



Discover the World

August 17, 2009

To: Wine Council of Ontario Members

Re: Reminder of LCBO Product Packaging Standards for Domestic Pre-Palletized Loads

It is mandatory that all pre-palletized loads arrive in our facilities “stabilized”. This requirement and its definition were previously communicated to you in a Trade letter issued by Dr. George Soleas on June 1st, 2005.

I have been notified that there are still some issues with several Domestic Ontario Wine loads not complying to our standards. We have experienced a significant increase in incidents where cases are falling off pallets during normal handling in our automated Retail Service Centres. This has resulted in an increase in breakage, operational downtime and poses a serious potential health risk to employees working in the area of these pallets. Non-conformance to articles 2.8 and 2.9 has been identified as major contributors to these incidents. At this point, non-compliant loads are being sent to a third party to be corrected.

We would like to collaborate with our Ontario Wine Suppliers to find a solution to this ongoing problem. With that in mind, effective Monday, August 17th, we will be isolating examples of non-compliant orders and contacting non-compliant suppliers to advise you of the situation. You will have an opportunity to meet with Durham personnel to see what is occurring during shipment. This will give you the chance to actually see the issue and will allow you to correct the situation for future shipments. Failure to ship stabilized loads will result in delays in receiving product, potential stockouts and compliance charges.

As a reminder, the following are the standards outlined in the June 1st, 2005 letter:

Our Product Packaging Standards outline the requirements for pre-palletized loads under the section heading “Truck Loads and Inter-Modal Containers”, article 2.0, Pre-Palletized Loads. Specifically, on page 26, articles 2.8 and 2.9 require all pre-palletized loads to be stabilized “through adequate shipping container to shipping container friction, or by application of a suitable anti-skid coating or cohesive between each tier”, and that “the top tier shall be tied or poly-strapped. Bag-in-a-box products require 2 tie ropes.”

Contrary to current industry practices, stretch-wrap is not an acceptable means to stabilize pallets and is not permitted under our standards, for the following reasons:

- The LCBO commitment to the Ontario government to reduce waste.
- Stretch-wrap material interferes with equipment within our automated Retail Service Centres and must be removed before the pallets can be inducted.
- Additional costs are incurred to remove and dispose of stretch-wrap material.

In addition, loads not compliant with article 2.0, Pre-Palletized Loads (inclusive) may be subject to corrective rework to stabilize the pallets, at a rate of \$50.00 per man-hour. These charges will be assessed at the sole discretion of the applicable LCBO Retail Service Centre. For your reference, an electronic version of our Product Packaging Standards is available from our Trade Resources On-Line website at: <http://www.lcbotrade.com> you will find it under the Trade Toolkit, documents.

Reminder-Case/Carton Change in Dimensions and Ti-Hi Palletization

You must notify us, if your case/carton changes dimension. We will validate the new ti-hi and pallet quantity. You must provide us with the LCBO number, product description, case dimensions, new case weight, and timing of the change so we can coordinate ordering. It would also be efficient if you have a current sku listing with the same case size that you provide us with that LCBO number. Failure to advise us these changes will be subject to escalating in fines/penalties and corrective action charges, including actions performed by a third party facility. All associated costs will be debited against the vendor's corporate account and deducted from payment.

- Where applicable, corrective action charges will include transportation and handling costs to ship and return product to/from a third party facility.

This applies to both LCBO and Vintages Essential products.

If you have any questions regarding LCBO products, please contact me at linda.strysio@lcbo.com or by telephone at 416-365-5885. For Vintages Essentials, please contact Bob Davio at bob.davio@lcbo.com or by telephone at 416-864-6973.

Thank you for your attention in these matters.

Regards,



Linda Strysio
Inventory Manager, New World Wines