



Republic of the Philippines

DEPARTMENT OF TRANSPORTATION & COMMUNICATIONS

27 April 2001

JAIME S. DOMDOM, DBA
Chairman
Office of Transportation Cooperatives
Sugar Center, North Avenue
Diliman, Quezon City

Dear Chairman Domdom:

We are returning herewith the OTC Administrative Order No. 2000-01 entitled "General Rules and Regulations Governing the Promotion Organization, Supervision, Accreditation and Development of Transport Service Cooperatives as Amended" with the concurrence and approval of this Department.

Very truly yours,


PANTALEON D. ALVAREZ
Secretary


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OFFICE OF TRANSPORTATION
COOPERATIVES

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*DOTC - A century of bringing the Filipinos closer together
through better transportation and communications.*

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**OTC ADMINISTRATIVE ORDER NO.
2000-001**

**"General Rules and Regulations Governing the
Promotion, Organization, Supervision,
Accreditation and Development of Transport
Service Cooperatives, as Amended."**

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Department of Transportation and Communications
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OTC ADMINISTRATIVE ORDER NO. 2000-001

To : All Transport Cooperative Officers and Members

Subject : OFFICE OF TRANSPORTATION COOPERATIVES (OTC)
GENERAL RULES AND REGULATIONS GOVERNING THE
PROMOTION, ORGANIZATION, SUPERVISION,
ACCREDITATION AND DEVELOPMENT OF TRANSPORT
SERVICE COOPERATIVES, AS AMENDED.

Pursuant to the provisions of Section 2 of Executive Order No. 898, otherwise known as the "Revised Charter of the Office of Transportation Cooperatives" promulgated on 28 May 1983, as amended by Executive Order 1030 dated June 11, 1985 and other laws applicable to transport service cooperatives, the following rules and regulations governing the promotion, organization, supervision, accreditation and development of transport service cooperatives are hereby prescribed for the guidance and/or compliance to wit:

ARTICLE I – PRELIMINARY PROVISIONS

Section 1. Title. – These Regulations shall be known and cited as the "OTC ADMINISTRATIVE ORDER NO. 2000-001, AS AMENDED".

ARTICLE II – PROMOTION, ORGANIZATION AND ACCREDITATION

Section 1. Authority – The Office of Transportation Cooperatives (OTC) shall have the authority and responsibility in the promotion, organization, supervision, accreditation and development of transport service cooperatives.

Section 2. Objectives. – The following are the objectives of the transportation cooperative program:

- a. To attain a more equitable distribution of income and wealth by providing means to increase income and purchasing power of cooperative members;

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- b. To upgrade the social and economic conditions of members of transport service cooperatives;
- c. To gear the transport service cooperatives towards maximum integration and rationalization of the public transit and transport systems;
- d. To rationalize and improve the public transport system by adopting measures that will, among others give significance to the concept of route responsibility, maximum utilization of available public utility vehicles under the umbrella of the cooperatives, and eradicate destructive competition;
- e. To enhance revenue generating projects/programs of the transport service cooperatives.

Section 3. Policy Guidelines on Promotion. – The OTC guidelines on the promotion of transport service cooperatives shall be as follows:

- a. The OTC shall promote transport service cooperatives nationwide. It shall promote and organize new transport service cooperatives in regions where there are no existing transport service cooperatives or where the existing transport service cooperatives are so inadequate to service the needs of the people in the area. In identifying the areas where transport service cooperatives shall be promoted, the OTC shall coordinate with the Land Transportation Franchising and Regulatory Board (LTFRB), Cooperative Development Authority (CDA), Local Government Units (LGUs) and other government agencies/entities and shall be guided by the overall transport rationalization plan developed by the Department of Transportation and Communications (DOTC);
- b. All transport operators who are not members of transport service cooperatives shall be encouraged to join existing transport service cooperatives or to organize new transport service cooperatives, as may be necessary;
- c. The promotion drive in Metro Manila shall be geared towards operators with valid authority to operate, until such time that the moratorium in the granting of franchise shall have been lifted. The OTC shall encourage individual operators in Metro Manila with valid authority to operate to join existing transport service cooperatives or, whenever necessary, organize a new one;
- d. In areas where legalization of units is being undertaken, the OTC shall coordinate with the LTFRB, Maritime Industry Authority (MARINA), Civil Aeronautics Board (CAB), and LGUs to ensure that priority in the legalization of units be given to transport service cooperatives to enable these cooperatives to increase the number of their authorized units. In such case, the OTC in

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coordination with the above-mentioned agencies shall encourage individual operators to join existing transportation cooperatives, if there is any in the locality, or in its absence, organize new transportation cooperatives;

- e. The OTC shall give priority to franchise holders in the organization of new transport service cooperatives.

In case of operators without authority to operate, the organization of transportation cooperative shall be undertaken only in areas where legalization is still open and there is an assurance from the LTFRB, MARINA, CAB and LGUs that these units will be legalized and the corresponding franchises shall be issued;

- f. In highly exceptional cases such as proposal to organize in remote and isolated barangays/areas, the OTC may organize transportation cooperatives exclusively for drivers, subject to the following conditions:

1. That the prospective members have already organized into an existing association with a common bond of ideals and aspirations in accordance with the principles of the transport cooperatives program, as determined by the OTC;
2. That the proposed driver-cooperative should not be organized by members of an existing transport service cooperative; and
3. Except for the vehicle requirement, the proposed cooperative should be fully compliant with all other organizational requirements prescribed by the OTC; and

- g. Transport service cooperative may also be organized by individuals who will be the beneficiaries of the services of the cooperative, subject, however, to the following conditions:

1. There is a necessity for the transport service in the area;
2. The service that the cooperative will provide shall be limited to the members; and
3. The proposed transport service cooperative should be fully compliant with all other organizational requirements prescribed by the OTC.

Section 4. Definition of a Transport Service Cooperatives. – A transport service cooperative shall refer to one assisted in its organization and accredited by OTC and registered with the CDA to render public service as authorized under a franchise or certificate of public convenience (CPC) and necessity duly issued by concerned government agencies such as the LTFRB for land transportation,

MARINA for water transportation, CAB for air transportation, and LGUs for tricycle transportation, composed of persons including operators, drivers, conductors/ conductress, pilots, investors, allied workers, users or commuters who have agreed to pool their skill, savings and other resources including vehicles, aircrafts or watercrafts to operate a business enterprise that will provide the services for the economic and efficient carriage of passengers and goods.

Section 5. Powers of a Transport Service Cooperative. – A transport service cooperative shall have the following powers:

- a. To exercise the same rights and privileges given to persons, partnerships and corporations provided under existing laws;
- b. To establish and operate business enterprises of all kinds, as their needs dictate and their capabilities allow, subject to the provisions of the existing laws;
- c. To own and dispose of property whether real or personal;
- d. To enter into contract;
- e. To sue and be sued;
- f. To draw, make, accept, endorse, guarantee, execute, and issue promissory notes, mortgages, bills of exchange, drafts, warrants, certificates and all kinds of obligations and negotiable instruments in connection with and in furtherance of its business operations;
- g. To issue bonds, debentures, and other obligations of the transport service cooperative, to contract indebtedness and to secure the same with a mortgage of deed of trust or pledge or lien on any or all of the real and personal properties of the transport service cooperative; and
- h. To do any other act and to exercise any other power as may be necessary in the pursuit of its objectives.

Section 6. Objectives of a Transport Service Cooperative. – The following shall be the objectives of a transport service cooperative:

- a. To increase and establish the income of its members by providing continuing employment opportunities;
- b. To undertake programs which will provide members with social services and benefits, such as Medicare and SSS coverage, retirement benefits, and insurance coverage;

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- c. To develop traits of discipline, involvement, collective effort, management and operational efficiency among members;
- d. To improve transportation services to the commuting public;
- e. To attain better traffic rules and regulations, promote safety observance and efficient management; and
- f. To utilize the cooperative system as a means of integrating, rationalizing and developing the public transit and transport systems.

Section 7. Functions of a Transport Service Cooperative. – To achieve its objectives, a transport service cooperative shall have the following specific functions:

- a. To operate a business enterprise engaged in providing the members and the public with goods and services needed for the economic and efficient operations of transport service;
- b. To control and direct the use of member's vehicle in providing transport service to the commuting public;
- c. To provide training and education programs to members and officers;
- d. To assist member-drivers acquire their own vehicles through internal and/or external financing;
- e. To encourage continuing savings for capital build-up to enhance the social and economic stability of the members; and
- f. To encourage participation in programs providing social services and benefits to members.

Section 8. Privileges of Transport Service Cooperatives. – The following are the privileges that shall be enjoyed by transport service cooperatives:

- a. Exemption from taxes pursuant to R.A. 6938, particularly Articles 61 & 62 thereof;
- b. Assistance in securing internal or external financing for projects, business undertaking;
- c. Assistance in transactions with the LTRB, Land Transportation Office (LTO), DOTC, MARINA, ATO, Philippine National Police (PNP), Government Financial Institutions (GFIs), LGUs and other government/private agencies; and

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- d. Other privilege/s which the DOTC/OTC or any government/private agency may grant to transport service cooperative from time to time.

Section 9. Membership. – A minimum of at least fifteen (15) qualified natural persons may organize a transport service cooperative. The prospective members should have the following:

- a. Have a common bond of association;
- b. Possess the qualifications required by the transport service cooperative;
- c. Reside or work in the proposed area/s of operation;
- d. Pledge to undertake the responsibilities of membership;
- e. Complete the prescribed Cooperative Education and Transport Operations Seminar (CETOS); and
- f. Patronize or intend to patronize the services of the cooperative either as owners, users, or both.

Section 10. Capitalization. – A proposed transport service cooperative shall have authorized capital stock of at least P240,000.00 for tricycle; P480,000.00 for jeepney, taxi, shuttle, motorized banca; P800,000.00 for mini-buses, buses and trucks; and P3,200,000.00 for aircraft. At least twenty five (25%) percent of the authorized capital stock shall be subscribed and at least twenty five (25%) percent of the subscribed capital stock shall be paid-up. In no case, therefore, shall the paid-up capital be less than P15,000.00 for tricycle; P30,000.00 for jeepney/taxi/shuttle/motorized banca; P50,000.00 for mini-bus, buses and trucks; and P200,000.00 for aircraft or the amount necessary to assure the viability of the cooperative as indicated in its feasibility study, whichever amount is higher. Paid-up capital should be in cash.

Section 11. Vehicles. – A proposed transport service cooperative shall have the following minimum vehicle units:

- a. For individual:
 - 1. Fifteen (15) units of jeepneys, taxis, tricycles, vans, AUVs;
 - 2. Ten (10) units for bus and mini-bus;
 - 3. Five (5) units for motorized banca; and
 - 4. Two (2) units for trucks.

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b. For cooperative owned:

1. Five (5) units of jeepneys, taxis, tricycles, vans, AUVs;
2. Two (2) units for buses, mini-buses, motorized banca; and
3. One (1) unit for truck and aircraft.

Provided, however, that the OTC may grant an exemption to this minimum number requirement in highly exceptional cases involving remote and isolated Barangays.

Section 12. Areas of Operation. – A transport service cooperative shall be organized from several or among combination of passenger lines converging into or passing through a common point of area. Towards this objective, the following guidelines on the cooperative areas of operation shall be followed:

- a. No cooperative shall be organized along a single route unless the proposed route is profitable enough as determined by DOTC route surveys to assure the viability of the operations of the cooperative, such as, routes connecting towns and provinces;
- b. As much as practicable, no two transportation cooperatives shall be organized on a particular route/line. Organizers of the new proposed cooperative shall be encouraged to join the existing cooperative to ensure its growth and development;

However, OTC may grant the permit to organize new transportation cooperative in the proposed routes under any of the following:

1. Viability of organizing another transport cooperative;
2. Potential service to the area;
3. Complementary operation with existing cooperatives;
4. Existing cooperative cannot accommodate more members and units without seriously prejudicing the operation of the existing cooperative;
5. The proposed cooperative will operate on different route structure; and
6. The existing cooperative will not object to the organization of a new one or will endorse the new organization.

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- c. A proposed transport service cooperative whose proposed area of operations or routes are already covered by an application of an existing transport service cooperative shall be encouraged to join the existing transport cooperative, unless the routes being applied for by the existing transport cooperatives are not practicable due to its size, viability or geographical location, or in the opinion of the OTC, the routes applied for should be best operated by more than one (1) transport cooperative.

If there is no pending application for expansion, or if the application for expansion is not feasible or practicable, the OTC shall allow the organization of new transport cooperatives without prejudice, however, to adopting some measures to protect the interest of the existing cooperative.

- d. Whenever practicable, individual franchise holders who intend to form a cooperative and who apply the same routes as that of an existing transport service cooperative shall be encouraged to join the existing cooperative in the area.

Section 13. Organizational Procedures. – Organizers of a proposed transport service cooperative shall form a Core Group/Organizing Committee which will exist only up to the first meeting of the Board of Directors. This Core group shall be responsible for organizing the transport service cooperative and for coordinating with the OTC regarding organization requirements.

Specifically, the Core Group shall perform the following:

- a. Prepare the economic survey/project feasibility study for the proposed business undertaking;
- b. Create an ad-hoc committee to prepare the cooperative's Articles of Cooperation and By-Laws;
- c. Prepare the necessary documents and other requirements for organization;
- d. Recruit members;
- e. Collect membership fees and initial paid-up capital; and
- f. Assist the OTC in conducting the CETOS.

The Core Group shall be automatically dissolved after the election and oath taking of the Board Members. The Core Group shall turn over to the Board all funds, records, documents in the Core Group's possession. The OTC shall assist in the organization of new transport service cooperatives by providing the following:

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1. Assistance in determining the viability of organizing the proposed transport service cooperative, and in complying with the registration requirements;
2. Conduct of CETOS for prospective members. The OTC shall prepare the course syllabi, identify/invite resource speakers, and provide brochures, pamphlets and other relevant materials; and
3. Assistance in the identification of viable business undertakings and in the preparation of the feasibility study for the cooperative's proposed business, and the identification of possible sources of financing.

Applications to organize/accredit transport service cooperatives shall be filed with the OTC which shall evaluate the same within fifteen (15) days. If the applicants have fully satisfied the requirements, the application shall be presented to the OTC Board for approval. Otherwise, the applicants shall be informed of any deficiency in their application.

The application to organize shall be supported by the following:

- a) List of prospective members indicating whether driver, driver-owner, operator, allied worker, or commuter;
- b) List of units supported by authenticated copies of ORs/CRs indicating the motor/chassis number, name of the owner, franchise number, if any; and
- c) Clearance from LTFRB, MARINA, CAB and LGUs that the cooperative is eligible for franchise.

Section 14. Cooperative Education and Transport Operations Seminar (CETOS). – A CETOS shall be conducted by the OTC among the prospective members in coordination with the prospective transportation cooperatives. The OTC shall fix the date, time and place of the CETOS. The course shall generally cover the following:

- a. Overview of the transport service cooperative program, definition, rationale, objectives and functions of a transport service cooperative;
- b. Essential provisions of R.A. 6938/6939, franchising rules and regulations, licensing and registration rules and regulations and traffic laws rules and regulations;
- c. Model Articles of Cooperation and By-Laws, suggested organization structure of a transport service cooperative;
- d. Policies governing the operation of a transport service cooperative;

- e. Financial and technical assistance available to transport service cooperatives;² and
- f. Registration requirements of CDA.

At the end of the course, the OTC shall issue certificates of attendance to all participants who have satisfactorily completed the course.

Section 15. Organizational Meeting. – An organizational meeting/first general assembly meeting shall be conducted by the members of the proposed cooperative after due notice specifically to approve the proposed Articles of Cooperation and By-Laws, and to elect the members of the Board of Directors and Election Committee. The members of the Election Committee shall elect their own officers.

Section 16. First Meeting of the Board of Directors. – The members of the Board of Directors elected at the organizational meeting shall within ten (10) days after being duly elected and proclaimed, meet in order to:

- a. Elect the executive officers from among themselves;
- b. Appoint the general manager, secretary, treasurer & other committee officers;
- c. Designate depository bank(s) and signatories;
- d. Complete documentary and other requirements for registration; and
- e. Discuss other matters relating to the cooperative's registration.

Section 17. Issuance of Certificate of Accreditation. – A certificate of accreditation shall be issued by the OTC to a transport cooperative upon approval by the OTC Board of its application to organize and after complying with all organizational requirements and conduct of CETOS.

ARTICLE III – MEMBERSHIP

Section 1. Qualifications for Membership in a Primary Transport Cooperative. – Membership shall be limited to individual and natural persons. Membership shall be open to all workers in the transportation industry and users of the public transport services.

Section 2. Additional Qualifications. – Prospective members of transport cooperatives shall possess the following additional qualifications:

- a. Filipino citizens.

- b. At least eighteen (18) years of age.
- c. Possessing the qualifications and none of the disqualifications for membership as provided in existing regulations, cooperative's Articles of Cooperation and By-Laws.

Section 3. Restrictions/Limitations on Membership. – Membership in a transport service cooperative shall be voluntary and available without discrimination on any social, political, racial or religious affiliation. No person shall be a member of more than one (1) transport service cooperative.

Section 4. Application for Membership. – Application for membership shall be in writing in the prescribed form and shall require the favorable action by the Board of Directors. A denial by the Board may be appealed to the General Assembly whose action shall be final.

Section 5. Requirements for Admission to Membership. – Prospective members shall comply with the following admission requirements.

- a. Eligibility as provided under existing rules and regulations, cooperative's Articles of Cooperation and By-Laws.
- b. Completion of the CETOS.
- c. Approval of the application by a majority of the Board of Directors.
- d. Payment of membership fee and subscription of the required number of shares.
- e. Agreement to comply with the rules and regulations of the OTC, CDA, LTFRB, LTO, the local police and other regulatory agencies.
- f. Execution of the membership agreement.
- g. Execution of Management Agreement or Deed of Transfer.

Section 6. Duties/Obligations of Members. – The following shall be the duties/obligations of members:

- a. Comply with the capital build-up program and other financial obligations of the cooperative;
- b. Attend, participate and vote in membership assemblies;

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- c. Comply with the rules and regulations as set forth under existing laws and decrees, the cooperative by-laws, the decisions of General Assembly and the Board of Directors, and the policies, rules and regulations promulgated by the OTC;
- d. Attend conferences and seminars required by the Board of Directors, General Assembly and the OTC;
- e. Assist/participate in the implementation of any program of the cooperative for the benefit of the members; and
- f. Comply with all other membership obligations as stipulated in the application for membership, subscription agreement, and other instruments required to be executed as prescribed in the By-Laws.
- g. Patronize the business of the transport cooperative.

Section 7. Member in Good Standing. – A member in good standing shall refer to one who fulfills the following requirements:

- a. Has paid the required membership fee and the value of the required minimum number of shares as provided by the cooperative By-Laws;
- b. Has not been delinquent in the payment of his subscription and other financial obligations to the cooperative. A delinquent member is one who fails to pay his obligations within the period specified in the written notice/demand;
- c. Has attended the required seminars and/or training activities;
- d. Has complied with all obligations, duties and undertakings of a member; and
- e. Has not violated any provision of existing laws, rules and regulations, circulars and memoranda issued by the OTC, and the cooperative by-laws, membership agreement, or any other instrument required to be executed by him as prescribed by the Board of Directors.

Section 8. Rights/Privileges of Members in Good Standing. – The rights and privileges inherent to membership in the cooperative shall be available only to members in good standing. These rights and privileges are:

- a. To participate in deliberation during membership assemblies, and vote on all matters brought before such assemblies. For this purpose, a member who has been with the cooperative for at least six (6) months and who has been considered a member in good standing for at least one (1) month before the general assembly shall be entitled to vote.

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- b. To be elected as directors, officers or committee members subject to the provisions on the qualifications/disqualifications for director, officer or committee member;
- c. To examine the records of the cooperative, during designated hours; and
- d. To avail of all benefits and incentives of membership as provided by the laws, and the policies, rules and regulations of OTC.

Section 9. Benefits/Incentives. – The cooperative members shall enjoy the following benefits/incentives:

- a. Members shall be provided with the goods and services at reasonable prices from the business/es undertaken by the transport service cooperative.
- b. Members shall be entitled to the allocation and use of the cooperative's permits/certificates of public convenience. Member-owners/operators in good standing shall have the priority in the availment of this benefit.
- c. Member-drivers in good standing shall have the right and priority to drive the units owned by the member-operator and the cooperative.
- d. Members shall be entitled to benefits of any social service programs undertaken by the transport service cooperative for such purposes as SSS and Medicare coverage, housing, retirement and pension benefits, and insurance coverage.
- e. Member-drivers shall have the opportunity to acquire their own vehicles through internal and/or external financing.
- f. Members shall be entitled to any income allocated for the payment of interest based on their capital contribution, or patronage refund in proportion to the patronage of the cooperative's business.
- g. Members shall be assisted by the transport service cooperative in their dealings with government regulatory agencies such as LTFRB, LTO, DOTC, MARINA, CAB, LGUs and PNP, in connection with the registration of vehicles, renewal of the driver's license, franchise applications and petitions and traffic violations, etc.
- h. Members shall be entitled to attend/participate in training and educational programs for their general, vocational, and cultural development.

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Members who, after being given the opportunity to be heard, have been declared by the Board of Directors as members not in good standing, shall not enjoy these rights and privileges.

Section 10. Liabilities of a Member. – A member shall be liable for the indebtedness of the transport service cooperative only to the extent of his paid-up capital and unpaid subscription unless by his own acts or omissions he has bound himself to be criminally and/or civilly liable.

Section 11. Termination of Membership. – The following shall be the grounds for the termination of membership:

- a. Resignation – A member with the approval of the Board of Directors, may resign from the cooperative. He shall make his written application for resignation to the Board of Directors which shall set the terms for his resignation.
- b. Order of the Board – The membership of one who leaves the area of operations of the cooperative or one who suffers total permanent disability to the extent that he can no longer perform his duties and responsibilities may be terminated by order of the board of directors.
- c. Death of a Member – Membership shall be automatically terminated upon the death of a member.
- d. Insanity.
- e. Insolvency.

Section 12. Suspension/Expulsion from Membership. – After due notice and hearing by the Board of Directors, any member may be suspended/expelled from membership on the following grounds.

- a. Failure to comply with his duties and obligations as a member, and the terms and conditions of the membership agreement for a period of three (3) months and without valid cause.
- b. Commission of acts in violation of the cooperative by-laws, rules and regulations and decisions of the general membership of the Board of Directors.
- c. Commission of acts injurious or prejudicial to the interest and welfare of the cooperative.
- d. Violation of existing laws, rules and regulations, circulars, directives, order or memoranda issued by the OTC, and other regulatory agencies.

Section 13. Appraisal/Return of Members Share Capital Upon Termination of Membership. – Upon the termination of the membership of the member, the Board of Directors shall determine the following:

- a. book value of the member's shares of stock, in no case to exceed the par value;
- b. the member's financial and property accountability in the cooperative; and
- c. others, which the Board may deem necessary.

It shall then determine the amount thereof in money to be paid. Provided, however, that payment of said equity in cash shall not be made if on account of such payment, the liquidity of the cooperative will be impaired or it will diminish the reserves required under existing laws. Provided, further, that payment to members of their capital contribution shall not be later than sixty (60) days.


ARTICLE IV – ADMINISTRATION AND GOVERNMENT

Section 1. General Assembly of Members. – The General Assembly of the members shall consist of all members in good standing. When duly convened and acting as a body, the general assembly shall be vested with the final authority in the administration and management of the affairs of the transport service cooperative.

Section 2. Powers of the General Assembly. – The General Assembly shall have the following powers:

- a. Elect and remove directors, and committee members for just cause;
- b. Hear and pass upon the reports of the Board of Directors, general manager and committees;
- c. Arbitrate in disputes or disagreements by and between members of the board, committees, and members;
- d. Ratify amendments to the Articles of Cooperation and By-Laws;
- e. Decide, subject to legal restrictions, on major financial issues such as investments, loans, disposition of assets outside the normal course of the business, mergers, dissolutions and changes in the members' financial obligations;

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f. Exercise final authority on important matter affecting the cooperative such as the admission, suspension or expulsion of members and officers, subject to existing laws, policies, rules and regulations of the OTC.

g. Exercise all the rights and privileges appurtenant to membership.

Section 3. Voting. – Each member shall have only one vote regardless of the number of shares he owns in the cooperative. Proxy voting shall not be allowed. Any voting agreement or other instrument to evade the one-member, one-vote rule shall be unenforceable.

Section 4. Fiscal Year. – The fiscal year of a transport service cooperative shall commence on the first day of January and end on the last day of December.

Section 5. Regular General Assembly Meeting. – The members shall meet at least once a year within sixty (60) days after the end of the year except when granted extension by the CDA which shall determine the date for the holding of the same.

Section 6. Special General Assembly Meeting. – A Special General Assembly Meeting may be called at any time in between regular general assemblies in order to take up urgent matters requiring immediate membership decision. A Special General Assembly Meeting shall likewise be called within thirty (30) days from the receipt of a written request from at least thirty (30%) percent of the total number of members in good standing unless the CDA provides a later date.


Section 7. Notice of Meeting. – A written notice containing the date, time, place and agenda of the meeting shall be delivered to each member in person or mailed at his address at least fifteen (15) days before the date of any regular or special general assembly.

Section 8. Quorum at the General Assembly. – At the regular or special general assembly, one-half plus one of the total number of members in good standing shall constitute a quorum. A quorum, shall be determined based on the number of members in good standing who have been members for at least six (6) months. If a quorum is not present at the date and time fixed in the call, the members present therein constituting at least thirty (30%) percent of the members in good standing may proceed with the transaction of the business of the cooperative, provided that no resolution acted upon therein shall be valid until the same has been subsequently approved and ratified in writing by at least two-thirds (2/3) of the members in good standing within one (1) month from the date of the said meetings.

Section 9. Order of Business. – The order of business at each general assembly meeting shall be as follows:

a. Roll call.

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- b. Proof of due notice.
- c. Consideration and action on the minutes of the last general assembly.
- d. Report of the Board of Directors and Committees including audited statements of financial condition and operations and consideration and action thereon.
- e. Ratification of amendments to the Articles of Cooperation and/or By-Laws, if any.
- f. Ratification of the operating budgets.
- g. Election of directors, officers and committee members (if applicable).
- h. Other business.
- i. Adjournment.

Section 10. Membership in the Board of Directors. – Membership in the Board shall consist of representatives from the drivers and operators' group, except in cases where the transport service cooperative is exclusively for drivers or individual users of the transport service. The drivers group shall represent at least 30% of the total Board membership but in no case shall it exceed 50% of the total membership of the board. A transport service cooperative shall be managed by a Board of Directors consisting of an odd number of members of not less than five (5) but not more than fifteen (15).

Section 11. Qualifications of Directors. – A member who has been in good standing at least one (1) month before the election who does not possess any of the disqualifications enumerated under Section 12 hereof.

Section 12. Disqualifications of Directors. – A member who is not in good standing and/or fails under any of the following circumstances is disqualified for the position of director or to continue as such in the transport service cooperative:

- a. Holding any elective position in the government except that of the members of the barangay council.
- b. Having conflicting interest with the business of the cooperative.
- c. Having been absent for three (3) consecutive Board Meetings and/or a total of five (5) meetings within a year without justifiable cause.
- d. Having been removed from Office by the general assembly.

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- e. Being an employee or a relative by consanguinity or affinity within the third (3rd) civil degree of the General Manager or Cashier.
- f. Having participated in the profits of a third party dealing with or doing business with the cooperative.
- g. Being a member of a family group wherein one (1) member is a director. Family group shall mean individuals related by affinity or consanguinity up to the third (3rd) civil degree.
- h. Having been convicted of a crime involving moral turpitude, or found guilty of gross negligence or having been convicted in an administrative proceeding or civil suit involving financial and/or property accountability.

Section 13. Manner of Selection/Tenure of Office. – The directors shall be elected by secret ballot by the members during the general assembly, for a term of two (2) years. They may be re-elected for not more than three (3) consecutive terms.

In case of a tie for the last position, the same shall be resolved in another election in the same General Assembly.

Section 14. Powers of the Board of Directors. – The members of the Board of Directors, as a body and not in their individual capacity, shall have the following powers:

- a. Exercise general supervision and control over the assets, business, and management of the transport service cooperative;
- b. Prescribe policies consistent with laws, by-laws, and resolutions of the membership assembly, for the management of the cooperative's business and the guidance of its members and the management staff;
- c. To act upon application for and resignation from membership;
- d. To enter into any contract essential to the purpose and objectives for which the cooperative was organized. A contract validly entered into by the cooperative shall be binding upon subject cooperative and shall be respected until the termination thereof;
- e. To impose fines, suspend or expel with justifiable cause any member who fails or refuses to perform the duties and meet the obligations of a members as provided in RA 6938, the by-laws, the membership agreement, decisions of the board and the general assembly provided that under specific conditions (as specified in the by-laws), the decision of the board may be appealed to the general assembly;

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- f. To designate the depository or depositories of the funds of the cooperative;
- g. To cause the bonding of the Secretary-Treasurer, General Manager and any other officer or employee charged with the custody of the cooperative's funds, securities, properties, inventories, etc. before they are allowed to assume the position;
- h. To determine the financial needs of the cooperative and recommend the manner of raising funds either through additional investments from members or borrowings;
- i. To recommend to the general assembly, decisions on major financial issues, such as investments, loans disposition of assets outside the normal course of business, mergers, dissolutions, and changes in members' financial obligations; and
- j. To recommend amendments to the By-Laws.


Section 15. Liabilities of Directors. – The members of the Board shall be solidarily liable for any civil suit arising from transactions, acts, omissions made in violation of the laws, the regulations, the by-laws or the resolutions of the General Assembly, except those who entered a protest at the time when such transaction, act or omission was acted upon and those who have not participated in the act or omission complained of, without prejudice to any criminal liability that may be imposed in connection thereto.

Section 16. Penalties of Directors. – A member of the Board who commits any offense against the cooperative shall be penalized pursuant to Section 12, Article III hereof and Article 124 (3) of RA 6938.

Section 17. Vacancies in the Board of Directors. – When a vacancy in the Board occurs by reason of death, incapacity, or resignation, the remaining members of the Board constituting a quorum shall fill out such vacancy within ten (10) days from the date the vacancy arises.

The successor thus named shall serve for the unexpired portion of the term. But in no case shall the number of directors appointed constitute the majority of the Board. If the remaining members of the Board/Committee do not constitute a quorum, the general assembly shall be immediately convened within thirty (30) days from the date the vacancy arises to elect the successor, who shall likewise serve for the unexpired portion of the term. However, if the vacancy occurs within three (3) months from a regular general assembly meeting, the successor shall be elected in the said meeting.

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 SUSAN B. BANDAYREL
 BOARD SECRETARY

Section 18. Removal of Directors/Officers. – Members of the Board may be removed for cause, after giving the directors/officers sought to be removed the opportunity to be heard, by a two-thirds (2/3) vote of the members in good standing present at a regular or special general assembly meeting called for the purpose. The successor, who shall serve to the unexpired portion of the term of the director removed shall be elected in the said meeting. Officers appointed or elected by the Board may be removed for the same cause(s) for removing directors by two-thirds (2/3) vote of all the Board members after giving the officer sought to be removed an opportunity to be heard.

Section 19. Compensation. – The Board shall not be entitled to regular compensation. However, they may be given per diems for actual attendance in Board meetings and/or allowances as may be necessary. The total amount of directors' per diems and allowances shall not exceed a certain percentage of the monthly gross revenue of the cooperative as established by the general assembly. Allowances acquired not based on the standard established by the general assembly. Otherwise, they shall be deemed unauthorized.

Section 20. Election of Officers. – The Board shall meet within five (5) days after their election to elect from among themselves the chairman and vice-chairman of the cooperative. The term of office of the elected officers shall be two (2) years or until their successors are elected and qualified, or until and unless sooner removed for cause, or are incapacitated by reasons of death, illness or on account of their resignation.

Section 21. Reorganization of the Board. – The Board may reorganize itself by electing a new set of officers without changing its composition when in the judgement of majority of the board members, a reorganization will benefit the cooperative. No reorganization shall take place more than once a year, and no reorganization shall take place within three (3) months before the regular election.

Section 22. Board Meetings/Notice/Quorum. – The Board shall meet at least once a month. Special meetings may be called by the Chairman or in his absence, by the Vice Chairman or by a majority of the Board to consider urgent matters requiring immediate Board action. Unless dispensed with by the Board, notice and agenda of its regular or special meetings shall be served by the Secretary in writing to each member at least five (5) days before each meeting.

The quorum at Board meetings, either regular or special, shall be majority of the board.

The minutes of the meetings and board resolution shall be signed by all Board Members in attendance, and certified by the Board Secretary. In addition, all board resolutions shall be numbered for easy reference. The OTC and each member of the Board shall be furnished a copy of the minutes of meetings/board resolutions of every board meeting.

Section 23. Election Committee. – The Election Committee shall be composed of an odd number and at least three (3) members elected during the last regular general assembly preceding the election of the members of the board. They shall serve for a term of two (2) years and until their successors shall have been elected and qualified.

The Election Committee shall perform the following functions:

- a. Supervise the conduct of all elections;
- b. Determine the members in good standing and members who possess the necessary qualifications for the Board of Directors and Election Committee, at least thirty (30) days prior to the next regular general assembly;
- c. Cause the preparation of notice to the general assembly or the posting in a conspicuous place of the list of members entitled to vote and those qualified to be voted upon at least thirty (30) days prior to the general assembly meeting;
- d. Proclaim the directors elected in the election of officers; and
- e. Certify that there was a quorum during the election, result of the election, and no election protest. If a protest was filed, that the same has been resolved.

All provisions pertaining to compensation, vacancies, liabilities and removal of the Board of Directors shall likewise apply to the members of the Election Committee.

Section 24. In the conduct of election protests, the following rules shall govern:

- a. Notice of the protest contesting the election of candidate shall be served upon the candidate by means of a summon/notice at his postal address.
- b. The protestee shall answer the protest within ten (10) days after the receipt of the summon or, in case there has been no summons from date of his appearance and in all cases before the commencement of the hearing of the protest or contest.
- c. If no answer is filed by the protestant within the time limit respectively fixed, the Election Committee shall render its decision on the basis of merits of the protestant's allegations.
- d. In election contest proceedings, the list of voters duly verified and authenticated by the Election Committee shall be conclusive with regard to the question as to who had the right to vote in said election.

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Election Offenses

- a. Coercion of members/subordinates.

Any officer of the transport service cooperative who coerces or intimidates or compels or in any manner influence, directly or indirectly, any of his subordinates or members to aid, campaign or vote for or against any candidate or any aspirant for the nomination or selection of candidates.

- b. Threats, intimidations, terrorism, use of fraudulent device or other forms of coercion.

Any person directly or indirectly connected with transport cooperative who directly or indirectly threatens, intimidates or actually causes, inflicts or produces any violence, injury, punishment, damage, loss, or disadvantage upon any qualified voter or refraining a qualified voter in casting his vote.

- c. Coercion of Election Committee Officials/Members.

Any person directly or indirectly connected with the TC who directly or indirectly threatens, intimidates, terrorizes or coerces any Election Committee Officials or member in the performance of his functions and duties.

- d. Undue influence – It is unlawful for any official of a transport cooperative to promise or to make or offer to make an expenditure out of cooperative funds to any person who may induce any member to vote or withhold his vote, or to vote for or against any candidate or for the nomination of a candidate.

- e. Unlawful electioneering – It is unlawful to solicit votes or undertake any propaganda during the 15 days notice prior to the election and on the day of the election, for or against any candidate within the polling place.

- f. Use of cooperative funds/money deposited in financing institution for election campaign.

Any person who uses under guise whatsoever, directly or indirectly cooperative funds or money deposited with financing institution.

- g. Deadly weapons.

Any person who carries any deadly weapon in the polling place and within a radius of 100 meters thereof on the day of election.

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Section 25. Internal Audit Unit. – There shall be created an Internal Audit Unit which shall be composed of a Chairman and two (2) members appointed by the Board from among the members in good standing qualified to render internal audit service. The unit shall serve for two (2) years or until such time that his/their services are terminated for cause by the Board.

In the event of lack of adequate auditing expertise among the members, the Board may employ person(s) preferably certified public accountants to perform, under its full control and supervision, the auditing activities of the Internal Audit Unit.

The Internal Audit shall provide monthly internal audit service to the cooperative and submit monthly audited financial reports to the Board and to the general assembly during its regular meetings. It shall maintain complete records of its examination, inventory and all working papers related thereto.

Section 26. Education and Training Committee. – The Education and Training Committee shall consist of at least three (3) members to be appointed by the Board, who shall serve for a term of two (2) years until their successors shall have been appointed and qualified. The Vice-Chairman of the Board shall ipso facto be the Chairman of this Committee.

The duties of this committee shall be to educate the members and prospective applicants of the cooperative principles and methods, and help acquire better understanding of the aims, purposes and philosophy of the cooperative movement.

Section 27. Other Committees. – The cooperative through the Board or the General Assembly, shall create Committees as its business or operations may require.

Section 28. Selection/Appointment. – The Board of Directors shall appoint the general manager of the cooperative. The general manager in turn shall appoint the other members of the management staff subject to the approval of the Board of Directors. A director of transport service cooperative who is appointed as General Manager shall automatically cease to be a member of the board effective on the date of his appointment.

Section 29. Management Staff. – The day-to-day affairs of the cooperative shall be entrusted to the management staff who will implement the policies of the Board and of the General Assembly to attain the objectives of the cooperative. The members of the management staff shall be responsible to the Board for the performance of their functions.

Section 30. Removal of the General Manager and Management Staff. – The general manager or employees of the cooperative may be removed for just cause by majority vote of all members of the Board, after giving him an opportunity to be heard.

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Section 31. Compensation and Tenure. – The Board shall fix the compensation and tenure of the management staff.

ARTICLE V - OFFICERS

Section 1. Chairman. – The following shall be the duties of the Chairman:

1. To preside over all meetings of the general assembly and the board of directors;
2. To report on the operation of the Cooperative to the general assembly and the CDA/OTC and other regulatory agencies;
3. To represent the Cooperative in its dealings with the CDA/OTC, the LTO/LTFRB, DOTC and other government agencies, banks and private institutions;
4. To sign all stock certificates and such other instruments and documents requiring his signature, unless other signatories are authorized by the Board;
5. To execute all laws, rules and regulations; provisions of these By-Laws, and the decisions of the general assembly as well as of the Board; and
6. To perform such other duties prescribed by law and regulations, or as directed by the general assembly.

Section 2. Vice-Chairman – The Vice-Chairman shall discharge the duties of the Chairman in the latter's absence or inability to perform his duties. He shall ipso facto be the chairman of the Education and Training Committee.

Section 3. Secretary – A Secretary shall be appointed to perform the following:

1. To have custody of the cooperatives seal; stock certificates; and records consisting of registration certificates, articles of cooperation and by-laws, official contracts, and other valuable documents of the cooperative except book of accounts and other financial records;
2. To issue notices of meetings of the board and the general assembly;

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3. To prepare or cause the preparation of minutes of meetings of the board and the general assembly and to submit copies of these minutes to the Education and Training Committee and to the CDA/OTC;
4. To keep and maintain a complete record of minutes of meetings of directors and the general assembly;
5. Maintain a registry book containing information of members' name and such other information as are deemed necessary;
6. To assist in the preparation of all necessary election forms and other forms necessary for the conduct of elections, referenda, or plebiscite, in coordination with the Election Committee.

Section 4. Treasurer – A Treasurer who will be appointed from among the members in good standing shall have the following duties:

1. To take custody of all books of accounts and other financial records of the cooperative;
2. Collect members' contribution and other payments, issue receipts in the name of the cooperative and deposit all funds and securities of the cooperative until a collector cashier shall have been appointed;
3. Monitor all financial transactions/operations of the cooperative;
4. Post an adequate bond to ensure the faithful performance of his duties;
5. Co-sign all financial transactions and accounts with the bank;
6. Turn-over all money, security, papers, documents and other property of the cooperative that may have in possession upon the election of his successor; and
7. Perform such other duties as may be directed by the board of directors.

The treasurer should not be related within the 3rd civil degree of affinity/consanguinity to any of the directors and the manager.

Section 5. Management Staff – The Board of Directors shall appoint the general manager of the cooperative. The general manager in return shall appoint the other members of the management staff subject to the approval of the board of directors. A director or a member of his family within 3rd civil degree of consanguinity or affinity shall be disqualified to be appointed to any position in the management staff. The members of the management staff shall not be related to each other within the 3rd civil degree of consanguinity or affinity.

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No persons shall be appointed to the position of general manager unless he possesses the qualifications enumerated as follows:

1. He must be familiar with the business operation of the cooperative;
2. He must have at least two (2) years of experience in cooperative or related business;
3. He must be honest and must have a deep sense of responsibility;
4. He must not be engaged directly or indirectly in any business similar to that handled by the cooperative;
5. He must not have been convicted of a crime involving moral turpitude or found guilty of gross negligence or grave misconduct in an administrative proceeding, or civil suit involving financial and/or property accountability;
6. He must not be addicted to any form of gambling or immoral or vicious habits; and;

The duties and responsibilities of the General Manager are as follows:

1. To manage the day-to-day business affairs of the cooperative, supervise its personnel and direct the use of its funds and properties in accordance with the policies of the general assembly and subject to the supervision of the Chairman of the board of directors, to attain the objectives of the cooperative;
2. To supervise members' compliance with the rules and regulations of the LTO, LTFRB, the traffic bureau of the local police and other regulatory agencies;
3. To appoint, employ, supervise and dismiss any employee or member of the management staff, subject to the policies of the board of directors;
4. To approve disbursements, purchase, and issuance of materials and supplies;
5. To review and submit regular reports to the board of directors; and
6. To prepare the Cooperative's operating budget and to keep within budget.

No person shall be appointed to the position of accountant/bookkeeper unless he possesses the qualifications enumerated as follows:

1. He must be a commerce graduate, major in accounting;

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2. He must have at least two (2) years experience in cooperative or related business;
3. He must be honest and must have a deep sense of responsibility;
4. He must not be engaged directly or indirectly in any business similar to the handled by the cooperative;
5. He must not have been convicted of a crime involving moral turpitude or found guilty of gross negligence or grave misconduct in an administrative or civil suit involving financial and/or property accountability;
6. He must not be addicted to any form of gambling or immoral or vicious habits; and
7. He must be willing to undergo pre-service and/or in-service training.

The duties and responsibilities of the Accountant/Bookkeeper are as follows:

1. He shall maintain the cooperative's books of accounts and update these regularly;
2. He shall prepare journal vouchers, review and approve disbursement vouchers and other documents prepared by his subordinates;
3. He shall prepare/review reports and schedules required by management and government agencies;
4. He shall assist the general manager in the preparation of the cooperatives' annual budget;
5. He shall perform such other duties that may be assigned by the General Manager;

Section 6. Compensation. - The Board shall fix the compensation and tenure of the management staff.

Section 7. Removal of the Management Staff. - The General Manager or employee of the cooperative may be removed for just cause by a majority vote of the members of the board after having been given the opportunity to be heard.

The general manager shall have the authority to recommend the removal/dismissal of an employee of the cooperative.

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SUSAN B. BANDAYREL
BOARD SECRETARY

ARTICLE VI - VEHICLE OPERATION

Section 1. Vehicle Ownership. – All members of a transport service cooperative shall transfer the “management” of their units to the cooperative or assign the same to the cooperative in consideration of shares of stocks corresponding to the value thereof. “Management” refers to the day to day activities undertaken by the officers of the cooperative in order to provide efficient transport service, including but not limited to the designation of routes, scheduling of trips, registration of vehicles and overall supervision of the units.

The members of transportation cooperative who have transferred the management of their units to the transportation cooperative shall remain, for all intents and purposes, the beneficial owners of the vehicles and, as such, shall remain liable owners thereof. In case of vehicles assigned to the cooperative, the beneficial owner shall be the cooperative. The certificate of registration shall be issued by the LTO to the owner of the vehicle.

The cooperative may also procure transportation vehicles, which it shall own and operate. The vehicles shall be registered in the name of the cooperative, which shall be responsible for the operational expenses of the units including maintenance, registration, fuel and driver’s salaries. It shall also be responsible for civil liabilities in case of accidents. However, all income shall accrue to the cooperative.

Section 2. Issuance of Franchise/Provisional Authority. – The issuance of CPC, franchise or authority in favor of a transportation cooperative shall be endorsed and recommended by the OTC after the transport service cooperative has been organized in accordance with EO 898 and RA 6938, after they have been accredited by the OTC, after its members shall have transferred the management or assigned the units to the cooperative concerned.

Section 3. Ownership of Franchise/Provisional Authority. – The transport service cooperative shall be the exclusive owner of any franchise/authority secured from LTFRB, MARINA, CAB, and LGUs. The name of the cooperative as franchise owner/holder and the description of the different units managed by the cooperative shall be indicated in the franchise.

The cooperative shall allow the members to use portions of the franchise/authority. The franchise/authority shall be allocated only to members in good standing in the following order: driver-owner, then small operators. Preferred shareholders who are operators with more than five (5) units shall be entitled to any remaining portion of the franchise/authority.

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Section 4. Dropping and Substitution of Member Unit. - Any member unit may be dropped from the cooperative's franchise/authority, for cause, subject to the provisions of the cooperative by-laws, and the rules and regulations of the LTFRB and other franchising agencies. The member unit dropped for cause maybe substituted with another member unit upon filing of a proper petition with the proper franchising agency.

Section 5. Disposition of Income and Responsibility for the Expense of the Units. - The member-owners shall be entitled to the income derived from the operations of their units. All expenses for the safe, adequate and efficient operation of the units shall likewise be the responsibility of the member-owners.

Section 6. Franchise Application. - The following procedures/guidelines shall govern franchise application and petitions of a transport service cooperative:

- a. Only applications for new franchise of transport service cooperatives shall be preprocessed and properly endorsed by the OTC. The OTC and franchising agencies may execute Memoranda of Agreement (MOA) authorizing the OTC to preprocess new franchise applications of transport service cooperative and their members' before these are acted upon by the franchising agencies.
- b. Subject to the MOA, the franchising agencies shall furnish the OTC with copies of the relevant documents and circulars to ensure that preprocessing is consistent with government-franchising agencies' policies.
- c. Franchise applications shall refer to the request for an authority to operate a public utility business in the Philippines. The franchise shall either be a Provisional Authority (PA) or a Certificate of Public Convenience (CPC).

ARTICLE VII – FINANCIAL OPERATIONS

Section 1. Members' Capital Contribution. - The funding requirements of a transport service cooperative shall be provided primarily by the members themselves through an organized and planned capital build-up program.

The members' capital contribution to the cooperative shall be in the form of shares of stocks consisting of common stock, as well as preferred stock, if the latter is provided for in the by-laws. Common stock shall be issued only to members and shall receive an interest rate not exceeding the rate prescribed by the CDA.

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Preferred stocks which shall be made available to members and non-members shall not be entitled to vote. These stocks shall, however, have preference as to the assets in case of liquidation of the cooperative. Furthermore, preferred shareholders shall receive interest rate at 2% higher than common shareholders.

Section 2. Authorized/Subscribed/Paid-up Capital. – The minimum authorized, subscribed and paid-up capital of the cooperative shall be in accordance with the provision of section 10, article II hereof.

Section 3. Par value. – The par value of the shares shall be fixed at P100.00 per share.

Section 4. Subscription/Contribution. – The minimum initial subscription shall be 50 shares for a driver or allied worker and 600 shares for driver-owner or operator. Upon joining the cooperative, at least P500.00 shall be paid by a driver or allied worker, and P1,500.00 by a driver-owner or operator. The balance of their subscription shall be payable within twenty-four (24) months from admission to membership.

The minimum initial subscription for tricycle shall be 60 shares for a driver or allied worker and 300 shares for a driver-owner or operator, and he has paid at least twenty five percent (25%) of the amount subscribed, which is P125.00 for a driver or allied worker and P500.00 for a driver-owner or operator. The members may be allowed to advance P50.00 and P150.00 of the initial capital for drivers and operators, respectively. The balance of required initial capital may be made payable within a period of at least three (3) months. Finally, the balance of the total subscriptions should be paid within such period, as determined by the Board of Directors, but shall not exceed beyond twenty-four (24) months.

Section 5. Capital Build-up Program. – To generate additional capital, each member shall increase his shareholdings at a rate and manner of payment agreed upon by the members.

Section 6. Limitation of Shareholders. – No members or family group shall subscribe or own at any given time more than twenty percent (20%) of the total subscribed capital of the cooperative. Family group shall refer to individuals related by affinity or consanguinity up to the third (3rd) civil degrees.

Section 7. Transfer of Shares. – The cooperative shall have the first option on any stock certificate offered for sale. The amount to be paid for such shares of stock shall be its par or book value, whichever is lower.

Subject to the limitation on individual shareholdings and the approval of the Board, a member transferring any part of his shareholdings shall comply with the following:

- a. He has held such shares for at least one (1) year.
- b. He must first offer the shares to the cooperative. If the cooperative is unable to buy the shares, he shall have the right to dispose of them to a member or any person eligible for membership in the cooperative.

Section 8. External Financing. – A transport service cooperative may secure external financing to augment available funds for the implementation of its programs and projects. The General Assembly shall empower the board to negotiate for such loans.

Section 9. Fees, dues, etc. - A transport service cooperative may impose dues and/or fees on its members as may be necessary to support its operations and other expenses, as well as, social service programs provided that the same is approved by the General Assembly. All fees paid by the member shall be properly receipted by the cooperative.

a. Membership Fee

The membership fee shall be payable upon joining the cooperative. Collections from membership fees shall be used for the pre-operating and organizational expense of the cooperative or for operating expenses if the cooperative is already in operation.

b. Management Fee

A transport cooperative shall be entitled to collect and receive management fees from the members, in the amount as may be determined from time to time, by the Board of Directors, and approved by the General Assembly, consistent with the OTC Guidelines. This amount shall be used to support the operating expenses of the cooperative, such as salaries, rent, utilities, etc.

c. Other Fees/Obligations

A transport cooperative may further collect from its members, contributions to programs for the mutual benefit of the members, insurance coverage, or retirement plan for the payment of registration fees, vehicle insurance, etc. Such funds shall be kept separate from other funds and shall be held in trust and used exclusively for the purpose for which these are established.

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Section 10. Disposition of Funds.

- a. Capital Funds – Funds collected from capital contributions, both common and preferred, shall be deposited intact in a separate savings account. Such funds shall be invested primarily in the business enterprise of the cooperative. Excess funds, if any, shall be invested in income producing uses such as time and savings deposits, investments in other cooperative securities, or bonds and other uses authorized by the cooperative by-laws.
- b. Savings Funds. – Any funds collected for savings shall be held in trust by the cooperative for the exclusive uses of members. Such funds shall be kept separate from other funds and shall not be used for operating expenses.
- c. Other Funds. – Funds collected for other purposes shall likewise be kept separately from all other funds, these funds shall be held in trust by the cooperative in behalf of the members to be used exclusively for the purpose for which they are collected.

Section 11. Allocation of Net Savings - Net savings of the transport service cooperative shall be the amount remaining after deducting from the gross income, the cost of operations and other expenses provided for in the approved budget.

The net savings of the cooperative shall be distributed in the following manner:

1. An amount for the reserve fund which shall be at least ten percent (10%) of net surplus:
 - a. The reserve fund shall be used for the stability of the cooperative and to meet net losses in its operations. The general assembly may decrease the amount allocated to the reserve fund when reserve fund already exceeds the share capital.

Any sum recovered on items previously charged to the reserve fund shall be credited to such fund.
 - b. The reserve fund shall not be utilized for investment, other than those allowed in the Cooperative Code. Such sum of the reserve fund in excess of the share capital may be used at anytime for any project that would expand the operations of the cooperative upon the resolution of the general assembly.
 - c. Upon dissolution of the cooperative, the reserve fund shall not be distributed among the members. The general assembly may resolve:
 - i. To establish usufructuary trust fund for the benefit of any federation or union to which the cooperative is affiliated; and

- ii. To donate, contribute, or otherwise dispose of the amount for the benefit of the community where the cooperative operates. If the members cannot decide upon the disposal of the reserve fund, the same shall go to the federation or union to which the cooperative is affiliated.
2. An amount for the education and training fund, which shall be not more than ten percent (10%) of net surplus. The by-laws may provide that certain fees or fines or a portion thereof be credited to such fund.
 - a. Half of the amounts transferred to the education and training fund annually under this subsection may be spent by the cooperative for education and training and other purposes; while the other half shall be credited to the cooperative education and training fund of the respective apex organization of which the cooperative is a member. An apex organization may be a federation or a union.
 - b. Upon the dissolution of the cooperative, the unexpended balance of the education and training fund appertaining to the cooperative shall be credited to the cooperative education and training fund of the above-mentioned apex organization.
3. An optional fund, a land and building, community development, and any other necessary fund the total of which may not exceed ten percent (10%).
4. The remaining net surplus shall be made available to the members in the form of interest not to exceed the normal rate of return of investments and patronage refunds.

The sum allocated for patronage refund shall be made available at the same rate to all patrons of the cooperative in proportion to their individual patronage; provided, that;

- a. In the case of a member patron with paid-up share capital contribution his proportionate amount of patronage refund shall be paid to him unless he agrees to credit the amount to his account as additional share capital contribution;
- b. In the case of a member patron with unpaid share capital contribution, his proportionate amount of patronage refund shall be credited to his account until his share capital contribution has been fully paid.
- c. In the case of a non-member patron, his proportionate amount of patronage refund shall be set-aside in a general fund for such patrons and

shall be allocated to individual non-member patrons only upon request and presentation of evidence of the amount of his patronage. The amount so allocated shall be credited to such patron toward payment of the minimum capital contribution for membership. When a sum equal to this amount has accumulated at any time within a period specified in the by-laws, such patron shall be deemed and become a member of the cooperative if he so agrees or requests and complies with the provisions of the by-laws for admission to membership.

- d. If within any period of time specified in the by-laws, any subscriber who has not fully paid his subscribed share capital or any non-member patron who has accumulated the sum necessary for membership but who does not request nor agree to become a member or fails to comply with the provisions of the by-laws for admission to membership, the amount so accumulated or credited to their account together with any part of the general fund for non-member patrons shall be credited to the reserve fund or to the education and training fund of the cooperative, at the option of the cooperative.

Section 12. Cooperative Education and Training Fund. – The cooperative shall create and maintain a Cooperative Education and Training fund (CETF) for the education and training of its directors, committee members, officers and members.

Section 13. Accounting and Record Keeping – The following basic guidelines and procedures shall be followed in the handling of the financial transaction/account of the cooperative:

- a. Books of Accounts – The books of accounts of the cooperative shall be kept and maintained in accordance with the generally accepted accounting principles.
- b. BIR Registration - A transport service cooperative shall secure a taxpayer's identification number and community tax certificate, and register its books of accounts with the Bureau of Internal Revenue
- c. Financial Report - The board of directors shall report to its members the financial condition and results of operations of the cooperative at least once a year. The financial report, which shall be certified by the External Auditor, shall be properly disseminated to the members.
- d. Accounting Period – For financial reporting purposes, the cooperative shall adopt the calendar year for its accounting period. This refers to the 12-month period ending December 31 of every year.

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BOARD SECRETARY

- e. Financial Audit – The Board of Directors shall cause a financial audit of the books of accounts of the cooperative, at least once a year, to ensure the fairness of the presentation of financial statements and their compliance with generally accepted accounting principles. The audit of the cooperative's books shall be conducted by designated external auditor of the cooperative.
- f. Budget – The Board of Directors shall require the general manager to prepare an annual operating budget for the transport service cooperative. The budget shall be approved by the Board and ratified by the General Assembly. The approved annual operating budget shall serve as guide to the management staff in its day-to-day operation.

Section 18. Bonding Officers. – Officers and employees of the cooperative with financial and property accountabilities shall be adequately bonded, to protect the cooperative from any loss or damage resulting therefrom. It shall be the duty of the Board of Directors to obtain the necessary bond coverage.

ARTICLE VIII – DEVELOPMENT

The OTC shall undertake a development program to ensure the continuing growth of transport service cooperatives. This program shall consist of three (3) main phases namely: strengthening of existing transport cooperatives, integration of the transport service cooperative system, and conduct of continuing training and education program.

Section 1. Strengthening of Existing Transport Service Cooperatives. – The OTC shall strengthen existing cooperatives by improving collective effort and operational efficiency of these cooperatives. Towards this end, the OTC shall undertake the following activities:

- a. In areas where there are established transport service cooperatives, the OTC shall assist TCs concerned to encourage non-members to join the cooperative.
- b. Where feasible, the OTC shall restructure small and/or unviable cooperatives to merge with other cooperatives within the same locality or area of operation.
- c. The OTC shall assist in identifying viable business undertakings for the cooperatives with the assistance of government/private institutions.
- d. The OTC shall provide transport service cooperatives with the necessary technical and other assistance. In this connection, the OTC shall coordinate with government agencies, both local and national, as well as, with private institutions for any technical and financial assistance and support needed.

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Section 2. Integration of the Transport Cooperative System. – The OTC shall assist in the organization and development of federations in the provincial, regional and national levels in order to provide effective linkages and to enable cooperatives to undertake programs for the integration and rationalization of the transport system.

The OTC shall develop plans to integrate the transport cooperative system with the cooperative movement. This shall consist of establishing the proper linkages and areas of cooperation with different types of cooperatives.

Section 3. Conduct of Training Programs, Seminars, Dialogues and Conference. – As an integral part of the development program, the OTC shall conduct regular training programs, seminars, dialogues and conferences to improve the manpower and technical capability of transport service cooperatives.

ARTICLE IX – MONITORING AND SUPERVISION

Section 1. Annual Reports. – Every cooperative shall draw up an annual report of its affairs as of the end of every fiscal year, and publish the same, furnishing copies to all its members on record. A copy thereof shall be filed with the CDA within sixty (60) days from the end of every fiscal year. The form and contents of the annual report shall be prescribed by the rules of the Authority. Failure to file the required annual report shall be a ground for revocation of authority of the cooperative to operate as such. The fiscal year of every cooperative shall be the calendar year except as a may be otherwise provided in the by-laws.

If any cooperative fails to make, publish and file the report required herein, or fails to include therein any matter required by the Code, the subject cooperative may be penalized pursuant to this Administrative Order and applicable provisions of RA 6938.

Section 2. Monitoring of General Assembly Meetings. – The OTC shall ensure that transport service cooperatives conduct regular general assembly meetings at least once a year within sixty (60) days after the end of the year.

At least fifteen (15) days before the date of the general assembly, the transportation service cooperative shall furnish the OTC with the notice of meeting. The notice shall set the date, time, place of the general assembly and shall be accompanied by the agenda, consolidated reports of the officers, board of directors and committees, audited financial statements, budget, and proposed amendments to the articles of cooperation/by-laws, if any.

Representative(s) from the (OTC) may be designated to observe the general (regular/special) meeting.

Section 3. Financial Audit. – The OTC may conduct a financial audit of every registered transport service cooperative. The audit shall be performed for the following purposes:

- a. To determine the fairness, consistency, and conformity with generally accepted accounting principles of the cooperative's financial statements.
- b. To determine if the cooperative is efficiently serving its members, and if the cooperative's funds are being used properly
- c. To determine if the cooperative is complying with cooperative principles and practices, its own articles of cooperation and by-laws, and OTC rules.
- d. To recommend improvements in the accounting systems.
- e. To recommend or initiate the filing of administrative, civil, and criminal charges if clear and convincing evidence is present.

Procedure - Financial Audit Procedure – The financial audit shall consist of the examination of internal controls and accounting records, reports, and other pertinent documents; an analysis of selected balance sheet accounts such as cash, accounts receivable, accounts payable, and members' equity; and an analysis of the cooperative's profitability.

The OTC shall conduct the financial audit in accordance with its prescribed audit work program. The audit work program provides a detailed outline of the work to be done and guides the auditor in the conduct of the audit. In addition, the Organization, Accounting and Management Reporting Systems for Transport Service Cooperatives shall be used as a guide in determining effectiveness of the cooperative's accounting systems and internal control.

The OTC shall organize audit teams, assign staff to conduct the audit, schedule audits, and supervise the audit work. The audit team shall perform the following activities:

- a. Conduct pre-audit meetings with the cooperative's officials and employees to brief them on the objectives and requirements of the audit.
- b. Conduct the audit proper in accordance with the audit work program.
- c. Conduct post audit meetings with officials and employees of the cooperative to discuss the results of audit.
- d. Monitor the implementation of audit recommendations.

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Section 4. A. Management/Operations Audit/Inspection. – The OTC may conduct, together with the financial audit, management/operations audit and inspection of transport service cooperatives. The audit/inspection shall have the following objectives:

- a. To identify areas of improvement in the operations of the cooperative so that corrective measures can be undertaken.
- b. To serve as basis for the formulation of policies and plans to guide cooperatives in their operations.
- c. To determine if the cooperative is complying with cooperative principles and practices.

B. Areas of Coverage (Management/Operations/Audit/Inspections). – The OTC shall conduct a management/operations audit simultaneously with the financial audit and inspection. The audit/inspection shall consist of an evaluation of the following areas:

1. Organizational Structure
2. Efficiency of the board of directors, committees and management staff.
3. Growth in membership.
4. Benefits extended to members.
5. Personnel and general administration.
6. Limited interest on capital and regular patronage refund.
7. Continuous cooperative education.
8. Compliance with the rules and regulations of the OTC and other government agencies.
9. Operation systems and procedures.
10. Records keeping.
11. Registry of members.

The OTC audit team shall submit a report on the findings and recommendation of the operations audit together with the financial audit report to the OTC Board copy furnished the TC concerned. The recommendations shall be discussed with the cooperative's officers prior to implementation.

Section 5. Meetings Between OTC and Cooperatives. – The OTC shall conduct meetings with transport service cooperatives as the need arises. These meetings shall serve as fora where the OTC can clarify policies and rules and respond to questions or problems of the cooperatives.

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Section 6. Issuance of Circulars/Memoranda. - The OTC shall, from time to time, issue circulars and memoranda to inform transport service cooperatives of new policies and rules affecting their operation. Such circulars/memos shall form part of this order. The OTC shall furnish each cooperative with copies of these circulars and memoranda.

Section 7. Coordination with Other Agencies. - To ensure uniformity in the implementation of rules and regulations, the OTC shall regularly coordinate with the CDA and other government franchising and regulatory agencies. The OTC shall request these agencies to furnish it with copies of all circulars and memoranda pertinent to transport service cooperatives. Likewise, the OTC shall provide these agencies with the circulars and memoranda it has issued.

Section 8. Issuance of Certificate of Good Standing (CGS). - The OTC shall issue a Certificate of Good Standing (CGS) to transport service cooperatives that have complied with the prescribed requirements. These certificates shall entitle them to enjoy the rights/privileges under R.A. 6938 and EO 898. In addition, the cooperative may use the certificate to support its application for a grant of financial/technical assistance from government or other agencies.

The CGS shall be issued only to transport service cooperatives that have complied with the following requirements:

1. Audited Financial Statements;
2. Minutes of General Assembly Meeting;
3. Bond of Accountable Officers; and
4. Annual Report.

The CGS shall be signed by the Executive Director duly noted by the Chairman of OTC.

ARTICLE X – FEDERATION

The organization and formation of federation shall be encouraged to strengthen the structure and operation of cooperatives and promote their progress and growth.

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Section 1. Definition – The term transport service cooperative federation shall refer to a duly registered organization composed of several transport service cooperatives, and/or city, sectoral, provincial or regional federations of the same type performing business or non-business functions.

Business functions shall mean transportation services, and other related businesses such as repair and vulcanizing shops, sale of tires, batteries, accessories and spare parts, gasoline service stations, etc.

Non-business functions shall mean rendering services, on a national/regional or provincial basis, to its member-cooperatives such as overall assistance to transportation cooperatives, formulation of integrated plans and program for the development of cooperatives, coordination with other transport government agencies, and conduct of education and training, audit, research and such other allied services that may be needed by a federation and its member cooperatives.

Section 2. Powers and Functions. – The federation may carry on any cooperative undertaking in accordance with existing laws, rules and regulations and exercise such powers and functions as may be necessary for the attainment of their objectives. A federation shall among others have the following powers and functions:

- a. To represent its member-cooperatives or federations, whether provincial or regional;
- b. To assist member-cooperatives in their plans and programs for development;
- c. To formulate the integrated plans and programs of the federation;
- d. To coordinate with transport regulatory agencies on the implementation of such plans and programs for the benefit of the member-cooperatives;
- e. To disseminate important information to member-cooperatives as well as distribute the benefits available to all cooperatives;
- f. To help realize the objectives of transportation cooperative program;
- g. To acquire, analyze and disseminate economic, statistical, and other information regarding the federation;
- h. To conduct studies on the economic, legal, financial, social and other phases of cooperative operation and publish the results thereof;

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- i. To promote the knowledge of cooperative principles and practices;
- j. To make available credit and other common services to its members;
- k. To plan and implement a program of cooperative education and development for its members;
- l. To advise the appropriate authorities on all questions relating to transport service cooperative federation;
- m. To assist in resolving conflicts among member-cooperatives or federations; and
- n. To solicit and receive grants, donations from government and private entities.

Section 3. Authority. – Pursuant to Executive Order No. 898 and Memorandum Order 395, policy on integration of transport service cooperatives, the OTC shall have the authority to organize transport service cooperative federations. No federation of transport service cooperative shall be recognized unless registered with the CDA and accredited with OTC.

Section 4. Membership. – Membership in federation shall be open to CDA registered primary transport service cooperative. An initial organization of at least seven (7) transport cooperatives may be provisionally registered as a federation of transport cooperatives with the condition that said federation will reach ten (10) members in the second year and fifteen (15) members on the third year from registration.

- a. Provincial/City Federations. – The provincial/city federation shall have for its members only primary cooperatives within the province or city concerned.
- b. Sectoral Federations – The sectoral federations shall be organized in appropriate key urban centers, where the number of primary cooperatives warrants the organization of more than one city/provincial federation. Sectoral federation shall have for their member's primary cooperatives within each of the five identified sectors; North, South, East, West and Central.
- c. Regional Federations. – The regional federations shall have for their members primary cooperatives affiliated with the provincial federations within the region concerned and primary cooperatives in adjacent regions. The term "region" shall refer to a government administrative region. A regional federation may cover one or more regions as the needs and capabilities of cooperative dictate.

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- d. National Federation. - The National federation shall have for its members all secondary cooperatives affiliated with all the sectoral, provincial and regional federations. There shall be only one (1) national federation to be organized and registered with the CDA to which all secondary cooperative, sectoral provincial and regional federations may affiliate. The national federation shall be called the Katipunan ng mga Kooperatibang Pansasakyan ng Pilipinas, Inc. (KKPPI). The present KKPPI is given a period of one (1) year from issuance of this Order within which to upgrade itself as the apex national federation. Otherwise, the OTC may withdraw its recognition.

Section 5. Paid-up Share Capital. - The amount of paid-up share capital of the federation shall be based on its business and service activities but shall not be less than P50,000.00.

Section 6. Rights and Privileges of Members. - All members shall, without distinction, be entitled to equal rights and privileges in availing of the services and facilities of the federations.

- a. Authorized Representative. - Each member federation shall exercise its membership rights through two (2) authorized representatives - the chairman and another one to be designated by the board of directors. These authorized representatives shall have the right to vote and be voted or appointed to any office/committee of the federations.

- b. Voting. - Each member federation shall be entitled to two (2) basic votes, plus one additional vote per one hundred members for cooperative with more than two hundred members, to be exercised by the two (2) authorized representatives.

Section 7. Area of Operation. - As much as practicable, no two (2) federations shall have overlapping areas of operation. Only one transport service cooperative federation shall be organized in a province or region, except in the National Capital Region wherein five (5) federations representing the Northern Sector, South Sector, East Sector, West Sector and Central Sector may be organized.

ARTICLE XI - ADMINISTRATIVE SANCTIONS

Section 1. Non-Issuance/Withdrawal of CGS. - Any transport service cooperative which fails to comply with the provisions of this Administrative Order shall not be issued a certificate of good standing or if one has already been issued, the same shall be withdrawn by the OTC after notice and hearing. A transport service cooperative without a certificate of good standing shall not be entitled to any assistance from the OTC.

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Section 2, Non-Issuance of OTC Accreditation Certificate. – Any transport service cooperative which fails to comply with the provisions of Article II, Section 13 hereof, shall not be issued Certificate of Accreditation.

Section 3. Non-Compliance with OTC Audit/Inspection Team Recommendation. – Failure on the part of a transport service cooperative to comply with the recommendations of the OTC Audit/Inspection Team shall be a ground for OTC to recommend or initiate the process for the cancellation of Certificate of Registration with the CDA.

ARTICLE XII – GENERAL PROVISIONS

Section 1. Coverage. – These rules and regulations shall be applicable to all transport service cooperatives and federations duly registered with the CDA and accredited by the OTC.

Section 2. Authority of the OTC Chairman to Issue Additional Regulation. – The Chairman of the OTC may promulgate such supplementary rules, regulations and guidelines responsive to the peculiar conditions obtaining among transport service cooperatives, or which are necessary to effectively carry out the provisions of this Order. Provided, however, that said supplementary rules and regulations shall be approved by the DOTC before its implementation.

ARTICLE XIII – FINAL PROVISIONS

Section 1. Repealing Clause. – To the extent consistent with the rules and regulations prescribed by any other transport government agencies relative to the subject treated in this Order, these rules and regulations shall be in addition or supplemental thereto. All OTC Rules and Regulations, Memoranda or Circulars, Guidelines and Policies or parts thereof that are contrary to, or inconsistent with these guidelines are hereby repealed, modified or amended accordingly.

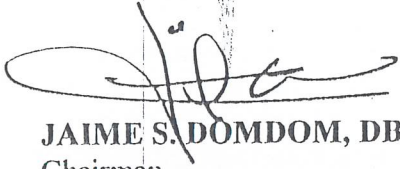
Section 2. Separability Clause. – If for any reason any section or part of this Administrative Order is declared unconstitutional or invalid by competent judicial authority, the declared or invalid section or part thereof shall not affect the other sections or parts thereof to which such declaration of nullity does not apply or relate.

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BOARD SECRETARY

Section 3. Effectivity Clause. – These rules and regulations shall take effect fifteen (15) days after filing three (3) certified copies thereof with the UP Law Center pursuant to Administrative Code of 1987.

ENDORSED BY:

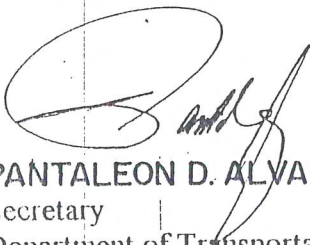


JAIME S. DOMDOM, DBA
Chairman

Based on Board Resolution No. 2000-74

Dated 28 November 2000

APPROVED:

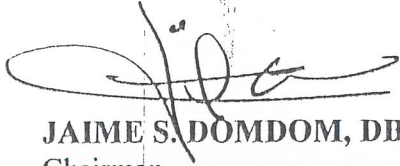


PANTALEON D. ALVAREZ
Secretary

Department of Transportation and Communications

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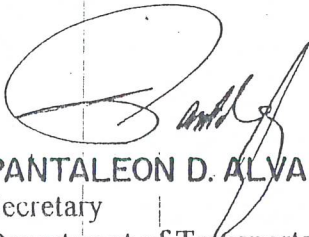
JAIME S. DOMDOM, DBA

Chairman

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Dated 28 November 2000

APPROVED:



PANTALEON D. ALVAREZ

Secretary

Department of Transportation and Communications