

Football and the Credit Crunch

(October 10th 2008)

Background Information

As the credit crunch sweeps across the globe, Languagecaster takes a look at how the economic problems may affect some of the clubs in the Premier League.

Pre-Listening (Financial terms)

Match the words on the left with their definitions on the right. The first one has been done for you as an example.

	Phrase		Definition
1	downturn (K)	A	Money given as payment for something lost or damaged
2	credit crunch	B	People who invest or put money into a company
3	billion	C	Complete collapse
4	debt	D	To get a new financial deal
5	in the red	E	A term to describe economic difficulties – little cash flow
6	to fold	F	Financial benefit, money that is made from investments
7	investors	G	To obtain a loan, to take money that will be paid back
8	revenue streams	H	A business that owes money is ____ / ____ / ____
9	refinance	I	To be unable to legally pay debts
10	to borrow	J	To remove a debt from the books, abandon
11	consortium	K	An economic slump (1)
12	to be in meltdown	L	Income
13	to go bankrupt	M	To close the company due to financial problems
14	compensation	N	A business group or organization, a conglomerate
15	interest payment	O	The amount of money owed to someone, liability
16	profit	P	Additional money paid on a loan
17	to be written off	Q	A hundred million

A. Main Ideas – True or False

Listen to the whole report and decide whether the following statements are true or false. Give a reason for your choice.

1. T / F The Premier League is the biggest earner in football.

2. T / F La Liga is the second biggest earner.

3. T / F The FA president stated that there the Premier League's debts were more than £3 billion.

4. T / F The UEFA president threatened English clubs with a ban if they continued to have such high debts.

5. T / F The reason for these debts is the fact that clubs have to pay high salaries to players.

6. T / F The big four clubs in England are all in financial trouble.

7. T / F English football should learn from the mistakes of the Italian league.

B. Listening - vocabulary

Listen to the report and fill in the gaps with the appropriate word or phrase.

1. 'But with revenues _____ record levels, debts are also increasing dramatically...'
2. 'But banning a team may be the _____ / _____ Premier League clubs' worries as there are serious concerns that one of their members may soon fold ...'
3. 'But with the credit crunch now affecting 'ordinary' people, fewer fans will pay _____ prices for tickets, shirts, TV channels or other club _____.'
4. '... ago, are now facing financial trouble as the Icelandic economy is in _____. Furthermore ...'
5. '... debt that the FA President mentioned has been _____ by the top four clubs in the Premier League ...'
6. 'Accounting firm Deloitte, which _____ in football finances, suggest that ...'
7. '... these chairmen have bought football clubs for their own _____ / _____ and not to make money ...'
8. 'Now, Italian players leave to play in England, _____ have fallen dramatically ...'

C. Listening for detail – money

Listen to the section from 'But most ...' until '...Roman Abramovic.' and fill in the chart with appropriate information. Not all of the information is given.

TEAM	DEBT	INTEREST	PROFIT
Liverpool			Not mentioned
Manchester United			
Arsenal			Not mentioned
Chelsea	Not mentioned	Not mentioned	Not mentioned

D. Writing – summarizing

In your own words summarise the main points of the report.

ANSWERS

Podcast 9: 2008-9 Worksheet

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Pre-Listening (Financial terms)

Match the words on the left with their definitions on the right. The first one has been done for you as an example.

1 – K	2 – E	3 – Q	4 - O
5 – H	6 – M	7 – B	8 - L
9 – D	10 – G	11 – N	12 - C
13 – I	14 – A	15 – P	16 - F
17 - J			

A. Main Ideas – True or False

Listen to the whole report and decide whether the following statements are true or false. Give a reason for your choice.

- T / F The Premier League generates more money than any other league.
Right now, the Premier League is the biggest earner in the game
- T / F La Liga is the second biggest earner.
The Bundesliga is
- T / F The FA president stated that there the Premier League’s debts were more than £3 billion.
debts of nearly £3bn
- T / F The UEFA president threatened English clubs with a ban if they continued to have such high debts.
UEFA President Michel Platini warned English clubs that their debts were unworkable and even argued for the banning of teams
- T / F The reason for these debts is the fact that clubs have to pay high salaries to players.
Not the only reason (huge salaries for the best players, the building of new stadia - to increase revenue streams - or by new owners who refinance and borrow so they can buy a club
- T / F The big four clubs in England are all in financial trouble.
Chelsea’s owner lends the club money (writes off the debt)
- T / F English football should learn from the mistakes of the Italian league.
if the Premier League needs any further warning it should take a look at its Italian counterpart

B. Listening - vocabulary

Listen to the report and fill in the gaps with the appropriate word or phrase.

1. 'But with revenues **reaching** record levels, debts are also increasing dramatically...'
2. 'But banning a team may be the **least / of** Premier League clubs' worries as there are serious concerns that one of their members may soon fold ...'
3. 'But with the credit crunch now affecting 'ordinary' people, fewer fans will pay **exorbitant** prices for tickets, shirts, TV channels or other club **merchandise**.'
4. '... ago, are now facing financial trouble as the Icelandic economy is in **meltdown**. Furthermore ...'
5. '... debt that the FA President mentioned has been **incurred** by the top four clubs in the Premier League ...'
6. 'Accounting firm Deloitte, which **specialises** in football finances, suggest that ...'
7. '... these chairmen have bought football clubs for their own **pet / project** and not to make money ...'
8. 'Now, Italian players leave to play in England, **attendances** have fallen dramatically'

C. Listening for detail – money

Listen to the section from 'But most ...' until '...Roman Abramovic.' and fill in the chart with appropriate information. Not all of the information is given.

TEAM	DEBT	INTEREST	PROFIT
Liverpool	£350m	£30m	Not mentioned
Manchester United	£660m	£42m	£43
Arsenal	£307m	£18m	Not mentioned
Chelsea	Not mentioned	Not mentioned	Not mentioned

Transcript

The current downturn in the global economy has been well documented but how will the so-called 'credit crunch' affect English football? Right now, the Premier League is the biggest earner in the game, thanks to huge TV deals and worldwide marketing rights that reached £1.5bn at the end of the 2007 season, that's some £700m more than the German Bundesliga that was in second place. But with revenues reaching record levels, debts are also increasing dramatically, with the FA's President Lord Triesman claiming this week that debts of nearly £3bn are 'toxic' and may lead to dramatic consequences for the sport.

Back in May of this year UEFA President Michel Platini warned English clubs that their debts were unworkable and even argued for the banning of teams that found themselves severely in the red. But banning a team may be the least of Premier League clubs' worries as there are serious concerns that one of their members may soon fold and go out of business.

Many of these debts are built up by a combination of huge salaries for the best players, the building of new stadia - to increase revenue streams - or by new owners who refinance and borrow so they can buy a club. But with the credit crunch now affecting 'ordinary' people, fewer fans will pay exorbitant prices for tickets, shirts, TV channels or other club merchandise, while the fear that owners may simply walk away from clubs, as they are not able to afford them, is also increasing. This is the case at West Ham in the Premier League, who after being taken over by an Icelandic consortium two years ago, are now facing financial trouble as the Icelandic economy is in meltdown. Furthermore, their sponsors have also gone bankrupt and they face a £30m compensation claim from another football club. Difficult times for West Ham.

But most of the debt that the FA President mentioned has been incurred by the top four clubs in the Premier League as they seek to expand and stay at that top table. Between them, Chelsea, Manchester United, Liverpool and Arsenal account for more than £1bn worth of debt, which seems not only remarkable considering their revenues but also highly dangerous.

Accounting firm Deloitte, which specialises in football finances, suggest that Liverpool's debt

is £350m with an annual interest payment of £30m. In addition, their American owners have been unable to find the financing for a new stadium, reported to be £350m, which has done little for the confidence of fans and other investors. Their great rivals Manchester United find themselves in a similar position with debts of £660m that needs £42m of interest payments to be made a year. Now, Manchester United's pre-tax profits up until January 2007 were £43m so the European and Premier League champions are still not any closer to paying off their main debt.

Arsenal, are in a slightly better off position, though no less in the red, £307m in the red to be exact but they do have their interest fixed at £18m a year, which is manageable. As for Chelsea, well, despite what their managing director says, their debts are simply written off by multi-billionaire Roman Abramovic. Much like the new owners at Manchester City, these chairmen have bought football clubs for their own pet project and not to make money but just as easily as they have been bought so they can be sold.

Now, if the Premier League needs any further warning it should take a look at its Italian counterpart. Much as the English version does now, in the 1980s and early 90s, Serie A was the centre of world football possessing the richest teams, attracting the highest-paid players, and earning more money than any other European league. Now, Italian players leave to play in England, attendances have fallen dramatically and Italian football languishes in fourth place behind Spain in football revenue. Could that ever happen to the Premier League?

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