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Costco Wholesale Corp. Bulks Up Compliance Program With 3E

Costco Wholesale Corporation operates an international chain of membership warehouse stores, mainly under the "Costco Wholesale" name. As of March 2004, Costco operates 319 warehouses in 38 U.S. states and Puerto Rico with more than 78,000 employees in the U.S. International operations include 63 locations in Canada, 23 in Mexico, 15 in the United Kingdom and 12 more in Asia, in all totaling about another 25,000 employees.

Challenge #1 – MSDS Management for Rapid Growth and Globalization: In the past, Costco implemented an internal system for maintaining current MSDSs. This basic system consisting of an automated fax program enabled each warehouse to request an MSDS as needed by dialing a dedicated fax number and entering a product item number associated with the MSDS. The result was an MSDS being faxed back directly to the requestor. This highly manual process required a dedicated administrator to ensure all MSDSs were scanned into a database making them readily

available via fax and to ensure that the version faxed was the manufacturer's most recent version. Due to continued growth, an increase in Hazardous Material Business Plan requests, a desire to add Canadian MSDSs to its program, and a shift in employee responsibilities, Dale Anderson, director insurance and safety, considered outsourcing MSDS management.

Solution #1: Because the warehouses have limited Internet access, a variety of programs were implemented throughout the organization. These programs provided by 3E Company offer 24-7-365 access to hazmat specialists for MSDS requests, as well as medical advice and access to toxicologists and physicians in the event of a poison or exposure incident or chemical cleanup advice if a hazardous material is spilled in the warehouse.

Challenge #2 – Regulatory Tracking During Expansion: As Costco continued to open new locations and expand its operations, EH&S staff was finding it increasingly difficult and time consuming to keep track of the

various state and federal agency requirements associated with regulatory reporting.

Solution #2: Costco implemented 3E's Compliance Calendar and Disclosure service. "3E's regulatory specialists already maintain active relationships with agencies across the U.S. Using that expertise and experience to provide accurate and timely completion of required disclosures, permits and fees makes sense," said Patrick Coor, Costco environmental compliance specialist. "3E created a calendar program to track all appropriate disclosures."

These reports include, but are not limited to, California's Hazardous Material Business Plans and EPCRA Tier II reports.

Challenge #3 – Spill & Waste – Readiness & Response: Occasionally, whether it is a torn bag of merchandise or a delivery truck leaking fuel, there will be a spill. Although a phone call to 911 can quickly obtain a local hazmat response team to stabilize a situation, Costco still needs to properly contain, label, store, and

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dispose of the waste product.

Solution #3: "Although we could handle it ourselves, it doesn't happen often enough for us to try to maintain relationships with the cleanup companies as well as keep up with the various state and federal spill requirements. 3E pre-qualifies hazmat response and environmental contractors, ensuring each has the proper certifications and licensing required to transport and dispose of hazardous waste at an approved site. Why not entrust this to someone who addresses these scenarios day in and day out?" said Dale Anderson, director insurance and safety.

Challenge #4 – Transportation Classification & Support: With the MSDS program in place, Costco began working with 3E to improve their Department of

Transportation (DOT) classification and transportation of hazardous materials program.

Solution #4: With 3E's Transportation Classification module, 3E specialists assisted in analyzing Costco's inventory, pre-classifying pertinent products for packaging and labeling requirements, and aided in preparing required shipping papers and documentation. Costco employees also have 24-7-365 toll free hotline access to 3E's transportation specialists who respond with guidance on classification information, packaging, marking, and labeling as well as regulatory questions for any mode of transport.

3E and Costco are now working on a special vendor registration program, which will result in even tighter compliance and inventory management. Although vendors have always provided

MSDS's to Costco, they will now be required to provide MSDSs and related regulatory information directly into Costco's shipping system via 3E before any transaction can take place or shipments can be received.

Results – Value, Awareness, Flexibility & Access: "3E has helped us raise the level of EH&S awareness within our organization—from executive management all the way down to the warehouses," said Coor.

"It's the "one-stop-shop" concept that appeals to Costco and makes 3E a valuable partner. This plus their willingness to be flexible in order to meet our specific needs helps set them apart from their competition. We're in the retail business, not the hazmat business, so it's pretty nice to be able to readily access an MSDS or dial a number and have a professional take care of a hazmat issue," added Anderson.
