

CHAPTER XIV

TRANSPORTATION AND COMMUNICATIONS

1. MAIN DEVELOPMENTS

AFTER HOLDING steady in 1966–67, the output of the transportation and communications sector advanced 25 percent in 1968. Both the domestic and international transport branches contributed to the higher figure.

Total revenue at current prices amounted to IL 2,235 million in 1968, while prices rose by 5 percent. The sector's contribution to the gross national product also increased in 1968, amounting to an estimated 9 percent.

Gross investment in this sector soared 49 percent in the year reviewed,¹ compared with a drop of 14 percent in 1967. This rate was above the average for the economy as a whole. The capital stock also expanded considerably—by 12 percent in real terms, this too above the average for the entire economy. Most of the incremental investment was in vehicles, ships and aircraft, and the 42-inch Eilat-Ashkelon oil pipeline. There were also substantial outlays on roads, postal services, and ports.

Gainful employment in the sector was up about 8 percent during the year.² The curve rose in every quarter, except the third, when it turned downward, apparently because this was an off-season as far as citrus shipments are concerned.

As regards land transport, the boom that started in the second half of 1967 continued throughout the year reviewed. The growth of industrial production and the revival of investment (particularly in construction) strongly influenced this branch, which is inherently very sensitive to fluctuations in the level of economic activity. Other factors affecting output were the growing demand on the part of the defense establishment (and the lengthening of the routes) and the expansion of domestic tourist traffic. Whereas in 1966–67 the output of this branch fell by 4 percent on an annual average, the year reviewed saw a 19 percent increase.

A quarterly analysis shows that the conveyance of both passengers and freight advanced during the first half of the year, and particularly in the first quarter, while in the second half output tended to stabilize (in passenger conveyance it even fell off owing to seasonal factors). The expansion of freight

¹ See Chapter V, "Domestic Investment", for further details on investments.

² 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 XIV-1

**CHANGES IN REAL OUTPUT AND PRICES OF THE TRANSPORTATION AND
COMMUNICATIONS SECTOR, BY BRANCH, 1966-68**

(percentages)

	Share in revenue in 1966	Increase or decrease (-) as against previous year					
		Output			Prices		
		1966	1967	1968 ^a	1966	1967	1968 ^a
Domestic services							
Land transport							
Buses and subway	14.7	-2 ^a	-5	14	11 ^a	3	1
Taxis	5.7	-10	-4	14	15	2	—
Trucks	21.6	-5	-1	23	-10	7	10
Railway							
Goods and passengers	1.4	-8	-7	19	12	2	—
Sundry	0.2	16	-41	11	12	2	—
Total	43.6	-5	-3	19	—	5	6
Other							
Oil and gas pipelines	1.7	15 ^b	4 ^b	27	3	-3 ^b	17
Domestic air service	0.4	2	26 ^b	73	5 ^b	1	-1
Posts and telecommunications	15.0	2	3	37	37	7	-13
Total	17.1	4 ^b	4	37	32	6	-10
Total domestic services	60.7	-3 ^b	-1	24	7	5	1
International services							
Shipping and ports							
Shipping	22.5	5	-3 ^b	22	-1	5	17
Ports ^c	6.4	-3	12 ^b	16	5	1	2
Total	28.9	3	—	20	—	4	13
Civil aviation and airports							
International civil aviation	9.6	10	13	41	-2	-1	8
Airports	0.8	6	2	40	20	4	—
Total	10.4	9	12	41	-1	-1	8
Total international services	39.3	5	4	26	—	3	11
Total output at market prices ^d	100.0	—	1	25	4	4	5

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

^a Preliminary estimate.

^b Revised data.

^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.

transport outpaced that of passenger volume, and the trucking industry passed from a state of idle capacity to excess demand.

During the year reviewed the oil pipelines, postal services, and domestic civil aviation also experienced a vigorous output growth—37 percent as against an average of 3–4 percent in 1966–67.

In international transportation, changes in output are connected with changes in the level of domestic economic activity and in international trade. In 1968 these factors exerted an upward effect on output. In the shipping industry, the figure was up 22 percent, after falling by 3 percent in 1967; the better performance in the year reviewed was due chiefly to the larger volume of cargo carried to and from Israel, and to a lesser extent to the flourishing world trade and the continued closure of the Suez Canal. Carrying capacity was enlarged by 21 percent, with refrigerator ships and bulk carriers being added to the fleet (these operate mainly between foreign ports—some of them on a charter basis).

Civil aviation led the entire sector in output growth, the figure for El Al Israel Airlines soaring 41 percent, as compared with a 13 percent gain in the previous year. This stands out all the more in the light of the more sluggish expansion of world air-passenger business, and is attributable to the 48.4 percent jump in tourist arrivals during the year and the even more rapid increase in the number of tourists coming by air.

Transportation and communication prices rose 5 percent in 1968. Most of the increase was in the road haulage branch (due to the growth of demand and the failure to adjust supply accordingly) and in international transportation (due chiefly to the devaluation of November 1967). Telephone installation fees, on the other hand, were reduced. Bus fares remained unchanged (as did taxi fares, which the linked to them). The bus companies again received a Government subsidy in order to compensate them for rising operating costs and thereby avert an increase in fares. It must be stressed that most prices in this sector are determined by the Government or the international market, and only in a few cases are they determined by local market forces, and even then often after some time-lag.

2. DOMESTIC TRANSPORT AND COMMUNICATIONS

Domestic transportation and communication services—land transport, domestic airlines, postal services, and oil and gas pipelines—accounted during the year reviewed for 57.5 percent of the sector's total revenue at current prices, as compared with 60–61 percent in 1966–67. Real output of such services expanded at a similar rate to that of international services, but their prices hardly rose (though relative price changes did take place within the branch), whereas the prices of international services went up (in terms of Israeli pounds), mainly because of the 1967 devaluation.

Real output of domestic services advanced 24 percent, after declining by 1 percent in 1967 and 3 percent in 1966. The growth encompassed all sub-branches, but was particularly evident in road haulage and postal services, whereas in bus transportation the rise was comparatively slight. This was in continuation of the trend observed in the second half of 1967, when the upsurge of economic activity resulted in a heavier demand for domestic transport services. These changes in output during the year can be gauged from the figures on fuel consumption—the figure for gasoline went up 18.5 percent and that for diesel oil by 21.3 percent.

(a) *Road haulage*¹

The trucking industry transports the bulk of the country's freight, and therefore the fluctuations in its output reflect the fluctuations taking place in the rest of the economy. Output in 1968 was up 23 percent, continuing the recovery that began to manifest itself after the Six Day War—a recovery resulting from the surging requirements of the defense establishment and the general economic boom. The first quarter of 1968 showed an increase of some 7 percent over the last quarter of 1967; in the second quarter the figure climbed by a further 14 percent, but during the second half of the year it more or less tapered off.

Industrial freight (including gas) rose by 22.5 percent, bringing up its share in total ton-km. hauled to 41.1 percent. Agricultural freight, which accounted in 1968 for 17.6 percent of total ton-km., was up only 5 percent.

In industry, the biggest increases were recorded in branches producing building materials, which are heavy users of transport services. Haulage of minerals soared 34.6 percent, bringing up its share in the total to 32.8 percent. Rises were particularly strong in stone products, gravel, quarried products, sand, and limestone. Other items showing above-average increases were wood products, metal goods, machinery, and pipes. These rises were due to the revival of investment in the economy, such as the new Eilat-Ashkelon oil pipeline, which employs considerable transportation equipment. Other factors contributing to the expanded output of the branch were the steep rise in import and export cargoes, and the much larger number of passengers carried by truck (which accounted for 3.5 percent of total ton-km.), whether on excursions or to and from places of work on development projects, or simply due to a lengthening of routes. It should be noted that in 1968 the heavy demand on the part of the defense establishment made itself felt, but evidently not to the same extent—relative to the other demands for road haulage services—as during the second half of 1967.

The steadily mounting demand for road haulage services (which, however, was not uniform for all types of freight) eliminated the underemployment of

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

vehicles that had existed in 1966 and part of 1967. During the year reviewed there was a net addition of more than 500 diesel trucks to the civilian fleet; however, this failed to satisfy the greatly increased demand, and consequently the market suffered from excess demand. It was not until February 1968 that the administrative protection granted to the Leyland plant in Ashdod was replaced by fiscal protection, and undoubtedly not all of the orders that were subsequently placed for imported vehicles were filled by the end of the year.

The greater demand—and to a lesser degree to relative inelasticity of supply, which failed to immediately adjust to the changing demand—pushed up prices steeply, this representing to some extent a continuation of the trend which started in the second half of 1967. On an annual average, the level was up 10 percent, but the individual growth rates diverged widely. The tariff for hauling farm produce rose relatively little, while that for fuel did not rise at all. In contrast to this, there was an increase of some 40 percent in the rates for dump trucks, used for hauling rubble and building materials as well as loads for the defense establishment.

Another factor contributing to the higher tariffs was the reduction of the permitted rate of overloading—from 25 to 20 percent for regular trucks and from 35 to 30 percent for dump trucks; this depressed the available transport capacity in the short run. The bulkier the products carried are in relation to their weight, the less the effect of this restriction is felt; and given the boom conditions enjoyed by the branch, it was not difficult to pass the added cost on to the customer. The manner in which the branch is organized, whereby numerous groups hold concessions on certain categories of freight or areas, also has a bearing on rates. It should be noted that in measuring changes in haulage rates it is difficult to distinguish between changes in the service rendered and changes in the price charged for those services. Whereas during a slump additional services, such as portorage, demurrage, etc., are included in the tariff, in times of buoyant activity the operators generally charge for these extras.

During the year reviewed operating expenses went up as a result of the higher cost of locally-produced spare parts, labor, and garage services. While it is difficult to accurately measure this increase, it is estimated at about 5 percent.

The boom attracted new truckers, strengthening the demand of the existing carriers for the organization of the branch with the aim of controlling entry therein.

(b) *Buses*¹

Real output of the bus companies was up 13.9 percent in 1968, after dropping in 1967 and 1966 by 5 and 2 percent respectively. Total revenue for the year

¹ Including East Jerusalem bus companies and the Haifa subway; excluding tour buses operated other than by the major bus companies. Also excluded are the nontransportation operations of the major bus companies, such as hotels and other tourist facilities.

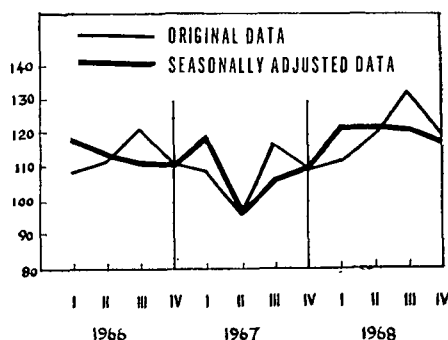
came to IL 268.9 million at current prices. However, owing to the relatively greater increase recorded by the other branches, the share of the bus companies in total revenue from land transport edged down from 32 percent in 1967 to 30 percent.

Output during the first quarter of 1968 was 3.3 percent over the last quarter of 1967, while during the second and third quarters there were increases of 7 and 7.5 percent respectively (as compared with the preceding quarter). The fourth quarter, however, saw a decline of 3.9 percent.

On fixed routes, which in 1968 accounted for about 87 percent of total revenue at constant prices and 84 percent at current prices, output expanded by 11 percent on an annual average. On irregular lines (special trips and excursions), the increase was even more pronounced, reaching 40.4 percent.¹ This is ascribable to the much larger volume of tourism (both foreign and local) and the renewal of 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).

Bus fares edged up by less than 1 percent in 1968, while prices for special trips and excursions rose by an estimated 3.5 percent on an annual average, owing to changes in the types of trips offered. The bus companies continued to receive a monthly subsidy of IL 2 million to compensate them for higher operating expenses without raising fares. Under an agreement with the Government, the latter undertook to help finance investment in garages (in which it would have a 25 percent ownership) to a total of IL 12 million. At the same time, the bus companies undertook to bring their current expenditure and income into balance by the end of the year by streamlining operations and cutting outlays. Preliminary estimates indicate that the companies' deficits (after subsidies) shrank considerably in 1968, amounting to only 2-4 percent of revenue, as compared with 16-18 percent in the previous year. This was the result of an appreciable growth of revenue, accompanied by a much more modest rise in expenses. It should be noted that, apart from labor, the bus companies have no control over the prices of many of their inputs, such as fuel, spare parts, and the buses themselves; furthermore, there is no free import of buses. The year 1968 saw increases in all these items. Moreover, in accordance

Diagram XIV-1
BUS OUTPUT ON FIXED ROUTES,
QUARTERLY, 1966-68
(1963=100; at 1963 prices)



¹ 1968 data are provisional.

with a Histadrut decision, the pay of hired workers was raised 8.5 percent, not counting the increase due to wage drift. Payrolls account for some 60 percent of total operating costs, so that economizing on manpower and increasing output per worker are important factors in paring costs. During the year reviewed some of the companies introduced a system of norms and premium payments for drivers and garage workers in order to save on labor.

The number of available bus seats (including East Jerusalem) averaged 3.8 percent higher during the year, compared with 3.3 percent in 1967 and 7.1 percent in 1966. The limited assembly of buses by the Leyland plant in Ashdod prevented a greater increase.

The growing use of private cars, taxis, and the railway has depressed bus revenues on the one hand, and, by increasing congestion on the roads, has reduced the average commercial speed¹ of the buses and thus increased operating expenses on the other. The latter influence is in turn offset to some extent by improvements to the road network. At the same time, in view of the constant number of buses, the passenger travelling by private car enjoys greater comfort than his fellow bus-traveller. In 1968 the average commercial speed of buses on urban routes rose by 0.5 percent (a big increase in Haifa was largely offset by decreases in the other cities), while on suburban routes the average speed fell by 10.2 percent, and on interurban routes it rose by an appreciable 14.2 percent.²

(c) *Taxis*³

Real output of taxi services rose by 14 percent in 1968, after falling by some 4 percent in the previous year. This continued the trend which began in the second half of 1967. Growth was most marked during the first half of 1968, as compared with the corresponding period of 1967, when output dipped sharply as a result of the recession.

Output increased in all categories (special services, taxis plying urban and suburban routes on weekdays, Saturdays, and holidays, and interurban services), though at divergent rates. The most striking increase took place in the weekday interurban service (which accounts for 12 percent of total revenue).

Taxi fares, like bus fares, remained unchanged during the year, even though input prices rose.

At the end of 1968 there were 2,837 taxis in operation (including part of the East Jerusalem taxi fleet); this was a somewhat higher figure than in the

¹ A bus' commercial speed is measured in relation to the distance between the two terminal points and taking into account the time lost at the various passenger stops along the route, as well as for traffic lights, traffic jams, etc.

² Thanks particularly to the widening of stretches of the Tel Aviv-Jerusalem and Tel Aviv-Haifa highways.

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

previous year, when the number of taxis was virtually static. Thousands of applications for taxi licenses were still being dealt with by the Ministry of Transport at the end of 1968. The resumption of boom conditions in the branch, together with the lowering in 1967 of customs duties on imported vehicles, permitted the renewal of much of the existing fleet and speeded up the process of dieselization (over 400 vehicles during the year).¹

Because of the manner in which the branch is organized, precise information on operating costs is not available, and consequently it is difficult to measure changes in profitability. However, the price of a taxi license traded in the free market serves as a rough yardstick. The price of such licenses has risen precipitately since the Six Day War, averaging over IL 50,000 and in Jerusalem amounting to as much as IL 70,000. Those entering the branch via the free market have to invest over IL 100,000 for the taxi, license, and the right to join an existing taxi rank.

(d) *Rail transport*

The downward trend in the real output of Israel Railways, which started in 1965, was arrested in 1968, revenue at constant prices (freight and passenger traffic)² rising by 19.2 percent. Freight revenue was up 24.5 percent, and passenger-kilometrage by 10 percent (the number of passengers rose by 67,000).

Table XIV-2
RAILWAY SERVICES, 1966-68

	Ton-km.		Passenger-km.	
	Million	Percent increase or decrease (-) as against previous year	Million	Percent increase or decrease (-) as against previous year
1966	318	-1	368	-7
1967	290	-10	337	-8
1968	384	32	371	10

SOURCE: Israel Railways.

Measured in ton-km., freight transport increased by 32.2 percent. The transport of citrus by rail was virtually discontinued, but there were especially strong

¹ In 1967/68, 914 applications were submitted for taxi import permits, compared with 675 in 1968/69 (up to February 1969).

² In 1968 there was an increase of 11 percent in "miscellaneous and external work". However, revenue from the operation of rail services in the Gaza Strip and Sinai fell off.

risers in grain, cement, iron and ferrous products, heavy fuel oil, phosphates, and potash (in 1967 the last two items declined steeply owing to the war).

Railway revenue (excluding the Gaza Strip and Northern Sinai) rose by 19 percent in 1968 to reach IL 26.4 million, while operating expenses were up 12 percent to IL 33.5 million. The current operating deficit thus fell by 6 percent, but the accumulated deficit still edged up 1 percent to IL 14.6 million.¹ It has already been pointed out in previous Annual Reports that this bookkeeping deficit has little economic significance, since passenger fares and charges for certain types of freight are fixed by the Government. The latter is not necessarily guided by commercial considerations, but uses the railway to subsidize the transport of certain commodities and to provide competition to the road haulage branch. The special reductions granted to such groups of passengers as members of the armed forces, students, etc. are higher than those granted by other means of public transport. Heavy losses were also incurred from the acquisition of specialized equipment for handling freights which subsequently, and through no fault of the railway itself, were no longer hauled by rail (citrus, to take one example). The railway is therefore turning increasingly to the system of long-term contracting of freight services, and orders special equipment only in accordance with such contracts, and charges appropriate rates.

Work continued during the year on the laying of the Dimona-Oron and Dimona-Mamshit lines. These are scheduled to be completed in 1970 and will be used for the conveyance of phosphates. Work likewise continued on the renewal of the Haifa-Tel Aviv track.

3. DOMESTIC AVIATION, POSTAL SERVICES, AND OIL PIPELINES

(a) *Domestic air services*

Output of this branch rose steeply in 1968—by 72.9 percent, compared with 26.2 percent in 1967 and 1.7 percent in 1966. The increase was due primarily to the heavier volume of business handled by Arkia Airways on its special tourist flights and those for the defense establishment, both in Israel and in the administered areas. Output on special routes soared 145.5 percent, and that on regular routes (passenger and freight) by 34.0 percent (revenue from special flights, at current prices, accounted for 45 percent of total revenue in 1968).

The number of passengers flown by Arkia on its scheduled service went up 39 percent during the year, after remaining virtually stable in 1967. On the Eilat route (Arkia's principal route), the heavier traffic was due overwhelmingly to the growth of tourism (both foreign and domestic), and only to a minor extent to a rise in the number of Eilat residents using the service.

¹ See Table XIV-2 in the appendix.

Arkia's fleet in 1968 consisted of five Herald aircraft¹ (only four were actually operational at any one time, owing to the timing of the purchases and the overhauling of existing planes). The increase in available passenger-km. failed to keep pace with the growth of demand, with the result that the company's planes were more heavily utilized.²

Prices were down 1 percent in 1968, while revenue at current prices exceeded IL 12 million. Arkia's profit for the year is estimated at IL 400,000, which was achieved despite a 10 percent increase in operating expenses and the special discount granted to residents of Eilat.³

(b) *Posts and telecommunications*

Post Office revenue⁴ rose in 1968 by 19 percent to IL 322.6 million, as against IL 270.5 million in the previous year. The growth rate was almost double that recorded in 1967.

Output (defined as revenue in constant-price terms) increased at a much

Table XIV-3
POST OFFICE REVENUE,^a 1966-68
(IL thousand)

	1966	1967	1968	Percent increase or decrease (-) in 1968 as against 1967
Telephones	175,641	193,592	231,083	19.4
Installation charges	25,954	16,278	24,796	52.3
Telephone services	149,687	177,314	206,287	16.3
Other postal services	68,655	76,898	91,531	19.0
Total	244,296	270,490	322,614	19.3

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

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

¹ During the year Arkia sold its smaller and slower Dakota aircraft and purchased two Heralds at a cost of approximately \$ 2 million. Another plane was chartered toward the end of the year.

² The passenger load factor rose from 77.9 percent in 1967 to 78.5 percent, which is almost the maximum rate attainable.

³ The discounts amounted to 30 percent of the fare and totalled approximately IL 500,000 for the year.

⁴ Excluding income of the Post Office Bank and service charges; including collections of the defense stamp duty on postal and telephone services.

higher rate—36.6 percent compared with 3 percent in 1967—since prices fell by a substantial 12.7 percent during the year.¹ The price decline resulted from the reduction of the telephone installation fee from IL 850 to IL 450, with effect from December 1967,² and a comparatively small reduction in international telephone call rates following the inauguration of the Tel Aviv-Marseilles' submarine cable in November 1968. The growth of revenue from postal services accelerated, while in the case of telegrams and telephone service it slowed down; these developments are mainly explained by the high revenue from these services in 1967 owing to the war and the preceding period of tension and mobilization. Income from telephone installations, on the other hand, went up by a steep 52.3 percent, after dropping by 37.3 percent in 1967. It therefore turns out that 72 percent of the incremental Post Office revenue in 1968 stemmed from the telephone service, which in recent years has accounted for almost 72 percent of total Post Office revenue.

Diagram XIV-2
INDEX OF APPLICATIONS FOR
TELEPHONES, QUARTERLY,
1965-68

(First quarter 1965=100)

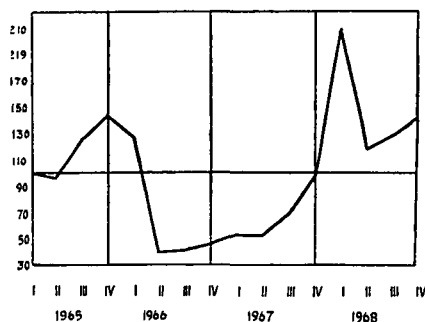
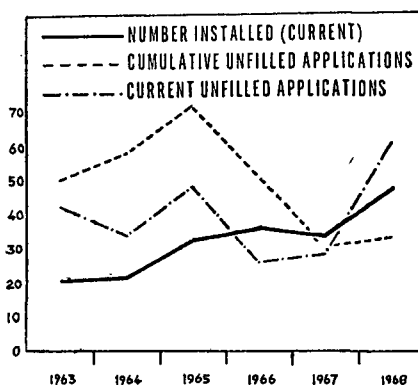


Diagram XIV-3
NUMBER OF TELEPHONES
INSTALLED AND UNFILLED
APPLICATIONS, 1963-68

(thousands)



Following a decline in the number of applications for telephones in 1966 and 1967, the figure soared in the year reviewed by 119.4 percent to reach 62,300. These fluctuations can be ascribed primarily to the revision of installation fees, and to a lesser extent to changes in incomes and the level of economic activity. The 41 percent rise in the number of telephones installed in 1968 fell short of the number of applications, with the result that the cumulative backlog reached

¹ Calculated according to the weights assigned the various Post Office services included in the consumer price index. If these services were weighted according to their share in total Post Office revenue, the price decline would be less pronounced.

² With the refunding of the difference to subscribers who had paid the higher fee, there was actually no reduction in the charge (ignoring interest on this difference), but we have regarded as the relevant price that which affected the subscriber's behavior.

33,600. However, the unsatisfied demand in 1968 was lower than during the years 1963-66.

Table XIV-4
DEMAND FOR TELEPHONES AND NUMBER INSTALLED, 1966-68
(thousands)

End of period	No. of direct lines connected ^a	No. of phones installed	No. of applications	Applications cancelled ^b	Applications outstanding ^c	Percent increase or decrease (-) as against previous year	
						Installations	Applications
1966	197.5	36.9	26.4	10.4	51.8	12	-46
1967 ^d	233.1	34.6	28.4	14.6	31.0	-6	8
1968 ^d	278.4	48.8	62.3	10.9	33.6	41	119

^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 unfulfilled applications from previous years and applications received during the current year, less telephones installed during the year and cancellations.

^d Includes East Jerusalem as from 1967; does not include the administered areas.

SOURCE: Based on Ministry of Posts data.

(c) *Petroleum pipelines*

The country's petroleum pipelines derive their revenue from the transport of crude oil from Eilat and the Heletz fields to Haifa, the transport of refined petroleum products (gasoline, kerosene, and heavy fuel oil) from Haifa, and the piping of gas.

The real output of the petroleum pipelines increased by 27 percent in 1968, as compared with only 4 percent in the previous year. Prices went up by 17.0 percent, mainly because of the higher rates charged for the transport of crude oil from Haifa to Eilat after the devaluation and the growing importance of the Haifa-Ashdod line, which charges a higher tariff.

Total throughput rose strongly in 1968, owing in large measure to the Sinai oil. The quantity of crude oil pumped through the pipeline for export was up 17.3 percent, compared with a rise of 6.5 percent in 1967, while in the case of crude oil destined for local consumption the rise came to 37.3 percent (1.8 percent in 1967); the quantity transported from Heletz was down 14 percent from the previous year. There was a 28.6 percent increase in refined petroleum products and a 27 percent increase in the quantity of gas. Total

revenue of the pipeline transportation industry is estimated at some IL 43 million, as against IL 29 million in 1967.

Work got under way during the year on the new 42-inch Eilat-Ashkelon pipeline. Hundreds of workers and large quantities of equipment were employed on the project, and the fixed investment during the year amounted to IL 70–80 million. The pipeline is expected to be operational by the second half of 1969.

4. INTERNATIONAL TRANSPORT SERVICES¹ AND TOURISM

As in previous years, international transportation services were affected both by the level of domestic economic activity and by developments in the international market. Output of the branch advanced 25.9 percent during the year, compared with 3.6 percent in 1967.

The international shipping boom which developed during the second half of 1967 carried over through 1968, while the price rise that marked the adjustment of international shipping to the closure of the Suez Canal moderated somewhat. Demand for shipping in connection with the Vietnam war continued to be strong, and to this was added the much larger demand for maritime services as a result of the growth of world commerce. Israel's shipping revenue, which had been hit by the economic slowdown, rose in 1968—thanks primarily to the much larger volume of freight carried to and from the country. There was also a larger income from services between foreign ports, both in freight transport and in chartering. The additional shipping capacity acquired in 1968 was diverted primarily to this branch, and since most of it was chartered to foreign companies (because of the type of vessels), Israeli companies had to rely more heavily on shipping chartered from others in order to cope with the stronger demand.

Output of air passenger services in the world market, on both international and domestic routes, expanded more slowly in 1968: member-countries of the International Civil Aviation Organization (ICAO) posted a 12 percent gain in the number of passengers and one of 13 percent in passenger-km., as against 17 and 19 percent respectively in 1967. The deceleration is explained by the world political situation (such as the events that took place in France), the hijacking of aircraft, and the economic restrictions that were imposed, or were due to be imposed, on tourist travel. As regards air freight, the increase recorded by the ICAO countries was the highest ever—19 percent. El Al performed even better than this, showing a 41.6 percent gain in passenger-km. (three times the 1967 rate). This stemmed from a rise in tourist movement to Israel and the larger proportion travelling by air. The heavier demand was accompanied by an increase in available ton-km. (particularly of chartered equipment), and by a

¹ Shipping, aviation, and sea and air ports.

higher level of efficiency in the company's commercial and technical operations. At the same time, El Al's share of incoming passengers fell, while that of the foreign carriers rose.

Tourism to Israel expanded strongly in 1968. The number of visitors reached almost 432,000, representing an increase of 48.4 percent over 1967 and 32 percent over 1966. Nearly 71 percent of the tourists came during the season, which lasts from March to September, while in the peak month of July the number topped 67,000—16 percent of the annual total. In February, the weakest month of all, the figure fell to 4 percent of the total.

The upswing in tourist traffic began in July 1967, immediately following the Six Day War, which enhanced Israel's tourist potential. The trend continued upward during the first eleven months of 1968, but in December it turned slightly downward and continued in that direction at an even more pronounced rate during the first two months of 1969.

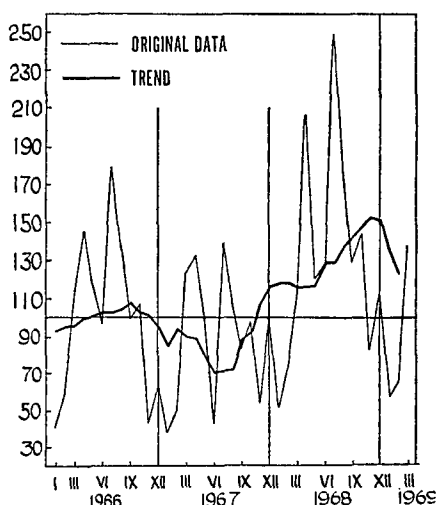
There were also changes in the mode of transport used by tourists to reach Israel. With the elimination of the overland entry-point (except for those passing from Arab countries to Israel via the administered areas), the proportion of arrivals by air jumped to 90 percent (an increase of 73.2 percent over 1967), while the number coming by sea was up 28.5 percent.

The proportion of tourists from North America rose to 42.5 percent of the total, as against 36.7 percent in 1967 and 35.8 percent in 1966. The number coming from the U.S.A. was 72.7 percent higher than in 1967 (when the figure fell 5.4 percent). The heavier tourist traffic from the U.S.A. is particularly important, since the average American tourist spends more money in Israel than do the others.¹ The number of visitors from South Africa, who are also comparatively heavy spenders, likewise rose appreciably—by more than 35 percent.

The growing share of North Americans was accompanied by a decline in that

Diagram XIV-4
INDEX OF TOURIST ARRIVALS,
1966-68

(average 1966=100.0)



SOURCE: Central Bureau of Statistics.

¹ According to Ministry of Tourism data for the year 1967/68, the average American tourist spent \$ 324 in Israel, compared with \$ 212 by the average European tourist. The figures for Jewish tourists were somewhat higher—\$ 387 and \$ 281 respectively.

Table XIV-5
CHANGES IN PASSENGER TRAFFIC TO AND FROM ISRAEL, 1965-68
 (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													
1965	26.8	28.3	27.6	66.2	15.7	14.0	14.8	12.5	4.7	11.0	17.8	17.6	17.8
1966	-3.4	-4.3	-3.9	4.6	13.9	20.3	17.4	21.3	13.0	19.6	10.7	12.3	11.5
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
Percentage change													
Absolute numbers	63,027	58,667	121,694	27,692	366,524	364,008	730,532	2,415	2,704	5,119	431,966	425,379	857,345
Total pas- sengers^b													
1965	-0.8	14.7	6.2	66.2	14.4	17.2	15.9	9.5	-2.7	6.5	8.9	15.5	12.0
1966	-11.9	-2.2	-7.1	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
Percentage change													
Absolute numbers	92,134	81,678	173,812	27,692	525,956	517,219	1,043,175	2,457	2,798	5,255	620,547	601,695	1,222,242

^a Excluding one-day visits by plane.

^b Including immigrants, residents, holders of civil permits, temporary residents, tourists, and one-day visitors by plane. The proportion of passengers travelling to and from Israel under the Israeli flag was as follows:

By sea: 1965-68—32.3, 30.6, 36.9, and 38.4 percent respectively.

By air: 1965-68—52.0, 47.2, 51.5, and 46.6 percent respectively.

SOURCE: Central Bureau of Statistics.

of Europeans—45.0 percent in 1968 as against 49.7 percent in 1967 and 52.8 percent in 1966. The total number from Europe rose 36.3 percent, with particularly large increases being recorded for Scandinavia—76 percent¹ (57 percent on charter flights) and for the U.K.—67 percent.

According to Ministry of Tourism data, a change took place between 1966/67 and 1967/68 in the breakdown of tourists by religion. The proportion of Jews rose from 44 to 53 percent, while the proportion of Christians fell from 45 to 38 percent, and that of others religions from 11 to 9 percent.

Income from tourism is a function, among other things, of the tourist's length of stay and his use of various tourist services in the country. The modal length of stay was, as in 1967, 10–19 days, while the average declined from 29 days in 1967 to 26 (due, most likely, to the preponderance of tourists from the U.S.A., who stay for a shorter period). The estimated average expenditure per tourist, excluding one-day visitors, was \$ 221 in 1968, as against \$ 178 in 1967. Total income from tourism in 1968 is estimated at \$ 95.6 million, compared with \$ 51.8 million in 1967 and \$ 58.8 million in 1966. It should be noted that net foreign currency earnings from tourism depend on the percentage of value added in the various tourist services. This is among the highest in the entire economy, standing at over 75 percent, and is in addition to the earnings deriving from the use of El Al's and Zim's services.

(a) *Shipping*²

Real shipping output was up nearly 22 percent in 1968, following a decline of 3 percent in 1967 and a sluggish rise in 1966. The boom in world shipping which began to manifest itself in the second half of 1967 continued in the year reviewed; international shipping meanwhile adjusted to the closure of the Suez Canal by rerouting ships, with the result that the rise of prices slackened. The expansion of Israel's merchant marine was stepped up in 1968. Four of the most modern refrigerator ships and three large bulk carriers were added to the fleet during the year, together with five old freighters, which have proved to be more profitable than new ships on certain routes.

The value of new and old ships acquired from other countries in 1968 was \$ 42.3 million, while the sale of old ships was comparatively insignificant, amounting to only \$ 3.3 million. Following the sale of the *Shalom* at the end of 1967, the passenger ship *Jerusalem* (renamed the *Miami*) was disposed of. This vessel had previously been chartered to a foreign line and was not employed on the Israel run. Israel's passenger fleet today numbers only three ships.

¹ In 1967 tourist traffic from Scandinavia fell off 15.5 percent; the 1968 figure was thus 48.8 percent higher than in 1966.

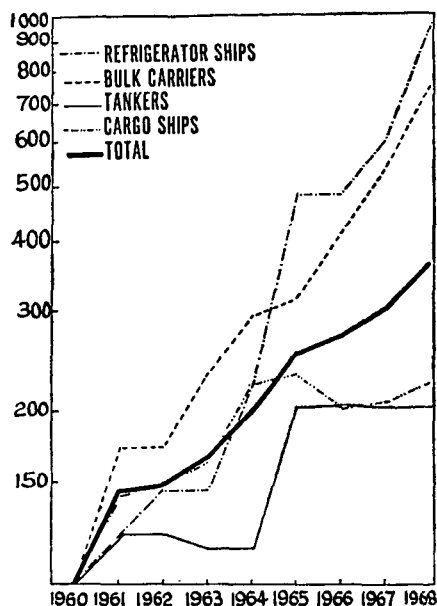
² Excluding the operations of Israeli bodies not defined as shipping companies, such as the Citrus Marketing Board and Agrexco; between them they operated some 20 chartered ships in the course of the year, and earned an estimated IL 12 million from this source.

The carrying capacity of the Israeli fleet was enlarged by 20.9 percent in 1968, following a decline in the growth rate in 1966-67. The increase was particularly outstanding in refrigerator ships and bulk carriers—61.3 and 40.6 percent respectively (see Table XIV-6).¹ Almost all of the additional capacity was used for chartering and for service between foreign ports.

Most of the increased shipping activity stemmed from the growth of movement to and from Israel, a large part of which was handled by chartered vessels. The expansion program, which is already being executed, calls for a big investment in supertankers (five have already been ordered) to service the Eilat-Ashkelon oil pipeline, scheduled to come into operation at the end of 1969. There will also be a further investment in bulk carriers and refrigerator ships. A significant feature of the fleet expansion in recent years, particularly as far as Zim is concerned, is that the investment has been made on terms involving hardly any commercial risk. In the case of the supertankers and bulk carriers, the company is already assured long-term contracts, while the additional freighters will be put into service either on the Mediterranean routes, which enjoy the protection of shipping conferences (in which Zim has an important say), or on routes subsidized by the Government, such as the Eilat-Australia run.

Israeli shipping was influenced in 1968 by the growth of domestic economic activity, which was accompanied by a rise in imports and exports, and also by the revival of the international shipping market. Revenue from the conveyance of goods (including fuel) jumped 48.3 percent in 1968 to stand at IL 390 million. There was a noteworthy increase in imported industrial equipment (including vehicles), and a large-scale import of materials and equipment for the new oil pipeline, all of which are relatively highly profitable items for the shipping companies. Security imports also went up. There was an increase of approximately 30 percent in real revenue from cargoes (excluding fuel). The figure for fuel transport remained unchanged, although at current prices income

Diagram XIV-5
INDEX OF CARRYING CAPACITY
OF ISRAEL'S MERCHANT
FLEET, 1960-68
(1960=100)



Semi-logarithmic scale.

Israeli shipping was influenced in 1968 by the growth of domestic economic activity, which was accompanied by a rise in imports and exports, and also by the revival of the international shipping market. Revenue from the conveyance of goods (including fuel) jumped 48.3 percent in 1968 to stand at IL 390 million. There was a noteworthy increase in imported industrial equipment (including vehicles), and a large-scale import of materials and equipment for the new oil pipeline, all of which are relatively highly profitable items for the shipping companies. Security imports also went up. There was an increase of approximately 30 percent in real revenue from cargoes (excluding fuel). The figure for fuel transport remained unchanged, although at current prices income

¹ See also Table XIV-6 in the appendix for the age distribution of the fleet.

Table XIV-6

ISRAEL'S MERCHANT FLEET, BY TYPE OF SHIP AND TONNAGE, 1966-68

Type of ship	Number of ships ^a			Tonnage or passenger capacity ^b			Percent increase or decrease (-) in carrying capacity ^c			
	1966	1967	1968	1966	1967	1968	1964- 1965	1965- 1966	1966- 1967	1967- 1968
Passenger ^d	6	4	3	3,863	2,256	1,685	10.7	-1.3	-11.4	-46.0
Dry cargo	84	89	109	828,818	983,531	1,257,280	23.1	11.2	16.1	27.8
General cargo	60	62	64	342,846	365,997	376,034	11.6	0.3	-4.6	2.7
Refrigerator	9	10	14	53,500	63,312	102,152	222.7	15.2	15.7	61.3
Bulk carriers	15	17	20	432,472	554,222	779,094	22.8	22.7	35.5	40.6
Tankers	12	12	11	341,229	341,229	354,180	49.6	21.1	0.3	3.8
Total	102	105	112	—	—	—	29.7 ^e	14.0 ^e	11.2 ^e	20.9

^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 Including mixed passenger-cargo ships in 1964-65; in 1967-68 excluding the Jamaica Queen (formerly Nili), which sailed under the Israeli flag but was not Israeli-owned.^e Excluding passenger ships.

SOURCE: Bank of Israel calculations.

rose in IL terms after the devaluation. Income from charter hire was up by an appreciable 51.4 percent (the chartering of vessels by one Israeli company to another accounted for 53.4 percent of the income from this source). Passenger business continued to fall off in 1968, and income from this branch was down 30 percent to IL 23 million. Zim's passenger operations were subsidized to the tune of IL 3 million in 1968.

Table XIV-7
ISRAELI SHIPPING REVENUE, 1966-68
(IL million)

	1966	1967 ^a	1968 ^b	Percent increase or decrease (-) as against previous year	
				1967	1968
Revenue by ship ownership					
Israeli-owned	323	312	413	-3.4	32.4
Chartered	44	60	114	36.4	90.0
Total	367	372	527	1.4	41.7
Revenue by source					
Cargo (incl. fuel)	277	363	390	-5.1	48.3
Of which:					
In Israeli-owned ships	234	204	279	-12.8	36.8
In chartered ships	43	59	111	25.5	88.1
Passengers	42	33	23	-21.4	-30.3
Charter hire ^c	43	70	106	62.8	51.4
Miscellaneous	5	6	8	20.0	33.1
Of which:					
In Israeli-owned ships	4	5	5	25.0	—
In chartered ships	1	1	3	—	200.0
Total revenue	367	372	527	1.4	41.7

^a Revised data.

^b Estimate.

^c Includes chartering by one Israeli company to another; this amounted to IL 23.6 million in 1966, IL 31.8 million in 1967, and IL 56.6 million in 1968.

SOURCE: Central Bureau of Statistics.

Total revenue of Israel's shipping industry reached an estimated IL 527 million in 1968, up 42 percent over 1967. Cargo volume aggregated 27.7 percent more than in 1967; the increase for Israeli-owned bottoms was slower (7.1 percent), though the figure accelerated in the second half of the year. Owing to the much heavier demand for maritime transport services, which was not accompanied by a corresponding increase in shipping capacity of categories suitable to Israel's waterborne trade, the volume of cargo carried by chartered ships soared 106.3 percent. This brought up the share of freight carried by Israeli-chartered ships to 33.4 percent of the total, as against 20.7 percent in

1967. Import cargoes were 44 percent over the previous year's figure—for Israeli-owned vessels the increase was 19.9 percent, and for chartered vessels 160.4 percent. Revenue from import cargoes rose at an even greater rate—59.6 percent, with the figure for Israeli-owned ships being 43.0 percent. The share of Israeli-owned ships in import cargo revenue declined from 80.2 to 71.8 percent (the decrease in cargo volume was from 82.8 to 69.0 percent). Export cargoes showed a similar development, but the rates of change differed (see Tables XIV-8 and XIV-9 and Appendix Tables XIV-4 and XIV-5).

In transportation between foreign ports (excluding Israeli shipping chartered to others), there was a fall of 11 percent in cargo volume but an increase of 32 percent in revenue. Israeli-owned ships increased their share of total revenue somewhat, but their share in cargo volume declined. It turns out, therefore, that the additional shipping capacity for service between foreign ports was in the main chartered tonnage, a development explained by the type of ships employed

Table XIV-8
CHANGES IN CARGO REVENUE AND VOLUME, 1968^a AS AGAINST 1967
(percentages)

	First half of year		Second half of year		Total	
	Revenue	Volume	Revenue	Volume	Revenue	Volume
Imports						
Israeli-owned shipping	42.8	21.3	43.1	18.5	43.0	19.9
Chartered shipping	133.3	171.0	121.5	152.0	126.8	160.4
Total	59.5	44.4	59.7	43.5	59.6	44.0
Exports						
Israeli-owned shipping	19.0	22.7	30.7	25.5	23.6	24.1
Chartered shipping	115.1	86.3	157.6	129.5	135.3	108.5
Total	50.0	48.2	80.8	69.4	63.1	58.8
Between foreign ports						
Israeli-owned shipping	28.7	-16.6	38.8	-10.0	34.0	-13.1
Chartered shipping	113.4	15.3	-63.5	-4.0	23.8	6.4
Total	46.3	-12.8	18.8	-9.4	32.0	-11.0
Total						
Israeli-owned shipping	33.3	6.7	39.9	7.5	36.6	7.1
Chartered shipping	120.8	96.7	58.9	115.4	88.9	106.3
Grand total	52.4	25.2	44.2	30.0	48.3	27.7

NOTE: These data do not include Israeli ships chartered to others or income from charter hire.

^a Estimate.

SOURCE: Based on Central Bureau of Statistics data.

—bulk carriers and refrigerator ships. Owing to the comparative stagnation in developing the cargo branch, and in order to retain its share of cargo transport (through shipping conference agreements), Israeli shipping had to rely heavily on chartered ships in 1968.

Table XIV-9

SHARE OF ISRAELI-OWNED SHIPS IN TOTAL CARGO BUSINESS OF ISRAEL'S SHIPPING INDUSTRY,* 1967-68

	1967		1968	
	Revenue	Volume	Revenue	Volume
Import	80.2	82.8	71.8	69.0
Export	64.6	58.9	49.0	46.0
Between foreign ports	79.9	89.4	81.1	87.4
Total	77.7	79.3	71.6	66.6

* See note to Table XIV-8.

SOURCE: Tables XIV-4 and XIV-5 in the appendix to this chapter.

Transport prices for the industry as a whole were up by an estimated 16.5 percent during the year, with the rise for cargoes (excluding fuel) coming to 18 percent. This reflects the effects of the devaluation and the revision of rates for the liner trade; some of the increases went into effect during the second half of 1967 and were classified as risk fees, surcharges, etc. Subsequently some of these special charges were abolished and replaced by outright tariff rises. Tramp shipping rates were revised upward by 4-5 percent.

On the Mediterranean routes, where revenue per ton is low owing to competition from nonconference lines, Zim gained control of the smaller Israeli companies' shipping operations, either by chartering their ships or by concluding agreements with them. In this manner, Zim managed to reduce competition on these routes during 1968. At the same time, the closure of the Suez Canal made it less profitable for ships bound for the Far East to serve the Mediterranean ports as they had done formerly, and thus additional cargo business became available to Israeli-owned or chartered ships.

The shipping boom resulted in an appreciable growth in Zim's profits, from IL 5.0 million in 1967 to IL 19.8 million (including the subsidy to the passenger branch). This reduced the company's accumulated deficit to IL 8.6 million. Zim's balance sheet as at December 31, 1967 showed equity capital and reserves (excluding the accumulated deficit of IL 28.1 million) of IL 78.1 million, while long-term liabilities (including those to the Government but excluding current maturities) stood at IL 267 million.

(b) *Ports*¹

The growth of Israel's imports and exports in 1968 was reflected in the volume of cargo moving through the country's ports.² Total cargo movement (in tons, excluding fuel) was up 33.4 percent, compared with a mere 2.5 percent increase in 1967. Real output rose 16.3 percent.

Import cargoes were 40.9 percent greater in 1968, as contrasted with a fall of 6.3 percent during the previous year. This development was due primarily to the 69.1 percent increase in general-cargo imports, mainly industrial products and raw materials. This source accounted in 1968 for some 60 percent of the ports' total cargo revenue (excluding fuel). The increase in metal products and cars stood out in particular.

The year 1968 saw a 25.6 percent growth in export cargoes. General cargo (mainly industrial products) was up 17.7 percent, about the same rate as in 1967; it accounted for 5.1 percent of the ports' total income from nonfuel cargo operations. The cargo data include the direct and indirect imports and exports of the administered areas, which are estimated at some 200,000 tons. Port charges were revised upward by about 2 percent during 1968/69 as a result of the devaluation. The rise was confined to wharfage fees, which are fixed at 2 percent of the dutiable value of imports and ¼ percent of the value of export goods. The 10–20 percent reduction granted for unitized cargoes³ had no significant effect on the price level, because of the small share of such cargoes passing through the ports.

The plan for the creation of a "land bridge" from Eilat to Ashdod to replace the Suez Canal for the transit of goods between Europe and East Africa is still far from realization: the volume of cargo carried over this route is small and does not involve any special transport or packing arrangements, which are an indispensable condition for furthering the project.

In 1968, with the disbanding of Haifa United Port Services and Kishon Port Services, it was possible to complete the concentration of the management of all the country's ports in the hands of the Ports Authority. Labor unrest continued to dog the ports in 1968, particularly at Ashdod where there were disputes over the introduction of measured productivity norms by the Ports Authority.

During the year under review Ashdod's share of total cargo traffic increased at the expense of Haifa, while Eilat's share remained unchanged. Ashdod has become the country's principal export port, handling almost half of all cargo

¹ In the absence of calendar year data, fiscal data of the Central Bureau of Statistics were used. Data on cargo movement, however, are for the calendar year.

² During the fiscal year 1968/69 the volume of cargo (other than fuel) passing through the country's ports was 22 percent larger than in 1967/68: imports were up 24 percent and exports by 20 percent.

³ Cargoes conveyed in containers, pallets, slings, etc.

Table XIV-10
CARGO AND PASSENGER TRAFFIC THROUGH ISRAEL'S PORTS, 1967-68

	Share in port revenue in 1967/68 ^a (%)	1967				1968				Percent increase or decrease (-)
		Haifa	Ashdod	Eilat	Total	Haifa	Ashdod	Eilat	Total	
Import cargo ('000 tons)										
Grain (bulk)	16.8	1,033	—	9	1,042	1,195	—	—	1,195	14.7
Minerals (bulk)	1.4	86	10	—	96	67	20	12	99	3.1
Chemicals and edible oils (liquid)	0.7	92	—	—	92	101	3	—	104	13.0
General cargo	59.6	719	411	58	1,188	1,074	864	71	2,009	69.1
Total import cargo	78.5	1,930	421	67	2,418	2,437	887	83	3,407	40.9
Export cargo ('000 tons)										
Citrus	11.3	491	260	7	758	549	349	13	911	20.2
Cement	0.8	87	—	10	97	62	^b	7	69	-28.9
Minerals (bulk)	4.3	394	513	91	998	263	965	150	1,378	38.1
Chemicals and edible oils (liquid)	0.03	11	—	—	11	19	—	—	19	72.7
General cargo, incl. bulk grain	5.1	282	66	99	447	295	117	114	526	17.7
Total export cargo	21.5	1,265	839	207	2,311	1,188	1,431	284	2,903	25.6
Total cargo volume (excl. fuel)	100.0	3,195	1,260	274	4,729	3,625	2,318	367	6,310	33.4
Passenger traffic ('000)										
Incoming		70	0.4	—	70.4	89	—	—	89	26.4
Outgoing		71	0.6	—	71.6	79	—	—	79	10.3
Total		141	1.0	—	142.0	168	—	—	168	18.3

^a Relates to cargo handling revenue of the Israel Ports Authority and United Ports Services only.

^b Included in general cargo.

SOURCE: Israel Ports Authority.

in 1968; its share of import cargoes rose to 26 percent, with Haifa accounting for 72 percent (see Table XIV-10 and Appendix Table XIV-6). In 1968 the shipping conferences raised the classification of Israel's ports from grade 3 to grade 2. The reclassification was made on the basis of port service charges (stevedorage, port fees, etc.) and average berthing time per ton of cargo. The lower the grade, the lower are the freight charges to and from the country's ports.

(c) *International aviation*

El Al led the entire transport sector in output growth in 1968 (except for Arkia Airways), its revenue (at constant prices) rising 40.6 percent. In passenger conveyance the gain came to 43.4 percent, while in freight it totalled 18.6 percent, following the exceptionally big advance recorded in 1967, particularly in the period leading up to and during the Six Day War.

The company's output growth was achieved thanks to the continued boom in tourism to Israel, which started in July-August 1967 and did not let up even during the 1967/68 winter season, which is normally a slack period. Another factor was the changing pattern of entry to Israel after the war. Whereas before June 1967 some 15-20 percent of the tourist arrivals came by land or sea and about 60 percent by air, after the war nearly 85 percent came by air, and if one-day visits by cruise passengers are excluded, the figure rises to almost 91 percent.

The number of passengers (excluding immigrants and nonpaying passengers) carried by El Al in 1968 increased by 36.3 percent (as against 7.6 percent in 1967 and 9.3 percent in 1966), and totalled 463,400. The number of passengers to and from Lydda jumped 41.6 percent, compared with a 7.4 percent rise in the previous year. The company's share in passenger movement to and from Israel dropped from 51.7 percent in 1967 to 46.3 percent in 1968, owing to the lack of aircraft to cope with all the additional demand; the share of foreign airlines rose correspondingly. On the transatlantic route—the company's main source of revenue—the increase totalled 40.7 percent, as against 19.3 percent in 1967 and a decline of 2 percent in 1966. This growth stands out all the more when compared with the performance of the other airlines (IATA members), which posted a gain of 5.4 percent only in passenger traffic in 1968, as against 18.8 percent in 1967. This exceptionally big increase in El Al's passenger business in 1968 apparently does not signal a drastic change in the trend of tourist traffic from the U.S.A., but reflects a one-time growth stemming from Israel's enhanced attraction for North American tourists (particularly Jews) after the Six Day War. Following the shortening of the South African route, which now passes over the Tiran Straits, passenger traffic soared nearly 155 percent. Air freight carried by El Al, expressed in terms of ton-km., also expanded during the year—by 8.6 percent. To be sure, this was well below the 43.2 percent rise achieved in 1967,

but the latter resulted primarily from the special demands made on El Al in the period leading up to and during the war.¹

The heavier demand for the company's services was accompanied by a growth, although a smaller one, on the supply side. Available ton-km. (passenger and cargo)² was up 30.4 percent, compared with 17.2 and 2.1 percent in 1967 and 1966 respectively. The expansion of cargo capacity was achieved primarily by the chartering of additional aircraft, with the result that, whereas in 1967 chartered equipment accounted for 1.5 percent of the available ton-km., in 1968 the figure climbed to 17.3 percent. Part of the chartered flight time had been planned to meet the anticipated seasonal boom and to ensure the smooth absorption of the company's eight and ninth planes scheduled for 1969, but the hijacking of the plane to Algeria made a further increase necessary.³

Revenue ton-km. (passenger and freight) was up 34.4 percent, as against 20 and 7.3 percent in 1967 and 1966 respectively (these figures include chartered aircraft). The overall load factor edged up from 63.6 to 65.5 percent, which is considered high by international aviation standards. On the transatlantic route the load factor was even higher, rising from 64.0 to 66.6 percent. Changes in the average daily utilization of the company's flying equipment, which are a measure of the technical efficiency of operations, showed a rise in all types of aircraft and in all seasons of the year (see Table XIV-7 in the appendix). The price index (for passengers and freight) averaged 8.2 percent higher in 1968, a development due to the 1967 devaluation; for passengers the index was up 9.3 percent, and for freight by 5.1 percent. The increase attributable to the devaluation was offset to some extent by a general price reduction, which has been a feature of recent years.

These favorable developments resulted in a larger profit for El Al. The company's revenue for 1968/69⁴ is estimated at IL 267.6 million, and profit at IL 7.9 million, with interest outlay on long-term liabilities coming to some IL 2.6 million. The 1967 profit figure was IL 5.6 million. Equity capital, as shown in the balance sheet as of March 31, was IL 68.1 million, and long-term liabilities (excluding current maturities but including Government loans) amounted to IL 47.8 million.

(d) *Airports*

Israel's airports recorded an impressive 40.4 percent output gain in 1968, after increases of 2.3 and 5.5 percent in 1967 and 1966 respectively. Service

¹ ICAO airlines recorded a 19 percent increase in ton-km. in 1968, as compared with 14 percent in 1967.

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

³ The plane was hijacked on July 23, 1968 and returned to service two months later.

⁴ Figures are not available for the calendar year 1968, which in all probability was an even more profitable period.

Table XIV-11
OUTPUT AND UTILIZATION OF EL AL AIRCRAFT, 1966-68

	Unit	1966			1967			1968		
		Total	Of which in chartered planes	Percent increase over previous year	Total	Of which in chartered planes	Percent increase over previous year	Total	Of which in chartered planes	Percent increase over previous year
Available seat-km.	'000	2,272,224	235,945	2.1	2,605,832	29,245	14.7	3,411,504	586,340	30.9
Revenue passenger-km.	'000	1,406,920	161,371	5.2	1,606,508	23,863	14.2	2,274,683	421,141	41.6
Passenger load factor	%	61.9	68.4		61.7	81.6		66.7	71.8	
Available ton-km.	'000	259,501	26,831	2.1	304,104	4,476	17.2	396,532	68,810	30.4
Revenue ton-km.	'000	161,125	16,985	7.3	193,305 ^a	3,287 ^a	20.0	259,747	46,130	34.4
Ton-km. load factor	%	62.1	63.3		63.6	73.4 ^a		65.5	67.0	

^a Revised figures.

SOURCE: El Al Israel Airlines.

charges remained unchanged. Revenue from all airports during the year amounted to IL 16.8 million.¹ The output figure for passenger services rose by an average of 51.9 percent over the year, while the figures for freight and other services were up 30.8 and 34 percent respectively. This increased output stemmed from the heavier volume of traffic handled by the airports, due in great measure to the growth of tourism during 1968. Lydda Airport handled 49.9 percent more passengers than in 1967 and 59.2 percent more than in 1966. Over one million persons passed through Lydda Airport, of whom 70 percent were tourists. There was also a 27.9 percent increase in the volume of incoming and outgoing freight handled as compared with 1967, while mail cargo was up 21.8 percent. The domestic airports were also much busier in 1968—passenger traffic was up 50.9 percent, and freight by 13.2 percent.

In accordance with a Government decision, Lydda Airport is now being run on a strictly commercial basis. As such, its success hinges on increasing its revenue from nonaviation services, such as the sale of concessions, rents, etc.

¹ Of this sum, IL 202,000 was earned by the country's four domestic airports.