

Border Wall Raises Economic as Well as Political Questions

TRADE: Proposed Structure Could Tax Construction Workforce

By LOU HIRSH

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San Diego — The federal government by June will be narrowing down a large nationwide field of contractors looking to build President Trump’s proposed 2,000-mile wall along the U.S.-Mexico border. However, it remains unclear what the wall will cost, how and when it will get funded and built, and what will be the employment and other economic impacts in San Diego County.

Media reports indicate that the border wall project will begin with the construction of prototypes in Otay Mesa, and some experts are wary about the wall’s potential to eventually disrupt a San Diego-Tijuana regional economy that — according to a 2015 estimate by Bloomberg — produces \$230 billion annually in goods and services.



Seth Kaplowitz

Seth Kaplowitz, a finance professor at San Diego State University, said one concern is that a wall could disrupt the daily flow of workers from Mexico who are vital to local industries including hospitality and agriculture.

Anything that limits the flow of workers in those industries — along with others that have a high number of relatively low-paying jobs, such as property maintenance and landscaping — has the potential to drive up labor and other costs that could eventually be passed on to consumers.

Construction Worker Shortage

And if most of the wall project is completed primarily by workers from north of the border, Kaplowitz said, that will likely drive up wage costs for a construction

industry that is already struggling to find qualified workers for current projects.

“Those labor intensive industries are going to need those workers, and I don’t know how they’re going to do without them,” he said. “There’s a chance that the impacts would even out over time, but I’m not optimistic for at least the first eight years.”

Those issues are on top of others already being raised locally and nationally, including what the wall will actually cost to build. Estimates have ranged from \$12 billion cited by Trump in his presidential campaign; to \$15 billion estimated by Congressional leaders; to more than \$21 billion in a U.S. Department of Homeland Security report cited by Reuters.

Researchers at MIT recently figured that it could cost around \$38 billion to build just one-half of the 2,000-mile span, thanks to labor, material, engineering, topography and other challenges. Kaplowitz noted there

could be other large non-construction costs not yet being factored in, including acquisitions and legal seizing of privately owned, border-adjacent land that may be necessary to make way for the wall.

While not wading specifically into border wall politics, local government and economic development leaders have recently emphasized the need to protect and grow what is already a healthy cross-border economy.

Cindy Gompper-Graves, CEO of the South County Economic Development Council, said the apparent success of the well-used Cross Border Xpress in Otay Mesa — a privately built passenger bridge and terminal taking passengers into the Tijuana airport — shows that ways are already being found to move large volumes of people securely across the border.

In addition, the federal and state governments have invested hundreds of millions of dollars in recent years to improve security and traffic flow at the region's two large border ports of entry, at San Ysidro and Otay Mesa, both among the world's busiest land ports. Progress has been made in curbing chronic problems with lengthy vehicle wait times, which the San Diego Association of Governments has estimated cost the U.S. and Mexico \$7.2 billion annually in foregone economic output and more than 62,000 jobs.

"We already have a wall or fence, whatever you want to call it," Gompper-Graves said. "We have the land ports of entry, and the priority has been to streamline and cut down on the wait times for that traffic that is currently coming through those ports of entry."

She noted that completed and in-progress infrastructure improvements in South County — including highway extensions and an upcoming second port of entry at Otay Mesa — have recently helped strengthen key job-creating, cross-border industries, such as electronics, aeronautics, medical devices and tourism.

Memorandum of Understanding

In March, the mayors of San Diego and Tijuana signed a memorandum of understanding, essentially renewing a prior agreement between the two cities to maintain a close working relationship and maintain the cross-border economy.

"We already have a safe and secure border in San Diego built by the federal government," said San Diego Mayor Kevin Faulconer in a January statement, around the time of his annual State of the City address. "But we also have strong economic and cultural binational ties that have my unwavering support. Keeping trade moving in both directions safely and securely is important to San Diego's economy and helps create local jobs."

As of press time, officials of the Department of Homeland Security, which is overseeing procurement for the border wall project, had not responded to calls and e-mails from San Diego Business Journal.

The federal government by June is expected to choose 20 construction bidders to eventually put together physical prototypes, from among approximately 450 companies nationwide that submitted designs and related proposals ahead of the government's April 4 deadline.

Media reports on the procurement process indicate that several San Diego County contractors and service providers have expressed interest in working on the border wall project, including R.E. Staite Engineering Inc., AC Lopez Construction Inc., National Consulting Service, Concrete Contractors Interstate and building services firm vScenario.