

**[OTC Memorandum Circular No. 2015-04-006,
April 27, 2015]**

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

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

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

- Chapter I, Article 4 (Cooperative Principles), Item 3 (Member Economic Participation) – Members contribute equitably to and democratically control, the capital of their cooperative
- Chapter VII, Article 72 (Capital Sources) – (1) Members' share capital; (3) Revolving capital which consists of the deferred payment of patronage refund or interest on share capital
- Chapter VII, Article 73 (Limitation on share capital holdings) – No coop member shall own/hold more than 10% of the share capital of the cooperative

- Chapter VII, Article 75 (Capital Build-Up) – The by-laws of every cooperative shall provide a reasonable and realistic member capital build-up program to allow continuing growth of the members' investment in their cooperative as their own economic conditions continue to improve
- Rule V, Section 5 (Capitalization) – the minimum capitalization and cooperatively-owned units shall be in accordance with the rules and regulations prescribed by the concerned government agency.
- Chapter VII, Article 77 (Fines) – The cooperative by-laws may prescribe a fair/reasonable fine on unpaid subscribed share capital
- Chapter III, Article 30 (Termination of Membership) – Membership in the cooperative may be terminated by a vote of majority of the board of directors for causes: (b) when a member has continuously failed to comply with his obligation, (c) when a member acted in violation of the by-laws and the rules of the cooperative

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

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

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

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

1. Immediate passage of a resolution compelling all members to fully pay or complete their required subscription under a short realistic timeframe (not to exceed one year as recommendation), payment scheme and providing sanction/s, dis-entitlement of rights/benefits and/or termination of membership for non-compliance;
2. Devise a commitment/undertaking form to be signed by affected members regarding the full compliance with their subscribed capital amount (for old members) and TC membership application and agreement forms that will also