CHAPTER XIII

TRANSPORTATION AND COMMUNICATIONS

1. Main Developments

Output[1] growth in the transportation and communications sector accelerated in 1970, when the rise came to 12.4 percent in real terms compared with 8.2 percent the year before. At current prices, total revenue reached nearly IL 2,900 million.[2] Both the domestic and international branches contributed to the more vigorous expansion, which stands out all the more when compared with the sagging growth of investment and output in the other sectors of the economy.

In land transport, which accounted for 39 percent of total revenue, the stronger increase was the net result of a faster rise in freight and a slower rise in passenger traffic (4 percent compared with 6 percent in 1969). The smaller growth in the latter was primarily a consequence of the much weaker increase of per capita disposable income and consumption in 1970 and of a worsening of the security situation in the first part of the year (up to August 1970), which dampened demand for tours and excursions. Other factors were apparently the cholera outbreak at the end of the summer, which affected both domestic and foreign tourism, and the continued uptrend in the degree of motorization (expressed in terms of the number of private cars per thousand population), which in the long run has a downward effect on demand for passenger services.

Domestic freight transport (truck and rail) recorded an 11–12 percent rise in output, as against 9 percent in 1969. The faster increase was largely due to the expanded output of those industrial branches that are heavy users of trucking services, in particular mining and quarrying, petroleum refining, and cement production, which between them accounted for some 40 percent of the total volume of freight trucked in the year reviewed. In some of these branches output growth was stronger in the final quarter of the year, owing chiefly to the heavier demand by the defense establishment after the ceasefire went into effect (for the strengthening of fortifications).

The accelerated rise in the production and marketing of agricultural products (particularly citrus) also contributed to the stronger output growth of the trucking industry.

Another factor was the appreciable 20 percent rise in incoming tonnage (much

[1] Total revenue at constant prices.

[2] The net product of the sector at factor cost amounted in previous years to 47–50 percent of total revenue at current prices..

Table XIII-1

CHANGES IN REAL OUTPUT AND PRICES OF THE TRANSPORTATION AND COMMUNICATIONS SECTOR, BY BRANCH, 1968–70

(percentages)

	Share in total revenue in 1969	Annual increase or decrease (–)					
		Output			Prices		
		1968	1969[a]	1970	1968	1969[a]	1970
Domestic services							
Land transport							
Buses and subway	11.5	13.9	6.7	3.1	0.9	—	5.0
Taxis	4.7	14.0	4.5	5.0	—	—	4.4
Trucks[b]	21.7	21.0	8.8	11.8	10.0	2.0	4.0
Railway[c]	1.2	14.6	2.8	10.7	—	1.4	7.4
Total	**39.1**	**17.6**	**6.3**	**8.4**	**5.5**	**1.1**	**4.5**
Other							
Oil and gas pipelines[d]	2.3	26.0	15.2	79.6	17.7	12.7	–54.0
Domestic air service	0.7	72.4	48.0	12.0	–0.9	0.9	3.6
Posts and telecommunications[e]	15.4	36.6	19.5	15.4	–12.7	—	3.5
Total	**18.4**	**35.4**	**19.9**	**22.8**	**–9.1**	**1.4**	**–6.6**
Total domestic services	**57.5**	**22.9**	**10.3**	**13.0**	**0.8**	**1.2**	**0.6**
International services							
Shipping and ports							
Shipping[f]	23.8	21.6	4.6	8.4	16.5	7.6	13.0
Ports[g]	6.7	27.2	. .	18.3	1.6	3.3	7.0
Total	**30.5**	**23.0**	. .	**10.6**	**12.7**	**6.6**	**11.6**
Civil aviation and airports							
International civil aviation[h]	11.3	40.9	6.1	13.7	8.2	–0.8	–2.2
Airports	0.7	40.4	11.0	20.9	—	—	3.3
Total	**12.0**	**40.6**	**6.4**	**14.1**	**7.6**	**–0.7**	**–1.8**
Total international services	**42.5**	**27.9**	**5.3**	**11.6**	**11.2**	**4.4**	**7.7**
Total output at market prices[i]	**100.0**	**24.9**	**8.2**	**21.4**	**5.0**	**2.6**	**3.4**

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

[a] Revised data.

[b] Output data for 1969 were revised in line with the Central Bureau of Statistics' new method of measuring industrial activity, the principal indicator of changes in trucking output.

[c] The figures for 1969 have been revised, mainly because of a changeover to CBS data; these include a direct calculation of an index of passenger prices and a quantity index of freight prices (with 1968 as the base year). The price index for "miscellaneous and external work" is a weighted index of passenger and freight prices.

[d] As of 1970, the output index reflects changes in the volume of throughput; data for 1968 and 1969 have been revised accordingly.

[e] In 1968 and 1969 the price index was calculated according to the postal services item in the consumer price index; beginning in 1970 it was calculated according to a special CBS index.

[f] Revenue data include chartering by one Israeli company to another.

[g] The indexes for 1968–69 are for financial years; as of 1970 it is for the calendar year.

[h] The index of freight prices has been recalculated, with 1968 as the base year.

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

of the increment consisted of defense imports) handled by Israeli ports during 1970 (compared with 4.5 percent increase in 1969).

Output of the communications and domestic air service branches moved up at slower (but still very high) rates—15 and 12 percent respectively—as a result of the general slowdown in economic activity. With the inauguration of the Eilat-Ashkelon oil pipeline (which has a much greater capacity than the older Eilat-Haifa line), the output of the pipeline transportation industry jumped nearly 80 percent. While most of the output changes in this industry, which serves both the export and home markets, are due to factors exogenous to the economy, they have a considerable impact on shipping investment.

In international transportation, which is affected by the international market to a far greater degree than are the domestic branches, output was up nearly 12 percent in 1970, as against 5 percent the year before.

Israeli shipping revenues rose by 23 percent, and after adjusting for the sharply higher prices of the industry's services in Israel and abroad, the increase came to 8 percent.[1] This strong gain was the result of a growth in import cargo volume (especially defense goods and crude oil), together with a larger income from ship-chartering, mainly between foreign ports. The carrying capacity of the Israeli fleet was substantially enlarged, especially toward the end of the year when a number of oil tankers were acquired.

Civil aviation benefited from a resumption in 1970 of the upward trend in tourism. El Al's revenues at constant prices were up nearly 14 percent, compared with 6 percent in 1969, while the gain in revenue ton-km. was even more striking, thanks largely to the introduction into service of another Boeing at the beginning of the year.

The sector's prices averaged about 3.4 percent higher in 1970. Most of the increase took place in the last quarter of the year, when bus and taxi fares and postal tariffs, all of which are fixed by the Government, were raised and road haulage rates were also revised steeply upward. The opening of the new oil pipeline, on the other hand, had a downward effect on the price level—a development explained by the capacity of the line, its ownership structure, and conditions of operation.

Real gross fixed investment in transportation and communications fell by about 2 percent in 1970, whereas elsewhere in the economy the level of non-dwelling investment remained unchanged. The drop was greatest in land transport, oil pipelines, and telecommunications, while shipping showed a marked rise.[2]

The number of employees in the sector (including workers from the administered areas) went up 3 percent in 1970.[3]

1 The estimated change in the real output of the shipping industry should be treated with reserve owing to the manner in which the price index was calculated.

2 See the discussion in Chapter V and the accompanying tables.

3 According to data of the National Insurance Institute (see the discussion in Chapter IX).

2. Domestic Transport and Communications

(a) *Road haulage*[1]

Of all the transportation branches, trucking is the most sensitive to fluctuations in the level of economic activity. Nevertheless, despite the slower expansion of GNP, capital formation, and industrial production in 1970, the boom in trucking, evident since the Six Day War, not only continued but even grew stronger in the year reviewed. This branch accounted for 57 percent of total land transport revenues, and its real output was up 11.8 percent as against 8.8 percent in 1969.[2]

Several factors accounted for the more vigorous output growth in the year reviewed. First was the accelerated expansion of production in 1970 in those industrial branches that are heavy users of trucking services. The growth rate for mining and quarrying (which accounted for 33 percent of total freight traffic) rose from 5 percent in 1969 to 19 percent; this increment consisted of an increase of 24.1 percent in quarried sand (as against 10.9 percent in 1969), a jump of 58.5 percent in the extraction of salts by means of evaporation pans (as opposed to a 9.3 percent decline in the previous year), and a 14 percent rise in nonmetallic minerals (up 13.3 percent in 1969). The output of the petroleum refining and cement industries also rose strongly. As a consequence of these production gains, industrial freight rose by an estimated 13.6 percent in 1970, as against 10.1 percent in the previous year. Another major factor in the stronger increase in trucking output was the direct and indirect transport requirements of the defense establishment, especially in the fourth quarter of the year when the ceasefire went into effect.

An 8 percent growth in farm marketings and purchases of inputs (compared with a 3–4 percent rise in 1969) led to a 5.3 percent increase (2.8 percent in 1969) in the haulage of farm products, which accounted for about 18 percent of total ton-km. The most outstanding gain was recorded for citrus destined for the overseas market; the much larger growth in 1970 of import tonnage (including defense goods)—20 percent vs. 4.5 percent in 1969—also contributed to the jump in trucking revenue.

On the supply side, the number of trucks rose sharply, for the second year running. At the end of the year 15 percent more trucks plied the roads than at the end of 1969; the increase in terms of authorized tonnage was even higher, since most of the new additions were heavy trucks.[3]

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

[2] The smaller percentage increase in output recorded for 1969 as compared with the preliminary estimate cited in last year's *Annual Report* is mainly explained by changes in the industrial branch classification and in the sample used for measuring industrial production, the principal indicator of changes in trucking output.

[3] In 1969 the expansion of the truck fleet was more marked in the second half, and in 1970 in the first half. The number of trucks with an authorized tonnage of over 2.5 grew by 14.5 percent in 1970, as against 10.5 percent the year before.

Road haulage freight rates went up on an annual average by a relatively slight 4 percent, and part of this rise is attributable to higher charges already in effect in the second half of 1969. However, at the end of September 1970 most freight rates were raised by 11 percent under an agreement reached between the Truck Owners' Association and the Ministry of Transport, which was intended to compensate the carriers for the dampening effect of the higher taxes on their profits. The further rapid expansion of the fleet and the sharp competition among truckers kept haulage charges from going up even more, as might have been expected in the light of the appreciable increase in production costs[1] during 1970 and the much heavier demand for trucking services. Also helping to moderate the rise of tariffs was the fact that much of the freight was carried by large companies and groups of truckers holding concessions on certain categories of freight or areas and operating under seasonal contracts; in such circumstances it is only natural that tariffs are adjusted to changed market conditions only after a time-lag and comparatively infrequently. In addition, the Price Committee for Services apparently succeeded in restraining tariff increases.

(b) *Buses*[2]

The expansion of the bus companies' real output continued to decline for the second consecutive year, the increase being only 3.1 percent as against 6.7 percent in 1969. Total revenue for the year, at current prices, came to IL 311.3 million.

The deceleration affected both fixed routes and special trips and excursions. Output on fixed routes rose by only 2 percent on an annual average, as against 4.4 percent in 1969.

The continued slowdown in special trips and excursions is explained by the aggravation of the country's security situation during most of the year, which hit both local and foreign tourism, and by the outbreak of cholera during the summer. The output of the bus companies, in particular on fixed routes, is a function of changes in the population and its dispersal, in real incomes, and in relative prices, as well as the availability of alternative modes of transport and the degree of motorization,[3] all of which are difficult to quantify in the short

1 Wages went up by 10–15 percent, on an annual average, and spare parts and garage services by about 15 percent (the biggest increase took place in September, following the imposition of the import surcharge). New trucks cost much more owing to the raising of import duties and higher prices abroad; the cost of tires and insurance also went up.

2 Including East Jerusalem and the Haifa subway; excluding tourist buses operated other than by the major bus companies (the output of the smaller companies in 1970 is estimated at IL 7–9 million). Also excluded are the nontransportation operations of the major companies, such as hotels and other tourist facilities.

3 The degree of motorization, which is expressed in terms of private cars per thousand population, was 45 at the end of 1969 and 49.3 at the end of 1970. At the end of 1970 there were 12.3 percent more private cars than at the end of 1969, while in that year their number had risen by 19.6 percent.

run. Nevertheless, the larger number of taxi and rail passengers in 1970, the slower growth of real income, and the greater degree of motorization go far to explain why the increase in output on fixed routes lagged behind that of the population.

The bus fleet grew by 11.1 percent in 1970, compared with 5.4 percent the year before, but passenger-km. rose by only 4 percent—slightly less than the increase in output. These figures indicate a lower bus utilization rate and an improvement in the standard of service (i.e. the number of routes and the frequency of buses).

The number of persons employed in the bus service rose by 3.2 percent on a monthly average, roughly the same rate as the gain in output but less than the rate of expansion of the fleet. As a result, output per employed remained unchanged during the year, while that per bus fell off appreciably, affecting costs.

Production costs rose steeply in 1970, owing both to a larger volume of inputs and to the higher prices paid for them. The index of bus input prices averaged 11.3 percent higher than in 1969, with the advance being sharpest in the second quarter and more mild in the next two.

Labor costs (the reference is to hired workers only), which account for 35 percent of purchased inputs, were up 21 percent, while earnings of members of the bus cooperatives (including their return on capital) grew at a faster rate.

Bus fares went up at an annual average rate (for all services) of 5 percent, after holding steady in the previous year. In September 1970 the Government approved a 10.5 percent fare hike on Egged's interurban routes and increases of up to 20 percent on urban routes. The company's overall increase came to 12 percent, while that authorized for the Dan bus cooperative (which operates in the Greater Tel Aviv area) averaged 20 percent. In addition, the Government agreed to continue subsidizing the bus companies to the tune of IL 2 million a month, and stipulated that there should be no further demands for increases before January 1972 unless input prices changed significantly in the interim. Since bus companies enjoy a monopoly and are treated as a controlled public service, the Government has continued its policy of linking bus fares to changes in production costs even after the dissolution of the Fares Authority, so as to enable the companies to balance their budgets.

After the authorization of the fare increases, those on fixed routes went up by an average of 5.1 percent in the third quarter of 1970 (compared with the previous quarter) and an additional 12.3 percent in the last quarter.

(c) *Taxis*[1]

Taxi revenue at current prices totalled approximately IL 130 million in 1970,[2] of which more than 40 percent derived from special services, about 15 percent

[1] Excluding those of tour operators and self-drive rented cars.

[2] According to a Central Bureau of Statistics survey of the taxi branch in 1970.

from interurban services, and the balance from the various urban services. In constant price terms, revenue was up by an estimated 5 percent, similar to the previous year's figure. The number of taxis rose by about 200 during the year—6.6 percent over the end-1969 figure.[1] The uptrend in demand for taxi services by local residents apparently slowed down, particularly for special and interurban trips, but presumably this was partly offset by the stronger demand on the part of foreign tourists. In September 1970, along with the revision of bus fares, those for taxis were raised by an average of 14.5 percent; the average increase for the year amounted to only 4.4 percent.

Profits apparently fell off during the year, since the growth of revenue per taxi failed to keep pace with that of operating costs (in particular, the price of new vehicles, spare parts, repairs, and labor). In the latter part of 1970 the price of a taxi license traded in the free market declined, but this was probably due chiefly to the declared intention of the Ministry of Transport to introduce a more liberal policy with regard to entry into the branch. Toward this end it set up a special committee at the beginning of 1971, and subsequently published regulations dealing with the issuance of licenses. But the policy of allowing the controlled, selective entry into the branch on a quota basis will be continued, so it is doubtful that there has been any real change in the previous system, which prevented entry into and withdrawal from the branch in accordance with profitability considerations.

The number of taxi drivers in 1970 came to about 5,000, of whom some 2,000 were employees.

(d) *Rail transport*

The real output[2] of Israel Railways expanded by a substantial 10.7 percent in 1970, as against only 2.8 percent in the previous year. The gain was greater in freight transport: whereas in the passenger branch it came to only 1.6 percent (following a decline of 3.1 percent in 1969), in freight business growth was 13.4 percent[3] (compared with 3.6 percent in 1969).[4]

The increase in freight carried by the railway (in ton-km.) was, as with road haulage, stronger in the year reviewed—12 percent as against 9.1 percent in 1969 (see Table XIII-2). Notable increases were recorded for grain, cement, potash, and fuel, while rail shipments of iron pipes and heavy fuel oil dropped off.

After a decline of 5.8 percent in the number of passengers carried in 1969 and

1 Including East Jerusalem taxis, which since September 1970 have been permitted to operate beyond the Jerusalem city limits. It is estimated that 3,420 taxis were in operation at the end of 1970.

2 Measured as revenue in constant price terms.

3 Including demurrage and miscellaneous tranport charges.

4 In miscellaneous and external work, including that performed in the Gaza Strip and Northern Sinai, there was an output gain of 17.3 percent, as against 16 percent in 1969.

Table XIII-2

RAILWAY SERVICES, 1968-70

	Million ton-km.	Percent annual increase or decrease (–)	Million passenger-km.	Percent annual increase or decrease (–)
1968	383	33.5	349	3.5
1969	418	9.1	332	–4.9
1970	468	12.0	355	6.9

SOURCE: Israel Railways.

of 4.9 percent in passenger-kilometers, the year reviewed saw rises of 5.4 and 6.9 percent respectively. The upswing in passenger conveyance was particularly marked on the Tel Aviv-Haifa line, which provides a good alternative to the bus service over the same route. It should be noted that since the summer of 1970 members of the armed forces have had free transport privileges on the railway.

Rail tariffs went up by 7.4 percent on an annual average (5.2 percent for passengers and 8.3 percent for freight). At the beginning of September passenger fares were increased by an average of approximately 15 percent, and the extra charge for express trains was cancelled. Freight rates were raised by an average of 11 percent in mid-October, and the special low rates in force for certain freights were either increased or cancelled altogether. As a result of these changes, the price of rail freight services held steady relative to road haulage rates.

Railway revenue[1] moved up by 20 percent, as against 7.1 percent in 1969, and reached IL 32.9 million. Operating expenses rose by 12 percent, and, together with depreciation and interest charges (up 3.8 percent), amounted to IL 46.6 million. As a result, the operating deficit, as shown by the railway's accounts, shrank to about IL 5 million, while the overall deficit was, at IL 13.7 million, 7.3 percent less than in the previous year.

3. DOMESTIC AVIATION, POSTAL SERVICES, AND OIL PIPELINES

(a) *Domestic air services*[2]

Real output of Arkia Airways rose by 12 percent in 1970, following a jump of 48 percent in 1969 and an even more impressive advance in 1968. The rapid expansion in 1968–69 was accounted for by nonscheduled flight services, par-

1 Excluding the collection of the defense stamp duty, Treasury participations, and income from the operation of the railway in the Gaza Strip and Northern Sinai. Freight revenues in 1970, including miscellaneous transport charges, amounted to IL 22.2 million, and passenger revenues to IL 7.7 million.

2 In the absence of other current information, this survey covers only Arkia Airways. The combined revenue of the other, smaller domestic aviation companies came to IL 12–15 million, of which IL 6 million derived from agricultural spraying.

ticularly for the defense establishment, civilian development projects in the South, and tours of the administered areas. In 1970 revenue from nonscheduled services, including charter flights, went up by a relatively moderate 17.1 percent, after having posted an 81.8 percent gain in 1969. Air tours of Sinai were discontinued in mid-1970, after a conspicuous decline from the second half of 1969 due to the security situation in that area.[1] The growth of Arkia's scheduled flight business also slackened, particularly in the fourth quarter, as a result of the fare hikes introduced in September, the fighting in Jordan, and the summer cholera outbreak. Nevertheless, the company's output growth on its scheduled routes matched that of the land passenger carriers. The total number of persons flown by Arkia was approximately 313,000—12.2 percent more than in 1969. Fares went up by 8.8 percent on an annual average. In March the special rates for round trips were cancelled, except for Eilat residents; in April tour prices for both Israelis and foreign tourists were raised, and in mid-September fares to Eilat went up 12.5 percent and those to the North by some 30 percent; at the same time several special fares were eliminated and various other tariffs were raised.

During 1970 two new Viscount[2] and five Herald[3] aircraft were put into operation, boosting total seat-km. available by 25.5 percent. Since output expanded by less than that, the utilization rate of the company's aircraft declined.

Arkia's revenues in 1970 added up to IL 20.8 million, with nonscheduled flights accounting for more than 55 percent. But because of higher operating expenses, the lower aircraft utilization rate, and the costs incurred in introducing the new aircraft into service, the company suffered an estimated loss of IL 0.8 million, as compared with a profit of IL 0.3 million in 1969.

(b) *Posts and telecommunications*

Post Office revenue[4] was, at IL 460.1 million, 19.4 percent higher than in 1969. Prices went up by an average of 3.5 percent during the year; the increase in real output[5] thus came to 15.4 percent, compared with 19.5 percent in 1969 (see Table XIII-3).

Income from telephone services, which accounted for 75.1 percent of total Post Office revenue in 1970, rose more slowly than in 1969 in spite of their higher prices—by 20.5 as against 24.1 percent. Telephone installations yielded 12.9 percent less in the year reviewed, a result of the smaller number of

[1] An additional scheduled route to Ophir was inaugurated in 1970, and in that year more than 10,000 passengers were carried.

[2] The Viscount is a 75-seat turbo-prop and costs more than $ 200,000.

[3] A chartered Herald operated in 1969 was withdrawn from service in 1970.

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

[5] Revenue at constant prices.

Table XIII-3

POST OFFICE REVENUE,[a] 1968–70

(IL thousand)

	1968	1969	1970	Percent annual increase or decrease (–) 1969	Percent annual increase or decrease (–) 1970
Telephone services	231,083	286,801	345,547	24.1	20.5
Installation fees	24,796	23,452	20,416	–5.4	–12.9
Other operating revenues	206,287	263,349	325,131	27.7	23.5
Other postal services	91,531	98,631	114,513	7.8	16.1
Total	**322,614**	**385,432**	**460,060**	**19.5**	**19.4**

[a] Excluding income of the Post Office and service charges; including collection of the defense stamp duty on postal and telephone services.
SOURCE: Ministry of Communications.

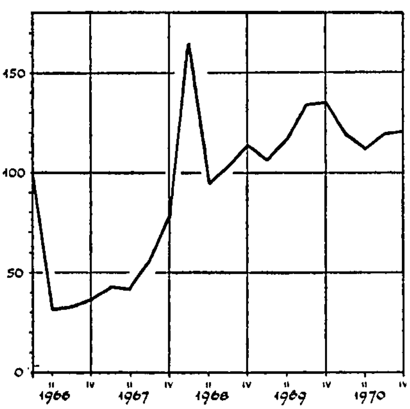
installations and apparently a rise in the proportion of new subscribers paying a reduced fee. Revenue from telephone services was up by an appreciable 23.5 percent, but this was still below the previous year's gain. Other postal services yielded a 16.1 percent greater revenue, compared with a 7.8 percent increase in 1969.

The year reviewed saw a reversal of the rising trend in applications for new

Figure XIII-1

INDEX OF APPLICATIONS FOR TELEPHONES, QUARTERLY, 1966–70

(First quarter 1966=100)

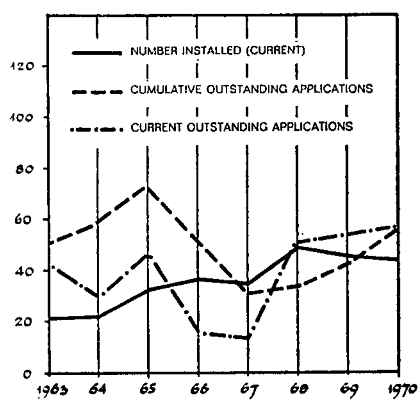


SOURCE: Ministry of Communications.

Figure XIII-2

NUMBER OF TELEPHONES INSTALLED AND OUTSTANDING APPLICATIONS, 1963–70

(thousands)



SOURCE: Ministry of Communications.

telephones, a decrease of 4 percent being recorded, after a rise of 4 percent in 1969 and a resounding 119 percent in 1968. The strong demand in 1968–69 is explained by the growth of real disposable income, the expectation of a rise in taxes and installation fees after the 1969 elections, and the halving of the installation fee at the end of 1967.

The number of installations was also down 4 percent in 1970, after falling 7 percent the year before. Among the reasons for this decline were the overloading of the existing exchanges,[1] the policy of improving the quality of the service by reducing the number of stop-gap arrangements for providing additional speech circuits, and the scarcity of technical manpower. The backlog of unfilled applications at the end of 1970 was up 31.7 percent and stood at 55,700 (see Table XIII–4 and Figure XIII–2).

Table XIII–4

DEMAND FOR TELEPHONES AND NUMBER INSTALLED, 1967–70

(thousands)

End of period	No. of direct lines connected[a]	No. of phones installed	No. of applications	Applications cancelled[b]	Applications outstanding[c]	Percent annual increase or decrease (–)	
						Installations	Applications
1967[d]	233.1	34.6	28.4	14.6	31.0	–6	8
1968	278.4	48.8	62.3	10.9	33.6	41	119
1969	321.3	45.4	64.6	10.5	42.3	–7	4
1970	361.0	43.7	61.9	4.8	55.7	–4	–4

[a] A line is defined as a connection from a central exchange to a subscriber; a subscriber may have more than one line.
[b] Applications approved but not paid for.
[c] Installation orders received by the Engineer, including unfilled applications from previous years and applications received during the current year, less telephones installed during the year and cancellations.
[d] The data include East Jerusalem since June 1967, but exclude the administered areas.
SOURCE: Based on Ministry of Communications data.

The higher tariffs for the various postal services went into effect, for the most part, in the second half of 1970. On an annual average, charges for telephone services and telegrams went up by 3.1 percent,[2] those for letters by 6.3 percent, and for parcels by 9.3 percent.

[1] The planning and construction of a new exchange takes from five to seven years, and each additional line involves an investment of IL 3,500–4,000.
[2] The elimination of the 360 free calls previously granted to new subscribers resulted in an effective rise of nearly 20 percent in the installation fee.

(c) *Petroleum pipelines*

Real output of the pipeline transportation industry soared 79.6 percent in 1970 (as contrasted with 15.2 percent in 1969);[1] the total throughput of crude was up 88.1 percent (compared with 15 percent in 1969). This impressive gain is largely attributable to the start of operations in February of the Eilat-Ashkelon oil pipeline, whose initial annual capacity of 18–20 millions tons is scheduled to rise to 26 million tons in 1971.[2] The line was not used to its full capacity in 1970 owing to technical hitches and the damaging of one of the tankers serving the line (it had to be withdrawn from service without being replaced). As a consequence, only 11.25 millions tons of crude were pumped through the line during the year; of this, almost half was exported directly, while the balance was refined and the products sold both locally and abroad.

The throughput of refined products rose 36.4 percent in 1970 (compared with 18.7 percent in 1969), while that of gas was down 8.2 percent, mainly because Chemicals and Phosphates Ltd. at Oron switched from the use of gas to crude oil in the last quarter of the year.

Despite the much higher real output of the pipeline transportation industry in 1970, total revenue at constant prices was, at IL 46.4 million, 17 percent less than in 1969. This is explained by the decline in the prices for pumping crude and gas.[3] The opening of the Eilat-Ashkelon line and the changes in its operating conditions following a change in its ownership led to a 58 percent drop, on an average, in the per-ton price for pumping crude, accompanied by a change in the relative prices. The price of pumping refined products through the other lines held virtually steady. It should be noted in this context that the new pipeline is strongly influencing investment in shipping, in both the short and long run.

4. International Transport Services[4] and Tourism

International transportation services resumed their rapid expansion in 1970—real output increasing by 11.6 percent as against 5.3 percent in the previous year.[5] Both passenger and cargo conveyance posted higher growth rates. Passenger arrivals (including tourists) were up 4.9 percent, after having declined slightly in 1969. Whereas the proportion of passengers carried to and from this country

[1] These figures differ from those cited in the 1969 *Annual Report* because of a change in definitions. The change in real output is measured this year as the change in the quantity of crude and gas piped, while the price index reflects the change in average revenue per ton of throughput.

[2] About the same as the annual capacity of the Tapline.

[3] The decline in the price of pumping gas, in spite of the tariff increases during 1970, is explained by changes in the percentage distribution of the consumers.

[4] Shipping, aviation, and sea and airports.

[5] Real output increased by a record 27.9 percent in 1968.

in Israeli bottoms fell from 55.6 to 27.1 percent following the reduction of the country's seaborne passenger service, El Al's share of this traffic rose from 45.6 to 49 percent.

El Al's output, measured in terms of revenue ton-km., averaged 16.1 percent higher in 1970, compared with a 10 percent advance in 1969. The company's performance exceeded the international average;[1] the slower growth of world air traffic on the one hand, and the enormous investment involved in absorbing the new Boeing 747's (jumbo jets) on the other, put many airlines deep in the red in 1970. Despite their efforts to boost the number of passengers, there is pressure to up fares so as to increase revenue per passenger-km. following the reduction of prices on the transatlantic service at the end of 1969.[2]

The total number of tourists arriving by all modes of transport in 1970 was 437,000—an increase of 6.8 percent as against a drop of 5.3 percent in 1969; excluding one-day visits by cruise ships, the increase was 7.7 percent, compared with 2.6 percent in 1969. The number arriving by air was up 8.1 percent and accounted for 87 percent of all visitors (see Table XIII–5).

The upswing in tourism which began in November 1969 continued through January 1970, after which the curve turned down until the end of May, because *inter alia* of the attacks on civil aircraft. In June and July the upward trend reasserted itself; but with the cholera outbreak in Israel and the surrounding region in August, the hijacking of three airliners to Jordan and the attempted hijacking of an El Al plane, and clashes between terrorists and the army in Jordan in September, tourist traffic fell off again. The Suez Canal ceasefire at the beginning of August came too late to have any effect on the summer and autumn tourist business, and it was not until the winter season that traffic began to pick up again (see Figure XIII–3).

The number of tourists from the U.S. (excluding cruise passengers) was, at 165,200, 13 percent over the 1969 level (compared with a 7.6 percent gain that year), and accounted for 40 percent of all arrivals. Tourism from Europe drifted down 2.4 percent, with the U.K. and the Netherlands being responsible for most of the decrease; nevertheless, the U.K., with 9 percent of the total traffic, was still the third largest source of tourism to Israel. More visitors came from Germany, Scandinavia, and France than in 1969; and France, with 47,600 tourists (11 percent of the total), again occupied second place. Tourism from South Africa rose 22.5 percent during the year.

Foreign currency receipts from tourism were, at some $ 103 million, up 19

[1] According to estimates of the International Civil Aviation Organization (ICAO), the growth of output on scheduled routes was lower in 1970 than in 1969. Revenue ton-km. (passenger and freight) is estimated to have gone up 10 percent in 1970, compared with 14–15 percent in previous years. The number of passengers rose by 8 percent in 1970.

[2] Fares on international routes were in fact increased in April 1971.

Table XIII–5

ANNUAL CHANGES IN PASSENGER TRAFFIC TO AND FROM ISRAEL, 1966–70

(percentages)

	By sea				By air			By land			Total		
	Arrivals	Departures	Total	Of which: one-day visits	Arrivals	Departures	Total	Arrivals	Departures	Total	Arrivals	Departures	Total
Tourists[a]													
1966	–3.4	–4.3	–3.9	4.6	13.9	20.3	17.4	21.3	13.0	19.6	10.7	12.3	11.5
1967	–36.3	–41.6	–39.1	–41.2	14.0	–2.7	4.8	–53.2	–40.2	–51.0	–11.3	–14.5	–12.9
1968	29.5	16.3	22.7	22.9	73.2	65.2	69.1	–92.2	–64.3	–86.9	48.4	52.5	50.4
1969	–16.0	–16.0	–16.0	–13.3	–3.7	–4.4	–4.0	20.7	4.0	11.8	–5.3	–5.9	–5.6
1970													
Percentage change	–10.6	–13.2	–11.8	–7.4	8.1	6.0	7.1	164.1	168.0	166.2	6.8	4.8	5.8
Absolute total	47,342	42,778	90,120	22,213	381,855	369,139	750,994	7,695	7,544	15,239	436,892	419,461	856,353
Total passengers[b]													
1966	–11.9	–2.2	–7.1	4.6	14.9	20.9	18.0	18.6	8.9	16.3	7.6	13.6	10.5
1967	–37.3	–41.0	–39.2	–41.2	12.0	1.5	6.4	–53.0	–43.8	–51.0	–9.2	–11.1	–10.1
1968	24.9	10.1	17.5	22.9	53.9	46.1	49.9	–92.2	–67.4	–86.9	38.1	37.0	37.5
1969	–13.6	–15.0	–14.3	–13.3	2.0	0.4	1.2	29.8	16.7	22.8	–0.2	–1.6	–0.9
1970													
Percentage change	–8.3	–14.8	–11.3	–7.4	6.0	5.7	5.9	151.0	146.1	148.5	4.9	4.1	4.5
Absolute total	73,006	59,172	132,178	22,213	568,872	549,169	1,118,041	8,001	8,036	16,037	649,879	616,377	1,266,256

[a] Excluding one-day visits by plane.
[b] Including immigrants, temporary residents, potential immigrants, tourists, and planc travelers making one-day visits. The percentage of passengers traveling to and from Israel under the Israeli flag was as follows: by sea—27.1; by air—49.

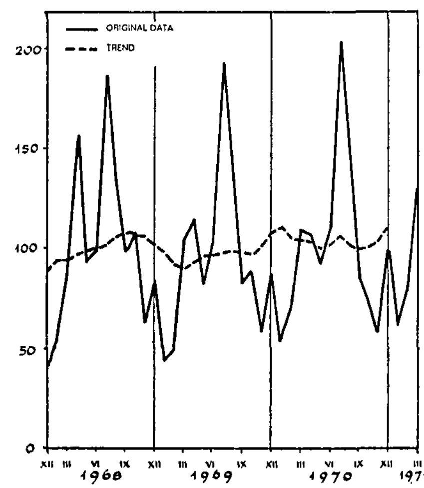
SOURCE: Central Bureau of Statistics.

percent,[1] while the average figure per visitor rose by 12 percent. The value-added component of the various tourist services is estimated at about 80 percent. Hotel rooms recommended for tourists increased by 5.1 percent, and at the end of 1970 numbered 15,100, of which 37 percent were in the highest category (four- or five-star). The total number of tourist-nights in rated accommodations went up by 7 percent; the total number of tourists (excluding one-day visitors) rose by 7.7 percent, so that the average length of stay by tourists in such accommodations declined. This is largely explained by the greater proportion of young visitors, who make less use of hotel facilities. The average annual occupancy rate by foreign and local travelers of recommended rooms remained at the 1969 level of 50 percent, but for higher-category rooms it reached 61 percent (84 percent in August). Generally speaking, the lower the rating of the hotel the lower is its occupancy rate. In the peak tourist month of August the occupancy rate in Tel Aviv reached 85.6 percent, in Haifa 87 percent, and in Jerusalem only 66.9 percent (because of the cholera outbreak). The investments (projected and in the implementation stage) in additional hotel rooms should go far to solve the problem of scarce accommodations at the height of the tourist season in the three large cities, the main centers of tourism.

Figure XIII-3

INDEX OF TOURIST ARRIVALS, MONTHLY, 1968–70

(average 1968=100)



SOURCE: Central Bureau of Statistics.

(a) *Shipping*[2]

Real shipping output[3] in 1970 was 8.4 over the previous year's level, compared with a 4.6 percent rise in 1969, while total revenue was up 22.6 percent to stand at IL 727 million[4] (see Table XIII–6).

1 Excluding Israeli shipping and airline revenues and earnings from tourism to the administered territories. Based on Central Bureau of Statistics data on currency conversions by tourists and by those authorized to receive foreign currency in payment for tourist services. These data generally display a downward bias.

2 Excluding the activities of Israeli bodies not defined as shipping companies, such as the Citrus Marketing Board, which operates chartered vessels.

3 Revenue measured at constant prices. Since the change in revenue has been adjusted for the estimated change in prices, and because of the way in which price changes have been calculated, these figures should be accepted with caution.

4 This represents gross revenue, and includes income from the chartering of ships between Israeli companies. The measurement of shipping output is very sensitive to changes in the

Table XIII–6

ISRAELI SHIPPING REVENUE, 1968–70

(IL million)

	1968	1969[a]	1970[b]	Percent annual increase or decrease (–)	
				1968/69	1969/70
Cargo (incl. fuel)	390	443	575	13.6	29.8
Of which:					
In Israeli-owned ships	273	295	. .	8.0	. .
In chartered ships	117	148	. .	26.5	. .
Passengers	23	23	13	—	–43.5
Charter hire[c]	106	119	132	12.3	10.9
Miscellaneous	8	9	7	12.5	–22.2
Of which:					
In Israeli-owned ships	5	6	. .	20.0	. .
In chartered ships	3	3	. .	—	. .
Total revenue	527	594	727	12.5	22.4

[a] Revised data.
[b] Estimate for the second half of the year.
[c] Includes chartering by one Israeli company to another, which amounted to IL 37.6 million in 1968, IL 56.1 million in 1969, and IL 75 million in 1970.
SOURCE: Central Bureau of Statistics.

Table XIII–7

ISRAEL'S MERCHANT FLEET, BY TYPE OF SHIP AND TONNAGE, 1968–70

(End of year)

Type of ship	Number of ships			Tonnage or passenger capacity[a]			Percent annual increase or decrease (–) in carrying capacity[b]		
	1968	1969	1970	1968	1969	1970	1968	1969	1970
Passenger[c]	3	4	2	1,685	2,227	1,064			
General cargo	64	56	57	376,121	343,286	341,804	3.6	–8.1	2.2
Refrigerated	14	13	13	104,531	103,612	101,233	60.4	–0.5	–2.6
Bulk carriers	20	22	22	765,656	919,808	933,246	39.4	21.0	1.4
Total, excl. tankers	101	95	94	1,246,308[d]	1,366,706[d]	1,376,283[d]	28.5[d]	10.3[d]	1.0[d]

[a] Of passenger ships.
[b] 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.
[c] In 1968 excluding the Jamaica Queen (formerly Nili), which sailed under the Israeli flag but was not Israeli-owned.
[d] Excluding passenger ships.
SOURCE: Bank of Israel calculations.

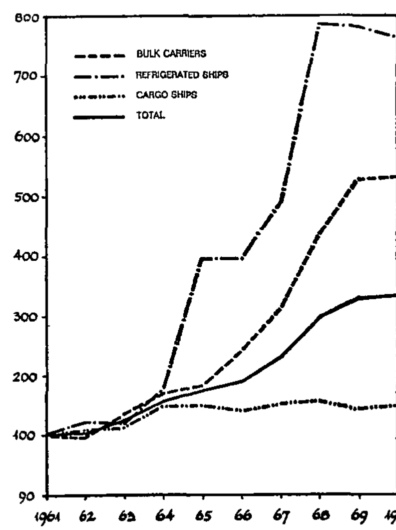
The world shipping boom continued in 1970, accompanied by a steady rise in freight charges. Charter rates sometimes jumped by as much as 40 percent, and those for oil tankers soared astronomically, especially in June and July. The principal causes for the upward movement of shipping prices—which began in October 1970 and did not slacken until September 1970—were the 12–13 percent increase in the volume of international trade, which outstripped additions to available shipping tonnage; the rise in the cost of building the large specialized ships ordered in the last two years; and the higher world consumption of fuel coupled with the Tapline crisis, which already at the end of 1969 had pushed up charter rates for short and medium periods.[1]

Israeli shipping prices also moved up substantially—by an estimated 13 percent on an annual average for all categories.[2] On most European and American routes published rates were 7.5–10 percent higher; in addition, the shipping conferences levied congestion surcharges on Israel's ports in seven months out of the 12. These surcharges were particularly burdensome for vessels plying the Mediterranean routes, because of the relatively high turnabout time.

Figure XIII–4

INDEX OF THE CARRYING CAPACITY OF ISRAEL'S MERCHANT FLEET,[a] 1961–70

(1961=100)



[a] Excluding tankers.

SOURCE: Bank of Israel calculations.

The carrying capacity of the Israeli-owned fleet remained almost constant in 1970, except for tankers, where there was a big increase with the acquisition of several vessels to serve the Eilat-Ashkelon pipeline (see Table XIII–7 and Figure XIII–4). With the pipeline rapidly nearing completion and with the tendency of shippers to switch to specialized vessels expected to become more pronounced in the next few years, orders for new ships rose appreciably, and this at a time when construction costs were at their peak. At the end of the

contractual relations between the various parties (with reference to the chartering of vessels, whether the shipper or the carrier pays for port services); therefore, in comparing changes in carrying capacity with changes in output and product, and also when measuring productivity and utilization rates, the figures should be accepted with reserve.

[1] Tariffs for the liner trade generally fluctuate less markedly than those for short and medium charters, and they respond less quickly to changes in market conditions.

[2] The growth of average revenue per ton, ignoring the change in the cargo mix and in the relative shares of the various Zim lines in total tonnage and revenue, amounted to about 8 percent.

year orders totalling $ 600 million were on the books for 56 refrigerated ships, tankers, and container and roll-on-roll-off ships, scheduled for delivery by 1975. Actual imports in 1970 (net of vessels sold) amounted to IL 169 million.

The year reviewed witnessed a continuation of the tendency to develop tramp shipping and that operating under foreign flags, whether for economic-commercial or political reasons. In the meantime, with the volume of goods carried to and from Israeli ports growing steadily, the local shipping industry has had to resort more heavily to chartered tonnage.

With the contraction of Israel's passenger fleet to two ferry vessels—the Dan and the Nili, operated by Zim Passenger Lines as of April 1970 (Zim's Moledet was sold in September 1970)—revenues from this source declined by 43 percent to IL 13 million, and operating losses reached an estimated IL 3 million.

Total revenue from cargo shipping (including fuel) grew by 29.8 percent in 1970, as against 13.6 percent the year before, while income from charter hire was up 10.9 percent, compared with 12.3 percent in 1969.[1]

The volume of import cargoes (excluding fuel) transported in both Israeli-owned and chartered vessels jumped 32.2 percent (see Table XIII–8).

The increase in import tonnage, despite the more sluggish growth of GNP, was largely due to the much heavier volume of defense imports. This development was accompanied by a rise in the share of the local shipping industry in total import cargo volume (excluding fuel) from 64.2 percent in 1969 to 70.8 percent.

The volume of export cargoes carried in Israeli bottoms edged up only 2.6 percent, compared with 15.7 percent in 1969, depressing the share of the local shipping industry from 63.1 to 57.6 percent. Cargoes carried between foreign ports (excluding chartered shipping) dropped off by 15.2 percent, but revenue from this source declined much less.

All told, cargo volume (excluding fuel) carried in Israeli vessels increased by 9.8 percent in 1970, compared with 7.9 percent in 1969, while revenues rose by substantially more.

Income from the transport of fuel soared 94.2 percent, after a notable 36.8 percent gain in 1969; this was due to a rise both in the volume carried and in fuel tanker rates.

At the time of writing this chapter it was not possible to estimate how these increases in revenue and expenditure affected the profitability of the Israeli shipping industry as a whole. Zim's statements for the year, before deduction of expenses on account of previous years and special items, show a profit of IL 27.7 million, as contrasted with IL 18.8 million in 1969 (including a IL 2.9 million subsidy to the passenger branch in 1969). The company's balance

[1] If income from the chartering of ships between Israeli companies is excluded, these increases would be lower.

Table XIII-8

NONFUEL CARGO CARRIED BY ISRAELI SHIPPING,[a] 1968–70

(thousands of tons)

	1968	1969	1970[b]	Percent annual increase or decrease (–)	
				1969	1970
Imports					
Israeli-owned shipping	1,528	1,285	1,811	–15.9	40.9
Chartered shipping	782	1,000	1,210	27.9	21.0
Total	**2,310**	**2,285**	**3,021**	**–1.1**	**32.3**
Exports					
Israeli-owned shipping	643	675	585	5.0	–13.3
Chartered shipping	974	1,196	1,335	22.8	11.6
Total	**1,617**	**1,871**	**1,920**	**15.7**	**2.6**
Between foreign ports					
Israeli-owned shipping	1,164	1,330	1,106	14.3	–16.8
Chartered shipping	168	187	180	11.3	–3.7
Total	**1,332**	**1,517**	**1,286**	**13.9**	**–15.2**
Total					
Israeli-owned shipping	3,335	3,290	3,502	–1.3	6.4
Chartered shipping	1,924	2,383	2,725	23.9	14.4
Grand total	**5,259**	**5,673**	**6,227**	**7.9**	**9.8**

[a] Excluding cargo transported in Israeli ships chartered to others.
[b] Data for the second half of 1970 are provisional estimates.
SOURCE: Central Bureau of Statistics.

sheet for the end of 1969 showed equity capital and reserves of IL 82 million, while long-term liabilities (including those to the Government but excluding current maturities) amounted to IL 266.2 million.

(b) *Ports*

The year reviewed saw an accelerated growth of cargo movement through Israel's ports: total tonnage (excluding fuel) was, at 7.6 million, up 16.5 percent, and contrasts with a rise of 3.4 percent in 1969 and 33.4 percent in 1968. Real output[1] advanced 18.3 percent, and port revenue at current prices totalled IL 213.4 million (see Table XIII-9).

In import cargoes the increase was 19.8 percent, as against 4.5 percent in 1969. Grain shipments were up 31.5 percent, while general cargo (including

[1] Revenue at constant prices.

Table XIII-9

CARGO TRAFFIC THROUGH ISRAEL'S PORTS, 1969–70

(thousands of tons)

	Share in port revenue in 1969/70 (%)	1969				1970				Percent annual increase or decrease (–)	
		Haifa	Ashdod	Eilat	Total	Haifa	Ashdod	Eilat	Total	1969	1970
Import cargo											
Grain (bulk)	11.7	1,185	—	—	1,185	1,558	—	—	1,558	–0.8	31.5
Minerals (bulk)	0.9	59	17	12	88	56	18	31	105	–10.1	19.3
Chemicals and edible oils (liquid)	0.5	133	1	—	134	141	2	—	143	28.8	6.7
General cargo	68.5	1,177	858	116	2,151	1,364	911	183	2,458	7.1	14.3
Total import cargo	**81.6**	**2,554**	**876**	**128**	**3,558**	**3,119**	**931**	**214**	**4,264**	**4.5**	**19.8**
Export cargo											
Citrus	9.3	485	361	19	865	511	446	13	970	–5.0	12.1
Cement	0.1	36	—	3	39	2	—	—	2	–43.5	–94.9
Minerals (bulk)	3.6	260	1,048	165	1,473	171	1,272	225	1,668	7.0	13.2
Chemicals and edible oils (liquid)	0.03	17	—	2	19	19	—	1	20	—	5.3
General cargo, incl. bulk grain	5.4	293	179	97	569	396	184	95	675	8.2	18.6
Total export cargo	**18.4**	**1,091**	**1,588**	**286**	2,965	**1,099**	**1,902**	**334**	**3,335**	**2.2**	**12.5**
Total cargo volume (excl. fuel)	**100.0**	**3,645**	**2,464**	**414**	**6,523**	**4,218**	**2,833**	**548**	**7,599**	**3.4**	**16.5**

SOURCE: Israel Ports Authority.

defense imports) rose by 14.3 percent and accounted for 68.5 percent of total port revenue from cargo handling.

Export cargo volume also expanded appreciably—by 12.5 percent—after edging up only 2.2 percent in 1969. The quantity of citrus handled was up 12.1 percent, after declining 5 percent in the previous year, while bulk shipments of minerals (in the main phosphates) were 13.2 percent greater than in 1969.[1]

Port service prices were 7 percent over their 1969 level, the result of a 19 percent increase in wharfage fees. These have been set at 2 percent of the dutiable value of imports and ¼ percent of the value of exports; hence income from this source is influenced by changes in the cargo mix and in world prices.

In the course of the year the shipping conferences imposed congestion surcharges of 10–15 percent.[2] This can be attributed mainly to the work disputes, in particular slowdown strikes, which impaired the efficiency of port operations. Apparently the "industrial peace" promised the ports in 1970 was not fully realized in spite of the very substantial pay hikes granted the workers, which were high relative not only to the rest of the transportation and communications sector but to the economy as a whole.[3]

(c) *International aviation*

El Al's output[4] grew by 13.7 percent in 1970, compared with 6.1 percent in the previous year, and reached IL 311.7 million. Revenue from passengers was up 12.6 percent, that from freight by 21.8 percent, and from mail by 10.2 percent.

The larger revenue from passenger operations can be ascribed mainly to the larger number of tourists arriving in Israel by air in 1970, although the number of other air travelers also went up. Tourists accounted for 75.1 percent of total passenger movement through Lod Airport, and El Al's share of this traffic came to 49 percent, as against 45.6 percent in 1969. El Al also raised its share of total freight handled at Lod to 63.7 percent.

The company carried nearly 502,000 revenue passengers on its scheduled flights, 11.1 percent more than in 1969, when the number had declined 2.5 percent.[5]

1 The proportion of unitized cargoes in total tonnage handled by the country's ports is on the rise (although it is still small), reflecting technological changes in cargo handling. From April to December 1970 such cargoes were 85 percent greater than in the corresponding period of 1969; they amounted to 320,000 tons, of which 60,000 were transported in container ships.

2 These are collected by shipowners from importers and exporters alike; that portion collected by foreign companies in foreign currency represents a net loss to the economy.

3 Payroll outlay per worker averaged 20.2 percent higher in 1970, while that per man-day actually went up by an average of 32.4 percent.

4 Revenue at constant prices.

5 The number of passengers in 1970 was 8.3 percent higher than in 1968, the previous peak year in tourism.

Table XIII-10

OUTPUT AND UTILIZATION OF EL AL AIRCRAFT, 1968–70

	Unit	1968			1969[a]			1970		
		Total	Thereof in chartered planes	Percent annual increase	Total	Thereof in chartered planes	Percent annual increase	Total	Thereof in chartered planes	Percent annual increase
(1) Available seat-km.	'000	3,411,584	586,420	30.9	3,662,470	307,117	7.4	3,865,063	110,924	5.5
(2) Revenue passenger-km.	'000	2,272,017	421,100	41.4	2,229,469	209,322	–1.9	2,533,218	82,583	13.6
(3) Passenger load factor (2÷1)	%	66.6	71.8	—	60.9	68.2	—	65.5	74.5	—
(4) Available ton-km. (passenger and freight)	'000	396,678	68,811	30.4	478,541	44,220	20.6	558,150	24,919	16.6
(5) Revenue ton-km.	'000	259,782	46,145	34.4	285,787	25,605	10.0	331,753	15,658	16.1
(6) Ton-km. load factor (5÷4)	%	65.5	67.1	—	59.7	57.9	—	59.4	62.8	—

[a] Revised data.
SOURCE: El Al Israel Airlines.

Increases were posted for all of El Al's routes, most of which had experienced a decline in 1969. On routes to and from Lod the gain was 14.1 percent; this exceeded the increase in both total passenger traffic through this airport and seat-km. offered by El Al on these routes, so that the carrier's passenger load factor also rose. Since the growth of available seat-km. on these routes was almost the same for El Al and foreign airlines, El Al's share of the total remained unchanged at 35.9 percent.

On the transatlantic routes, which account for 50–60 percent of El Al's total revenue, passenger traffic was up 15.2 percent, mainly because of the growth of tourism from the U.S. in 1970. The number of passengers on the African route also rose.[1]

In cargo business,[2] the rapid growth in tonnage handled which marked 1969 carried over through the year reviewed, when a 21.8 percent gain was recorded, with agricultural exports leading the way. In this context it should be noted that El Al introduced a special cargo plane into service in September 1969 on the European and U.S. routes. The company acquired a tenth Boeing[3] at the beginning of the year, and this enabled it to replace some of its chartered equipment and to increase available ton-km.[4] (passenger and freight) by 16.6 percent. Since the growth of revenue ton-km. was 16.1 percent, the overall load factor dipped slightly[5] (see Table XIII–10).

The price index of El Al's services averaged 2.2 percent lower in 1970. Passenger fares were down 1.5 percent on an annual average, with most of the decline taking place in the first quarter of the year following the cuts introduced in the winter of 1969/70. It should be pointed out that, even when fares are not reduced, in the long run the growing importance of group flights depresses the average fare per passenger. The index of freight rates dropped 7.2 percent, largely because of the change in the cargo mix in favor of agricultural exports.

Despite its larger revenues, El Al wound up the year 1970/71 with a net operating profit of only IL 1,050,000, as contrasted with IL 4,950,000 in 1969/70. Among the reasons for the smaller profit figure in 1970/71 were the heavy expenses involved in absorbing a jumbo jet,[6] rising production costs, and losses resulting from strikes by workshop and line maintenance workers.

El Al's gross income for the year 1970/71 is estimated at IL 314 million.

1 In the middle of December 1970 El Al added another flight on the Johannesburg run; in addition, the restrictions on the number of passengers per flight were lifted.

2 Excluding passengers' excess luggage.

3 At a cost of $ 8.6 million.

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

5 The passenger load factor rose from 60.9 percent in 1969 to 65.5 percent; on the transatlantic run alone it went up from 63.4 to 68 percent.

6 In May 1971 El Al received the first of its Boeing 747's (jumbo jets), to be followed by a second one in December. The 1970/71 accounts include nearly IL 10 million in current expenditure in connection with the absorption of these planes.

Equity capital and reserves on March 31, 1970 added up to IL 102.3 million, while long-term liabilities (excluding current maturities) stood at IL 92.7 million.

(d) *Airports*

Israel's airports enjoyed a 20.9 percent output gain in 1970, following an 11 percent rise in 1969. Revenue from passenger services increased by 9.9 percent, was IL 23.3 million, of which IL 19 million derived from aviation services 28.5 percent. This more vigorous growth stemmed from the expansion of both passenger and freight traffic, particularly at Lod. Nearly 1,120,000 passengers (including transit passengers) passed through this airport in 1970—6.6 percent more than in the previous year; the volume of freight handled amounted to some 31,000 tons, up 16.8 percent from the previous year.

Service charges averaged 3.3 percent higher as the result of a 9.6 percent average rise in passenger charges. Total airport income in 1970, at current prices, was IL 23.3 million, of which IL 19 million was derived from aviation services and the remainder from the sale of concessions, rents, etc.

The introduction of the jumbo jets has necessitated a very heavy investment—of the order of some IL 100 million—in the infrastructure at Lod Airport; a large part of this sum was expended in 1970/71.