

Starting up

- What effect are the disruptions to manufacturing activities in China due to the coronavirus outbreak having on the car industry worldwide?

Reading

Car manufacturers in Europe and the US, as well as in some Asian countries, are in danger of being badly hit by production problems at Chinese plants that supply them with parts. To find out more, read the article and then answer the questions below.

Reading comprehension

Decide whether the following statements about the content of the article are *True (T)*, *False (F)* or there is *Not enough information provided (N)*. Select relevant extracts to support your choice.

- 1 Some car plants in Europe have been forced to shut down production due to a shortage of parts from suppliers in China.
- 2 Hyundai is the first company to shut its car factory in South Korea.
- 3 Most car plants in Europe and the US are only weeks away from being forced to close due to a shortage of components from China.
- 4 The car industry is tightly connected by global supply chains.
- 5 Continental has had to shut down all of its plants in China.
- 6 It is not yet known exactly when production will restart at plants in China.
- 7 The disruption being caused by the coronavirus is not as great as that caused by the Sars outbreak in 2003.
- 8 No one knows how big the disruption will be or for how long.
- 9 Nissan has already shut down its operations in China.
- 10 Volkswagen is the biggest car manufacturer in China.

EU and US carmakers warn ‘weeks away’ from China parts shortage

¹Executives at several carmakers and motor parts suppliers have warned that plants in Europe and the US were only weeks away from being forced to close as disruptions caused by the coronavirus outbreak in China rippled through the global manufacturing supply chains.

²The warning came as Hyundai said on Tuesday that it had had to shut down all its car factories in South Korea after running out of components from China.

³“There is a concerted effort to mitigate it before it really bites,” said a senior director at one global car group, adding that its plants had three to four weeks to remove Chinese parts from their supply lines or risk halting production as well.

⁴Carmakers are reliant on a global network of suppliers, with parts originating in China often passing through companies in several countries before being placed into vehicles at factories in Europe or the US.

⁵“We are working closely with our suppliers and customers to minimise any disruptions,” said car parts manufacturer Continental, which runs 50 sites in China, and makes key parts for most major European carmakers.

⁶The disruptions show how coronavirus is wreaking havoc in supply chains across sectors, notably in the vital tech sector, as travel restrictions have prevented normal resumption of work after the lunar new year.

⁷Many companies have said they expect to resume production in China later in February in accordance with guidelines from authorities, but the plan could be reviewed if the coronavirus continues to spread.

⁸Analysts expect the impact on car sales and parts procurement in China from the coronavirus outbreak to be bigger than during the Sars outbreak in 2003 because the world’s second-largest economy has become a much bigger manufacturing hub for the motor industry, including electronic parts.

⁹“Restrictions on movement and other measures have raised the risk of disruption to supply chains, and we see potential for a stalling in automobile production within China,” analysts at Nomura said. “We also see a risk that supply chain issues could have knock-on effects on production in Japan and elsewhere in Asia.”

¹⁰“It’s almost impossible to know where the pinch points will be,” said Justin Cox, head of global production at LMC Automotive. “We just don’t know right now how big the problem is or how long this will go on for.”

¹¹He added: “A lot of carmakers will have back-up supply options, so they can switch suppliers. But if there is such a loss of output globally, there might not be enough to go around. If it does run out, they will have to stop.”

¹²Japanese carmaker Nissan on Tuesday said it was considering extending a shutdown of its joint-venture operations in China, in line with other carmakers including Toyota, Honda and Ford.

¹³Volkswagen, which operates 15 jointly owned plants and employs 100,000 staff in China, insisted that its supply chain was on track to be fully functional in time for start of production, and planned deliveries to customers remained unchanged.



Vocabulary 1

Find words and phrases in the article which match these definitions.

- | | | |
|----|--|-----------|
| 1 | difficulties that interrupt something from continuing | (para 1) |
| 2 | the sudden start of something, such as a disease | (para 1) |
| 3 | involving a lot of people working together in a determined way | (para 3) |
| 4 | reduce the harmful effects of something | (para 3) |
| 5 | depending on someone or something | (para 4) |
| 6 | causing great damage so that things cannot continue | (para 6) |
| 7 | starting something again after it has stopped | (para 6) |
| 8 | the slowing down or even stopping of a process | (para 9) |
| 9 | an effect that is an indirect result of something else | (para 9) |
| 10 | stages in a process where things could slow down or even stop | (para 10) |

Vocabulary 2

Complete the chart with different parts of speech.

Verb	Noun	Adjective
1 _____	supplier	_____
2 _____	---	_____
3 _____	disruption	_____
4 resume	_____	---
5 _____	restriction	_____

Grammar – reported speech review

- 1 The most common reporting verb is 'said'. What other verbs are used in the article?
- 2 The following extracts are in reported speech. Change them back to direct speech.
 - a Executives at several carmakers and motor parts suppliers have warned that plants in Europe and the US were only weeks away from being forced to close.
 - b Hyundai said on Tuesday that it had had to shut down all its car factories in South Korea.
 - c ... said a senior director ... adding that its plants had three to four weeks to remove Chinese parts from their supply lines or risk halting production as well.
 - d Nissan on Tuesday said it was considering extending a shutdown of its joint-venture operations in China
 - e Volkswagen ... insisted that its supply chain was on track to be fully functional in time for start of production and planned deliveries to customers remained unchanged.
- 3 The following extracts are in direct speech. Change them to reported speech.
 - a "There is a concerted effort to mitigate it before it really bites," said a senior director at one global car group.
 - b "We are working closely with our suppliers and customers to minimise any disruptions," said car parts manufacturer Continental.
 - c "Restrictions on movement and other measures have raised the risk of disruption to supply chains, and we see potential for a stalling in automobile production within China," analysts at Nomura said.
 - d They said, "We also see a risk that supply chain issues could have knock-on effects on production in Japan and elsewhere in Asia."
 - e "It's almost impossible to know where the pinch points will be," said Justin Cox.
 - f "We just don't know right now how big the problem is or how long this will go on for."
 - g Cox added: "A lot of carmakers will have back-up supply options, so they can switch suppliers. But if there is such a loss of output globally, there might not be enough to go around. If it does run out, they will have to stop."

Discussion

- 1 To what extent does the threat of disruption to production for European and US car makers due to the outbreaks of coronavirus in China throw into doubt the current model of tight global supply chains, with just in time deliveries reliant on suppliers in low cost countries clustered mainly in one part of the world?
- 2 Clearly cost of production will go up if delays start to happen. Will or should manufacturers try to pass the extra costs on to the customer in the form of higher prices?

ANSWER KEY

Reading comprehension

- 1 False. They are still operating but if things do not improve, they are only weeks away from having to close.
- 2 N. We are not told if Hyundai is the first company to do this.
- 3 True. *Executives at several carmakers and motor parts suppliers have warned that plants in Europe and the US were only weeks away from being forced to close as disruptions caused by the coronavirus outbreak in China rippled through the global manufacturing supply chains.*
- 4 True. *Carmakers are reliant on a global network of suppliers.*
- 5 False. *"We are working closely with our suppliers and customers to minimise any disruptions," said car parts manufacturer Continental, which runs 50 sites in China*
- 6 True. *Many companies have said they expect to resume production in China later in February in accordance with guidelines from authorities, but the plan could be reviewed if the coronavirus continues to spread.*
- 7 False. *Analysts expect the impact on car sales and parts procurement in China from the coronavirus outbreak to be bigger than during the Sars outbreak in 2003.*
- 8 True. *"We just don't know right now how big the problem is or how long this will go on for."*
- 9 False. *Japanese carmaker Nissan on Tuesday said it was considering extending a shutdown of its joint-venture operations in China.*
- 10 N. Volkswagen is certainly one of the biggest, but we are told if it is the biggest.

Vocabulary

- 1 disruptions
- 2 outbreak
- 3 concerted
- 4 mitigate
- 5 reliant
- 6 wreaking havoc
- 7 resumption
- 8 stalling
- 9 knock-on
- 10 pinch points

Vocabulary 2

Verb	Noun	Adjective
1 supply	supplier	supply
2 rely on	---	reliant
3 disrupt	disruption	disruptive
4 resume	resumption	---
5 restrict	restriction	restrictive

Grammar

- 1 warned (para 1), adding (para 3), added (para 11), insisted (para 13)
- 2 a 'Plants in Europe and the US are only weeks away from being forced to close.'
b 'We have had to shut down all our car factories in South Korea.'
c 'Our plants have three to four weeks to remove Chinese parts from their supply lines or risk halting production as well.'
d 'We are considering extending a shutdown of our joint-venture operations in China.'
e 'Our supply chain is on track to be fully functional in time for start of production and planned deliveries to customers remain unchanged.'
- 3 a A senior director at one global car group said that there was a concerted effort to mitigate it before it really bit.
b Continental said that they were working closely with their suppliers and customers to minimise any disruptions.
c Analysts at Nomura said restrictions on movement and other measures had raised the risk of disruption to supply chains, and that they saw potential for a stalling in automobile production within China.
d They also said that they saw a risk that supply chain issues could have knock-on effects on production in Japan and elsewhere in Asia
e Justin Cox said that it was almost impossible to know where the pinch points would be.
f Cox also said that they just didn't know right now how big the problem was or how long it would go on for.
g Cox added that a lot of carmakers would have back-up supply options, so they could switch suppliers. But if there was such a loss of output globally, there might not be enough to go around. If it did run out, they would have to stop.

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