

## CHAPTER XII

### TRANSPORT

OUTPUT of the transport sector rose to IL. 355 million in 1957 against IL.325 million in 1956, at 1957 prices, an increase of 9–10 per cent. The increase was spread over all branches of transport, and was related to the stepped-up activity of the economy in general.

In 1957, shipping activities rose by about 13 per cent. Owing to the fall in tramp rates, receipts from cargo carried on regular lines between foreign ports declined. However, trading receipts of liners were hardly affected thereby, as these represent but a minor share of their total income. There was no fall in freight rates on regular lines connecting Israel with her trading partners. Value added in foreign exchange rose, but its share within total income fell.

The expanded operations of El-Al Israel National Airlines, which rose by about 8 per cent in 1957, and the 5 per cent increase in the load factor, contributed to a reduction in the company's current deficit. It should be remembered, however, that El-Al succeeded in improving its financial position in 1957, when it was operating only the four Constellation aircraft. Only in December 1957 was the first of the new Bristol-Britannias brought into commercial service.

The railways expanded output by 29 per cent in 1957/58 as compared with 1956/57. Goods traffic accounted for 36 per cent of the increase, while the volume of passenger traffic remained almost unchanged.

In 1957, the new road to Eilat was opened to traffic. This reduced the travel time between Beersheba and Eilat to four and a half hours, as compared with the eight hours previously required on the unpaved road. The shorter travel time and the improved road cut transport costs from Tel Aviv to Eilat by 30 per cent. Excluding the oil carried northwards by pipe line, about half of all imports unloaded at Eilat in 1957 was grain. Cement accounted for 80 per cent of export loadings. Transport costs represent a heavy component of the consumer price for these goods, which are cheap relative to unit costs. Moreover, lower transport costs are an important factor in decreasing the prices of those import and export commodities, originating from or destined for the Asian and African markets. The gradual development of the Eilat harbour, with a view to reduce loading and unloading costs and cut the calling time of ships plying these lines, is yet another factor contributing to the promotion of trade with Asia and Africa.

In 1957, investment in transport reached a peak of IL. 94 million. This in-

cluded IL. 72 million in foreign exchange, of which ships accounted for IL. 40 million and aircraft for IL. 18 million respectively.

TABLE XII-1  
*Index Numbers of Real Output and of Prices in Transport,  
 by Branches, 1957*  
 (1956=100)

<i>Branch</i>	<i>Real output</i>	<i>Prices</i>	<i>Weight of branch in total output of the transport sector<sup>a</sup></i>
Shipping	112.8	112.8	14.5
Aviation	107.8	110.9	5.3
Railways	129.0	108.1	2.2
Autobuses	113.7	105.7	16.9
Other road transport, mainly trucks	106.5	102.3	49.9
Ports	109.7	100.0	11.2
<i>All branches</i>	109.5	104.7	100.0

SOURCE: Bank of Israel.

<sup>a</sup> Weighted by the output of sub-branches prepared by the Central Bureau of Statistics.

## 1. SHIPPING

The expansion programme of the Israel merchant fleet, financed by reparation payments from Germany, continued in 1957. Six more ships—two passenger

TABLE XII-2  
*The Israel Merchant Fleet, by Type of Ship, Gross Registered  
 and Deadweight Tonnages, 1956-1957*

<i>Type of Ship</i>	<i>Number</i>	<i>Gross registered tonnage</i>	<i>Deadweight tonnage</i>
Passenger	4	34,061	11,867
Mixed passenger and cargo	2	19,684	13,440
<i>Total</i>	6	53,745	25,307
General cargo	20	63,148	95,043
Bulk cargo	4	41,247	59,860
Tankers	4	34,527	52,858
<i>Total</i>	28	138,922	207,761
Grand total—end of 1957	34	192,667	233,068
Grand total—end of 1956	30	135,731	174,919

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

and six cargo ships—to the value of \$24 million were delivered. The sale of two freighters brought the gross registered tonnage of the Israel merchant fleet to 193,000 tons or 233,000 deadweight tons; it included at the end of 1957 six passenger ships and 28 freighters and tankers (see Table XII-2).

The addition of new ships and the sale of the old ships, reduced the merchant fleet's average age from about 15 years in 1956 to 11 years in 1957. It thus became one of the most modern fleets in the world.

#### (a) *Freight*

The increase in dry cargo tonnage capacity from an annual average of 142,000 tons deadweight in 1956 to 153,000 tons deadweight in 1957 was matched by an increase in the average speed, rising from 13.8 knots to 14.8 knots. Higher deadweight tonnage and greater speed made for a 15 per cent increase in carrying capacity<sup>1</sup> over that of the previous year. In metric tons the increase in freight carried was even greater—20 per cent. Table XII-3 shows that 1.26 million tons were carried in 1957 against 1.05 million tons in 1956.<sup>2</sup> The reason for the greater increase in freight carried than in carrying capacity was due to differences in the composition of cargoes carried in the two years compared. In 1957, the volume increase in tonnage was due to the carrying of cargo characteristic of the tramp trade, which is relatively heavier than that carried by liners. This increase was responsible for the greater weight in metric tons of cargo carried.

The major increase was in dry cargo carried between foreign ports, which rose from 350,000 and 375,000 tons in 1955 and 1956 respectively to 530,000 tons in 1957. The reason for this increase was that, until the delivery of the tramp ships, Israel liners also carried freight between foreign ports largely in order to complete their regular transport network. After the delivery of the first four ships for the tramp trade in 1957, there was an increase in cargo carried between foreign ports.

The oil deliveries from the USSR were suspended towards the end of 1956. Israel tankers engaged in transporting oil to Israel had to carry supplies over longer distances. This reduced the quantity of fuel carried by Israel tankers in 1957 as compared with the previous year. On the other hand, the m.t. Haifa was chartered to a foreign company: this increased the amount of oil carried by Israel tankers between foreign ports in 1957.

The volume of imports fell somewhat in 1956, in particular at the end of the year when, owing to the Sinai campaign, only a limited number of ships called at Israel ports. In 1957, the volume of imports rose again to the 1955 level (see

<sup>1</sup> The increase in deadweight tonnage multiplied by the increase in the average number of knots.

<sup>2</sup> It is more correct to express the transport capacity of merchant shipping in ton-miles. However, in the absence of such data, the term metric tons carried has been used. The margin of error arising therefrom is limited, as dry cargo lines did not change very much.

Table XII-4). The share of imports carried on ships flying the Israel flag represented 33 per cent in 1957 against 30 per cent in 1956. This was due mainly to larger grain loadings, carried in particular on tramp vessels flying the Israel flag, and not to the increase in the volume of total imports carried by Israel liners.

TABLE XII-3  
*Cargo Carried by Israel Ships, 1955-1957*  
(thousands of metric tons)

<i>Type of cargo and year</i>	<i>From and to Israel</i>	<i>Between foreign ports</i>	<i>Total cargo carried</i>
<i>Dry cargo</i>			
1955	576	375	951
1956	699	350	1,049
1957	732	528	1,260
<i>Oil tankers</i>			
1955	217	30	247
1956	341	21	362
1957	211	123	334

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

In spite of the increase in the volume of exports, which rose by 23 per cent in 1957, exports carried by Israel ships fell to 216,000 metric tons in that year, or 45,000 tons less than in 1956. The main reason was the reduction in citrus carried by ships flying the Israel flag, which declined by 30,000 tons. The suspension of citrus deliveries to the Soviet Union during the 1957/58 season, and the agreements concluded between the Citrus Marketing Board and the shipping companies, were responsible for this decline. Following these agreements, the share of Israel shipping in citrus transported to the United Kingdom fell from 15 per cent (or 465,000 boxes) in 1955/56 to 7 per cent (or 252,000 boxes) in 1956/57.

(b) *Passenger and immigrant traffic*

The delivery of the s.s. Theodor Herzl and of the s.s. Jerusalem, in April and in November 1957, completed the expansion programme of the Israel passenger fleet. The full implementation of this programme renders possible the regular operation of Israel's new ships on her main passenger lines in the Mediterranean and to North America.

Sea-borne passenger traffic to and from Israel rose 12.6 per cent in 1957 against 3.9 per cent in 1956. Even though ships flying the Israel flag carried 74

TABLE XII-4  
*Sea-borne Shipping to and from Israel, by Flags, 1955-1957*  
*(thousands of metric tons)*

<i>Flag and Year</i>	<i>Dry cargo</i>		<i>Total</i>	<i>Liquid Fuel</i>
	<i>Imports</i>	<i>Exports</i>		
Israel flag				
1955	401	175	576	217
1956	439	260	699	341
1957	516	216	732	211
All flags				
1955	1,525	640	2,165	1,458
1956	1,471	699	2,170	1,275
1957	1,558	860	2,418	1,727
Percentage share of Israel flag				
1955	26	27	27	15
1956	30	37	32	27
1957	33	25	30	12

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

per cent of total sea-borne passenger traffic in 1957 against 70 per cent in 1956, their share in the Mediterranean fell from 78 per cent to 76 per cent (see Table XII-5).

This may be due in part to the fact that the s.s. Jerusalem began to ply the Mediterranean line regularly only in October 1957, when its impact on passenger traffic had not yet made itself felt.

Two mixed passenger and cargo ships flying the Israel flag now ply the Israel-America line. The number of passengers carried, including passengers between foreign ports, rose from 6,600 in 1956 to 8,500 in 1957, representing a 29 per cent increase. The number of passengers on this line rose, in spite of the ban imposed on United States citizens to visit Israel following the Sinai campaign in November 1956. The ban was lifted in April 1957.

While it is true that the number of sea-borne passengers to Israel rose 13 per cent in 1957, the share of sea-borne traffic declined in favour of air-borne traffic (see Table XII-6). In 1957, three out of the four new passenger ships were already operating; the Bristol Britannia aircraft will be gradually put into operation in 1958. It would, therefore, seem that the trend towards a slow but continuous fall in the share of sea-borne traffic within total traffic to Israel is likely to continue in the future. An absolute increase in the number of passengers travelling by sea, accompanied by a fall in the proportion of sea-borne traffic, is a characteristic trend of other international transatlantic passenger lines.

TABLE XII-5

*Immigrant<sup>a</sup> and Passenger Sea-borne Traffic to and from Israel  
by Shipping Lines, 1955-1957*

	Passengers			Total	Immigrants on the Mediterranean lines <sup>c</sup>
	Mediterranean lines <sup>b</sup>	North American line	Turkish line & others		
Israel ships <sup>d</sup>					
1955	28,300	4,600	—	32,900	32,400
1956	33,900	5,800	—	39,700	45,900
1957	39,400	7,750	—	47,150	56,400
Other ships					
1955	16,800	—	4,800	21,600	1,700
1956	9,500	—	7,400	16,900	1,300
1957	12,350	—	4,250	16,600	500
Total					
1955	45,100	4,600	4,800	54,500	34,100
1956	43,400	5,800	7,400	56,600	47,200
1957	51,750	7,750	4,250	63,750	56,900
Percentage share of Israel ships					
1955	63	100	—	60	95
1956	78	100	—	70	97
1957	76	100	—	74	99

SOURCE: ZIM Israel Navigation Co. Ltd.

<sup>a</sup> Immigrants whose fare was paid by the Jewish Agency. Immigrants who paid their own fare are included under passengers as they were free to choose the line by which they travelled.

<sup>b</sup> Mainly France and Italy.

<sup>c</sup> Including 1,400 passengers in 1957, 600 in 1956 and 4,000 in 1955, who sailed on ships chartered by an Israel company.

<sup>d</sup> Including 26,800 immigrants in 1957, 9,500 in 1956 and 12,800 in 1955 who sailed on ships chartered by an Israel company.

(c) *The business position and added value in foreign exchange*

A very high level of freight rates for dry cargo prevailed in the tramp market for more than two years. Tramp rates fell during the second half of 1957 to the average level of the end of 1954. The index of time-charters, which began to rise at the end of 1954, was 109.0<sup>1</sup> in 1955. It reached a peak of 216.3 in January 1957, to decline to 111.8 in June of that year and fall to 63.0 by December. The slump in tramp rates affected only in part the level of Israel's shipping receipts, as the Israel merchant fleet is mainly engaged in operating regular passenger and cargo lines whose freight rates are quite stable. In accordance with the decisions of the North Atlantic Conference, freight rates for general cargo on Israel liners rose by 5-10 per cent on the North Atlantic lines.

<sup>1</sup> According to the index numbers of tramp shipping freights (Average 1952=100.0) published by the Chamber of Shipping of the United Kingdom.

TABLE XII-6

*Passenger\* Traffic to and from Israel, by Type of Transport, 1954-1957*

<i>Period</i>	<i>Sea</i>	<i>Air</i>	<i>Total</i>
Numbers			
1954	48,200	64,700	112,900
1955	54,500	77,400	131,900
1956	56,600	81,000	137,600
1957	63,750	95,260	159,010
Percentages			
1954	43	57	100
1955	41	59	100
1956	41	59	100
1957	40	60	100

SOURCE: Shipping and aviation companies.

\* Excluding immigrants.

In 1957, delivery was taken of the first four tramp ships built for the carrying of dry cargoes. However, as these ships had been chartered out in 1955 for three to five years from the date of their operation in 1957 at rates fixed in advance, income from them remained unaffected by the steep fall in rates which took place in 1957.

The total receipts of the Israel merchant fleet rose by \$4.7 million in 1957 and amounted to \$30.6 million in that year. The direct and indirect foreign exchange expenditure, including imputed interest, rose to \$3.9 million. The increase in foreign exchange expenditure was mainly composed of depreciation charges, interest, insurance and fuel, the price of which rose principally during the first half of 1957. Following these changes, the estimated added value rose from \$7.3 million in 1956 to \$8.1 million in 1957. In view of the fact that the expenditure of shipping companies also increased, the price of one dollar saved in 1957 was little higher than in 1956 when it was about IL. 1.800 to the dollar.

Even though, in absolute terms, added value rose by \$800 thousand, its share in income fell from 28 per cent in 1956 to 26 per cent in 1957. This decline was largely the result of the fall in tramp rates, which affected the receipts of liners carrying tramp cargoes as part of their regular trading lines. While in 1956 receipts from this source rose to 15 per cent or over \$2.6 million of the liners' total income, receipts in 1957 from cargo carried between foreign ports fell to \$2.2 million, in spite of the increase in the carrying capacity of the liners.

As tramp rates are subject to very considerable fluctuations, it may be assumed that, once the present slump has passed, liners' receipts from cargoes between foreign ports will rise again.

TABLE XII-7

*The Israel Merchant Fleet: Receipts and Estimated Added Value  
in Foreign Exchange,<sup>a</sup> 1956-1957  
(thousands of U.S. dollars)*

<i>Item</i>	<i>1956<sup>b</sup></i>		<i>1957</i>	
Receipts, excluding taxes	25,917		30,642	
Foreign exchange expenditure				
Direct <sup>c</sup>	14,225		17,157	
Indirect	4,411	18,636	5,351	22,508
Added value in foreign exchange	7,281		8,134	

SOURCE: Reports supplied by shipping companies.

<sup>a</sup> For details as to the method of calculation, see the Annual Report for 1955.

<sup>b</sup> Revised figures.

<sup>c</sup> Foreign exchange expenditure included: (a) Depreciation at historical cost. In 1957, depreciation charges amounted to IL. 2.9 million. (b) Imputed interest at 6 per cent of invested capital which was about \$3 million. In view of the fact that a considerable part of investment capital is furnished through long-term loans, these payments have been deducted from foreign exchange expenditure, in order to avoid double counting of the item "interest" in the calculations of added value.

## 2. INTERNATIONAL CIVIL AVIATION

In 1957, the carrying capacity of El-Al Israel National Airlines increased by 2.3 per cent over the previous year, while the load factor rose by 5 per cent. The higher load factor reduced the Company's deficit on current operations,<sup>1</sup> from IL.3.8 million in 1956 to IL. 2.9 million in 1957. As a result of the improvement in El-Al's financial position, the estimated value added on current operations rose to \$1.9 million, and lowered the cost of the dollar saved to IL. 3.260 (see Table XII-8).

The higher load factor and the consequent improvement in the Company's financial position in 1957 were the result of the increase in passenger air traffic to and from Israel, which rose by 17.6 per cent as against 4.7 per cent in 1956.

The rise in the number of passengers carried by the national airline in 1957 was even greater—23.7 per cent. El-Al's share in passenger traffic was thus raised from 42 per cent in 1956 to 44 per cent in 1957 (see Table XII-9). It should be borne in mind that this increase occurred prior to the entry into service of the Bristol-Britannias, when the Company was operating only their four Constellation aircraft.

In 1957, civil aviation in Israel was geared to the expected delivery of the up-to-date Bristol-Britannia aircraft. However, owing to delays in delivery, the first

<sup>1</sup> If allowance is made for extraordinary income and expenditure, the Company's financial position looks somewhat different, and their deficit is reduced to IL.2.4 million. In 1956, expenditure not related to current operations raised the deficit to IL.4.5 million.

TABLE XII-8

*El-Al Israel Airlines: Receipts and Estimated Added Value  
in Foreign Exchange, 1956-1957*  
(thousands of U.S. dollars)

	1956 <sup>a</sup>	1957
Receipts excluding taxes	8,308	9,802
Foreign exchange expenditure		
Direct	6,858	7,567
Indirect	352	365
Added value in foreign exchange	1,098	1,870
Expenditure thousands of IL.	5,746	6,091
Cost of dollar saved (IL.)	5,233	3,260

SOURCE: El-Al Israel Airlines.

<sup>a</sup> Revised figures.

aircraft of this type did not arrive until September; El-Al began to operate the first Britannia in December 1957, after three months' test flights. Two more Britannias were put into regular service in the early part of 1958, while the fourth will start operations in 1960, thus completing the renewal programme of El-Al's air fleet.

In view of the expected expansion in Israel tourism in 1958—the 10th anniversary festival year—El-Al will continue to operate the four Constellation aircraft, in addition to the three Britannias. The Constellations will be sold later. The operation of a greater number of aircraft at a reasonable load factor will contribute to the reduction in the deficit at which El-Al has been operating so far; largely because it will allow fixed costs to be distributed over a greater volume of passenger and freight traffic.

Prior to the delivery of the Britannia aircraft, El-Al was mainly operating the Israel-Europe route. Out of the 36,000—43,000 passengers carried annually by this company in the last three years, 7,000—8,000 had the United States as their country of origin or destination. The carrying capacity of the four Britannia aircraft is three times larger than that of the four Constellations. Furthermore, the Britannias have the relative advantage of being able to carry out long-range flights. Passenger traffic between Europe and Israel being comparatively limited, El-Al will have to concentrate their operations mainly on transatlantic flights in order to arrive at a reasonable load factor. Of the twelve International Air Transport Association (I.A.T.A.) members operating these routes in 1957, the tenth place in load factor was taken by El-Al. El-Al's load factor was 58.3 per cent in 1957, compared with 67.3—71.2 per cent among the first six companies out of the twelve mentioned. The operation of the four Britannias at the load factor prevailing for these first six airlines will be largely rendered possible if there will

TABLE XII-9

*Civil Aviation Traffic in Israel<sup>a</sup>—National and Foreign Aircraft,  
1955-1957*

	<i>Passengers</i>		<i>Freight and mail</i>		<i>Number of immigrants<sup>c</sup></i>
	<i>Numbers</i>	<i>Percentages</i>	<i>Metric tons</i>	<i>Percentages</i>	
<i>Aircraft operated</i>					
<i>by the national line<sup>b</sup></i>					
1955	31,400	41	708	50	634
1956	33,800	42	720	47	3,446
1957	41,800	44	890	51	4,222
<i>Aircraft operated</i>					
<i>by foreign lines</i>					
1955	46,000	59	708	50	—
1956	47,200	58	810	53	—
1957	53,460	56	840	49	—
<i>Total</i>					
1955	77,400	100	1,416	100	634
1956	81,000	100	1,530	100	3,446
1957	95,260	100	1,730	100	4,222

SOURCE: El-Al Israel Airlines and the Central Bureau of Statistics.

<sup>a</sup> Excluding traffic of Haifa airport. In 1957 traffic at this airport dealt with 850 passengers and handled 74 tons of freight and mail.

<sup>b</sup> Including chartered planes.

<sup>c</sup> For definition of immigrants see note (a) to Table XII-5.

be a higher number of passengers carried by the national airline from Israel and Europe to the United States and return.

In many cases, the operating economics of a national airline are determined by the volume of passenger traffic in transit over a given country. Limited traffic and an under-employed air fleet do not make for reasonable operating economics. In order to protect the passenger market, Governments limit the stopover rights of foreign carriers. The granting of stopover rights is made on the basis of reciprocity. In granting these rights to foreign airlines in Israel, not enough importance is attached to compensation for El-Al. Too great a dispersion of flight rights among a large number of airlines, which cannot provide adequate compensation, is likely to reduce the number of passengers and tourists travelling on the national airline. The same is true for the foreign airlines, whose interests may be affected accordingly when granting stopover rights to El-Al at their own airports. To expand their passenger traffic in general, and the number of Atlantic flights in particular, El-Al is in need of these rights. Passenger traffic in transit through Israel is distributed among numerous airlines; this in itself cannot afford adequate compensation to the national airline, which is anxious to increase its stopover rights in order to expand its traffic with the help of the up-to-date aircraft at its disposal.

The possibility of expanding operations will be largely dependent on the volume and type of stopover rights granted to El-Al at airports situated on the crossroads of air traffic between Europe and the United States.

### 3. INLAND CIVIL AVIATION

The volume of passenger traffic carried by the Arkia Israel Inland Airlines Ltd. on the Lod-Eilat route, continued to expand in 1957. In view of the expected increase in the number of passengers following the accelerated development of Eilat after the Sinai campaign, Arkia increased its air fleet in 1957 from two to four Dakotas. The number of passengers carried rose to 66,000 in 1957 against 23,000 in 1956.

TABLE XII-10  
*Inland Civil Aviation Traffic, 1955-1957*

<i>Year</i>	<i>Passengers Numbers</i>	<i>Freight Metric tons</i>
1955	11,700	350
1956	23,300	360
1957	66,000	380

SOURCE: "Arkia" Airways Co.

The expansion of passenger traffic led to a higher load factor and, as the company's tariffs are based mainly on their level of expenditure, the tariffs were reduced by about 10 per cent at the beginning of June 1957.

The operating economics of Arkia underwent an over-riding change upon the opening of the new road to Eilat. While it is true that quicker bus travel represents a closer substitute to air travel, many passengers still prefer to avail themselves of both services, by going one way by road and the other way by air. It is, therefore, possible that the increasing number of visitors to Eilat will contribute to an increase in the number of Arkia passengers.

### 4. THE ISRAEL RAILWAYS

In 1957, the expansion of the Israel Railways underwent a change. While the increase in freight continued, the rise in the number of passengers came almost to an end. Whereas passenger movements rose by 16.2 per cent and 33.0 per cent in the fiscal years 1955/56 and 1956/57 respectively,<sup>1</sup> in 1957/58 the increase

<sup>1</sup> Unless otherwise stated, calculations of changes in passenger and freight traffic are based on passenger/kms and ton/kms.

was only 1.6 per cent (see Table XII-11). The reasons for this were: (a) In 1956/57, the increase of 33.0 per cent in the number of passengers could be attributed to a certain extent to the fall in autobus operations on lines competing with the railways, which occurred during the strike of the transport cooperatives in August 1956.<sup>1</sup> In 1957/58, bus services operated normally, and a more moderate rise in rail passenger traffic was to be expected. (b) The carrying capacity of the passenger trains did not rise in 1957/58 over that in the previous year. The average load factor, however, rose from 72.2 per cent to 76.4 per cent during this period. The unchanged number of available seats, and the higher load factor, indicate that the railways actually could not carry a greater number of passengers in 1957/58 than in 1956/57.

TABLE XII-11  
*Railways: Freight and Passenger Traffic, 1955/56-1957/58*

<i>Period</i>	<i>Freight</i>		<i>Passengers</i>	
	<i>Thousand metric tons</i>	<i>Million ton/kms.</i>	<i>Thousands</i>	<i>Million passenger/kms</i>
1955/56	1,377	136.7	3,391	246.1
1956/57	1,534	174.6	4,565	327.3
1957/58*	1,838	237.4	4,657	332.6

SOURCE: Israel Railways.

\* Including an estimate for March 1958.

Railway freight rose by 36.0 per cent in 1957/58 against 27.7 per cent in the previous year. The major increase took place in phosphates, potash and crude oil transports carried on the Beersheba line. As long distances and large loads, especially bulk cargoes, constitute the main advantage of rail transport, the profitability of freight cars will increase with the development of the Negev quarries, the products of which will mainly be transported by rail to Haifa.

In 1957/58, plans were prepared for the laying of a 36 kms. railway line connecting Beersheba and Demona; the estimated cost is IL. 5.8 million. To reach the Oron phosphate mines, this line will have to be extended by a further 28 kms. This extension will permit on the spot loading of phosphate into railway wagons, instead of transporting it by road to the Beersheba railway station loading installations.

The increase in freight traffic was the main cause in the further reduction in the railways deficit. Freight receipts rose by IL. 2.2 million in 1957/58. Higher tariffs, raised in June 1957 by an average of 17 per cent, were responsible for

<sup>1</sup> The mobilization of road transport during the Sinai campaign did not contribute to an increase in the number of railway passengers carried in 1956/57 in view of the fact that, during this period, the total number of road and rail passengers fell by one-third.

TABLE XII-12

*Railways: Receipts and Expenditure, 1955/56-1956/57*

<i>Period</i>	<i>Receipts</i>	<i>Operating costs (variable costs)</i>	<i>Operating costs plus depreciation charges</i>	<i>Operating costs plus depreciation charges and imputed interest<sup>a</sup></i>
	<i>Thousands of IL.</i>			
1955/56	5,418	7,350	7,896	9,796
1956/57	7,330	8,806	9,770	12,070
1957/58 <sup>b</sup>	9,770	10,056	11,386	14,186
	<i>Ratio of expenditure to receipts—indices</i>			
1955/56	100.0	135.7	145.7	180.8
1956/57	100.0	120.1	133.3	164.7
1957/58 <sup>b</sup>	100.0	102.9	116.5	145.2

SOURCE: Israel Railways.

<sup>a</sup> Imputed interest at 6 per cent on invested capital.

<sup>b</sup> Including an estimate for March 1958.

part of this increase—IL. 700 thousand. The remaining increase of IL. 1.5 million was due to the larger volume of freight carried. The total receipts from both passenger and freight traffic rose by IL. 2.4 million during this period. Current expenditure (excluding depreciation charges and imputed interest) rose by IL. 1.25 million. These increases permitted the Israel Railways to cover, for the first time since they started operating, almost all their current expenditure. The financial position has also improved, even if allowance is made for depreciation charges and imputed interest at 6 per cent on investment capital (see Table XII-12). The ratio of expenditure (including depreciation charges) to receipts fell from 133.3 per cent in 1956/57 to 116.6 per cent in 1957/58.

## 5. PASSENGER TRANSPORT COOPERATIVES

In 1957, the autobus transport cooperatives expanded their operations by 14 per cent against the previous year. This increase can be partly explained by the reduced activity in 1956, when the cooperatives went on strike in August.<sup>1</sup> Bus services also expanded owing to the increase in population and its geographical decentralisation. The carrying capacity of the bus fleet owned by the cooperatives rose 28 per cent in 1957, when 158 new vehicles to the value of about IL. 5 million were received. The size of the fleet was thus increased to 1,870 buses.

<sup>1</sup> "Eshed", mainly an inter-urban service, and "Dan", the Tel Aviv urban bus service, went on strike for two weeks. "Hamekasher", the Jerusalem urban bus service was operating normally and did not join the strike.

Following the strike of the bus cooperatives in August 1956, the Government approved an average tariff increase of about 8.5 per cent for both the urban and inter-urban services. In addition, the Government, anxious to avoid further claims for higher tariffs, undertook to cover the deficits likely to arise out of increased input costs, such as fuel oil, tyres and spare parts, but excluding wages paid to members. The expenditure considered for subsidy payments included depreciation charges at replacement cost and not at book-value. Reserves for depreciation were transferred to a blocked account. This prevented the cooperatives from granting loans or distributing bonuses to their members out of these funds as had happened in the past. These reserves, however, proved inadequate to cover in 1957 the purchase of new vehicles required for the maintenance and expansion of the public transport services. The cooperatives were consequently granted credit for this purpose, either directly by the Government or with a Government recommendation and guarantee.

For the purpose of subsidies the Government recognized only that part of the deficit arising out of wage increases approved by the Government. The increases paid to members of the cooperatives over and above the authorized wage rates were not taken into account.

In order to maintain the normal running of the bus services, a subsidy of IL. 2 million was paid to the three cooperatives in the fiscal year 1956/57. Consequently, no tariff disputes arose in 1957.

Apart from the increase in the prices of oil fuel, tyres and spare parts, etc., wage payments made to members, exceeding those prevailing in the economy, also represent a factor in the deficit.

By mid-1957, a member of the "Eshed" cooperative<sup>1</sup> earned an average of IL. 670 a month, including overtime pay, social benefits and other allowances, as compared with IL. 400 earned by a hired driver (see Table XII-13).

The wage level of cooperative members is not based on their basic pay, seniority allowance and family allowance, but rather on the supplements accruing to members—such as social benefits, overtime pay and the "dividend." However, when comparing the wages of cooperative members and of hired drivers, it should be borne in mind that had a hired driver worked for the same number of years as a cooperative member, his basic pay graded according to skill, his seniority allowance, as well as his family allowance would have exceeded the usual wage rate paid to drivers hired by the cooperatives. On the other hand, the hours worked are 175 a month for a cooperative member, compared with 200 for a hired driver. Cooperative members are, therefore, credited with more overtime than hired drivers, although the number of hours worked—normal plus overtime—is the same for both. Table XII-13 shows the wages paid to a hired driver, adjusted in the light of these considerations. A comparison of wages paid

<sup>1</sup> There is only a minor difference in the wages paid by the "Dan" and "Eshed" cooperatives. Wages paid by the "Hamekasher" cooperative are somewhat lower.

to a member and of adjusted wages paid to a hired driver shows that, other things being equal—hours worked, seniority, skill and family allowances—the difference amounts to IL. 240 a month.

TABLE XII-13  
Average Monthly Salaries of Co-operative Members ("Eshed") and of  
Hired Drivers, mid-1957  
(IL.)

Salary component	Actual average monthly salary		Computed salary of a hired driver to compare with member's salary <sup>a</sup>
	Co-operative member	Hired driver	
Basic pay plus family, seniority and cost-of-living allowances and "Dividend" <sup>b</sup>	372	263	286
13th salary	31	14 <sup>c</sup>	24
Social benefits	85	52	64
Food and clothing allowance	41	4	4
Overtime	142	70	53
<i>Total monthly salary</i> <sup>~</sup>	671	403	431

<sup>a</sup> Computed on the basis of an equal number of hours worked, seniority, family status and skill.

<sup>b</sup> "Dividend" is paid only to members. In the transport co-operatives, there is a group of senior hired drivers who have not become members owing to age limits and health considerations. In accordance with a decision of the Histadrut, hired drivers belonging to this group are paid compensation in lieu of "dividend". In 1957, the monthly amount of such compensation payments was IL.40. The payment of this compensation has been decided upon in recent years and is confined to a limited group of 200 employees (as against 3,000 other hired drivers and 3,300 co-operative members). Newly hired drivers do not enjoy these payments and, therefore, they have not been included in the figure for the computed salary of a hired driver shown in the last column of this table.

<sup>c</sup> Part of the hired drivers is paid on the basis of 1/12 of the annual salary, and part gets 1/24th of this amount. Consequently, the average amount of the 13th salary is not equal to 1/12th of the annual salary of IL.263.—

One of the reasons for these wage differences is the "dividend" or return on capital paid to cooperative members. This "dividend" is calculated at a fixed rate of 20 per cent of basic pay, seniority, family and cost of living allowances. Payments for overtime and social benefits are calculated at a specified percentage of basic pay, seniority, family and cost of living allowances, as well as on the return on capital. The return on capital is thus linked to wages; it is not calculated as interest or dividends proportionate to invested capital. Hence if one wage component rises—basic pay or overtime or social benefits—the return on capital rises irrespective of the value of the investment or the productivity of the enterprise. Actually the difference of IL. 240 between the monthly wages paid to a

cooperative member and to a hired driver with identical wage components, represents the return on the capital invested in the enterprise by a cooperative member.

At 1957 prices, the members' capital invested in the "Eshed" cooperative amounted to IL. 21 million. At an annual rate of 10 per cent, the return should be IL. 2.1 million. In 1957, the average number of cooperative members was 2,100. The annual return on capital, based on a difference of IL. 240, amounted to IL. 6.0 million or 29 per cent of the capital at current prices. This cooperative paid out, therefore, about IL. 4.0 million more than warranted by a 10 per cent return on capital.

It has already been pointed out that subsidies paid in 1956/57 by the Government to passenger transport cooperatives amounted to about IL. 2 million. In accordance with the present agreement between the cooperatives and the Government, the financial position of the cooperatives in 1957/58, even though accounts have not yet been closed, will also call for the payment of a subsidy. This subsidy will be paid to an enterprise which, as has been the case for the "Eshed" cooperative outlined above, paid to its investors, at current prices, a 29 per cent dividend on the capital invested.