

Knysna, South Africa

Tariff

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Knysna South Africa

Tariff By-law, 2008

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Under of Section 156 of the [Constitution of the Republic of South Africa, 1996](#) and Section 75 of the Local Government: Municipal Systems Act, 2000 ([Act 32 of 2000](#)), the Knysna Municipality, enacts as follows-

1. Definitions

For the purposes of these By-laws, unless the context otherwise indicates-

"account holder" means any person who is due to receive a municipal account, which includes a user of pre-paid electricity or water;

"Act" means the Local Government: Municipal Systems Act, 2000 ([Act 32 of 2000](#));

"annual budget" means the budget approved by the Municipality for any particular financial year, and includes any adjustments to such budget;

"community services" means services that the Municipality has classified as such, in respect of which the tariffs have been calculated with the intention that the costs of the services cannot be recovered from public service charges and are of a regulatory nature;

"consumer" means the occupier of any premises to which the Municipality has agreed to supply or is supplying municipal services, or if there is no occupier, then any person who has entered into a service agreement with the Municipality for the supply of municipal services to such premises, or, if there be no such person, then the owner of the premises;

"cost related two to four parts tariff" means a tariff that consists of two to four parts, namely management, capital, maintenance and operating costs that are recovered by grouping certain components together (e.g. management, capital and maintenance costs may be grouped together and be recovered by a fixed charge) independent of consumption for all classes of consumers, while the variable costs may be recovered by a unit charge per unit consumed;

"council" means the Council of Knysna Municipality;

"economic services" means services that the Municipality has classified as such, in respect of which the tariffs have been calculated with the intention that the total costs of the services are recovered from users;

"declining block tariff" means the opposite of the inclining block tariff and the tariff decreases as consumption increases;

"fixed costs" means costs that does not vary with increased or decreased consumption or volume produced;

"flat rate" meant the unit tariffs that do not relate to individual consumers, but are calculated by dividing the total costs by volume used by all the users together, subject to the flat rate;

"inclining block tariff" means a tariff based on consumption levels that are categorised into blocks, the tariff level being increased as consumption levels increase;

"interest" means an amount calculated at a rate determined by the Municipality on a municipal account in arrears;

"local community" or "community" in relation to the Municipality, means that body of persons comprising the residents of the Municipality, the ratepayers of the Municipality, any civic, non-governmental, private sector or labour organisations or bodies involved in local affairs within the Municipality, and visitors and other people residing outside the Municipality who, because of their presence in the Municipality, make use of services or facilities provided by the Municipality;

"major services" means those services contemplated in [section 9](#);

"minor tariffs" means all tariffs, charges, fees, rentals or fines levied or imposed by the Municipality in respect of services, other than major services, supplied, and includes services incidental to the provision of the major services, but does not include tariffs for major services;

"month" means one of 12 months of a calendar year;

"Municipality" means the Municipality of Knysna established in terms of Section 12 of the Municipal Structures [Act, 117 of 1998](#), Provincial Notice 409 dated 28 August 2000 and includes any political structure, political office bearer, duly authorised agent thereof or any employee thereof acting in connection with this By-law by virtue of a power vested in the Municipality and delegated or sub-delegated to such political structure, political office bearer, agent or employee;

"municipal manager" means the person appointed in terms of Section 82 of the Local Government: Municipal Structures Act, 1998 ([Act 117 of 1998](#));

"municipal services" means all municipal services and charges for which payment is required by the Municipality;

"municipal tariff" means a tariff for services which the Municipality sets for the provision of a service to the local community, such as a tariff set for major services or a minor tariff, and includes a surcharge on such service;

"occupier" means any person who occupies any premises or part thereof without regard to the title under which the person occupies, and includes-

- (a) any person in actual occupation of those premises;
- (b) any person legally entitled to occupy those premises;
- (c) in the case of those premises being subdivided and let to lodgers or various tenants, the person receiving the rent payable by such lodgers or tenants whether on the person's own account or as agent for any person entitled thereto or interested therein;
- (d) any person having the charge or management of those premises, and includes the agent of any such person when the person is absent from the Republic of South Africa or his or her whereabouts are unknown; and
- (e) the owner of those premises;

"officer" means an employee of the Municipality or any other person who is specifically authorised thereto by the Municipality to perform any act, function or duty in terms of, or exercise any power under these By-laws;

"organ of state" means an organ of state as defined in Section 239 of the [Constitution](#);

"outside municipal area" means tariffs that apply to consumers who are not residing within the municipal boundaries, but who are making use, on application, of certain services;

"person" includes a legal person and an organ of state;

"premises" means any erf, immovable property or property which is capable of receiving municipal services whether it is receiving such services or not and whether occupied or not;

"recoverable work" means tariffs that apply to consumers who, on application, make use of recoverable services and which are calculated at actual cost plus a surcharge as determined with the actual tariffs;

"single tariff" means a tariff consisting of a fixed cost per unit consumed resulting in the recovery of all costs through unit charges at the level of breakeven consumption and on which profits on trading services may be allowed subject to Council approval;

"stepped tariff" means a tariff based on consumption levels being categorised in blocks with subsequent steps calculated to yield profits and to discourage excessive use of the commodity;

"target" means realistic targets which may be set by the Municipality from time to time;

"tariffs for major services" means tariffs set for the supply and consumption or usage of major services;

"total cost" means the sum-total of all fixed and variable costs related to a service;

"units consumed" means the number of units of a particular service consumed and are measured in terms of the units of measurement contemplated in [section 9](#) of this By-law; and

"variable costs" means costs that vary with increased or decreased consumption or volume produced.

2. Purpose of these By-laws

The purpose of these By-laws is-

- (a) to comply with the provisions of Section 75 of the Act;
- (b) to prescribe the procedure for calculating tariffs where the Municipality wishes to appoint service providers in terms of Section 76(b) of the Act; and
- (c) to serve as guidance for the designated councillor regarding tariff proposals that must be submitted to Council annually during the budget process.

3. Tariff principles

- (1) The Municipality adopts a two-part tariff structure consisting of a fixed availability charge coupled with a charge based on consumption.
- (2) The tariff principles set out in Section 74(2) of the Act must apply.
- (3) In setting its annual tariffs the Municipality must at all times take due cognisance of the-
 - (a) tariffs applicable elsewhere in the economic region; and
 - (b) impact which its own tariffs may have on local economic development.
- (4) With the exception of the indigence relief measures approved by the Municipality, service tariffs imposed by the Municipality should be viewed as user charges and not as taxes, and the ability of the relevant consumer or user of the services to which such tariffs relate, to pay for such services, should not be considered as a relevant criterion.
- (5) The Municipality must ensure that its tariffs are uniformly and fairly applied throughout the municipal area.
- (6) Tariffs for the following services rendered by the Municipality, must as far as possible recover the expenses associated with the rendering of each service concerned, and, where feasible, generate a modest surplus as determined in each annual budget:
 - (a) Supply of electricity;
 - (b) supply of water;
 - (c) sanitation services, including sewerage and waste water disposal services; and
 - (d) refuse (solid waste) removal services.
- (7) (a) The Municipality's tariff policy must be transparent.

- (b) The extent to which there is cross-subsidisation between categories of consumers or users must be evident to all consumers or users of the service in question.
- (8) The Municipality undertakes to-
 - (a) ensure that its tariffs are explained to and understood by all consumers and users affected by these By-laws;
 - (b) render its services cost effectively in order to ensure the best possible cost of service delivery.
- (9) In the case of the directly measurable services, namely electricity and water, the consumption of such services must be properly metered by the Municipality, and meters must be read, wherever circumstances reasonably permit, on a monthly basis, and the charges levied on consumers must be proportionate to the quantity of the service which they consume.
- (10) The Municipality may differentiate between types of property in order to determine availability charges, which availability charges will be contained in the tariffs, as approved by the Municipality in each annual budget.
- (11) In considering the costing of its water, electricity and sewerage services, the Municipality must take due cognisance of the high capital cost of establishing and expanding such services, and of the resultant high fixed costs, as opposed to variable costs of operating these services.
- (12)
 - (a) The Municipality's tariffs for electricity services are determined to ensure that those consumers who are mainly responsible for peak demand, and therefore for the incurring by the Municipality of the associated demand charges from Eskom, have to bear the costs associated with these charges.
 - (b) For the purposes of paragraph (a), the Municipality must install demand meters to measure the maximum demand of such consumers during certain periods.
 - (c) Such consumers must pay the relevant demand charge as well as a service charge directly related to their actual consumption of electricity during the relevant metering period.

4. Differentiation between customers and granting of exemption

- (1) In accordance with the principles embodied in the [Constitution](#) and the provisions of Section 74(3) and 75 of the Local Government: Municipal Systems Act, 2000, the Municipality may differentiate between different categories of users, debtors, service providers, services, service standards and geographical areas, however, such differentiation must at all times be reasonable, and must be fully disclosed in each annual budget.
- (2) The Municipality may, in writing exempt an account holder, category of account holders, or other persons from complying with a provision of these By-laws, subject to any conditions it may impose, if the application or operation of that provision would be unreasonable, however the Municipality may not grant exemption from any section of these By-laws that may result in-
 - (a) the wastage or excessive consumption of water or electricity;
 - (b) the evasion or avoidance of water or electricity restrictions;
 - (c) significant negative effects on public health, safety or the environment;
 - (d) the non-payment for services;
 - (e) the installation of pipes and fittings which are not acceptable in terms of the Municipality's prescribed standard; or
 - (f) any Act, or any regulation made under it, not being complied with.
- (3) The Municipality may at any time after giving written notice of at least 30 days, withdraw any exemption given under subsection (2).

5. Categories of consumers

- (1) The tariff structure of the Knysna Municipality may make provision for the following categories of consumers:
 - (a) domestic;
 - (b) commercial;
 - (c) industrial;
 - (d) agricultural;
 - (e) institutional;
 - (f) rural;
 - (g) municipal; and
 - (h) consumers not falling in any of the abovementioned categories and with whom special agreements have been entered into.
- (2) Where there is a substantial difference between the standard of services provided to a specified category of consumers, the Municipality may, after the presentation of an engineer's report, determine differentiated tariffs within the specified category.

6. Cost centres and cost elements

- (1) To determine the total cost of services the Director: Financial Services must create costs centres, based on the service and expenditure classification prescribed by the National Treasury and Executive Mayor of the Municipality from time to time.
- (2) The following cost elements may be used to calculate the tariffs of the different services:
 - (a) Fixed costs, which consists of the capital costs (interest and redemption) on external loans as well as internal advances and or depreciation, whichever are applicable on the service and any other costs of a permanent nature as determined by the Council from time to time.
 - (b) Variable costs, which includes all other variable costs that have reference to the service.
 - (c) Total cost that is equal to the fixed cost plus the variable cost.

7. Deposits

- (1) On approval of an application and before a service is made available, the Municipality may require the applicant-
 - (a) to deposit for municipal services with the Municipality a sum of money;
 - (b) to provide any other form of security; or
 - (c) to agree to special conditions regarding payment of the municipal account, and monies so deposited with the Municipality serve as security and working capital.
- (2) The Municipality reserves the right to review from time to time the sum of money deposited or the amount for which additional security is required.
- (3) The Municipality may, upon the receipt of a written request, consider relaxation of the conditions pertaining to deposits as set out in subsections (1) and (2).
- (4) On termination of the supply of services, the amount of such deposit, plus interest, as determined by the Municipality from time to time, less any payments due to the Municipality, must be refunded to an account holder.

8. Tariff types

- (1) In setting tariffs the Municipality must strive to:
 - (a) accurately reflect costs to achieve economic efficiency;
 - (b) ensure equity and fairness between different types of consumers;
 - (c) utilise appropriate metering and supporting technology; and
 - (d) be transparent.
- (2) In determining the type of tariff applicable to the type of service the Municipality may use the following options or any combination thereof:
 - (a) single tariff;
 - (b) inclining block tariff;
 - (c) declining block tariff, provided that this tariff will only be implemented where agreements are entered into;
 - (d) stepped tariff, provided that this tariff will be used to yield profits and to discourage excessive use of the commodity;
 - (e) availability charges, provided that once the Municipality has provided a connection, normal tariffs as payable for the respective services provided will payable;
 - (f) outside municipal area; and
 - (g) recoverable work.

9. Unit of measurement

The following unit of measurement must, where possible, be used to determine tariffs-

- (1) *Water*

Subject to [section 3\(9\)](#), water meters will be read and/or levied on a monthly basis unless the service is rendered through a pre-payment device:

 - (a) Cost per unit (kilolitres consumed); or
 - (b) basic cost plus cost per unit (kilolitres consumed); or
 - (c) a flat rate will be applied when consumption is not measured.
- (2) *Electricity*

Subject to [section 3\(9\)](#), electricity meters will be read and/or levied on a monthly basis unless the service is rendered through a pre-payment device:

 - (a) Maximum demand plus fixed costs plus kilowatt-hours consumed; or
 - (b) fixed costs plus kilowatt-hours consumed; or
 - (c) kilowatt-hours consumed; or
 - (d) gigawatt.
- (3) *Refuse removal*

The amount payable is levied annually and payable with the September account. On written request the amount may be levied monthly. The unit of measurement is:

 - (a) Plastic bags per week or day (volume); or

- (b) Containers per week (volume).

(4) *Sewerage*

The amount payable is levied annually and payable with the September account. On written request the amount may be levied monthly. The unit of measurement is:

- (a) Percentage of water consumption; or
- (b) percentage of water consumption plus costs for strength of disposal; or
- (c) basic charge:
 - (i) based on the area of the property and fixed costs of the services; or
 - (ii) based on the number of properties within those categories of customers and variable costs of the service; or
- (d) additional charge:
 - (i) based on the area of the property and variable costs of the services; or
 - (ii) based on the number of properties within those categories of customers and variable costs of the service; or
- (e) When the area of the property or the number of properties is not available, a flat rate, based on the average consumption per categories of consumers will apply.

(5) *Assessment rate*

- (a) The assessment rate is calculated taking into account the total net expenditure from the other services less the revenue envisaged based on the total rateable valuations.
- (b) The assessment rate must be calculated in such a manner that the total provision of municipal services realise a net surplus.
- (c) Assessment rates are calculated according to the valuation of property.
- (d) Council may differentiate between improvement and land value and between categories of customers by either levying a surcharge or a rebate.
- (e) Council may differentiate between urban and rural areas.
- (f) Assessment rates will be payable by the registered owner as set out in the tariff policy and due with the September account provided that the amount may be raised monthly upon written request by the registered owner.

10. Calculation of tariffs for major services

In order to calculate the tariffs that must be charged for the supply of the services contemplated in [section 3\(6\)](#), the Municipality may identify all the costs of operation of the undertakings concerned, including specifically the following:

- (a) Cost of bulk purchases in the case of water and electricity;
- (b) distribution costs;
- (c) distribution losses in the case of electricity and water;
- (d) depreciation expenses;
- (e) maintenance of infrastructure and other fixed assets;

- (f) administration and service costs, including-
 - (i) service charges levied by other departments such as finance, human resources and legal services;
 - (ii) reasonable general overheads, such as the costs associated with the office of the municipal manager;
 - (iii) adequate contributions to the provisions for bad debts and obsolescence of stock; and
 - (iv) all other ordinary operating expenses associated with the service concerned including, in the case of the electricity service, the cost of providing street lighting in the municipal area;
- (g) the intended surplus to be generated for the financial year, such surplus to be applied-
 - (i) as an appropriation to capital reserves;
 - (ii) generally in relief of rates and general services; or
 - (iii) as an appropriation to capital reserves and generally in relief of rates and general services; and
- (h) the cost of indigence relief measures.

11. Structure of tariffs

The Municipality may provide free electricity and water as set out in its annual tariff schedule.

12. Electricity

- (1) The various categories of electricity consumers, as set out in the annual tariffs, are charged at the applicable tariffs, and subject to the applicable conditions, as approved by the Municipality in each annual budget.
- (2) The Municipality may levy an availability charge on vacant erven, which tariff is charged per annum, irrespective of the erf's permitted or intended use.
- (3) Tariff adjustments are effective from 1 July each year or as soon as possible thereafter.

13. Water

- (1) The various categories of water consumers, as set out in the annual tariffs, are charged at the applicable tariffs, and subject to the applicable conditions, as approved by the Municipality in each annual budget.
- (2) The Municipality may levy different tariffs for raw and potable water as approved by the Municipality in each annual budget.
- (3) The Municipality may levy an availability charge on vacant erven, which tariff is charged per annum, irrespective of the erf's permitted or intended use.
- (4) Tariff adjustments are effective from 1 July each year.

14. Refuse removal

- (1) The various categories of refuse removal users, as set out in the annual tariffs, are charged at the applicable tariffs, and subject to the applicable conditions, as approved by the Municipality in each annual budget.
- (2) Tariff adjustments are effective from 1 July each year.

- (3) The Municipality may levy a separate fixed monthly refuse removal charge and apply it to different categories of consumers, as set out in the applicable tariffs, as approved by the Municipality in each annual budget.
- (4) Consumers may apply for a social rebate on domestic refuse removal and the Municipality may grant such social rebates to different categories of users subject to the conditions as set out in the tariffs approved by the Municipality in each annual budget.

15. Sewerage and Sanitation

- (1) The various categories of sewerage and sanitation users, as set out in the annual tariffs, are charged per month at the applicable tariffs, and subject to the applicable conditions, as approved by the Municipality in each annual budget.
- (2) The Municipality may levy an availability charge on vacant erven, which tariff is charged per annum, irrespective of the erf's permitted or intended use.
- (3) Tariff adjustments are effective from 1 July each year.

16. Minor tariffs

All minor tariffs are standardised within the municipal region and charged as set out in the annual tariff schedule.

17. Determination of tariffs, fees and levies

The Council may by resolution supported by a majority of the members of the council, determine and recover levies, fees, taxes and tariffs, in respect of any function or service of the municipality as part of its municipal budget.

18. Phasing in of tariffs, fees and levies

- (1) Council must annually consider the methods by which tariffs, fees and levies will be calculated and by resolution amend its tariff policy.
- (2) Where the newly calculated tariffs fees and levies differ substantially from the current tariffs, fees and levies council may resolve to phase in the differences over a period of time.

19. Repeal of By-laws

The provisions of any By-laws adopted by the Knysna Municipality or its legal predecessors disestablished in terms of Section 3(1) of [Provincial Notice 409 of 2000](#) dated 28 August 2000, and in force immediately before the commencement of these By-laws are hereby repealed a far as they relate to matters provided for in these By-laws, including By-laws promulgated by any of the administrative units of the former Local Authorities now incorporated in the Knysna Municipality.

20. Short title and commencement

These By-laws may be cited as the Knysna Municipality Tariff By-laws and come into operation upon publication in the Provincial Gazette.