

CPSC MEETING LOG UPHOLSTERED FURNITURE

CPSC 6 (b)(1) Cleared
MS Mfrs/Prvlbrs/ot
Products Identified
Exempted
Firms Notified
Comments Processed
JUL 17 2001

Meeting Between: CPSC staff and representatives of Calico Corners division of Everfast, Inc.

Date of Meeting: July 17, 2001

Site of Meeting: CPSC Headquarters, East West Towers, Bethesda, MD, and
Calico Corners retail store, 4400 Jennifer St., NW, Washington, DC

Log Entry By: Dale R. Ray, CPSC Project Manager *DRR*

Participants: CPSC: Linda Fansler, Laboratory Science
Allyson Tenney, Engineering Sciences
Margaret Neily, Engineering Sciences
Marilyn Borsari, Compliance & Enforcement
Warren Prunella, Economic Analysis
Dale Ray, Economic Analysis
Gregory Rodgers, Economic Analysis
Chuck Smith, Economic Analysis

Calico Corners: Bert Kerstetter, President.
Andy Hines, Director Brandywine Design Furniture
Jan Jessup, Director, Corporate Affairs

Others: Patty Adair, American Textile Mfrs. Institute
Mary Martha McNamara, attorney for UFAC
Peter Mayberry, INDA, Ass'n. of the Nonwovens Industry
Richard Taffet, attorney for Decorative Fabrics Ass'n.

Summary:

Ms. Jessup requested this meeting to present information on Calico Corners' retailing approach and to discuss the company's concerns about the potential impact of an upholstered furniture flammability standard on their business. The Calico Corners representatives provided market data and other information supporting their positions (attached). They also provided copies of various store catalogs that are given to consumers.

Calico Corners stores sell medium- to higher-priced decorative fabrics (i.e., chiefly for upholstery and draperies, rather than apparel) directly to consumers for use in home decorating projects. Large rolls of fabric are displayed in the stores for inspection and selection by consumers. These fabrics may also be sold to interior designers. The stores also sell custom-designed upholstered furniture made under contract for Calico Corners by furniture manufacturers. These furniture items are generally covered with Calico Corners' fabrics, although Ms. Jessup estimated that about 8-10% of their furniture is made with COM

(customers' own material) fabrics. Mr. Hines described the firm's marketing and furniture-manufacturing approach, which he characterized as unique in upholstery retailing.

Mr. Kerstetter stated their main concern is that flame retardant (FR) backcoatings or other FR fabric finishes that might be needed to meet any new furniture flammability standard would not be suitable for most of the firm's decorative fabrics. He said that adverse aesthetic effects (e.g., poor hand) were associated with most FR treatments. He noted that many of their newer fabric offerings were silk blends, which are particularly difficult to treat; Ms. Jessup also noted that about 70% of Calico Corners' fabric sales were of cellulosic fibers, such as cotton. Mr. Kerstetter was also concerned about potential costs of treating fabrics, based on treatment price quotes from two fabric finishing firms, and the cost of maintaining dual (FR and non-FR) inventories of fabrics for different applications in the stores. He expressed further concern about potential chemical risks to workers associated with the use of FR fabric treatments.

Mr. Kerstetter recommended that CPSC consider, in any proposed rule, an exemption for residential furniture using COM fabrics selected and sold at retail. He said his firm would be willing to provide disclosure (such as warnings or negative labels) to consumers who choose to purchase non-FR fabrics. He stated that this approach would strike a reasonable balance between the need for greater fire safety and economic considerations, including consumer choice.

The CPSC staff members described their work on a possible standard, including cooperative efforts with voluntary standards organizations and various aspects of the staff's draft small open flame standard. Mr. Ray described an alternative test under consideration that would allow the use of fire-blocking barriers instead of FR seating fabrics. The Calico Corners representatives generally supported such an alternative: although they were still concerned about costs and aesthetic impacts, they thought such impacts would be lessened if manufacturers built furniture with barriers, without restricting cover fabric selections.

After the meeting at CPSC, the staff visited the Calico Corners retail store at 4400 Jennifer St., NW, Washington. The store staff provided a tour of the store, and engaged in conversation with CPSC staff about customer preferences, how furniture is marketed, and how customers select furniture features. The Calico Corners representatives volunteered to look into the various aspects of barrier fabrics that might be available to them, and reiterated that barriers might be an acceptable alternative to FR fabrics from their point of view.

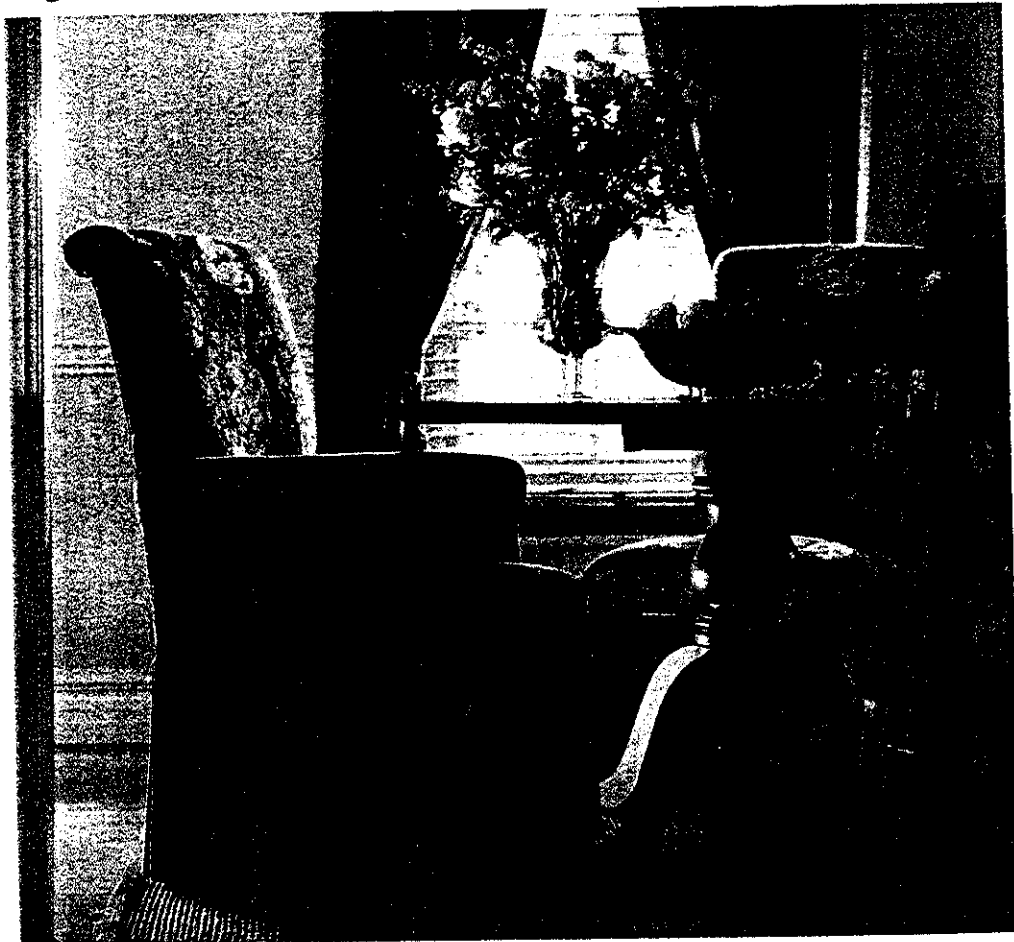
Attachments

Meeting between
CPSC Staff and
Everfast / Calico Corners
July 17, 2001

Attendees

<u>Name</u>	<u>Affiliation</u>	<u>Phone</u>	<u>E-mail</u>
Patty Adair	ATMI	202-862-0518	padair@atmi.org
Marilyn Borsari	CPSC / CA	301-504-0400	mborsari@cpsc.gov
Linda Fansler	CPSC / LS	301-413-0153	lfansler@cpsc.gov
Andy Hines	Calico Corners	336-373-8793	ahines@calicocorners.com
Jan Jessup	Calico Corners	610-444-9700 x262	jjessup@calicocorners.com
Bert Kerstetter	Calico Corners	610-444-9700x219	bkerstetter@calicocorners.com
Peter Mayberry	INDA	703-538-8805	PGMayberry@aol.com
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Chuck Smith	CPSC / EC	301-504-0962	clsmith@cpsc.gov
Richard Taffet	DFA / CCDF	212-603-8925	rtaffet@thelenreid.com
Allyson Tenney	CPSC / ES	301-504-0494	atenney@cpsc.gov

A Presentation to the
Consumer Product Safety Commission
Regarding the Effect of
Proposed Flammability Regulations



July 17, 2001

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CALICO CORNERS®

Presentation Regarding the Effect of Proposed Flammability Regulations on the Retail Decorative Fabric Industry

July 17, 2001

AGENDA

1. INTRODUCTIONS

CALICO CORNERS:

- Bert Kerstetter, President
- Andy Hines, Director of Brandywine Design Furniture (private-label custom upholstery program)
- Jan Jessup, Director of Corporate Affairs

2. BACKGROUND ON RETAIL FABRIC INDUSTRY AND CALICO CORNERS

3. EFFECT OF PROPOSED FLAMMABILITY REGULATIONS ON CONSUMERS BUYING CUSTOM UPHOLSTERED FURNITURE

4. SUMMARY

The retail fabric store market has both independent and national businesses with sales of almost \$3 billion.

	Number of Stores	2000 Sales (in millions)	Est. % of Decorative Fabrics	Decorative Fabric Sales (in millions)
Calico Corners	120	\$209	57%	\$118
Jo-Ann Stores Inc.	1,007	1,483	20%	297
Hancock Fabrics Inc	436	385	20%	77
Hobby Lobby Stores Inc	250	798	15%	120
Independent Retailers	500-600	30-36	40%	12 ³⁰⁻³⁶
Total	2,363	\$2,908		\$825 ⁶⁵⁸

Calico Corners 2000 sales figures are based on proprietary information.

Figures for Jo-Ann Stores, Hancock Fabrics and Hobby Lobby Stores are based on 2000-2001 SEC information and vendor estimates.

Independent Retailer information is a compilation of market knowledge and vendor estimates.

Estimated % of Decorative Fabrics is based on actual numbers for Calico Corners and estimates for the Independent Retailers.

The Decorative Fabric Industry is greater than a \$2 billion market

	Decorative Fabric Sales (estimated in millions)
Retail Fabric Stores	\$ 625 658
Interior Designers' Resale of DFA Members' Fabrics*	1,764
Furniture Retailers and Department Stores	unknown
Total	\$2,389

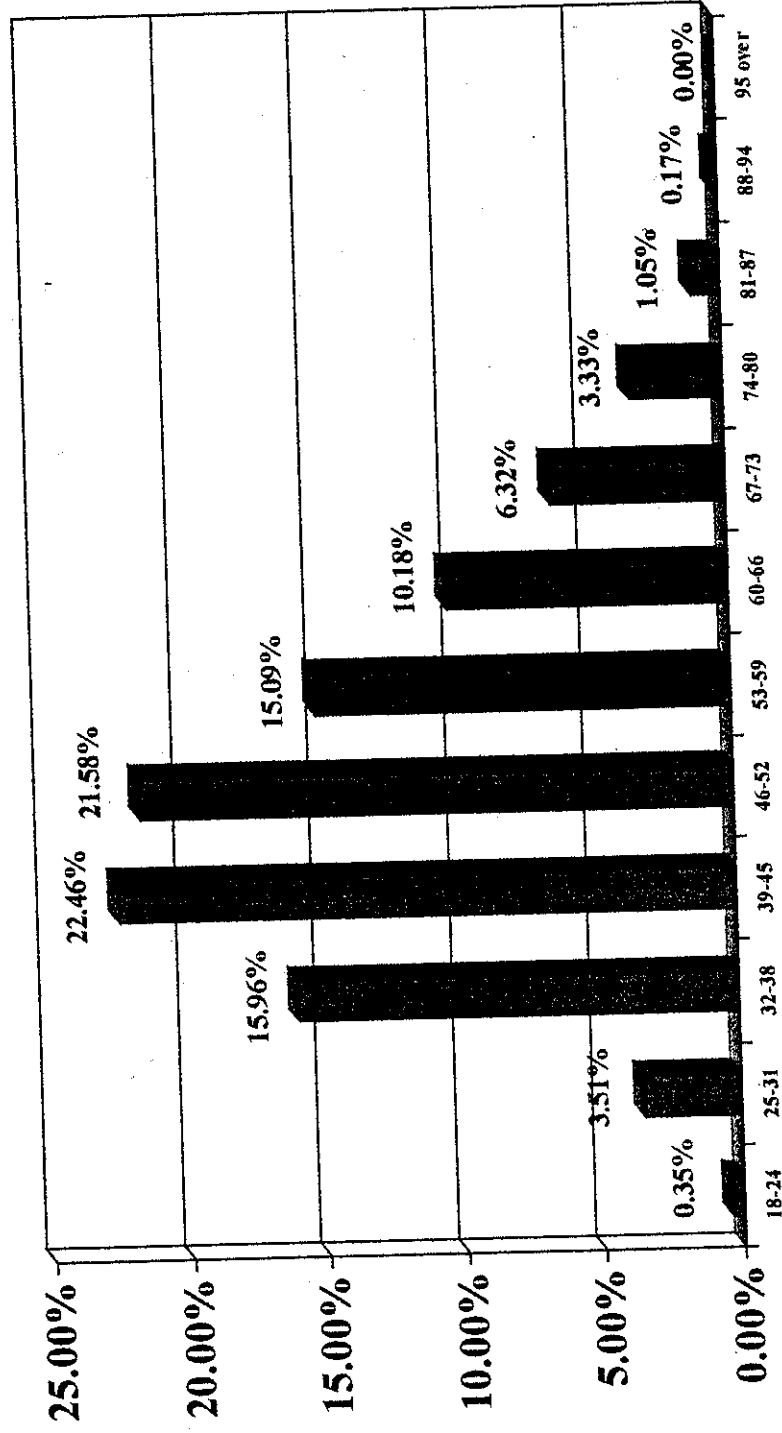
See earlier custom retail market size estimation

*DFA 1998 sales data multiplied by 1.8; DFA members sell fabrics at wholesale to interior designers who resell them to clients.

CALICO CORNERS®

- 121 stores in 33 states in the U.S.
- The only national retailer specializing in decorative fabrics.
- Sells decorative fabrics, custom labor services, custom upholstered furniture, trims, books, notions and window hardware.
- One of the largest purchasers of decorative fabrics in the country, buying from major converters and jacquard mills in the U.S. and around the globe.
- Sends 3.5 million catalogs to customers and prospects each year.

75% of Calico Corners customers are between the ages of 39 and 73 and are less likely to have small children at home.



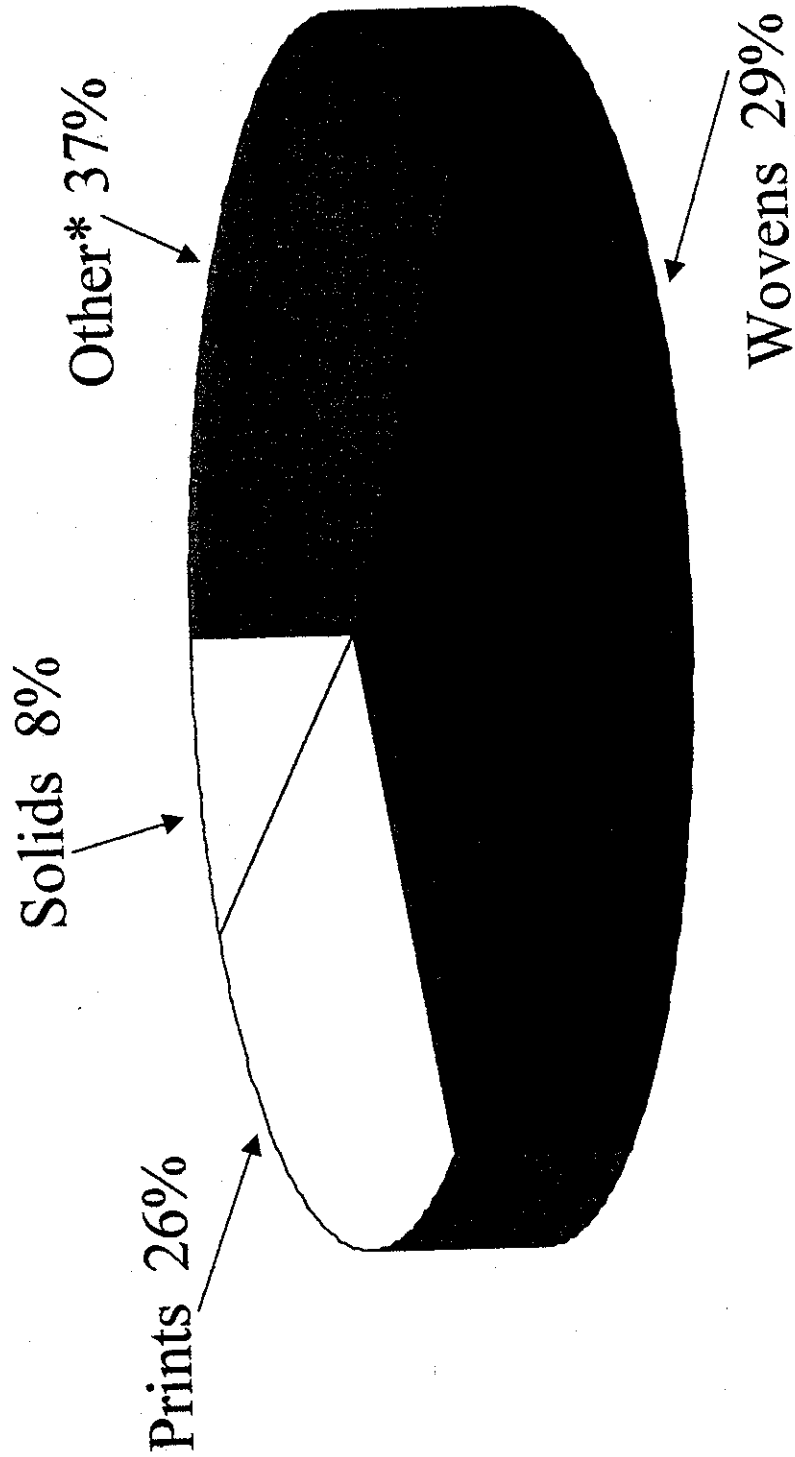
Source: Database America 1999 analysis of 1,160,000 Calico Corners customers.

If the CPSC requires that upholstery fabrics be treated with FR backcoating, our store employees would be exposed to those substances constantly on the job.

- 1,287 store employees: 589 fulltime and 698 part-time, plus 67 employees who handle fabrics at our corporate headquarters.
- Fulltime associates work 39 hours/wk. on average.
- Our employee longevity rate is higher than that of most other retailers: our fulltime employees average 5 years with Calico Corners.
- Over a 5-year period, a fulltime employee would be exposed to FR backcoating chemicals over 9,000 hours.



Fabric categorized as upholstery fabric by the manufacturer represents 29% of the fabric sold by Calico Corners.



*Other includes sheers, laces, linings and remnants.
Data is from all fabric sales in year 2000 at Calico Corners.

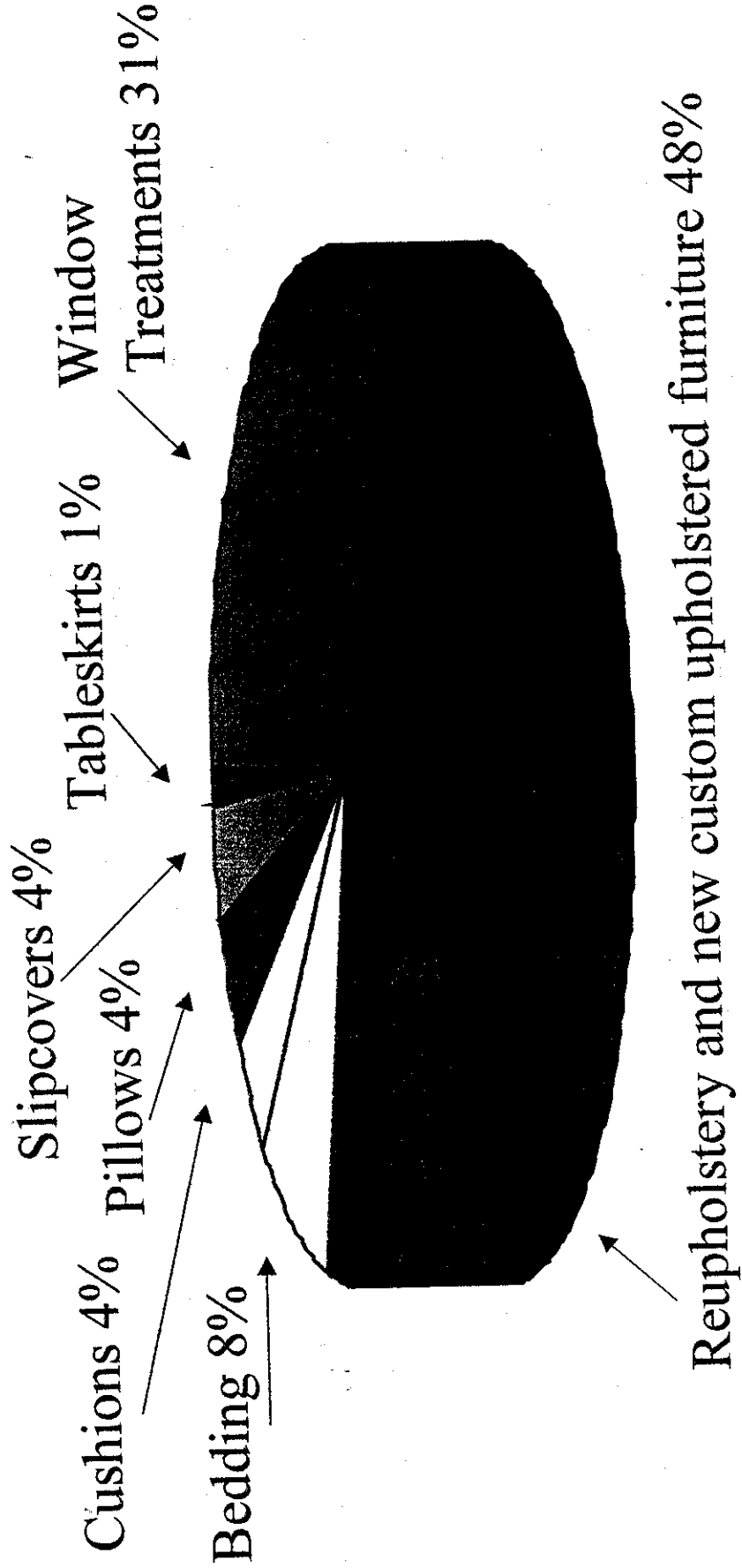
Calico Corners sells about 5,000 decorative fabrics in an incredible variety of fiber contents, weights, weaves, constructions and finishes.

- Our fabrics are primarily woven of cotton, linen, silk, rayon and polyester. In addition, you'll find on our price tickets fiber content of viscose rayon, olefin, acrylic and nylon.
- It is not uncommon for upholstery fabrics to have several fibers in the content, as in these examples from our catalog:

<u>SAYRE WASHED</u>	<u>RENWICK</u>	<u>HOP1</u>	<u>CURLEY LAMB</u>
63% Rayon	58% Acrylic	70% Acrylic	66% Rayon
24% Polyester	30% Polyester	30% Polyester	33% Cotton
13% Cotton	12% Olefin		1% Nylon

Upholstery fabrics are extremely diverse in fiber content, weave structure, weight and finishing—and are unlikely to perform consistently as desired after FR treatment or backcoating.

Custom labor purchased at Calico Corners is most frequently used for window treatments and other products. Furniture and frame upholstery represents 48% of sales.



Calico Corners' custom upholstered furniture is sold all over the continental United States—and is constructed to meet California* and UFAC standards.



*California Technical Bulletin 133

Last year, Calico Corners customers purchased 23,844 pieces of new custom upholstered furniture—and covered them in 4,500 different fabrics.

- Only 3 fabrics sold over 1,000 yards
- 41 fabrics sold between 500-1,000 yards
- 4,459 fabrics used less than 499 yards
- Average sale per fabric was 10.4 yards

Cost to Treat Retail Fabrics for Fire Protection

Custom Laminations
Paterson, NJ

<u>Flame Proofing</u>		
1 to 25 yards	minimum charge	\$ 87.50
26 to 99 yards	per yard	3.50/yd.
<u>Eradicote</u>		
1 to 25 yards	minimum charge	118.75
26 to 99 yards	per yard	4.75/yd.
<u>Fire-Blocker (meets California Tech. Bulletin 133)</u>		
1 to 15 yards	minimum charge	192.00
16 to 99 yards	per yard	12.80
<u>FlameFoe KH (flame resistance)</u>		
1 to 38 yards	minimum charge	70.00
39+ yards	per yard	1.80
<u>Flametroil (flame resistance plus Teflon®)</u>		
1 to 30 yards	minimum charge	89.00
30+ yards	per yard	2.95
<u>Fire-Blocker (meets California Tech. Bulletin 133)</u>		
1 to 10 yards	minimum charge	100.00
10+ yards	per yard	9.75

Kiesling-Hess
Philadelphia, PA
Gardena, CA

Note: One additional yard of each fabric is required for each order. Costs do not include two-way shipping. Processing time requires ten days to four weeks. Additional yardage may be required for testing.

Cost Differential to Treat Retail Fabrics for Upholstered Furniture

GARBO'S CHAIR IN AUDINCOURT
12 yards @ \$21.99/yard

\$ 263.88

GARBO'S OTTOMAN IN AUDINCOURT
4.5 yards @ 21.99/yard

98.96

\$ 362.84

Total fabric cost:

Fire-Blocker for 16.5 yards @ \$12.80/yard
Extra yard for processing: 1 yd. @ 21.99

211.20

21.99

233.19

596.03

Total fabric cost with Fire-Blocker treatment

Fire-Blocker treatment adds 64% to cost of Audincourt fabric

Frame Price for Garbo's Chair
Frame Price for Garbo's Ottoman

899.00

449.00

1,348.00

\$1,944.03

Total cost of treated fabric and frames

Compared to untreated chair and ottoman cost of \$1,711, Fire-Blocker treatment adds 14% to total cost

Cost Differential to Treat Retail Fabrics for Upholstered Furniture (continued):

BERGERE CHAIR IN DAYDREAM

3.5 yards Daydream @ \$16.99/yard
1.5 yards Tussah for trim @ 19.99/yard

59.47
29.99

Total fabric cost

\$ 89.46

Fire-Blocker for 3.5 yards Daydream (minimum charge)

192.00

One extra yard for processing @ 16.99/yard

16.99

Fire-Blocker for 1.5 yards Tussah (minimum charge)

192.00

One extra yard for processing @ 19.99/yard

19.99

420.98

Total fabric cost with Fire-Blocker treatment

510.44

Fabric treatment adds 471% to cost of Daydream/Tussah fabrics

Frame Price for Bergere Chair

649.00

Total cost of treated fabric and frame

\$1,159.44

Compared to untreated chair cost of \$738, Fire-Blocker treatment adds 57% to total cost of chair

Summary

1. The Calico Corners customer purchasing decorative fabrics for custom upholstery does not fit the risk profile for small open-flame fires in the home.
2. Our customers today are driven by choice and self-expression in selecting their furnishings and decorating their homes.
A requirement for FR backcoating would have a deleterious effect on the aesthetics of many fabrics, particularly those with light grounds, soft hands, chenille yarn content, moiré finishes, velvets and silks. These are among the most popular fabrics sold today.
3. Upholstery fabrics are too diverse in fiber content, weave structure, weight and finishing to pass a flammability standard that can be met by all fabrics.

4. Calico Corners' customers purchase such an incredible variety of fabrics for upholstered furniture that there would be very few fabrics that could be FR treated with any economy of scale.

5. The cost/benefit ratios are alarming in real-world examples of how a small open-flame regulation might apply to custom upholstery: fabric costs increased 64% to 471% and total furniture costs increased 14% to 57% with Fire-Blocker fabric treatment.

These figures do not include extra fabric for testing, cost of testing, or two-way shipping.

6. Given these circumstances, Calico Corners proposes an exemption for residential furniture using Customer's Own Material (COM fabrics) individually selected and sold at retail. If appropriate and necessary, retailers could effectively administer reasonable disclosure and acknowledgement documentation.
7. Calico Corners respectfully submits that this suggested approach will establish a balance among fire safety concerns, FR toxicity and environmental issues, while preserving consumer choice in fabrics for upholstered furniture at a reasonable cost.