

UNiCert® III exam Business English
- Listening comprehension -
January 2009

SURNAME: _____
FIRST NAME: _____
STUDENT NUMBER: _____

Listen to the two TV business reports and answer the following questions. You will be marked purely on content and not on grammar, style, spelling etc. The numbers in brackets are the marks available for the question.

Video: “UK car production drops sharply”

(total 20 marks)

(Jan. 22nd 2009; 3 min 19 sec)

<http://news.bbc.co.uk/1/hi/england/7844240.stm>

Professor David Bailey has urged the government to take action.

- 1. What do you learn about car sales and car production in the UK in 2008?** **(3 marks)**

- 2. What are the perspectives for the automotive industry for 2009?** **(1 mark)**

7. According to Prof. Bailey, what has the government done so far to manage the financial crisis, and how does he see it? (2 marks)

8. How does Prof. Bailey see the development of the pound sterling? (3 marks)

Video 2: “Chrysler and Fiat in alliance”

(total 20 marks)

(Jan. 20th 2009; 4 min 34 sec)

<http://www.msnbc.msn.com/id/21134540/vp/27595353#28750256>

CNBC automotive reporter Phil Lebeau reports.

1. How do some people jokingly call FIAT? (1 mark)

2. What is the deal between Fiat and Chrysler that is presented in the news report? (4 marks)

3. What is special about this deal? (1 mark)

4. Why does this help Chrysler? (2 marks)

5. In which sense does this deal help Fiat? (2 marks)

6. Has the deal already been approved by organisations / institutions outside the two companies? (2 marks)

7. Are Chrysler's financial problems now solved? Why? Why not? (3 marks)

yes, because: _____

no, because: _____

8. According to journalist Phil Lebeau, why does Chrysler give away a third of its company for nothing? (2 marks)

9. About which two cars do the three journalists speak at the end? And what do we learn about them? (3 marks)

UNICert® III exam Business English

- Reading comprehension -

January 2009

SURNAME: _____

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- Read the following article and answer the questions on the following pages ***in your own words***.
- Please note that the questions may refer to various parts of the text.

America's car industry

No end to the nightmare

Detroit has been given a brief reprieve, but the threat of bankruptcy still looms

THE sense of relief in Detroit that greeted the \$17.4 billion federal lifeline thrown by President Bush to General Motors (GM) and Chrysler just before Christmas is 5 unlikely to last long. The terms of the bridging loans amount to a gun at the heads of the two carmakers and their stakeholders. Unless they use the next three months to negotiate a viable way 10 forward, the loans will be called in at the end of March—and bankruptcy will follow.

In effect, the deal announced on December 19th is just one step short of the 15 bankruptcy the carmakers have long insisted is not an option. “If restructuring

cannot be accomplished outside of bankruptcy, the loans will provide time for the companies to make the legal and 20 financial preparations necessary for an orderly Chapter 11 process that offers a better prospect of long-term success,” Mr Bush said. Dealers, bondholders, suppliers, unions and retirees are all going to have to 25 make sacrifices, and with a speed and purpose that has hitherto been lacking.

Dealers must face the fact that GM needs to cut their numbers and slim its bloated brand portfolio. In the past, they have used 30 state franchise laws to make any such action prohibitively expensive. Another priority is to convert around 70% of GM’s

outstanding debt into equity. Creditors will have to ask themselves whether that is their best option, given that bankruptcy would wipe out the value of their new shares. Suppliers, already hard hit by the collapse in car production, must decide whether to grant easier payment terms that will worsen their own cash positions.

But the main focus of attention is bound to be the United Auto Workers union, which is loathed not just by those Senate Republicans whose refusal to vote for a bail-out bill forced Mr Bush to act, but by many ordinary Americans in less well-paid, less secure employment. At the very least, the union will have to advance the package of concessions it negotiated in 2007 to bring wages and benefits into line with those at foreign-owned “transplant” factories by the end of 2010. Even that may not be enough, since the terms apply only to new recruits, not existing workers.

Union leaders have signalled a willingness to give ground, but if they give too much they may not be able to win their members’ backing. Many workers feel unfairly picked on, and others may hope for a better deal when there are bigger Democratic majorities in Congress and Barack Obama is in the White House. That could prove a fatal miscalculation. The incoming administration was almost certainly consulted about Mr Bush’s rescue, and Mr Obama has already made it clear that he will not be a soft touch for Detroit.

Even if a new deal for the carmakers is put on the table in March, they may not like it any better. Many Democrats are

determined to show their green credentials by forcing Detroit to build more hybrid and electric vehicles as a condition for federal aid—whether or not there is a market for them. Toyota’s decision in December to postpone indefinitely production of its Prius hybrid at a new factory in Mississippi ought to be a reality check for politicians who want to tell carmakers what they should build, but will probably not be.

The biggest reason why Detroit’s anguish is far from over is that there is no sign of any easing of the conditions that precipitated the crisis.

PricewaterhouseCoopers, a consulting firm, predicts that light-vehicle sales in North America for 2009 will fall a further 17% to 10.8m. And on December 22nd Toyota said it expected to make a \$1.7 billion operating loss for the financial year, its first since it began reporting earnings in 1941. Japan’s second-biggest carmaker, Honda, also expects to dip into the red. If even those paragons of efficiency are feeling the pain, what chance is there that Detroit can turn itself around by March?

On December 29th the government said it would provide \$6 billion to stabilise GMAC, a finance company part-owned by GM that is turning itself into a bank.

Realistically, the most GM can hope for is that it will have done enough by March to keep the drip-feed going until the second half of 2009, when things may start to improve. As for Chrysler—don’t even ask.

From *the Economist*, Dec. 30th, 2008

Part A Mark these statements T (True) or F (False) (4 marks)

- 1. President Bush helped the American carmakers to survive. **T F**
- 2. Detroit now feels relieved and looks forward to a bright future. **T F**
- 3. According to the latest agreement, only new staff members are affected by wage cuts at the moment. **T F**
- 4. It is unlikely that there is a market for hybrid and electric vehicles. **T F**

Part B Find words or phrases in the text which match these definitions: (6 marks)

- 1. money borrowed from a bank, financial institution, person etc on which interest is usually paid to the lender
.....
- 2. when someone is judged to be unable to pay their debts by a court of law, and their assets are shared among the people and businesses that they owe money to
.....
- 3. a company that provides a particular type of product
.....
- 4. a name given to a product by a company so that the product can easily be recognized by its name or its design
.....
- 5. money that one person, organization, country etc owes to another
.....
- 6. the capital that a company has from shares
.....

Part C Answer the following questions.

- 1. **Why is it unlikely that the “sense of relief in Detroit that greeted [...] is unlikely to last long” (lines 1-5)? (3 marks)**

2. What does Mr Bush mean when he says “*If restructuring cannot be accomplished outside of bankruptcy, the loans will provide time for the companies to make the legal and financial preparations necessary for an orderly Chapter 11 process that offers a better prospect of long-term success*” (lines 16-22)? (4 marks)

3. What is the dilemma for dealers and for creditors? (4 marks)

4. What is the attitude of ordinary Americans to the United Auto Workers union? Why? (2 marks)

9. What is the situation for hybrid and electric vehicles in the US?
(3 marks)

**10. Why are the perspectives for American car manufacturers rather bad?
And how does the situation look like for General Motors and Chrysler?**
(4 marks)



UNIcert® III exam Business English

- Writing -

January 2009

SURNAME: _____

FIRST NAME: _____

STUDENT NUMBER: _____

- Check that your name is on each piece of paper you hand in.
- The question paper must also be handed in at the end of the examination.

You will be marked on language (grammar, vocabulary, spelling), style / register, and on content / structure. So please try to write a good, thoughtful report, and...

proofread! proofread! proofread!

“Chrysler’s future in Italian hands?” **– a case study work**



Background:

The financial crisis has caused a worldwide economic downturn. The automotive industry has been hit in particular, as car sales around the world dried up in the last quarter of 2008. In the US, Detroit’s Big Three carmakers have suffered most, with sales dropping in 2008 by more than 20% for Ford and General Motors (GM) and by 30% for Chrysler.

GM and Chrysler risked bankruptcy before Christmas and were saved by the Troubled Asset Relief Program (TARP), because on December 19th, 2008, President Bush used his executive authority to declare that TARP funds might be spent on any program he personally deemed necessary to avert the financial crisis. This gave him the possibility to extend the use of TARP funds to support the auto industry. The Treasury agreed to lend \$18.4 billion to GM and Chrysler for the first three months in 2009. Ford, on the other hand, is doing better at the moment and has not asked for any governmental support for the time being.

On January 20th, 2009, Fiat and Chrysler announce a strategic alliance. Fiat gets a 35 % stake in Chrysler, but will not pay any money for it. Both companies will give each other access to their plants, technology and dealers.

This means that Chrysler can improve production and reach a wider market, but it does not solve its financial problems. Considerable restructuring is needed, and Chrysler has to present a recovery plan by February 17th.

Your role:

You have just started a placement at Chrysler in Detroit and work in the head office. You have been asked to analyse the current situation, to make suggestions concerning Chrysler’s future strategy and its future co-operation with Fiat, and to contribute with your ideas to the recovery plan. What steps do you think Chrysler should take in the current situation?

You have been asked to prepare a report with your suggestions, which you will present at a meeting with the team at a later stage.

Task:

Please write a report in which you will:

- briefly summarise the problems Chrysler is faced with at the moment
- decide whether Chrysler should ask for another loan from the American government or describe what Chrysler could do to avoid it
- present Chrysler's potential
- present the potential of the new deal with Fiat
- make suggestions concerning
 - o the future co-operation with Fiat
 - o the product range Chrysler should offer in the future
 - o the future use of Chrysler's and Fiat's production lines
- present ideas
 - o how Chrysler could act in order to be in a better position than its competitors

In your report, please explain what should be done in the short run and what needs to be done in the long run.



Dossier

The car industry

An Italian lifeline

Jan 22nd 2009

From *The Economist* print edition

A good deal for Fiat may still not be enough to save Chrysler

<http://www.economist.com/node/12989264>



NEWS

Tuesday, January 20, 2009

UAW says Chrysler-Fiat alliance offers new opportunities

<http://www.uaw.org/articles/uaw-says-chrysler-fiat-alliance-offers-new-opportunities>

Car sales

In reverse

Jan 16th 2009

<http://www.economist.com/node/12957440>

The car industry

The big chill

Jan 15th 2009

From The Economist print edition

<http://www.economist.com/node/12926505>

America's car industry

No end to the nightmare

Dec 30th 2008

From *The Economist* print edition

<http://www.economist.com/node/12855419>

America's carmakers

A splash in the tank

Dec 19th 2008

From Economist.com

<http://www.economist.com/node/12833915>

BBC NEWS

Detroit auto show is all about survival

By Jorn Madslie

Business reporter, BBC News

Story from BBC NEWS:

<http://news.bbc.co.uk/go/pr/fr/-/2/hi/business/7819723.stm>

Published: 2009/01/11 08:29:46 GMT

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<http://news.bbc.co.uk/2/hi/7819723.stm>

American car emissions

Stepping on the gas

Jan 27th 2009 | NEW YORK
From Economist.com

<http://www.economist.com/node/13009620>

The car industry

Bright sparks

Jan 15th 2009 | DETROIT
From *The Economist* print edition

<http://www.economist.com/node/12944000>

Might this financial crisis force GM and Ford to finally drop brands?

Nov. 27th 2008

From: <http://blogs.edmunds.com/straightline/2008/11/might-this-financial-crisis-force-gm-and-ford-to-finally-drop-brands.html>

BBC NEWS

Ford reports record yearly loss

Story from BBC NEWS:

<http://news.bbc.co.uk/go/pr/fr/-/2/hi/business/7858289.stm>

Published: 2009/01/29 15:12:33 GMT

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<http://news.bbc.co.uk/2/hi/7858289.stm>

Face value

Mr Detroit

Dec 11th 2008

From *The Economist* print edition

<http://www.economist.com/node/12758963>

“A rough road: The effects of today’s financial crisis and the global automotive industry”

November 2008

<http://www.kpmg.com/Ca/en/IssuesAndInsights/ArticlesPublications/Documents/A-rough-road-financial-crisis.pdf>