



UPDATE ON THE CONNECTING BRITISH COLUMBIA PROGRAM

An information report

August 2021



The Honourable Raj Chouhan
Speaker of the Legislative Assembly
Province of British Columbia
Parliament Buildings
Victoria, British Columbia
V8V 1X4

Dear Mr. Speaker:

I have the honour to transmit to the Speaker of the Legislative Assembly of British Columbia the report *Update on the Connecting British Columbia Program*.

The purpose of this report is to provide an update of the Connecting British Columbia program. We conducted this information report under the authority of section 13 of the *Auditor General Act*. The information in this report has not been audited. It does not assess the value for money or effectiveness of the Connecting British Columbia program.

A handwritten signature in black ink, appearing to read "Michael A. Pickup". The signature is fluid and cursive, written in a professional style.

Michael A. Pickup, FCPA, FCA
Auditor General of British Columbia
Victoria, B.C.
August 2021

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The Office of the Auditor General of British Columbia would like to acknowledge with respect that we conduct our work on Coast Salish territories. Primarily, this is on the Lkwungen-speaking people's (Esquimalt and Songhees) traditional lands, now known as Victoria, and the WSÁNEĆ people's (Pauquachin, Tsartlip, Tsawout, Tseycum) traditional lands, now known as Saanich.

REPORT AT A GLANCE

Why we did this information report

- High-speed internet is increasingly essential to education, health care, public safety, justice, economic development and daily life.
- British Columbia faces a digital divide: Almost all urban areas have high-speed internet. But 60% of rural and remote communities and 62% of rural and remote Indigenous communities still lack adequate internet (i.e., access to the 50/10 Mbps target speed).
- This report provides information on phases 3 and 4 of Connecting British Columbia, a program that funds internet infrastructure in rural and remote areas of B.C.

What this report covers

Connecting British Columbia is a program funded by the Ministry of Citizens' Services and administered by Northern Development Initiative Trust. Since 2015, the ministry has provided \$190 million in funding across [four phases](#).

This report focuses on phases 3 and 4 of the program, which are ongoing.

- **Phase 3** (\$50 million), launched in 2019, aims to achieve a goal of 58% of rural and Indigenous communities with access to high-speed internet (50/10 Mbps) by March 2025.
- **Phase 4** (\$90 million), launched in 2020 as part of the StrongerBC Economic Recovery Plan, aims to improve connectivity in 200 communities, provide service along 140 kms of highway and in 14 rest areas, and install 4 [call boxes](#).

Why an information report? We began planning an audit, but shifted our approach when government extended the timeline of the program. Instead of delaying an audit, we chose to do an information report. We did not audit the information in this report, which was compiled from the Ministry of Citizens' Services and Northern Development Initiative Trust.

Report period: The information in this report is current as of May 31, 2021, but figures may change as phases 3 and 4 progress.

Key information

Program update

- **Phase 3** has so far committed \$48 million for 85 projects expected to benefit over 29,000 households.
- **Phase 4** has so far committed almost \$85 million for 55 projects to benefit more than 32,000 households in 224 communities and provide 429 kms of new cellular coverage on highways.

Key information (continued)

Response to COVID-19

- **Phase 3** provided a special short-term application intake to fund equipment upgrades for immediate benefit.
- **Phase 4** was part of the StrongerBC Economic Recovery Plan.

Extended timelines

- **Phase 3** end date was extended from March 31, 2022 to March 31, 2025.
- **Phase 4** end date remains October 31, 2021, but some projects were extended to October 31, 2022.

Challenges

- Higher speeds require complex construction.
- Federal funding timelines can extend project completion dates.
- Program requires internet service provider participation.

After reading the report, you may want to ask the following questions of government:

1. Why is government extending the timelines of the program?
2. How will government keep legislators and the public informed about progress on the program?
3. How is government meeting challenges faced by the program?

BACKGROUND

We began planning an audit of [Connecting British Columbia](#) in December 2020. During our planning work we learned that the Ministry of Citizens' Services extended the timeline of phases 3 and 4, which changed our ability to conduct the audit as planned. Instead of postponing the audit, we chose to do an information report that focused on these two phases of the program. This report provides timely details on how the program responded to COVID-19, an update on the funding and connectivity progress, and information on the challenges it faces.

We based this report on information compiled from the Ministry of Citizens' Services and Northern Development Initiative Trust. We did not audit the information, nor did we assess the value for money or effectiveness of the Connecting British Columbia program.

The information in this report is current as of May 2021, but figures may change as phases 3 and 4 progress. Technical and project terms used in the report are defined in a [glossary](#).

B.C.'s digital divide

The internet is a necessity in our day-to-day lives. We rely on high-speed internet for education, health care, entertainment, personal relationships, public safety, justice and economic development. In 2016, the United Nations declared internet essential for ensuring access to human rights. In the same year, the Canadian Radio-television and Telecommunications Commission (CRTC) determined internet a basic telecom service and established that all Canadians should have access to at least 50 megabits per second (Mbps) download and 10 Mbps upload (50/10 Mbps) by 2031.

Canada currently faces a connectivity gap, also known as a digital divide. Urban areas have nearly universal access to high-speed internet at 50/10 Mbps or greater, while rural and remote communities often have access at speeds too slow to use the internet fully. As of April 2021, 94% of B.C. households had access to internet at 50/10 Mbps. However, only 40% of rural non-Indigenous communities and 38% of rural Indigenous communities had access to 50/10 Mbps.

Connecting British Columbia

The province wants to reduce the digital divide in B.C. through Connecting British Columbia, a program that provides grant funding for internet service providers (ISPs) to build infrastructure to connect underserved rural and remote areas of the province. The program is funded by the Ministry of Citizens' Services and administered by Northern Development Initiative Trust.

Since the program started, the ministry has provided \$190 million in funding across four phases:

- **Phase 1** (\$10 million) was launched in 2015 to provide funding for small [last-mile projects](#). It was completed in June 2020.
- **Phase 2** (\$40 million) was launched in 2017 to provide funding for [transport](#) and last-mile projects. All funding from this phase has been committed, but some projects are still under construction.
- **Phase 3** (\$50 million) was launched in 2019 to fund last-mile connections, transport projects and [regional connectivity plans](#). Phase 3 is ongoing and aims to achieve a goal of 58% of rural and Indigenous communities with access to 50/10 Mbps by March 2025.
- **Phase 4** (\$90 million) was launched in 2020 as part of the government's StrongerBC Economic Recovery Plan in response to the COVID-19 pandemic. Phase 4 is ongoing and aims to improve connectivity in 200 communities, provide service along 140 kms of highway and in 14 rest areas, and install 4 call boxes.

Connecting British Columbia and COVID-19

The COVID-19 pandemic has emphasized the importance of access to reliable, high-speed internet as our work, school and personal lives have increasingly shifted online. The Connecting British Columbia program responded to the pandemic through both phases 3 and 4 by funding projects to improve connectivity quickly. Projects that were launched in response to COVID-19 have been eligible for funding that covers up to 90% of project costs to enable swift and immediate action and benefits.

Phase 3 and COVID-19

Phase 3 of the program, in progress when the pandemic began, announced a special short-term application intake for [COVID-19 projects](#) to fund equipment upgrades that could immediately improve internet for rural and Indigenous communities. This application intake has been completed; see [Phase 3 update](#) for more information.

Phase 4 and COVID-19

Phase 4 of the program was part of the StrongerBC Economic Recovery Plan to encourage rapid expansion of high-speed internet access and drive regional economic development in rural areas. Total funding for this phase is \$90 million for two types of projects: [community broadband](#) and [highway](#) access (cellular and WiFi). This phase is still in progress; see [Phase 4 update](#) for more information.

PHASES 3 AND 4 UPDATE

The government provided \$140 million for phases 3 and 4 of the program. As of May 31, 2021, phases 3 and 4 have:

- committed \$133,088,507 to fund 140 projects
- allocated \$2,320,000 for consulting and research
- provided \$2,400,000 to Northern Development Initiative Trust for administration fees

If all approved projects are completed, the ministry anticipates that 61% of rural non-Indigenous communities and 60% of rural Indigenous communities will have access to 50/10 Mbps by 2024.

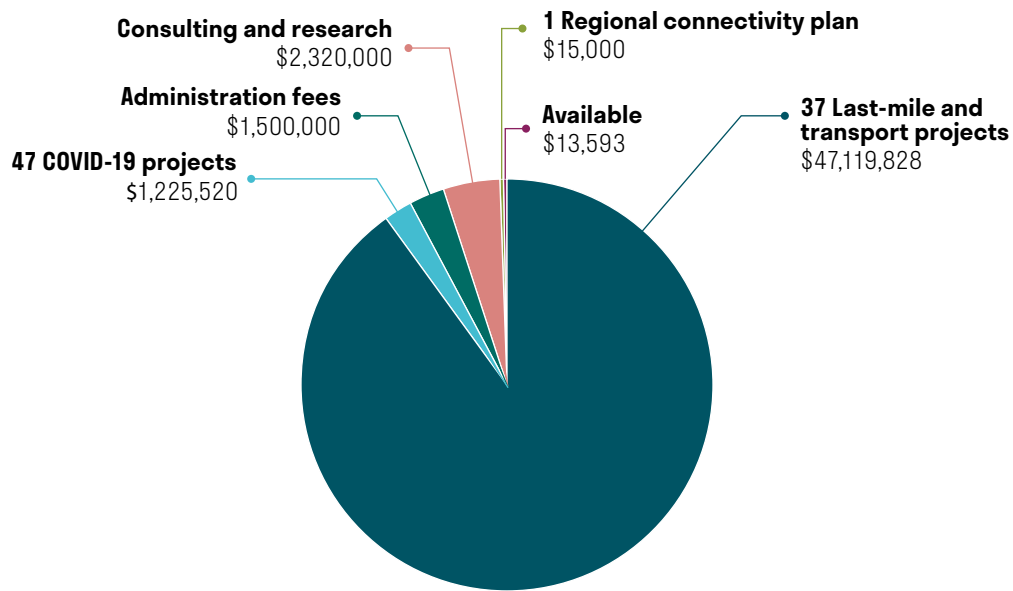
Phase 3 update

For phase 3, the ministry provided \$50 million. Phase 3 also received \$1,612,879 left over from phase 1 of the program and has earned \$581,062 in investment income. As of May 31, 2021, phase 3 has committed \$48,360,348 to fund 85 projects, allocated \$2,320,000 for consulting and research, and provided \$1,500,000 to Northern Development Initiative Trust for administration fees. There is \$13,593 still available for project funding.

The table below shows the funding **phase 3** made available for 85 projects, allocated by project type.

Last-mile and transport projects	COVID-19 projects	Regional connectivity plans
<ul style="list-style-type: none"> ▪ 37 projects approved ▪ \$47,119,828 committed ▪ \$99,709 released 	<ul style="list-style-type: none"> ▪ 47 projects completed ▪ \$1,225,520 committed ▪ \$1,225,520 released 	<ul style="list-style-type: none"> ▪ 1 project approved ▪ \$15,000 committed ▪ \$0 released
<ul style="list-style-type: none"> ▪ Potential to benefit 19,689 households; establish 39 points-of-presence 	<ul style="list-style-type: none"> ▪ Benefited 9,600 households 	

EXHIBIT 1: Phase 3 funding update



Source: Office of the Auditor General of British Columbia based on information from the Ministry of Citizens' Services and Northern Development Initiative Trust (May 2021).

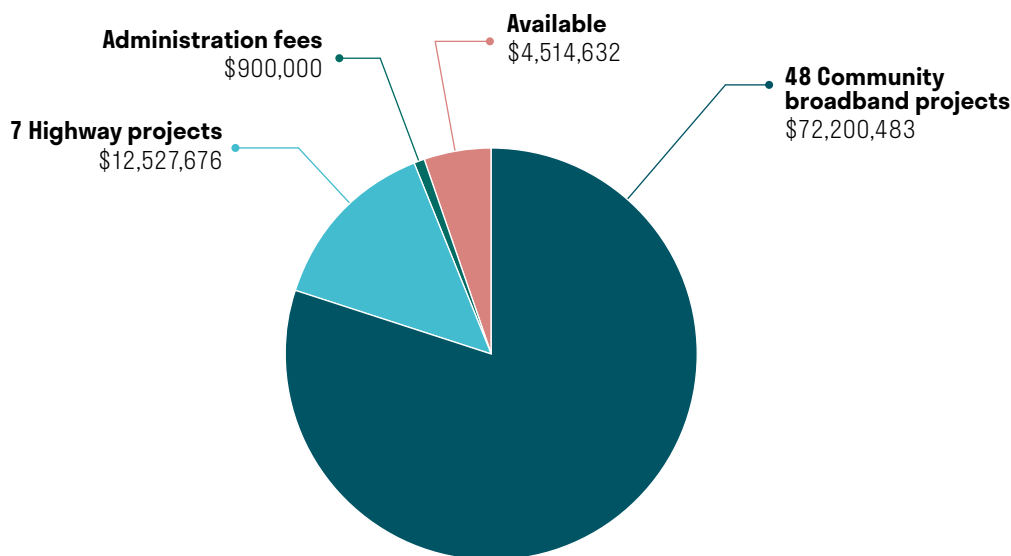
Phase 4 update

For phase 4, the ministry provided \$90 million. This funding has earned \$142,791 in investment income. As of May 31, 2021, phase 4 has committed \$84,728,159 to fund 55 projects, provided \$900,000 to Northern Development Initiative Trust for administration fees and has \$4,514,632 still available for project funding.

The table below shows the funding **phase 4** made available for 55 projects, allocated by project type.

Community broadband projects	Highway projects
<ul style="list-style-type: none"> 48 projects approved 	<ul style="list-style-type: none"> 7 projects approved
<ul style="list-style-type: none"> \$72,200,483 committed \$380,579 released 	<ul style="list-style-type: none"> \$12,527,676 committed \$0 released
<ul style="list-style-type: none"> Potential to benefit 224 communities; 32,018 households 	<ul style="list-style-type: none"> Potential to expand connectivity to 429 highway kms; 30 rest areas; 0 call boxes

EXHIBIT 2: Phase 4 funding update



Source: Office of the Auditor General of British Columbia based on information from the Ministry of Citizens' Services and Northern Development Initiative Trust (May 2021).

Project examples

Phases 3 and 4 provide funding for different types of infrastructure projects. We selected the examples below to highlight projects varying in type, scope, geographic location and potential connectivity benefits.

EXHIBIT 3: Examples of phase 3 infrastructure projects

Boosting Creston Valley: Upgrading network equipment at 38 existing tower sites to provide wireless last-mile connections that meet or exceed 50/10 Mbps in the Creston Valley.

Potential to benefit: 1,458 households in 9 communities

Proposed completion date: November 30, 2021

Connecting B.C. contribution: \$391,819

Partner funding contribution: \$913,736

Kimberley-Wasa Transport: Providing approximately 30 kms of fibre optic transport infrastructure along Highway 95/95A corridor in the Kootenay region.

Potential to benefit: 2 communities, 2 points-of-presence

Proposed completion date: March 31, 2022

Connecting B.C. contribution: \$300,000

Partner funding contribution: \$2,376,000

Squamish Valley COVID-19 Intake: Provided network equipment upgrades for wireless last-mile connections to improve coverage, capacity and reliability in the Squamish Valley.

Benefited: 100 households

Completion date: June 23, 2020

Connecting B.C. contribution: \$42,246

Partner funding contribution: \$31,259

Source: Office of the Auditor General of British Columbia based on information from Northern Development Initiative Trust.

EXHIBIT 4: *Examples of phase 4 infrastructure projects*

Northern B.C. Indigenous: Providing fibre-to-the-premises connections for households in the Mechako, Cariboo and North Coast regions.

Potential to benefit: 464 households in 30 locales and 16 communities, including 11 Indigenous communities

Proposed completion date: October 31, 2022

Connecting B.C. contribution: \$3,400,434

Partner funding contribution: \$9,431,393

Highway 16: Providing 12 new cellular sites from Prince Rupert to Witset to close connectivity gaps along Highway 16, the “Highway of Tears.”

Potential: Cell coverage for 252 highway kms and connectivity at 3 rest areas

Proposed completion date: October 31, 2022

Connecting B.C. contribution: \$2,250,000

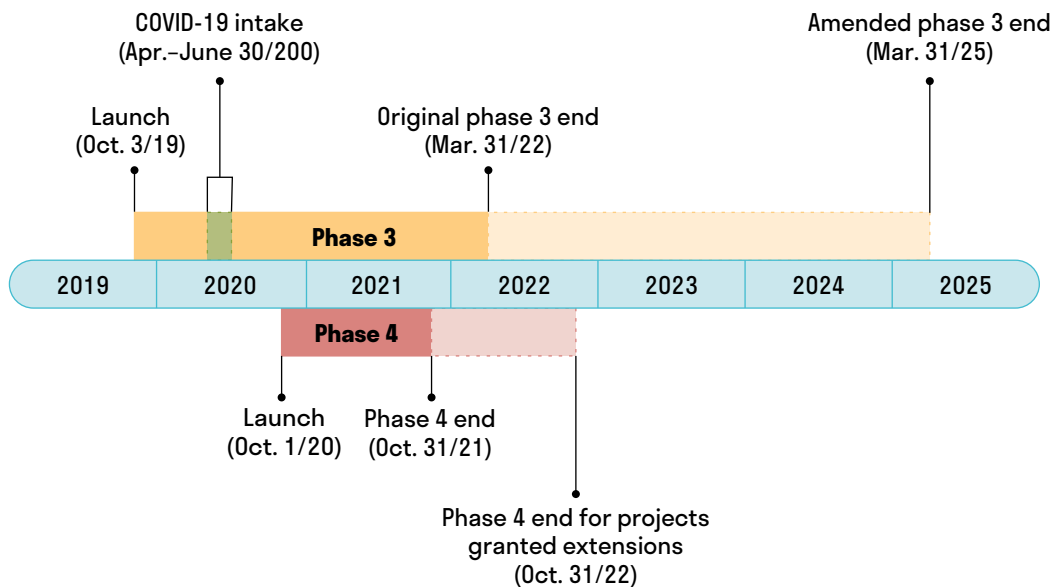
Partner funding contribution: \$9,426,573

Source: Office of the Auditor General of British Columbia based on information from Northern Development Initiative Trust.

EXTENDED TIMELINES

During phases 3 and 4, the ministry extended the program terms.

EXHIBIT 5: Program timeline for phases 3 and 4



Source: Office of the Auditor General of British Columbia based on information from the Ministry of Citizens' Services (May 2021).

Phase 3 extension

For phase 3, the original completion date was March 31, 2022. This date was extended to March 31, 2023, and has since been extended to March 31, 2025. The ministry indicated that the rationale for the extension was to accommodate project completion dates and to enable co-funding with the federal government.

Phase 4 project extensions

For phase 4, the original completion date of October 31, 2021, remains in place for most projects; however, the ministry granted an extension until October 31, 2022, for specific projects, including the Highway 16 cellular project and projects that applied to the federal government's Universal Broadband Fund Core Intake.

PROGRAM CHALLENGES

The ministry and Northern Development Initiative Trust indicated there are external program challenges that impact the funding uptake, project timelines and outcomes of Connecting British Columbia.

Complex infrastructure

In 2016, the Canadian Radio-television and Telecommunications Commission (CRTC) set the universal service objective for all Canadians to have access to broadband internet service with access speeds of 50/10 Mbps. Unlike the CRTC's previous 5/1 Mbps target, which could be achieved through existing television cables and telephone lines, 50/10 Mbps requires new wired, wireless or satellite infrastructure. Since the CRTC's announcement, the program has shifted its targets to align with the 50/10 Mbps target, which has resulted in the program funding multi-year, complex infrastructure projects.

To connect underserved rural, remote and Indigenous communities in B.C. at 50/10 Mbps requires building complex infrastructure over vast stretches of diverse and rugged landscape that includes deserts, mountains, valleys and a long coastline. These types of projects encounter various factors that can prolong the building process.

These factors include:

- harsh weather and short construction seasons in large parts of the province, which limit the number of build days per year
- the need to negotiate access to passive infrastructure (such as utility poles, highway rights-of-way, cell towers) required to bring connectivity to communities
- the need to obtain various permits

Alignment with federal programs

The Connecting British Columbia program is designed to align with federal programs. But some federal timelines are much longer than the Connecting British Columbia program timelines. We understand from the ministry and Northern Development Initiative Trust that if projects approved by Connecting British Columbia are relying on federal funds, the application and assessment process for federal programs can extend project completion dates.

Internet service providers

Major internet service providers (ISPs) tend to focus most of their planning and investment on urban areas with dense populations, which provide the greatest returns on investment. Some ISPs do not see an adequate business case for extending service to low-density rural and remote areas, even with grant money for the initial build. This is because ISPs must pay the ongoing maintenance costs.

ABOUT THE REPORT

We completed this information report under the authority of section 13 of the *Auditor General Act*. The report updates legislators and the public on phases 3 and 4 of the Connecting British Columbia program.

We compiled this report from a wide range of documents including funding agreements, financial statements, summary reports and project plans. We also interviewed staff from the Ministry of Citizens' Services and Northern Development Initiative Trust.



Michael A. Pickup, FCPA, FCA
Auditor General of British Columbia
Victoria, B.C.

APPENDIX A: GLOSSARY

Call boxes: A box containing a telecommunications device that provides access to emergency services along remote highways where there is no WiFi or cellular services.

Community broadband projects: Projects that connect households to the internet, or that extend or expand cellular or public WiFi service for communities.

Highway projects: Projects that provide connectivity along B.C. highways and/or in rest areas (including campsites and inland ferries).

Last-mile projects: Final-leg projects that connect homes to a high-speed internet connection.

Partner funding: Funding not from Connecting British Columbia that contributes to the project. This can include contributions from the applicant, federal government programs, the Canadian Radio-television and Telecommunications Commission Broadband Fund, local governments and regional districts, and other connectivity grant programs.

Phase 3 COVID-19 projects: Projects that funded equipment to increase capacity and achieve speeds of at least 25/5 Mbps by June 30, 2020.

Point-of-presence: A point along a transport route that internet service providers can use to connect last-mile infrastructure.

Regional connectivity plans: Projects to create a connectivity infrastructure plan for regions to understand the available technical infrastructure and to identify gaps and needs.

Transport projects: Projects that provide high-capacity network links (i.e., cables) between communities.



OFFICE OF THE
Auditor General
of British Columbia

TEAM

Malcolm Gaston,
Assistant Auditor General

Amy Hart,
Executive Director

Lisa Sevigny,
Manager

Janice Dowson,
Analyst

LOCATION

623 Fort Street
Victoria, British Columbia
Canada V8W 1G1

OFFICE HOURS

Monday to Friday
8:30 am – 4:30 pm

Telephone: 250-419-6100
Toll-free through Enquiry BC: 1-800-663-7867
In Vancouver: 604-660-2421

FAX: 250-387-1230

EMAIL: bcauditor@bcauditor.com

WEBSITE: www.bcauditor.com

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