

CHAPTER XIV

TRANSPORTATION AND COMMUNICATIONS

1. MAIN DEVELOPMENTS

THE OUTPUT OF THE TRANSPORTATION and communications sector remained unchanged in 1967, for the second year running. The stability in the year reviewed was the result of a slower decline in the output of the domestic transport branches and a more moderate rise in international transport services as compared with 1966 (see Table XIV-1). Total revenue at current prices amounted to IL 1,690 million in 1967.¹

As regards activity in both domestic and international transport services, the year reviewed falls into two distinct subperiods—prewar and postwar. In inland transportation, the first six months saw a continuation of the decline in goods traffic by road and rail, which characterized the period of recession. In the first quarter of the year the volume carried rose slightly, but this was due to an increase in farm produce, which compensated for the sharp drop in other freight. In the second quarter the figure fell precipitately owing to the mobilization of vehicles during the war and the preceding period of tension. As from July, the demand for transportation rose strongly, following a steep increase in military demand, the expansion of industrial production, and to some extent the renewed growth of investment, particularly projects involving a large volume of transportation services, such as roads and earthwork.

Changes in the output of passenger services were generally connected with security developments. During the period of prewar tension and hostilities there was a marked decline; after the war output rose, the result of an increase in domestic tourism in Israel and the administered territories and a seasonal upswing. Over the year as a whole, cargo conveyance averaged 1 to 2 percent lower and passenger transportation, 4 to 5 percent.

In the last quarter, with the growth of demand and the disappearance of idle vehicle capacity, freight rates were revised upward, and in many cases reached and even exceeded the level of 1965; the average rise for the year came to 7 percent.

The moderate output growth in international transport services was accounted for by aviation (El Al), shipping business falling off somewhat.

The real output of maritime shipping declined by 5 percent, while the

¹ In 1966 value added amounted to 51 percent of revenue (at current prices).

Table XIV-1

CHANGES IN REAL OUTPUT AND PRICES OF THE TRANSPORTATION AND COMMUNICATIONS SECTOR, BY BRANCH, 1965-67

(percentages)

	Share in revenue in 1966	Increase or decrease (-) as against previous year					
		Output			Prices		
		1965	1966	1967 ^a	1965	1966	1967 ^a
Domestic services							
Land transport							
Buses and subway	14.8	6	-4	-5	16	10	3
Taxis	5.7	3	-10	-4	11	15	2
Trucks	21.6	6	-5	-1	8	-10	7
Railway							
Goods and passengers ^b	1.4	-2	-8	-7	22	12	2
Sundry	0.2						
Total	43.7	6	-5	-3	11	—	5
Other							
Oil pipelines		23	5	2	-3	3	1
Domestic air service		14	2	18 ^c	11	-3	-4
Posts and telecommunications		14	2	3	7	37	7
Total	17.0	14	2	3	6	32	7
Total domestic services	60.7	7	-4	-1	10	7	6
International services							
Shipping and ports							
Shipping		16	5	-5	3	-1 ^c	5
Ports ^d		4	-3	5	7	5	1
Total	29.0	13	3	-3	4	—	4
Civil aviation and airports							
Civil aviation		26	9	13	-5	-2	-2
Airports		28	6	2	1	19	4
Total	10.3	26	9	12	-5	-1	-1
Total international services	39.3	16	5	1	1	—	3
Total output at market prices ^e	100.0	11	—	—	6	4	4

NOTE: The method of calculation and the sources of data are presented in the appendix to this Report (in Hebrew only). Data for 1965 and 1966 have been revised.

^a Preliminary estimate.

^b Excluding sundry revenue, income from external sources, and that from the operation of the railway in the Gaza Strip and Sinai.

^c Revenue from passengers and freight on fixed routes only declined by 14 percent.

^d Data are for the financial year.

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

carrying capacity of the merchant fleet rose by 11 percent. The poorer performance reflects, as in the case of land transport, the effects of the recession in the first half of 1967. However, in contrast to the latter branch, the upturn in economic activity in the second half of the year had only a slight impact on shipping, apparently because of the time-lag between import orders and deliveries. Revenues were lower in the first half of 1967 than in the same period of 1966. Most of the decline was in import cargoes and in freight carried between foreign ports, while income from export cargoes remained unchanged. In the second half of 1967 the revenue figure went up in all three categories.

The boom in world shipping in the second half of the year, ascribable to the stronger demand after the closure of the Suez Canal, had only an indirect and small influence on Israeli shipping. The subsequent upward revision of marine freight charges affected mainly the conference lines using the canal and to some extent tramp shipping; its effect on nonusers of this waterway was marginal. Israeli shipping plies mostly fixed routes and does not participate in the conferences using the Suez Canal; hence it could not share in the trade along alternative routes nor reap the benefits of the resulting upswing in shipping (particularly in oil transport).

In civil aviation, the output of El Al Israel Airlines rose in 1967 by 13 percent, compared with 9 percent in the previous year. This accelerated growth was achieved thanks to the larger number of passengers coming by air to tour the historical sites made accessible after the war. El Al's cargo business expanded considerably during the year, particularly in May and June, and the company's available cargo capacity was enlarged with the introduction of the seventh Boeing into its service.

The rise in transportation prices was a marked contrast to the price stability in other sectors. In most cases, however, prices advanced on an annual average only and not in the course of 1967. The changes in international transportation tariffs were largely connected with factors in the world market over which Israel had no control.

In accordance with a Government decision, passenger fares for public transportation were not raised in 1967. In order to keep down fares and reduce the cumulative deficits of the bus companies, the Government began to subsidize the latter toward the end of the year and undertook to help finance some of their investments, with the proviso that it be given a part-ownership therein.

2. DOMESTIC TRANSPORT AND COMMUNICATIONS

Domestic transportation and communication services—land transport, inland airways, postal services, and oil pipelines—account for 60 percent of the sector's revenue at current prices. Real output edged down 1 percent, compared with a drop of 4 percent in 1966. This was the combined effect of a 3 percent decline in the real output of land transport and an increase of nearly 3 percent in

other domestic services. Land transport, a large proportion of whose output originates in cargo hauling, began to recover from the recession in the second half of 1967, as economic activity picked up and demand on the part of the defense establishment rose. The decline in passenger business slowed down in the first quarter of 1967, since these are months of relatively light movement, and other special services (e.g. the regular conveyance of workers by firms and institutions) generally do not change greatly in the short run. The second quarter of the year saw a steep drop in passenger transport, owing to the state of emergency. In the second half of the year output rose strongly, mainly because of the increase in local and foreign tourism to Israel and the administered areas.

The direction and extent of the changes that occurred in land transport during the year may be gauged from the figures on fuel consumption, which showed a particularly big increase in sales of diesel oil and gasoline in the third quarter of 1967 (see Table XIV-2).¹

Table XIV-2
CHANGES IN FUEL CONSUMPTION OF CIVIL MOTOR
TRANSPORT (EXCLUDING RAILWAY), 1963-67

(percentages)

	Increase or decrease (-) in annual level	
	Gasoline	Diesel
1963	8.9	9.5
1964	16.2	5.1
1965	10.4	7.0
1966	3.9	-1.6
1967	2.9	13.6
	Increase or decrease (-) in 1967 as against corres- ponding quarter of 1966	
January-March	-6.3	2.4
April-June	-2.7	4.9
July-September	11.1	35.4
October-December	10.1	13.4

SOURCE: Fuel Administration, Ministry of Finance.

¹ These data should be treated with caution, since it was impossible to distinguish accurately between fuel sold in Israel to inhabitants of the administered territories and to Israelis in the latter areas. It was also impossible to segregate fuel sold for defense purposes but recorded as civilian consumption.

(a) *Road haulage*

After falling steadily in 1966 and the first half of 1967, real output of the trucking industry began to turn upward in the second half of the year reviewed. On an annual average, however, the level was down 1 percent compared with 1966. This branch accounts for about half of all land transport revenue. The demand for road haulage services derives directly from the volume of activity in other sectors of the economy, and changes in the latter, particularly in sectors that are heavy users of transport services, are reflected in changes in the output and prices of the trucking industry.

Demand for road haulage began to subside as early as mid-1965, with the completion of several large development projects, and it continued downward until the middle of 1967. The output of the branch started falling in the second quarter of 1966, owing both to a drop in construction and industrial output because of the recession and to the termination of the citrus season. This led to considerable idle vehicle capacity. There was some recovery in the first quarter of 1967, due entirely to the much larger haulage of farm products, which was partly offset by the reduced conveyance of industrial goods, particularly mine and quarry products for construction purposes. In the second quarter, especially May and June, the trucking industry was severely affected by the decline in production and the mobilization of vehicles, many of them for as long as 40 to 50 days. In the third quarter several factors combined to raise output: the demand of the defense establishment (both in Israel and the controlled areas), the resumption of investment, particularly in earthwork and roadbuilding, a marked rise in agricultural and industrial freight, and the widespread use of trucks for passenger conveyance. These factors (except the haulage of agricultural products) continued to operate, and even more strongly, in the last quarter of 1967.

The surging demand for trucking services eliminated unemployment in the branch, and where there were no institutional restrictions, tariffs were raised appreciably. In some cases the December price level stood 20 to 45 percent over the prewar level; even where the rise was not so steep, operators tended in the last quarter of 1967 to reinstitute the 1965 tariffs (which had been reduced during 1966 and the first half of 1967). On an annual average, prices were up 7 percent over 1966, and the period of payment was considerably shortened. This rise stands out all the more in view of the stability of prices in other sectors.

As a result of the slump in transport in 1966, fewer orders were placed for new vehicles, and the net increase in the number of trucks of over 2.5 tons authorized cargo was only 100. The war in June 1967 resulted in greater wear and tear, and following the growth of demand for road haulage services in the second half of the year and the brighter business outlook, a larger number of vehicles were ordered.

Operating expenses rose in 1967, primarily tires and garage services. The

effect of the November devaluation on the prices of spare parts is not yet clear; although a large proportion of the spares are imported from the United Kingdom, which devalued its currency immediately prior to Israel, prices have risen in terms of sterling.

The recession induced carriers to try and organize themselves similarly to the agricultural production boards, with the aim of controlling entry into the branch, fixing minimum agreed prices, and so forth.

(b) *Buses*¹

Real output of the bus companies² averaged 5 percent less in 1967, after declining 4 percent the year before. The revenue of the bus companies and the Haifa subway (which is included in this branch) came to IL 234.4 million at current prices, or about one-third of all revenue from land transport. In 1966 the drop in output was mainly due to the general decline in economic activity and in incomes; the reduced output in 1967 can be attributed primarily to the much smaller number of passengers carried in the second quarter of the year (the period of national emergency), which affected both fixed routes and special journeys and excursions.

Table XIV-3
INDEX OF BUS OUTPUT ON FIXED ROUTES, QUARTERLY, 1964-67
(average 1963=100)

	Index	Percent increase or decrease (-) as against preceding quarter		Index	Percent increase or decrease (-) as against preceding quarter
1964	I	102.3	1966	I	109.1
	II	114.2		II	112.2
	III	111.8		III	121.2
	IV	113.0		IV	111.7
1965	I	110.8	1967	I	108.9
	II	114.9		II	96.9
	III	121.4		III ^a	119.7
	IV	114.3		IV ^a	110.0

^a Preliminary estimate.

SOURCE: Central Bureau of Statistics.

¹ Revenue figures for the second half of the year are preliminary and apparently biased downward.

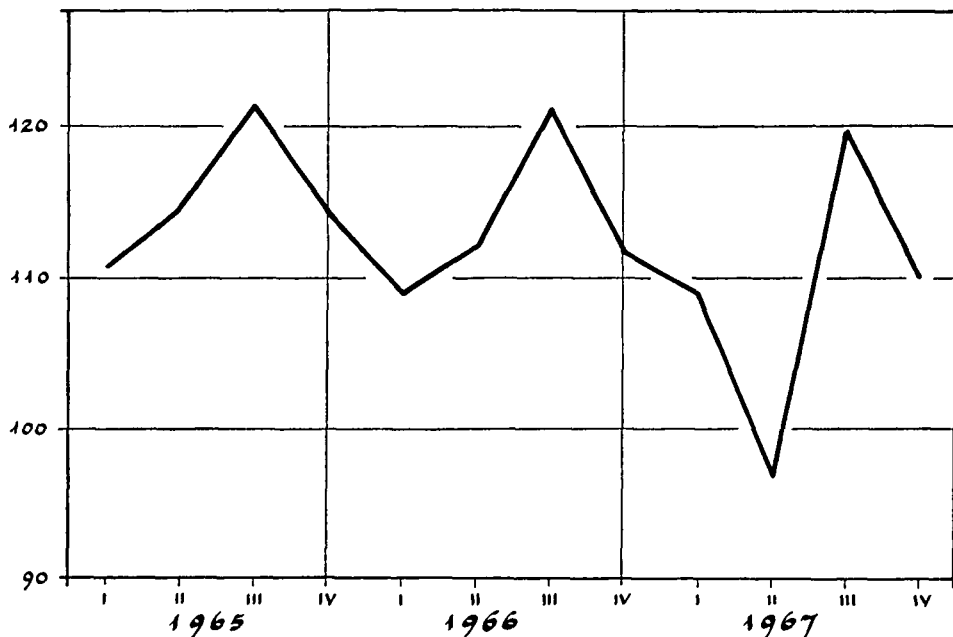
² Excluding East Jerusalem, where 10 companies operate 46 buses. Their revenue in the second half of 1967 is estimated at IL300,000 approximately.

On fixed routes the decline in real output came to 5 percent, compared with 3 percent in 1966 (see Diagram XIV-1 and Table XIV-3). Output was almost the same in the first quarters of 1966 and 1967, but in the second quarter of 1967 it was 14 percent below that of the same period of 1966. The figure for the second half of 1967 was down 1.5 percent from the corresponding period of the previous year. Part of the decline in the second half of the year was apparently due to the diversion of buses from fixed routes to special trips and excursions. There was also some shift from scheduled interurban bus services to excursions, taxis, and private transport.

On irregular lines (special trips and excursions), output fell by only 4 to 5 percent—much less than in 1966. About 50–55 percent of the revenue was from the regular transport of workers and other regular special services, 20–22 percent from excursions, and the rest from special trips. There was a conspicuous drop of 36 percent in the second quarter of the year and a rise of 18 to 20 percent in the last quarter. Despite the decline in real output, a 13 percent increase in fares brought revenue to 2 percent over the 1966 figure (and in the last quarter to 26 percent over the same period of 1966).

On fixed routes, the price index went up 2 percent on an annual average, although fares were not revised during the year. The last rise approved by the Fares Authority took place in March 1966, following an increase in operating

Diagram XIV-1
INDEX OF BUS OUTPUT ON FIXED ROUTES, QUARTERLY, 1965-67
(1963=100)



expenses. The Fares Authority has since ceased to exist, and changes in fares are no longer formally linked to changes in operating expenses. At the end of the financial year 1966/67 the accumulated deficit of the bus cooperatives amounted to IL 138 million. Late in 1967 the Government decided to help reduce this deficit by subsidizing the cooperatives to the tune of IL 2 million a month, instead of raising fares by 10 percent.¹ At the same time, the cooperatives undertook to cut their outlays by IL 11–12 million and not to ask for a further revision of fares before 1969. The Government also agreed to help finance investment in garages (in which it would have a 25 percent ownership), to the tune of IL 12 million.

(c) *Taxis*²

Real output of taxi services dropped by about 4 percent in 1967. Prices did not change during the year, although on an annual average the price index rose 2 percent.³

The decline in output, which began in 1966 as a result of the recession, carried over until July 1967. During the first seven months of the year reviewed the output of special services, which account for about half of all taxi revenue, fell off by about 15 percent compared with the corresponding period of 1966, but soared 20 percent from August to December (as compared with the same months of 1966). Demand for other taxi services also shrank in the first half of the year. After the war, demand for interurban and Saturday services increased as a result of the lively tourist traffic to Jerusalem and the administered areas. To some extent, taxis substituted for bus service on fixed routes, which was curtailed because of the diversion of buses to excursions and special trips. The growth of output in the second half of the year did not fully compensate for the decline in the first half.

During the year the dieselization of the taxi fleet continued and the duty on imported vehicles was trimmed. These developments raised profitability, but the higher prices paid for tires and spare parts offset part of the increase. No significant change took place during the year in the number of taxi licenses traded on the free market, following a marked rise in 1965 and 1966. The price of a license in the free market, which serves as a rough yardstick of profitability in the branch, went up in the second half of the year as a result of the reduced duties on imported vehicles, dieselization, and expectations of a boom.

¹ The cooperatives demanded an increase of more than 10 percent and refused to reduce bonuses to members by an average of IL100.

² Excluding those of tour operators and self-drive cars. No output data were available for East Jerusalem.

³ According to the Central Bureau of Statistics. Changes in taxicab fares are usually linked to those in bus fares.

(d) *Rail transport*

Real output of Israel Railways (freight and passenger traffic)¹ continued downward, though rather more slowly, in 1967, particularly in the second and third quarters.

Measured in ton-km., freight transport, which accounts for the bulk of revenue, declined by about 10 percent (see Table XIV-4). This is primarily attributable to the further sharp fall in citrus freight (by 45 percent as compared with 33 percent in 1966)² and in building materials (gravel and cement). The transport of potash was down 55 percent, mainly because of the shortening of the distance to the port—from Dimona to Ashdod instead of to Haifa. Following the loss of the East European markets after the war, the transport of phosphate edged up by a mere 1 percent, compared with 46 percent in 1966. The share of export minerals in total ton-km. moved down from 50 percent in 1966 to 42 percent. The increased transport of grain, lumber, plywood, fuel, and other goods offset most of the decline in the above-mentioned freight.

Passenger traffic (measured in passenger-km.) continued downward, by 8.4 percent. Despite the scheduling of more trains on the Haifa-Tel Aviv line (the country's busiest line), the number of passengers dropped as a result of com-

Table XIV-4
RAILWAY SERVICES, 1960-67

Year	Ton-km. (million)	Percent increase or decrease (-) as against previous year	Passenger-km. (million)	Percent increase or decrease (-) as against previous year
1960	227		363	
1961	226	—	364	—
1962	278	23	405	11
1963	317	14	412	2
1964	331	4	402	-2
1965	321	-3	398	-1
1966	318	-1	368	-7
1967 ^a	290	-10	337	-8

^a Excluding Gaza and Northern Sinai.
SOURCE: Reports of Israel Railways.

¹ The item "miscellaneous and external work" (including *inter alia* engineering jobs, construction of sidings, and workshop operations) declined steeply; this was offset by the revenue from the operation of rail services in the Gaza Strip and Northern Sinai.

² The railway is becoming increasingly unsuitable for the transportation of citrus because of the need for fast and direct loading on board ship. Road haulage provides greater flexibility and speed from the packing house to the ports than does the railway.

Table XIV-5

INCOME AND EXPENSES^a OF ISRAEL RAILWAYS, 1964-67

	Income				Expenses			Deficit	
	Passenger	Freight	Misc. ^b	Total	Operating ^c	Depreciation and interest	Total	Operating	Total
IL thousand									
1964	5,968	11,449	591	18,008	22,471	5,961	28,432	4,463	10,424
1965	7,310	13,439	2,289	23,038	31,342	6,024	37,366	8,304	14,328
1966	7,621	13,848	3,025	24,494	34,138	6,160	40,298	9,644	15,804
1967	7,053	13,379	1,809	22,241	29,795	6,912	36,707	7,554	14,466
Percent increase or decrease (-) as against previous year									
1965	22	17	287	28	39	1	31	86	37
1966	4	3	32	6	9	2	8	16	10
1967	-7	-3	-40	-9	-13	12	-9	-22	-8

^a Excluding defense stamp collections and revenue of IL 1,040,000 and expenses of IL 1,398,000 from the operation of railway services in the Gaza Strip and Northern Sinai.

^b Including income from external sources.

^c Including allocations for pensions.

SOURCE: Reports of Israel Railways.

petition from buses and private vehicles; on the Tel Aviv-Jerusalem line, traffic picked up after the war.

Prices were stable throughout the year, though on an annual average freight rates went up by some 3 percent and passenger fares by 1 percent. In this context it should be noted that the contracting of freight service on an annual basis (with the fee being set for the year and not depending on the volume of freight actually carried) is becoming more widespread.

Railway revenue dropped 9 percent. Operating expenses were cut by 13 percent, mainly through the dismissal of temporary workers and the reduction of overtime; in addition, wages were stable, in contrast to the steep increases of previous years. As a result, the loss on operations was down 22 percent, while the accumulated deficit fell by 8 percent to IL 14.5 million (see Table XIV-5). Charges for some types of freight are fixed by the Government, and this precludes the drawing up of a tariff based on commercial considerations. Moreover, the calculation of depreciation and interest in Israel Railways' accounts does not reflect the real cost to the economy, and the size of the deficit is therefore of limited economic significance.

3. DOMESTIC AVIATION, POSTAL SERVICES, AND OIL PIPELINES

(a) *Domestic air services*

Output of this branch grew by 26 percent in 1967, compared with 2 percent in the preceding year. The increase was due entirely to the opening of new routes after the war, output (passenger and cargo) on the regular routes declining by 14 percent. The number of passengers on scheduled flights was, at about 177,000, virtually the same as in 1966. The decline in output stemmed mainly from a change in the composition of passenger business, the share of Eilat residents rising and that of foreign tourists dropping. Scheduled flight fares were not revised during the year, and on an annual average rose by 1 percent. Revenue came to over IL 7.3 million. Arkia's fleet remained unchanged, and 78 percent of the available passenger ton-km. capacity was sold, compared with 68 percent in 1966. Owing to growing demand, the company introduced a chartered plane into its service toward the end of the year.

(b) *Posts and telecommunications*

Post Office revenue in 1967 amounted to IL 270.5 million,¹ compared with IL 244 million in 1966—an increase of 10.7 percent (see Table XIV-6). Prices remained unchanged during the year, although the average annual level was about 7 percent higher than in 1966, when there was a steep rise. Real output therefore rose 3 percent in 1967, as against 2 percent the year before. Revenue from telephone services increased at a slightly lower rate in 1967 and accounted

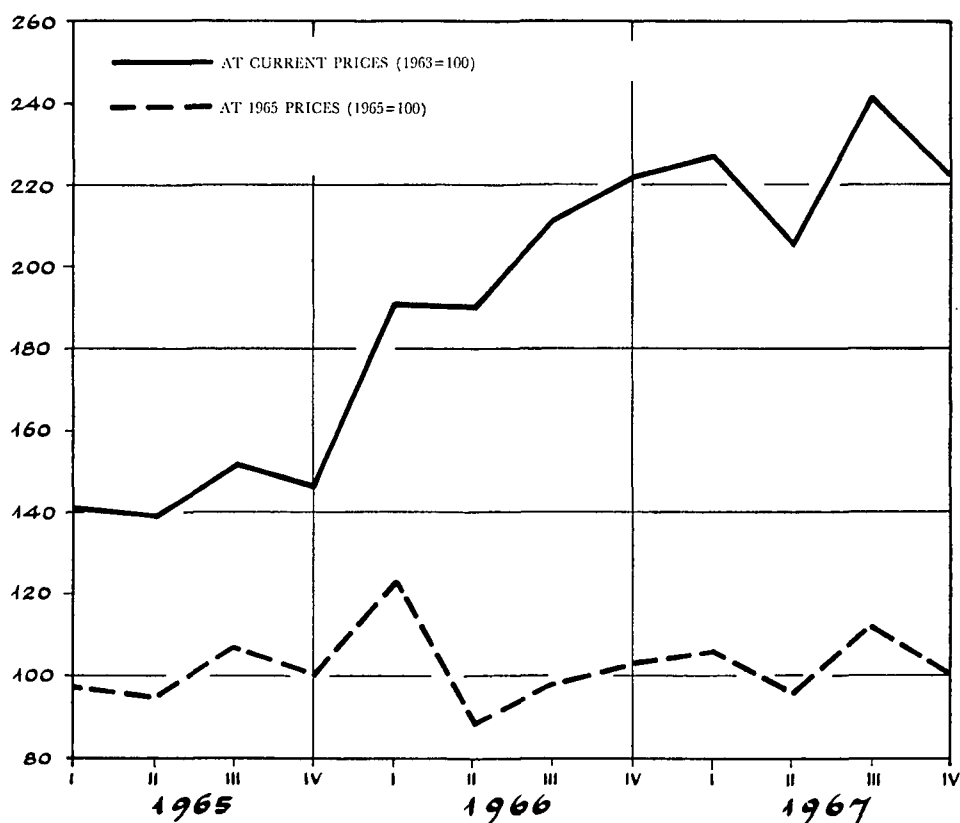
¹ Excluding income of the Post Office Bank and service charges; including defense stamp duty.

Table XIV-6
POST OFFICE REVENUE,^a 1966-67
(IL thousand)

	1966	1967	Percent increase or decrease (-)
Postal services	41,454	45,346	9.4
Philatelic service	7,628	6,917	-9.3
Telephones	175,641	193,592	10.2
Telegrams	17,630	22,073	25.2
Miscellaneous	1,945	2,561	31.7
Total	244,298	270,489	10.7

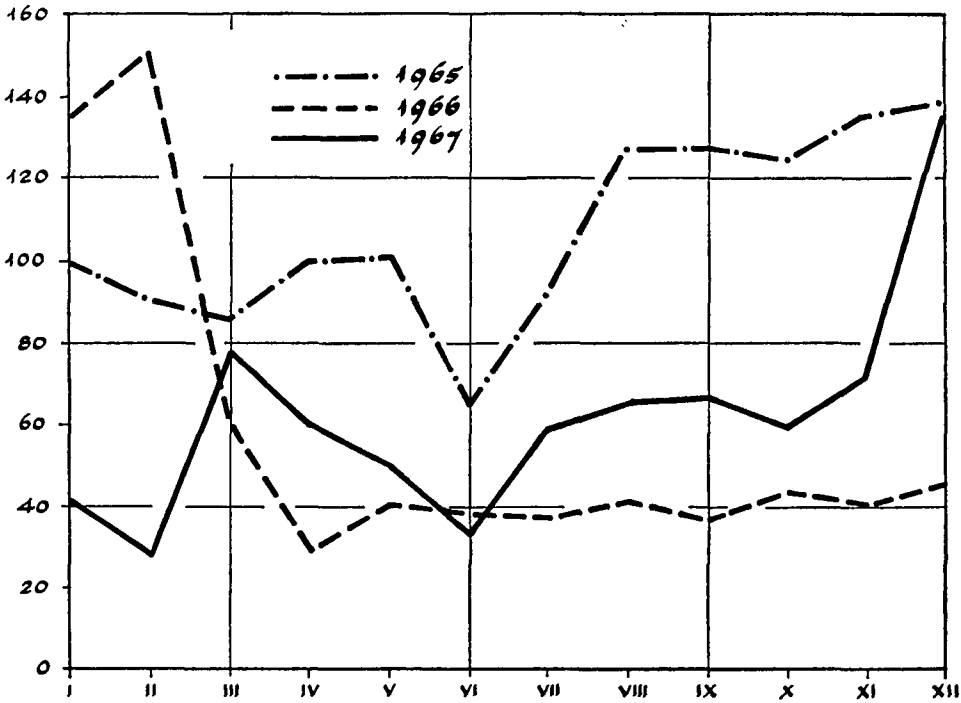
^a Excluding income of the Post Office Bank and service charges; including collections of the defense stamp duty on postal and telephone services.
SOURCE: Ministry of Posts.

Diagram XIV-2
INDEX OF POST OFFICE REVENUE, QUARTERLY, 1965-67



for 72 percent of total Post Office revenue, the same as in 1966. The number of applications for installation of telephones rose from 26,400 in 1966 to 28,400, or by 8 percent, compared with a drop of 26 percent in the previous year. The increase is mainly explained by the institution in March 1967 of an installment payment plan and the reduction of the installation fee from IL 850 to IL 450 in December 1967. This substantial cut produced a large number of applications in the last week of the year and the early months of 1968 (see Diagram XIV-3 and Table XIV-7). The number of telephones installed during the year was 34,600—6 percent less than in 1966. The decline was due to the mobilization of technical personnel during the period of national emergency and to the added postwar burden of repairing the telephone network in the administered areas and linking it up to the general network. In February 1968 automation of the direct trunk dialing network was completed.

Diagram XIV-3
INDEX OF APPLICATIONS FOR TELEPHONES, MONTHLY, 1965-67
(January 1965=100)



(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, as well as of refined petroleum products (gasoline, kerosene, and heavy fuel oil) and piped gas.

Table XIV-7
DEMAND FOR TELEPHONES AND NUMBER INSTALLED, 1963-67
(thousands)

Year	No. of direct lines ^a connected at end of year	No. of phones installed	No. of applications	Applications cancelled ^b	Backlog of applications ^c	Increase or decrease (-) as against previous year	
						Installations	Applications
1963	11.3	21.1	42.6	—	50.7		
1964	132.2	21.8	34.2	4.3	58.8	3	-20
1965	162.7	32.9	48.5	1.7	72.7	51	42
1966	197.5	36.9	26.4	10.4	51.8	12	-46
1967	233.7	34.6	28.4	14.6	31.0	-6	8

^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 yet paid for.

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

SOURCE: Based on Ministry of Posts data.

In 1967 output rose 2 percent. The total amount of fuel (excluding gas) pumped through the pipelines increased more slowly than in 1966, and the quantity of crude oil transported from Heletz even dropped in absolute terms. The quantity of gas also declined considerably. Prices rose by 1 percent; the increase was confined to the Haifa-Eilat line and stemmed in part from the devaluation and in part from the revision of tariffs. The rates for gas were cut.

Planning of the Eilat-Ashkelon pipeline was begun at the end of 1967, and preliminary work got under way in 1968.¹

4. INTERNATIONAL TRANSPORT SERVICES²

Output of international transport services, which are only partly affected by changes in domestic economic activity and are affected more than inland transportation by security developments and the economic situation in other countries, rose more slowly than in 1966—by only 1 percent. In shipping there was a drop of 5 percent, and in aviation a rise of 13 percent.

¹ The line will have 260 kilometers of 42-inch pipe (in contrast to the 16-inch pipe of the existing Eilat-Haifa line). When completed it will have a capacity of 56 to 60 million tons a year; in the initial stage of operation (in the latter part of 1969), it will be able to handle 15-19 tons. The pipeline involves the construction of a pier for supertankers at Eilat and an anchorage at Ashkelon, in addition to terminals at both ports. The investment required for the first stage is estimated at about \$60 million, and for the entire project at \$120 million.

² Shipping, aviation, sea and air ports.

The international shipping boom, reflected by a price rise in the second half of the year, did not contribute much to the revenue and output of Israel's merchant marine. The fleet was largely built up to cater to Israel's needs, and it is isolated from the conjunctural shipping markets (mainly the transportation of oil from the Arab countries and of grain to the developing countries). In the first half of 1967 Israel's shipping revenues, particularly from import cargoes, were affected by the recession. Passenger business was handicapped by the reduction of the passenger fleet, as well as by the June war and events in Greece. The movement of passengers to and from Israeli ports in fact declined by more than 39 percent, as compared with 7 percent in 1966.

The output of air services in the world market, on both international and domestic routes, rose strongly, continuing the upward trend which began in 1964. Despite the interruption of tourist traffic to Israel before and during the war, El Al showed a gain for the year as a whole because of the larger numbers coming by air in the second half of the year. The increase in El Al's output was made possible by the expansion of available ton-km. by over 17 percent.

In 1967 the country's tourist trade suffered from the security situation in the region and economic difficulties in Western Europe, so that the total number of arrivals dropped 11.3 percent, compared with an increase of 10.7 percent in 1966,¹ and stood at 291,500.

The number of persons arriving by sea fell by a steep 39.1 percent, while the number travelling by air rose 14 percent to 211,600. The number coming overland declined: in 1966 a total of 66,000 entered Israel through the Mandelbaum Gate check post in Jerusalem, while in 1967, up to the outbreak of war, 30,900 came via this route. As a result of these developments, the proportion of tourists entering Israel by air came to 78.8 percent, by sea to 9.7 percent, and by land (excluding tourists arriving by ship for a one-day visit)—11.5 percent. In this context it should be noted that the growth of winter tourism has flattened out seasonal fluctuations somewhat (see Diagram XIV-4).

The percentage of tourists from North America rose, while the share of Europeans declined.² This change was mainly due to the large number of North American Jews who flocked to Israel after the Six Day War (this also explains the expansion of El Al's transatlantic service).

The war enhanced Israel's drawing power, since the country now controls historical sites which formerly attracted many of those visiting Jordan and who did not cross over into Israel. In 1966 Jordan was visited by about 617,000 persons, of whom 175,000, or 28.4 percent, were from Europe and North America.

¹ World tourism grew by 7 percent in 1967, while that to the Middle East dropped by 30 percent.

² The proportion of European tourists edged down from 46.6 to 45.8 percent, while that of North Americans rose from 36.4 to 36.6 percent.

Table XIV-8
CHANGES IN PASSENGER TRAFFIC TO AND FROM ISRAEL, 1964-67

(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													
1964	8.8	11.1	10.1	9.3	12.8	18.4	15.8	32.8	33.5	33.4	15.2	16.9	16.0
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
Residents													
1964	-14.5	-15.4	-15.0		-14.0	-11.7	-12.8	13.2	-10.6	-0.7	-14.2	-13.4	-13.8
1965	-3.9	-7.8	-5.9		20.9	20.8	20.8	-16.3	0.4	-7.6	10.0	8.4	9.1
1966	-2.5	3.3	0.5		30.3	28.6	29.4	32.2	19.9	25.2	17.8	19.3	18.6
1967	-43.4	-40.8	-42.0		8.6	10.0	9.4	-23.5	-32.5	-28.4	-7.9	-6.3	-7.0
Total passengers ^b													
1964	33.3	0.2	15.9		16.0	10.9	13.3	31.1	28.3	30.4	23.0	8.2	15.0
1965	-0.8	14.7	6.2		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		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		12.0	1.5	6.4	-53.0	-43.8	-51.0	-9.2	-11.1	-10.1

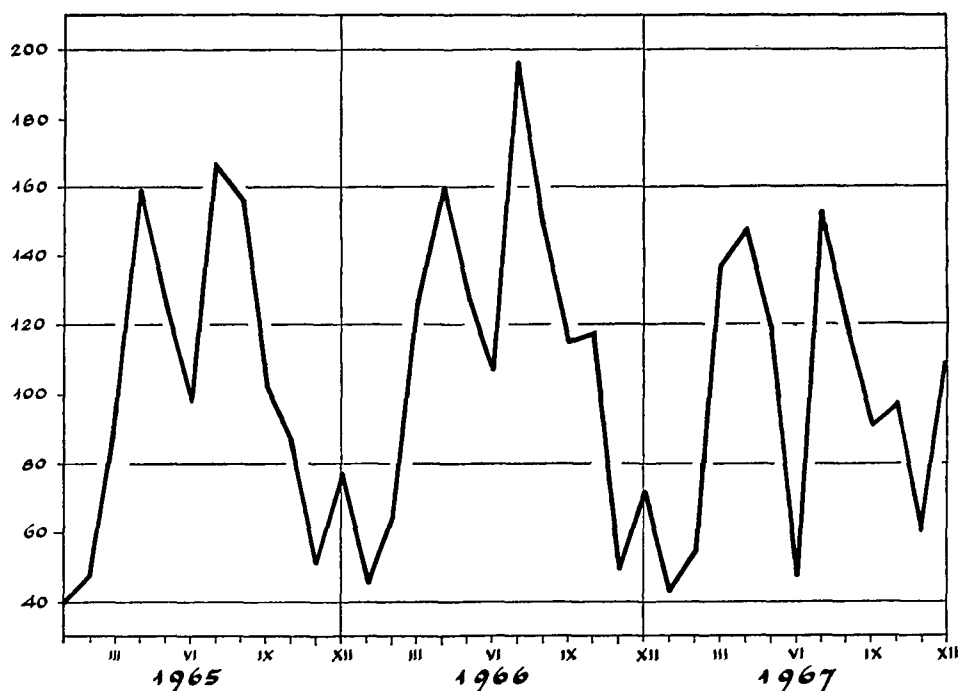
^a Excluding one-day visits by plane.

^b Including immigrants, residents, holders of civil permits, temporary residents, tourists, and one-day visitors by plane.

SOURCE: Central Bureau of Statistics.

Diagram XIV-4

INDEX OF TOURIST ARRIVALS (INCL. ONE-DAY VISITS), MONTHLY, 1965-67
(average 1965=100)



SOURCE: Central Bureau of Statistics.

(a) *Shipping*

Real shipping output declined by 5 percent, after a much more sluggish growth in 1966 as compared with the previous year. Although 1967, and particularly the second half, was a good year for world shipping after the slump of 1966, the recovery almost entirely bypassed Israeli shipping, which was not directly involved in the events which led to the boom. At the same time, the local shipping industry was hit by the recession in the domestic economy.

The closing of the Suez Canal to international shipping raised demand and prices in various branches of the industry, a development which hardly affected this country, as use of this waterway had always been barred to it. The boom in fuel transport has also had little impact so far on Israeli shipping.

The rapid development of the merchant marine which marked previous years slowed down in 1966-67. Net of vessels sold, the fleet was augmented by two freighters, a refrigerator ship, and two bulk carriers. Three ships were acquired under existing expansion programs, while other acquisitions consisted of two bulk carriers and a number of refrigerator ships. Carrying capacity continued upward during the year (except for passenger and general cargo), as a result

ISRAEL'S MERCHANT FLEET, BY TYPE

Type of ship	No. of ships				Tonnage or passenger		
	1964	1965	1966	1967	1964	1965	1966
Passenger ^d	7	8	6	4	3,967	4,509	3,863
Dry cargo	78	84	84	89	696,229	757,448	828,818
General cargo	59	62	60	62	364,791	371,612	342,846
Refrigerator	6	9	9	10	24,340	53,500	53,500
Bulk carriers	13	13	15	17	307,098	332,336	432,472
Tankers	7	11	12	12	190,146	333,674	341,229
Total	92	103	102	105	—	—	—

^a Figures for 1964-66 have been revised.

^b Of passenger ships.

^c The carrying capacity of cargo ships is calculated by multiplying the tonnage by the speed, and that of passenger ships by multiplying the passenger capacity by the speed.

of branch specialization and a transition to faster and bigger ships; the increase came to 11.2 percent (see Table XIV-9 and Diagram XIV-5).

The 5 percent decline in real output of shipping services, despite the expansion of capacity, can be attributed to a rise in the share of Israeli-owned ships in cargo transport and a decline in the share of foreign ships chartered by local companies—a development apparently connected with the reduced import cargo volume. Other outstanding developments in the year reviewed were an increase in income from the chartering of Israeli ships to foreign companies and a decline in output in the passenger branch (see Table XIV-9).

Revenue from the conveyance of import goods (including fuel) to Israel fell by about 12 percent (see Table XIV-11). This was a direct result of the recession, as well as of the smaller grain imports due to the country's bumper grain crop in 1966/67. The war also had some effect, but apparently more on the expenditure side. In the second half of the year revenue from commodity imports rose slightly, reflecting the larger import requirements due to the general economic recovery, and to some extent also the higher freight charges. However, the upswing in economic activity in the second half of 1967 could not exert a very marked influence on the shipping industry because of the time-lag between the placing of import orders and deliveries.¹ Revenue from export cargoes was up

¹ The volume of imports passing through Israel's ports dropped during the year by about 8 percent, compared with a rise of 5.3 percent in 1966 (the data differ from those in Table XIV-11 owing to different definitions). The share of local shipping in such cargoes fell from 57 percent in 1966 to 55.7 percent (apparently owing to the higher cost of operating Israeli ships).

OF SHIP, TONNAGE, AND AGE, 1964-67^a

Capacity ^b	Percent increase or decrease (-) in carrying capacity ^c			Average age (years)			
	1964- 1965	1965- 1966	1966- 1967	1964	1965	1966	1967
2,256	10.7	-1.3	-11.4	4.8	5.3	4.9	8.2
983,531	23.1	11.2	16.1	—	—	—	—
365,997	11.6	0.3	-4.6	6.3	7.0	6.4	7.4
63,312	222.7	15.2	15.7	2.2	1.9	2.9	4.1
554,222	22.8	22.7	35.5	3.3	4.7	4.5	4.5
341,229	49.6	21.1	0.3	5.4	4.5	5.6	6.6
—	29.7 ^a	14.0 ^a	11.2 ^a	—	—	—	—

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

^b Excluding passenger ships.

SOURCE: Bank of Israel calculations.

steeply, all of the rise taking place in the second half of the year.¹

Revenue from trade between foreign ports fell off, mainly in the first half of the year. This can be ascribed to the closing of a number of routes (for reasons of profitability and price competition); revenue from a number of other important routes also dropped. Shipping not bound by long-term contracts (a small part of the total), or which was released from such contracts in the last quarter of the year, benefited greatly from the boom of this period. The upsurge in world shipping led to a steep, though temporary, rise in prices, and hence in revenues from cargo conveyance between foreign ports in the second half of the year. Israel's fuel carriers did not profit from this development, since their prices were fixed on a long-term contract basis, while the quantities were determined by exogenous factors (the capacity of the Eilat-Haifa pipeline and the carrying capacity of the tankers). In fact, revenue in this branch even dropped, since one tanker was laid up for part of the year. The main expansion or long-term charter programs will apparently focus on this branch, which will be able to employ a fleet of giant tankers when the new pipeline is completed. The first such tanker has already been ordered from Sweden.

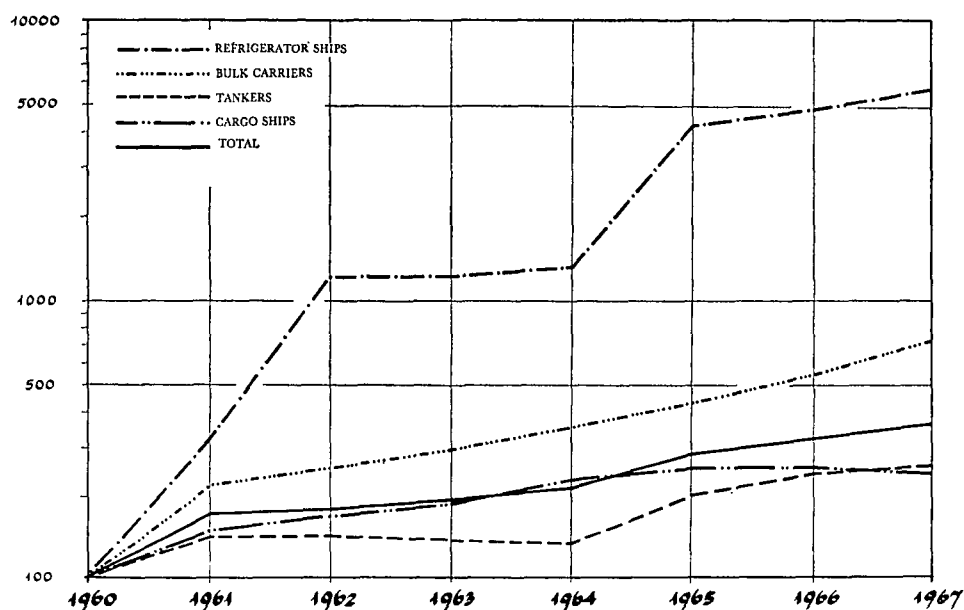
In contrast to the steep rise in fuel transport prices (which at one time reached more than 800 percent in the international market), the other price rises were more moderate. In the liner trade, the increases were first classified as risk fees, surcharges, etc., mostly without objective justification apart from the boom

¹ Export cargo volume was up about 15 percent in 1967; the share of Israeli shipping also rose, from 24.3 percent in 1966 to 33.8 percent.

Diagram XIV-5

INDEX OF CARRYING CAPACITY OF ISRAEL'S MERCHANT FLEET, 1960-67

(January 1960=100)



Semi-logarithmic scale.

Table XIV-10

ISRAELI SHIPPING REVENUE,^a 1964-67

(IL million, at current prices)

Item	1964	1965	1966	1967 ^a
Cargo (incl. fuel)	211	246	277	260
Passenger	49	54	42	33
Charter hire ^b	37	53	43	66
Miscellaneous			5	6
Total	297	353	367	365

^a Preliminary estimate.^b Includes chartering by one Israeli company to another; in 1966 and 1967 this amounted to IL 23.6 million and IL 25.5 million respectively.

SOURCE Central Bureau of Statistics.

Table XIV-11
ISRAELI CARGO SHIPPING REVENUES,* 1966-67

(IL thousand)

	Annual total			First half of year			Second half of year		
	1966	1967	Percent change	1966	1967	Percent change	1966	1967	Percent change
Import	122,530	108,088	-11.8	67,991	52,443	-22.9	54,539	55,645	2.1
Export	37,121	39,267	5.8	22,584	22,581	—	14,537	16,686	14.8
Between foreign ports	117,480	112,864	-3.9	53,753	45,032	-16.2	63,727	67,832	6.4
Total	277,131	260,219	-6.1	144,328	120,056	-16.8	132,803	140,163	5.5

NOTE: The distribution of 1967 revenue between the first and second halves of the year was estimated according to provisional data.

* Including petroleum.

SOURCE: Central Bureau of Statistics.

conditions which made them possible. The general rise in prices at times reached 30 percent, but it was checked somewhat toward the end of the year. All these factors, together with the devaluation of the pound sterling, drove up tariffs by an annual average of 6 percent, and in the second half of the year by 12 percent. By midsummer the tanker market had calmed down; this had a restraining effect on bulk shipping, but the liner trade—in which a large part of the Israeli merchant marine engages—was affected only marginally.

Passenger shipping continued downward in 1967. The flagship *Shalom* was handed over to her buyers at the end of the year, and the *Nili* was also sold, leaving Israeli companies with only two or three ships to serve the home ports. The additional tourist sites which became accessible after the war did not have any noticeable effect on summer tourist traffic by sea, while the war, which came at the beginning of the season, led to the cancellation of many bookings. As a result of these developments, revenue from passenger business dropped by about 14 percent.

The devaluation had almost no effect on the industry's revenue figure for the year, as it came close to the end of the year and in an off-season (particularly since citrus exports were late in 1967).

(b) *Ports*

Total cargo movement through the country's ports rose more slowly in 1967—by 2.5 percent as against 7 percent in 1966.¹ However, real output (measured in terms of revenue at constant prices) rose by 5 percent, as contrasted with a drop of 3 percent in 1966.² The change reflects the high share of general-cargo imports (mainly manufactured goods) in total port revenue. In 1966 the volume of general cargo fell about 16 percent as a result of the recession and the smaller number of immigrants; in 1967 the decline was only 2 percent. Total import cargoes were down 6.3 percent, compared with a 4.5 percent increase in 1966. The bulk import of grain declined steeply, owing to the bumper harvest³ (see Table XIV-12).

Export cargoes were up 13.6 percent, compared with 10.8 percent in 1966. Citrus shipments, which account for about 30 percent of total export cargo, increased by approximately 20 percent. The bulk export of minerals also rose faster than in the previous year.

¹ Up to the end of December 1967, Ashdod and Haifa handled 100,000 cases of citrus fruit from the Gaza Strip. UNRWA imports amounted to 50,000 tons.

² 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. The 1966 figures have been revised.

³ The data on port output are for the fiscal year 1967/68, during which the volume of general cargo imported rose 18 percent. Total import cargoes were up 2.3 percent, and total import and export goods combined, by 5.9 percent.

Table XIV-12
CARGO AND PASSENGER TRAFFIC THROUGH ISRAEL'S PORTS, 1966-67

	1966					1967					Percent increase or decrease (-)
	Haifa	Tel Aviv- Jaffa	Ashdod	Eilat	Total	Haifa	Tel Aviv- Jaffa	Ashdod	Eilat	Total	
Import cargo ('000 tons)											
Grain (bulk)	1,220	—	—	—	1,220	1,033	—	—	9	1,042	-14.6
Minerals (bulk)	85	—	—	—	85	86	—	10	—	96	12.9
Chemicals and edible oils (liquid)	64	—	—	—	64	92	—	—	—	92	43.8
General cargo	897	—	260	55	1,212	719	—	411	58	1,188	-2.0
Total import cargo	2,266	—	260	55	2,581	1,930	—	421	67	2,418	-6.3
Export cargo ('000 tons)											
Citrus	485	—	139	8	632	491	—	260	7	758	19.9
Cement	104	—	—	11	115	87	—	—	10	97	-15.7
Minerals (bulk)	712	—	99	77	888	394	—	513	91	998	12.4
Chemicals and edible oils (liquid)	18	—	—	—	18	11	—	—	—	11	-38.9
General cargo ^a	303	—	25	53	381	282	—	66	99	447	17.3
Total export cargo	1,622	—	263	149	2,034	1,265	—	839	207	2,311	13.6
Total cargo volume ^b	3,888	—	523	204	4,615	3,195	—	1,260	274	4,729	2.5
Passenger traffic ('000)											
Incoming	116.0	—	—	—	116.0	70	—	0.4	—	70.4	-39.3
Outgoing	122.3	—	—	—	122.3	71	—	0.6	—	71.6	-41.5
Total	238.3	—	—	—	238.3	141	—	1.0	—	142.0	40.4

^a Including grain in bulk.

^b Excluding fuel.

SOURCE: Israel Ports Authority.

Table XIV-13
CARGO TRAFFIC THROUGH ISRAEL'S PORTS, 1965-67
(percentages)

	Haifa	Tel Aviv- Jaffa	Ashdod	Eilat	Total
Import cargo					
1965	87.9	9.1	0.8	2.2	100.0
1966	87.8	—	10.1	2.1	100.0
1967	79.8	—	17.4	2.8	100.0
Export cargo					
1965	85.3	1.8	0.2	12.7	100.0
1966	79.8	—	12.9	7.3	100.0
1967	54.7	—	36.3	9.0	100.0
Total cargo					
1965	86.8	6.0	0.6	6.6	100.0
1966	84.3	—	11.3	4.4	100.0
1967	67.6	—	26.6	5.8	100.0

SOURCE: Table XIV-11.

Port charges were not raised during the year. Some of those payable in foreign currency were reduced after the devaluation, so that there was no change in IL terms. The devaluation raised wharfage fees, which are collected according to the c.i.f. value of imports in IL. The tariff rose by about 1 percent.

Ashdod Port stepped up operations considerably in 1967; it handled 26.6 percent of total cargo volume and 36.3 percent of export cargoes alone. The share of Eilat Port also rose, particularly after the war (see Table XIV-13).

(c) *International aviation*

Real output of El Al Israel Airlines, measured in terms of revenue at constant prices, rose by about 13 percent, after a more sluggish growth in 1966 as compared with the preceding year. The improvement was due to the heavier air passenger traffic to Israel after the Six Day War, from August onward, and to a smaller extent in April and May. In the first quarter of the year and in June and July, passenger business fell off.

The number of persons (excluding immigrants) carried by El Al in 1967 rose by 7.6 percent, compared with 9.6 percent the year before, and totalled 340,000. On the transatlantic route—the company's main source of revenue—the rise was 19.3 percent, compared with a drop of 2 percent in 1966.¹ As a result, El Al's growth rate on this route slightly exceeded that of other airlines

¹ In 1966 total passenger traffic on the transatlantic route rose by 14.4 percent.

(according to IATA figures, total traffic volume increased by 18.8 percent). This impressive gain is explained by the heavy tourist movement, mainly Jewish, from North America to Israel from July onward. It stands out all the more in view of the curtailment of service on this route in May and June, when El Al was mainly engaged in evacuating foreign residents, carrying cargo, and maintaining the air link with the rest of the world. Another outcome of the war was the shortening of the South Africa route, which now passes over the Straits of Tiran; this has boosted traffic on this route.

There was a striking increase of 44 percent (on an annual average) in air freight carried by El Al; this was connected, of course, with the special demands made during May and June.

The company's output growth was made possible, on the supply side, by a more rapid expansion of available ton-km. (passenger and cargo),¹ which was up 17.2 percent, compared with only 2.1 percent in 1966 (see Table XIV-14). In contrast to 1966, all of the extra capacity was in the company's own equipment, while the available ton-km. of chartered equipment declined and was used mainly for freight. This development was connected with changes in the company's fleet: in February the last Britannia was sold, and a seventh Boeing was acquired at a cost of about IL 21 million.

Revenue ton-km. (passenger and freight) of both owned and chartered planes rose by 20 percent in 1967, compared with 7.3 percent in 1966, and the overall load factor edged up from 62.1 to 63.6 percent.² Changes in the average daily utilization of planes, which are a measure of the technical efficiency of operations, varied in extent and direction from one type of plane to another (see Table XIV-15).

The price index (for passengers and freight), derived from the revenue and quantity indexes, averaged 2 percent lower in 1967. This can be attributed chiefly to the reduction of passenger fares, which was partly offset by a sharp rise in freight prices, resulting from a change in the composition of cargoes and to a lesser extent from the devaluation, in the wake of which tariffs were raised (although by less than the rate of the devaluation).

The special operations performed by El Al during the national emergency and the immediate postwar period increased expenses and reduced revenue, as scheduled flights were cancelled and the number of tourists dropped. However, in view of the heavy tourist traffic in the second half of the year and the winter of 1967/68, the company expects to wind up the 1967/68 year with an income of IL 190-195 million and a profit of IL 4-5 million.³

¹ Available ton-kilometrage is a function of the number of planes, their capacity, and the frequency and distance of flights.

² On the transatlantic route the rise was from 61.4 to 64.0 percent.

³ In 1966-67 El Al had a revenue of IL 155.5 million and a profit of IL 1 million; equity capital was IL 48.9 million and long-term liabilities (including Government loans) stood at IL 49.2 million. The balance sheet total was IL 188.7 million.

Table XIV-14
OUTPUT AND UTILIZATION OF EL AL AIRCRAFT, 1965-67

	Unit	1965			1966			1967		
		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 ton-km.	'000	2,225,955	195,363	22.9	2,272,224 ^a	235,945	2.1	2,605,832	29,245	14.7
Revenue passenger-km.	'000	1,337,086	128,991	29.5	1,406,920 ^a	161,371	5.2	1,606,508	23,863	14.2
Passenger load factor	%	60.1	66.0		61.9	68.4		61.7	81.6	
Available ton-km.	'000	254,083	22,108	19.7	259,501	26,831	2.1	304,104	4,476	17.2
Revenue ton-km.	'000	150,169	13,583	28.8	161,125	16,985	7.3	193,367	3,253	20.0
Ton-km. load factor	%	59.1	61.4		62.1	63.3		63.6	72.7	

^a Revised figures.

SOURCE: El Al Israel Airlines.

Table XIV-15

AVERAGE DAILY UTILIZATION OF EL AL AIRCRAFT, 1966-67

(hours)

	Boeing 707/420		Boeing 707/320B		Boeing 720B	
	1966	1967	1966	1967	1966	1967
Annual average	10.6	10.2	6.9	10.7	9.0	7.4
Peak-season average	13.4	13.2	8.7	14.2	11.5	9.2
Off-season average	7.5	7.6	4.2	6.3	5.8	5.1

SOURCE: El Al Israel Airlines.

El Al's share in passenger movement to and from Israel rose from 50.6 percent in 1966 to 51.7 percent in 1967 and 56-57 percent during June-July 1967. Its share in cargo transport in June alone was 73 percent.

Following the recommendations of the committee appointed to investigate Israel's aviation policy, the Government decided in October 1967 to allow charter flights from Scandinavia and for students. Charter flights for Christian pilgrims from Europe had been permitted before the war. The authorities defined a pilgrim as a passenger entering (or departing) Israel by air and departing (or entering) by land. In other words, only pilgrims arriving in Israel on a combined itinerary including at least one of the neighboring countries were entitled to charter flight rates.¹ This definition became meaningless once Jerusalem was reunified and most of the Christian holy places came under Israel's control. The Government therefore decided to allow pilgrims intending to spend most of their time in visiting Christian holy places to come on charter flights, as before. It is still too early to evaluate the effect of these policy changes on the country's tourist trade or on El Al's business.

(d) *Airports*

Israel's airports showed a 2 percent output gain in 1967, compared with 6 percent in 1966. Prices rose 3.5 percent, after soaring 19 percent in 1966. Revenue amounted to IL 12 million.

Air traffic through Lydda grew more rapidly in 1967—by 16 percent as against 3 percent the year before. The number of passenger arrivals was up 13.1 percent, and the total number of arrivals and departures was 662,000. The volume of freight unloaded rose steeply, by 53 percent,² mainly because of the war.

¹ This restriction was connected, among other things, with the existing structure of group flight prices to and from Israel.

² Total freight volume rose by 40.5 percent and mail volume by 6.1 percent.