

company by Harel Insurance.

This deal only emphasizes one of the greatest concerns the Bachar-Reform gave rise to - that instead of the current situation of centralized holdings, represented by the control of two big banks in the capital markets, we will find a new centralized holding landscape, this time by two-three large insurance companies, which might be even worse. In order to address this concern, legislation has set a maximum in market share any buyer can reach through acquisition of assets (versus internal growth). In any case, and despite the great concerns, the Bachar Reform is leading the Israeli capital markets to a major revolution:

- It will increase the competition in the market, which will be

based on performance, quality of service and reliability.

- It will also increase innovative competition in the sense of creating and providing new and innovative products to the market.
- It will increase the number of significant players on the capital markets, adding insurance companies, foreign investment houses and local private investment houses.
- It will increase the amount of assets managed in the mutual fund industry, bringing those closer to international standards.

All these, and more, promise a more competitive and vibrant market which will better serve the interests of the consumers.

## Transport and Aviation in Israel

### Public Private Partnership

Transportation is an important tier in economics. It provides the physical and logistical connection between various industries, various geographical areas and of course, between countries. The importance of transportation became clearer after WW2, when globalization and the concept of open borders began to gather momentum.

In those countries with a good infrastructure of air, sea and land transportation, we are witness to proper population distribution. In Israel, we have a good example of the opposite situation; a lack of the appropriate transportation infrastructure has caused a massive population concentration in the center of the country, while the Negev and Galilee regions are populated very sparsely. Proper transport infrastructure triggers a proper distribution of factories and companies, which results in a more balanced economy for the country.

Inter-country links reinforce the economic relations between countries as well as peaceful relationships. When Israel signed peace treaties with Egypt and Jordan, the first links that were set up were for transport – the air routes.

Quite a few examples exist where transportation infrastructure served as the basis for structural, economic and demographic change in countries. A classic example of economic development of an area is the Silicon Valley in California, USA. The Silicon Valley provided transport infrastructure (ground and air) as well as energy and communications infrastructures, all of which encouraged the area's fast development. Another example is the German Unification; the first thing that was done after the decision to unify was taken, was to connect the transport infrastructure of the two sectors – a process subsequently recognized as very successful.

As a result of Israel's geopolitical situation, sea and air transport represent a vital link in the connection with the "global village", a world without borders. In a sense, from a transportation point of view, Israel can be described as an island. This fact reinforces the importance of air transportation.

The entire region in which Israel lies is also characterized by

a lack of ground transportation. The transportation infrastructure is largely characterized by long North-South road arteries, something that is similarly true for the limited rail infrastructure, such as it is. For this reason as well, the aviation industry in Israel and the region is extremely important.

The most important product of transport is time. Transport enables consumers to move from point to point in the shortest possible time. In an examination of the domestic aviation situation, taking into consideration that Israel is a small country, we note the circumstances where competition exists between air and ground transportation. Northern Israel is a good example of the change that has come about in domestic air transport: Ever since the road system between the center and the north of the country was improved (Nahal Iron road, the Trans-Israel Highway and more recently, the substantial improvement in Israel Railways) most passengers have moved to ground transportation. This caused a major drop in the use of air transportation to Northern Israel. Under the present circumstances, Israel's domestic aviation is largely based on air services between the center of the country and Eilat; a situation that is also likely to change when the rail links between the center and the south are laid.

Contrary to the domestic aviation situation, regional air services are of fundamental importance, not to mention the absolutely vital importance of international aviation links. At a regional level, with our sparse ground transport links, we are witness to a situation where the best connections between Israel and Jordan and Egypt are by air. Internationally too, the main link between Israel and the rest of the world is by air.

Ben Gurion International Airport, Israel's primary international port of entry, is of the highest possible standards and has the appropriate infrastructure to serve the State of Israel's needs. Over 50 scheduled airlines, and a similar number of charter



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companies fly between Israel and the rest of the world. This situation would permit Israel to become the main entry point for the entire Middle East once the geopolitical situation changes to allow that. Suitable preparations made now, in expectation of political changes in the area, would enable Ben Gurion Airport to evolve into a regional “hub” for most of the airlines operating in the area, much the same as at Dubai Airport. El Al could launch this change by arranging suitable connections between flights arriving from Europe and the USA and onward flights to the Far East and/or South Africa. Ben Gurion International Airport is a modern and up-to-date passenger terminal which can answer all the needs of transit passengers. Naturally, such a process must be backed-up and assisted by the relevant government offices, especially as the development

would most likely result in a major increase in the number of passengers using Israel’s main airport, and most probably, in the number of tourists visiting the country as well.

It goes without saying that part of the process requires ensuring suitable transportation connections between ground/rail infrastructures, and the air transport into and out of Israel. This process is already under way, and the changes can already be seen in air transport user-patterns.

To sum up, it is important to remember that advanced economics depend upon appropriate air, sea and land transport infrastructures. It is therefore essential to place transport infrastructural development at a suitably high preferential level, especially by appropriate budget allocations with an overall view of the long-term.

