Ennis Automotive Closes Doors

Company President Cites Cash Crunch

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After 73 years and growth to one of the highest volume rewinders in the industry, Ennis Automotive ceased production the first week of May. On May 16, they filed for Chapter 7 bankruptcy protection.

With headquarters located just south of Dallas in Ennis, Texas, Ennis Automotive was once the city's largest employer. There were about 50 employees affected in Ennis and 200 at their plant in Reynosa, Mexico.

According to company president Steve Fallen, unexpected legal expenses, a costly move to Mexico, and loss of market share combined to deplete their cash reserves. The decision to close was made around the first of May.

"Basically, we ran out of cash," he said. "We have always been a family-owned company and we were never comfortable with outside financing. We had lost too much money over the last few years."

The troubles for Ennis began in the late 90s.

"First we were beset by two separate labor unions. We came out of the episodes union-free, but the expense was enormous to us, probably approaching a million dollars," said Fallen. "At the same time we were targeted and attacked by the IRS over the core valuation issue, which is still dragging on for us even though the industry won the point in a federal district court…These problems were being fought against a backdrop of increasing loss of market share to overseas suppliers, especially from China. Everyone in this industry is dealing with that problem, though."

However, the "most immediate cause" of the bankruptcy was the move of most of its production lines to Mexico in an effort to reduce costs and produce higher volumes of OEM product. Fallen said the move took longer and was more expensive than initially projected, and they did not have the cash reserves to follow it through.

"Our customers saw that we had become unreliable suppliers because of unacceptable lead times and lack of inventory, and they naturally went to other suppliers. This further loss of market share only accelerated the slide for us," he said.

All 250 employees were fully compensated on their last day, and Fallen said the demand for labor in both Ennis and Reynosa is strong.

"I feel certain that those who want to work again immediately either have already or can find new employment locally. I do know that at least two have already been offered jobs at other industry companies, which I think speaks well of how dedicated they have been to the improvement of Ennis Automotive.

"I would like to take this opportunity to express my appreciation to all of our customers, competitors, and suppliers over the past 73 years who helped the industry become what it has been. Also, the people of the city of Ennis and the surrounding area were great supporters of the company and of its efforts over the years.

"Finally I want to wish for those companies still alive in this industry the best of luck. Things will swing back someday, and those of you still in business then will be the backbone of the U.S. aftermarket in the future."