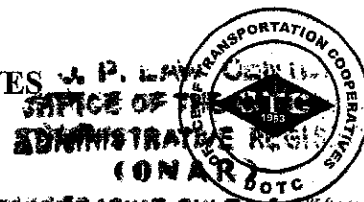




REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF TRANSPORTATION AND COMMUNICATIONS
OFFICE OF TRANSPORTATION COOPERATIVES
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ADMINISTRATIVE RULES & REGULATIONS

RECEIVED

26 AUG 2015

MEMORANDUM CIRCULAR NO. 2015-04-006

**FOR : ALL ACCREDITED TRANSPORT SERVICE COOPERATIVES
ALL OTHERS CONCERNED**

**SUBJECT : GUIDING PRINCIPLES FOR THE ADOPTION AND IMPLEMENTATION
OF TRANSPORTATION COOPERATIVES' SUSTAINABLE MEMBERS'
SHARE CAPITAL CONTRIBUTION PROGRAM**

DATE : 27 April 2015

The transport cooperative sector is envisioned to be one of the major stakeholders in achieving economic development for the nation. With this foresight, the Office of Transportation Cooperatives (OTC) re-established its mission and commitment to facilitate the transformation of transport cooperatives to become highly competitive transport and business organizations through genuine cooperative operation. But the current situation of transport cooperatives (TCs), in general, including the several imposed requirements on TCs pose a bigger challenge for both OTC and the TC-sector, such as the acquisition of the required minimum number of "coop-owned" vehicles/units, vehicle modernization, fleet-management and franchising requirements, among others. For the TCs to appropriately respond to above-cited challenges and requirements, one of the major conditions they should possess is the financial and technical capability/ capacity. For these, transport cooperatives must increase their cooperative's capitalization through internal efforts and establishment/institutionalize supporting policy measures in this regard.

Aside from providing an enabled legal and policy environment, Republic Act No. 9520, otherwise known as Philippine Cooperative Code of 2008 and its Implementing Rules and Regulations (IRR), also offers a workable framework for cooperative development opportunities. Several chapters/articles from the Code and even its IRR for special provisions of the Act, presented the significance of cooperative capitalization in the economic standing, viability and financial well-being of the cooperatives, as follows:

- Chapter I, Article 4 (Cooperative Principles), Item 3 (Member Economic Participation) – Members contribute equitably to and democratically control, the capital of their cooperative
- Chapter VII, Article 72 (Capital Sources) – (1) Members' share capital; (3) Revolving capital which consists of the deferred payment of patronage refund or interest on share capital
- Chapter VII, Article 73 (Limitation on share capital holdings) – No coop member shall own/hold more than 10% of the share capital of the cooperative
- Chapter VII, Article 75 (Capital Build-Up) – The by-laws of every cooperative shall provide a reasonable and realistic member capital build-up program to allow continuing growth of the members' investment in their cooperative as their own economic conditions continue to improve

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- Rule V, Section 5 (Capitalization) – the minimum capitalization and cooperatively-owned units shall be in accordance with the rules and regulations prescribed by the concerned government agency.
- Chapter VII, Article 77 (Fines) – The cooperative by-laws may prescribe a fair/reasonable fine on unpaid subscribed share capital
- Chapter III, Article 30 (Termination of Membership) – Membership in the cooperative may be terminated by a vote of majority of the board of directors for causes: (b) when a member has continuously failed to comply with his obligation, (c) when a member acted in violation of the by-laws and the rules of the cooperative

While the main goal is to increase the TC capitalization, the general intention is to provide to transport cooperatives customized/cleared-cut financial actions attuned to the cooperative laws and related rules/regulations. Therefore, as support in directing the way to achieve self-reliance and financial sustainability, transport cooperatives are strongly instructed to study/adopt/observe the following policy measures/actions through TC Board and/or General Assembly Resolutions:

For Newly Organized/Accredited TCs up to 3 Yr. Old TCs

1. Include as one of the financial obligations in the TC membership application and agreement forms the pledge and commitment of members to complete the subscribed capital under a reasonable timeframe (not to exceed 2 years as recommendation) and payment scheme to be established for this purpose ;
2. Establish and implement appropriate penalties/sanctions for non-compliance (e.g. ground for termination of membership, disqualification for elective positions, determination of membership status, entitlement to vote, etc.); and
3. Adopt a workable capital build-up formation program through appropriate resolutions (Board and General Assembly) to be subjected to periodic monitoring by TC's internal audit committee.

For 4 yr. Old TCs and Above (with still 50% or more un-subscribed capital)

1. Immediate passage of a resolution compelling all members to fully pay or complete their required subscription under a short realistic timeframe (not to exceed one year as recommendation), payment scheme and providing sanction/s, dis-entitlement of rights/benefits and/or termination of membership for non-compliance;
2. Devise a commitment/undertaking form to be signed by affected members regarding the full compliance with their subscribed capital amount (for old members) and TC membership application and agreement forms that will also highlight the pledge/obligation for capital subscription, timeframe and payment scheme, among others; and
3. Adopt a workable continuing capital build-up program to be subjected to periodic monitoring by the TC's internal audit committee.

For TC's having reached 90% to 100% of its Subscribed Capital

1. Adopt policy/ies for continuing capital build-up program; and

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 Time: _____

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2. Require the Audit Committee to conduct monitoring of the TC's capitalization program and establish suitable monitoring mechanisms.

For Transport Cooperatives with already established and functioning CBU Program

1. Should the total members subscription already reached at least 75% of its authorized share capital, to increase its capitalization through Board initiative and General Assembly (GA) resolution and in turn, file amendments of its articles of cooperation in this regard.

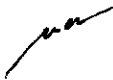
As supplemental policy measures/actions, the following should likewise be considered by transport cooperatives for establishment of guidelines:

1. Financial Work Program of transport cooperatives should be supported by relevant information not limited to (a) Backgrounder on the current financial situation of transport Cooperative including the challenges and opportunities; (b) Sources of capital and strategies to raise cooperative (CBU Program) and other means (financial leverage, grant and subsidies), if any; (c) Details of the Implementation Plan with timeframe and supporting mechanisms (monitoring); and
2. Transport Cooperatives shall issue capital share certificates to members who have fully paid the required subscription amount.

Monitoring on the implementation/compliance to this policy by transport cooperatives shall be part of the inspection activities/mechanism of OTC and that three (3) years after issuance of this guidelines or by the year 2019, 100% members' subscription of capital and CBU Program implementation shall be part of the conditions and/or requirements for issuance of Certificates of Good Standing (CGS).

For the information and guidance of all concerned. Approved by the OTC Board on 23 April 2014 per Board Resolution No. 2015-04-06.


MELCHOR V. CAYABYAB
Chairman



OFFICE OF THE SECRETARY
OFFICE OF THE SECRETARY OF TRANSPORT
8/5/2014
8/5/2014

