At the end of 1958, however, it became evident that—contrary to previous forecasts—jet aircraft would be introduced into regular commercial service two years before the scheduled time. Moreover, a six-month delay occurred in the delivery of the "Britannia" aircraft, the changeover thus falling in the peak season, and not in the quiet season as previously planned. Many difficulties ensued with regard to the operating of the aircraft, resulting in delays, frequent changes in schedules, and failure to exploit the new equipment at maximum capacity.

Furthermore, "El-Al" had to cope with other problems, such as slow adaptation to the new equipment, the necessity of adjusting the organizational structure of the company to the expanded scope of its activities, a shortage of trained personnel for the aircraft repair base and a disruption of its spare parts supplies.

So as to permit a gradual adjustment without impairing their standards of service, aviation companies usually replace equipment gradually and do not immediately operate their new aircraft at maximum capacity. The introduction of a new type of aircraft involves difficulties even for larger and more experienced companies than "El-Al", whose problems were rendered more acute by the large scale of the replacement and by the attempt to operate the new equipment immediately at full capacity. Consequently, the operative deficit of "El-Al" increased in 1958, and the price of the saved dollar was higher than in 1957.

The main problem confronting "El-Al" is the high level of fixed costs in relation to the scope of its activities. Its solution depends partly on the company's ability to acquire landing rights at additional major foreign airports. Such a development may contribute to an increase in passenger and freight traffic.

3. Inland Civil Aviation

The number of passengers on inland civil aviation routes increased by only 3 per cent in 1958, while the corresponding increase in 1957 was approximately 183 per cent. The decline in the activities of "Arkia" in the southern part of the country, following the opening of the new road to Eilat, was counterbalanced by the expansion of traffic in the North after the inauguration of new air routes to Haifa and Mahanayim.

"Arkia" owns 4 "Dakota" and 2 "Beechcraft" aeroplanes, with a total passenger carrying capacity of 146. In 1958, these aircraft flew 581,000 miles, 16 per cent more than during the preceding year. However, the introduction of two "Beechcraft" aircraft at a time when passenger traffic increased only slightly, resulted in a reduction of the load factor from 86 per cent in 1956 and 1957 to 75 per cent in 1958.

TABLE XII-9

Inland Civil Aviation Traffic, 1956–1958

Year	*Number of passengers*	*Freight (metric tons)*
1956	23,300	360
1957	66,000	380
1958	68,130	109

SOURCE: Reports of "Arkia" Airways.

In 1958, 14 aircraft—operated by two agricultural aviation companies—"Kimavir" and "Merom"—sprayed, dusted and manured half a million dunams of land, as well as made a considerable contribution in the fight against locusts.

4. ISRAEL RAILWAYS

The real output of the Israel Railways was 6.5 per cent lower in 1958 than in 1957, whereas it had been increasing during 1956 and 1957 at the rate of 30 per cent per annum.

The decline, which began in February 1958 and continued throughout the year, was due mainly to the smaller quantities of crude oil carried by rail from Heletz and Beersheba after the inauguration of the oil pipeline, and to the larger share of motor vehicles in cargo transportation. Railway freights decreased by 14 per cent.

The main cargoes transported by rail were: Grain, citrus fruit, potash phosphates, gravel, and various building materials.

If the comparison is made by financial years, the tonnage carried by rail declined from a peak of 1,838,000 tons in 1957/58 to 1,681,000 tons in 1958/59, i.e., by 9 per cent, whilst during the preceding year there had been an increase of 20 per cent. The number of ton-miles declined even more steeply—by 14 per cent—because the transport of fuel, which had involved a long haul, was terminated. Receipts from freight transport declined from IL.6.2 million in 1957/58 to IL. 5.5 million in 1958/59.

Passenger traffic expanded slightly—by 5 per cent. The average load factor of passenger trains in 1958/59 was 64 per cent, as against 76 per cent in 1957/58.

TABLE XII-10

Railways: Freight and Passenger Traffic, 1596/57–1958/59

Period	Freight		Passengers	
	thousands of metric tons	million ton/kms.	thousands	million passenger/kms.
1956/57	1,534	174.6	4,565	327.3
1957/58	1,838	237.0	4,657	332.7
1958/59[a]	1,681	204.5	4,706	348.3

[a] Including estimates for February and March 1959.
SOURCE: Reports of Israel Railways.

Despite the decline in railway output, total receipts rose by 5.6 per cent, as passenger fares were raised by an average of 16.5 per cent in April 1958; however, the weighted average of passenger and freight tariffs rose by 4.3 per cent.[1]

Since the 5.8 per cent increase in operating costs exceeded the increase in receipts, the current deficit of the railways rose from IL. 301,000 in 1957/58 to IL. 340,000 in 1958/59.

This slight deterioration in the financial position of the Railways, caused by the smaller volume of freight carried, is evident also if depreciation charges and imputed interest at the rate of 6 per cent on investment capital are allowed for (see Table XII-11). The ratio of expenditure (including depreciation charges and imputed interest) to receipts rose from 145.9 per cent in 1957/58 to 148.6 per cent in 1958/59.

The investments in railways are of two types:

(a) Investments in the development of railway lines.

(b) Investments in equipment.

As regards the former, work began on the Beersheba-Dimona railroad and on the initial planning of the line linking Dimona with Oron, where the phosphate mines are situated. The Na'an-Beersheba line was completed, and the Haifa–Tel-Aviv line was extended to Arlosoroff Station.

The process of "dieselizing" locomotives, begun in 1952/53, was duly completed, and reduced operating costs, since expenditure per ton/km steam is IL. 2.750, while expenditure per ton/km diesel is only 973 pruta.

The addition of new passenger waggons as from March 1956 increased

[1] Average weighted by months and receipts from fares and freight.

TABLE XII–11

Railawys: Receipts and Expenditure, 1956/57–1958/59

Period	Receipts	Operating costs	Operating costs plus depreciation charges	Operating costs plus depreciation charges and imputed interest[a]
		thousands of IL.		
1956/57	7,330	8,902	9,866	12,166
1957/58[b]	9,650	9,951	11,281	14,081
1958/59[b]	10,190	10,530	12,124[c]	15,144[c]
		ratio of expenditure to receipts		
1956/57	100.0	121.4	134.6	166.0
1957/58	100.0	103.1	116.9	145.9
1958/59	100.0	103.3	119.0	148.6

[a] Imputed interest on invested capital at the rate of 6 per cent per annum.
[b] Revised figures.
[c] Estimate.
SOURCE: Reports of Israel Railways.

seating capacity by 40 per cent. Freight waggons have likewise been added, including some for special cargoes, such as gravel, fuel, phosphates, etc. Thus, the freight capacity of the railway is now 25 per cent higher than in March 1956. During 1958, a marked improvement occurred in respect of electrical signalling and co-ordination. Electrical signalling equipment was installed along the Tel-Aviv-Haifa track, permitting a larger number of cars on each train, reducing travelling time considerably and improving security.

5. PORTS

The volume of cargoes handled in Haifa Port in 1958 declined by 1 per cent as compared to 1957, totalling approximately 2 million tons. Passenger and immigrant traffic also fell off, amounting to 88,000 persons as against 121,000 in the preceding year. The volume of cargoes handled in the ports of Tel-Aviv and Jaffa, where loading and unloading are effected by lighters, totalled 364,000 tons.

During the past few years, importers and exporters have been showing a marked preference for Haifa over Tel-Aviv and Jaffa, even when the merchandise was destined for the southern part of the country, the main reason being that Haifa's loading and unloading charges are lower. Moreover, in Tel-Aviv and Jaffa, the waiting time is longer, delays are frequently caused by storms, goods suffer damage more often since they are loaded and unloaded in the open sea, and higher insurance rates are charged.

Cargo traffic in the Port of Eilat totalled 59,000 tons in 1958—2 per cent of the total volume of cargoes handled in all Israel ports. Imports via Eilat reached 29,000 tons and exports—30,000 tons. In comparison with 1957, the volume of goods imported through Eilat harbour increased by 31.8 per cent, while exports rose by 57.9 per cent.

TABLE XII-12

Cargo Traffic through Israel Ports, 1957–1958

Port	Loading and unloading (thousand tons)		Percentages					
			import cargoes		export cargoes		all cargoes	
	1957	1958	1957	1958	1957	1958	1957	1958
Haifa	2,021	1,998	81	80	90	87	84	83
Tel Aviv	172	186	11	11	—	—	7	8
Jaffa	168	178	7	7	8	9	7	7
Eilat	41	59	1	2	2	4	2	2
All ports	2,402	2,421	100	100	100	100	100	100

SOURCE: Ministry of Communications, Shipping and Ports Division.

In 1958, 35 ships were loaded and unloaded in Eilat. Investments in the development of this port during the last two years totalled IL. 2 million. Besides the purchase of loading and unloading equipment, the area of the port was expanded and work began on a new pier which will be able to accommodate ships of up to 7,000 tons.

A number of factors impede the development of Eilat harbour: There are storage difficulties with goods sensitive to heat and dryness; the town is situated 240 kms. from the main centre of economic activity in the country and transport facilities to the North are still inadequate; and finally there is little industry and no market of any significance either in Eilat itself or in the Southern Negev.

Cargoes shipped through Eilat consist mostly of heavy goods, such as cement, phosphates and grain. In all these cases, transport charges constitute a major factor in the final price. Hence, great importance is attached to the rationalization of loading and unloading processes, and to shortening waiting time in the harbour, by expanding its capacity of handling larger vessels and erecting special installations for loading bulk shipments.

In 1958, the ports of Israel—with the exception of Eilat—reached their optimum capacity, handling 2,420,000 tons of cargo. Any further expansion in cargo traffic is liable to increase expenditure, by raising shipping charges.

The forecast of passenger traffic, based on an assessment of the general development in the economy, estimates the required capacity of the ports in 1965 at over 4.1 million tons. When all development plans in respect of existing ports have been implemented, they will reach a total capacity of 3.5 million tons. The shortage of 600,000 tons will cause serious delays in the loading and unloading of cargoes and increase port expenditures.

This forecast is based on the assumption that the ports of Tel-Aviv and Jaffa will continue to function at not less than their present capacity, using the same method based on open-sea anchorage and lighters, which raises cargo handling charges by approximately IL. 7 per ton. This fact, and the increasing shortage in port capacity that will manifest itself during the coming years, reinforce the need for an additional deep-water harbour and for limiting the use of both Jaffa and Tel-Aviv.

6. Motor Vehicles

In 1958, the number of motor vehicles rose by 22 per cent. The main increase occurred in the number of private cars, which rose by 27 per cent, as against an increase of 16.4 per cent in the number of trucks and of 15.4 per cent in the number of buses. The number of taxis remained unchanged.

Two trends have characterized the motor branch during the last three years: The shift to Diesel-driven heavy engines—chiefly affecting buses and trucks of 8 tons and over—and the replacement of motor vehicles, aimed at a standardization of models. The shift to Diesel-driven engines was responsible for a 32 per cent increase in the consumption of solar oil for transport purposes in 1958, while the consumption of benzine rose by one per cent only. Most buses and heavy trucks are now propelled by Diesel engines. The trend towards standardization is reflected by the fact that the 1,500 heavy and medium trucks acquired during the last three years were of 8 models only, while the 2,500 light commercial vehicles purchased during this period were mainly of the locally manufactured "Willis" and "Renault" types. Yet, today there are still in Israel motor vehicles of 260 different types, and continued efforts to ensure standardization remain of the highest importance.

Owing to the financial difficulties confronting the owners of private vehicles, the processes of replacement and "dieselization" affected vehicles owned by transport companies and institutions more than private cars.

The level of prices in the road haulage and bus branches remained unchanged in 1958, thus allowing owners of new Diesel-propelled vehicles an adequate rate of profit, while the profitability of the older benzine-driven vehicles declined.

No changes occurred in imports of spare parts, despite their larger local production, owing to the steadily increasing number of cars in the country and to big foreign currency allocations for the import of Diesel engines in connection with the standardization policy.

The major problem confronting the local spare parts industry, which comprises 114 undertakings, is the diversity of models—already referred to—and the limited number of vehicles of each type. This raises production costs and impairs the ability of local manufacturers to compete with big foreign firms producing large quantities of spare parts of each type.

7. Bus Cooperatives

The real output of the bus cooperatives was 15 per cent higher in 1958 than in 1957. This increase was partly due to the growth and geographical dispersion of Israel's population (a trend already in evidence for several years, which has led these companies to expand their operations) and partly to heavier passenger traffic in connection with the Tenth Anniversary celebrations.

The two trends affecting the entire motor vehicle branch—dieselization and standardization—were especially marked in the case of the bus cooperatives. By the end of 1958, most of the obsolete buses had been replaced by new models. In 1955, half Israel's buses were 10 or more years old; in 1958, the corresponding figure was 20 per cent. Only 27 per cent of the buses were driven by benzine at the end of 1958, as against 63 per cent in 1955. With a view to standardizing bus transport, most vehicles acquired were of the "Chausson" and "Leyland" types. These models now represent 80 per cent of the cooperatives' total bus fleet.

There have been no increases in fares since September 1956. Owing to route changes in Tel Aviv, a new simplified tariff system came into effect there in 1958; a certain number of uniform fares was fixed, fares rose on the short urban routes and fell on the longer routes connecting the city centre with the suburbs. This arrangement did not affect the total receipts of the cooperative companies, which remained unchanged.

Government control of bus fares continued in 1958, and the rise in the current expenditures of the cooperatives, caused by the higher general price level, was offset by Government subsidies, the replacement of old equipment, the dieselization of vehicles and the rationalization of working methods—all of which reduced costs.

Subsidies granted to the three bus cooperatives in 1958/59 totalled IL. 4.2 million, or 6.2 per cent of their income—as against IL. 2.9 million in 1957/58.