

Starting up

- How do you see the future of the car industry?
- What kind of changes will the major car manufacturers have to make to stay in business?
- What impact do you think these changes will probably have on the economies of the countries where the car industry plays an important role, such as Germany?

Reading

The German car industry will need to make some big changes in the coming decade. To find out why, read the article and then answer the questions below.

Reading comprehension 1

Say whether the following statements are **true** or **false**, based on the information in the article. Select relevant extracts from the article to support your choice.

- 1 The German car industry is facing a major crisis.
- 2 So far, Daimler and Audi have managed to avoid job losses.
- 3 The German car industry directly employs more than 2 million people.
- 4 Car sales by German car manufacturers will not reach their expected targets this year.
- 5 Car manufacturers only just break even on each electric vehicle they sell.

Reading comprehension 2

Find answers in the article to the following questions.

- 1 Why is the German car industry in crisis?
- 2 Which German car manufacturers have announced big job losses?
- 3 What is Volkswagen's ambition for the future?
- 4 How many people does the German car industry employ directly and indirectly?
- 5 What will the German car industry be forced to spend €40bn on over the next three years?
- 6 Why are 50,000 jobs at risk in the German car industry?
- 7 How many vehicles did German car manufacturers expect to sell in 2019?
- 8 Why are they unlikely to reach that target?
- 9 How many auto jobs are forecast to be lost in Germany in the next decade?
- 10 Why is Volkswagen better placed than Daimler or BMW to invest in battery-powered technology?

German car industry faces ‘day of reckoning’

A crisis is sweeping the German car industry.

In November 2019, Mercedes-Benz owner Daimler and Volkswagen’s Audi brand announced more than 20,000 job losses, in the first real signs of the huge human cost of the sector’s transition from combustion engines to electric vehicles.

“The auto industry is in the midst of a far-reaching upheaval,” said Volkswagen chief executive Herbert Diess, whose company is seeking to reinvent itself as a world leader in battery-powered cars.

“No one will survive in the form they exist today,” predicted Ralf Kalmbach at consultancy Bain & Co, who has spent 32 years advising German carmakers.

The enormous expense of this transformation, he added, has left the engine of the country’s postwar *Wirtschaftswunder*, or economic miracle, facing the “biggest crisis since the invention of the automobile” by Karl Benz more than a century ago.

It is estimated that the German car industry, which directly employs 830,000 people and supports a further 2m in the wider economy, will be forced to plough some €40bn into battery-powered technologies over the next three years.

German auto giants, from Daimler and Audi to suppliers including Continental and Bosch, have announced that around 50,000 jobs will be lost or are at risk so far this year, as their traditional businesses become less profitable.

The global economic slowdown, exacerbated by the US-China trade war and the risk associated with Brexit, has forced manufacturers to revise heady sales projections.

They had expected to sell in excess of 100m vehicles in 2019. With just a few weeks left in the year, that figure is likely to be more like 90m.

Increasingly localised production by carmakers in China and North America to avoid tariffs has also sapped the exporting power of German-based plants, which are left catering to the more fragile European market.

In the next decade, almost a quarter of a million auto jobs will be lost in the country, according to Ferdinand Dudenhöffer, the director of the Center for Automotive Research at the University of Duisburg-Essen. Smaller suppliers, such as paint shop Eisenmann, have already gone out of business.

The EU’s targets for lowering carbon emissions by 2030 are likely to mean that between 7m to 10.5m battery-powered cars will have to be on Germany’s roads by the end of the next decade.

As Volkswagen announced plans last month to build a further 4m battery-powered vehicles, Mr Diess was adamant that “electrification is not a gamble”. But he warned that “the conversion to e-mobility requires resources,” which must be financed from VW’s “traditional businesses”.

While the world’s largest carmaker can absorb the investment costs of converting entire combustion engine car plants to zero-emission production, Germany’s premium manufacturers, Daimler and BMW, do not.

“For the moment, you have to consider that with every electric vehicle, manufacturers are losing a tremendous amount of money,” said Mr Kalmbach at Bain. That is not expected to change until the middle of the next decade.



Vocabulary

Choose the best definition, a or b, for the words and phrases in bold.

- 1 German car industry faces '**day of reckoning**'
 - a the time when an unpleasant situation has to be dealt with
 - b the time for making financial calculations
- 2 A crisis is **sweeping** the German car industry.
 - a cleaning up
 - b moving quickly with a lot of force
- 3 ... **transition** from combustion engines to electric vehicles.
 - a adapting to a different situation
 - b changing from one situation to another
- 4 The auto industry is in the midst of a far-reaching **upheaval**.
 - a a major change
 - b a crisis
- 5 ... **to plough** some €40bn into battery-powered technologies ...
 - a to spend money
 - b to invest money
- 6 ... **heady** sales projections.
 - a ambitious and exciting
 - b ridiculous
- 7 ... **sapped** the exporting power of German-based plants ...
 - a weakened
 - b destroyed
- 8 ... **catering to** the more fragile European market.
 - a trading with
 - b supplying
- 9 Mr Diess was **adamant** ...
 - a stubborn
 - b firm and sure in his opinion
- 10 ... electrification is not a **gamble**.
 - a an action that involves risks but could bring benefit
 - b a game

Grammar – expressing certainty and probability

There are lots of predictions in the article about what is certain to happen (sure), likely to happen (probable) and unlikely to happen (improbable).

Based on the predictions in the article, complete these sentences using **certain to/that**, **likely to/that**, **unlikely to/that**.

- 1 There are _____ to be big changes affecting German carmakers in the next decade.
- 2 It is _____ that German car manufacturers will need to invest €40bn in battery-powered technologies in coming years.
- 3 It is _____ that all the companies in the German car industry, either suppliers or manufacturers, will survive the changes that are going to come.
- 4 Around 50,000 jobs are _____ to be lost in the next few years.
- 5 It is highly _____ that German car manufacturers will not reach their target of selling 100 million cars in 2019.
- 6 It is _____ that many car manufacturers and suppliers will have to reduce the size of their workforce.
- 7 The EU's targets for lowering carbon emissions by 2030 are _____ to mean that between 7m to 10.5m battery-powered cars will be on Germany's roads by the end of the next decade.
- 8 It is _____ that Volkswagen is in a better position to come out on top in the new battery-powered technology than most of its competitors.

Discussion

- 1 What do you think about the scenario painted in the article about the big changes that are likely to happen in the German car industry in the next decade?
- 2 Which car manufacturers and which national motor industries do you think are best placed to be winners in the next decade? Why?

ANSWER KEY**Reading comprehension 1**

- 1 True. *A crisis is sweeping the German car industry ... in the first real signs of the huge human cost of the sector's transition from combustion engines to electric vehicles.*
- 2 False. *In November 2019, Mercedes-Benz owner Daimler and Volkswagen's Audi brand announced more than 20,000 job losses,*
- 3 False. *The German car industry ... directly employs 830,000 people*
- 4 True. *The global economic slowdown has forced manufacturers to revise heady sales projections. They had expected to sell in excess of 100m vehicles in 2019. With just a few weeks left in the year, that figure is likely to be more like 90m.*
- 5 False. *With every electric vehicle, manufacturers are losing a tremendous amount of money*

Reading comprehension 2

- 1 Because of the urgent need to make the transition from combustion engines to electric vehicles.
- 2 Daimler and Audi.
- 3 To reinvent itself as a world leader in battery-powered cars.
- 4 The German car industry ... directly employs 830,000 people and supports a further 2m in the wider economy.
- 5 On battery-powered technologies to produce electric vehicles.
- 6 Because of the transition from combustion engines to electric vehicles, and also because their traditional businesses have become less profitable.
- 7 100 million
- 8 The global economic slowdown, made worse by the US-China trade war and the risk associated with Brexit.
- 9 In the next decade, almost a quarter of a million auto jobs will be lost in Germany.
- 10 Because, as the world's largest carmaker, and with good earnings from its traditional businesses, Volkswagen can absorb the investment costs of investing in battery-powered technologies better than its main competitors such as Daimler and BMW, as they operate only at the premium end of the market and have lower sales.

Vocabulary

1a 2b 3b 4a 5b 6a 7a 8b 9b 10a

Grammar

- 1 certain
- 2 likely
- 3 unlikely
- 4 likely
- 5 likely
- 6 certain
- 7 likely
- 8 certain

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