Written by Pete Toms
Monday, 18 May 2009 10:48

The Business of Sports Network is pleased to announce the first instalment of "Last Week in Bizball", a weekly notebook column from staff reporter Pete Toms . Each week LWIB will compile opinion and reporting on topical baseball biz subjects from the preceding week. This edition of LWIB provides updates on the international signing period, secondary ticketing and the "Andy Oliver" case.

THE INTERNATIONAL SIGNING PERIOD

LWIB included several media reports which reminded us the international signing period is only several weeks away. The international signing period will highlight the increasingly controversial process by which MLB teams acquire amateur talent in Latin America, principally in the Dominican Republic. Record signing bonuses in the last international signing period have combined with bonus kickback scandals and drastic increases in positive steroid tests in the Dominican Summer League
to build widespread support across the baseball industry for a reformation of player development and recruitment in Latin America (de facto, the Dominican Republic).

Kiley McDaniel at *Baseball Prospectus* reported on the impending international signing period and "The Latin Talent Market".

*As you may already know, the Latin American amateur market has exploded in the last few years. More and higher seven-figure bonuses have been awarded recently, and as a result more clubs are in the bidding for the elite talent, moving the top of the market upward. The poster boy for the rising market is current bonus record-holder, A's right-hander Michael Ynoa, who received a $4.25 million bonus last July 2nd, and that after reportedly turning down multiple last-minute $5 million offers
. As interest in this market has increased, the media, MLB, and the FBI have all focused on how the sausage is made in Latin America, primarily in the talent-rich Dominican Republic, focusing on falsified identities and bonus-skimming scandals.
Recent features
from
USA Today*

and
ESPN the Magazine
have touched on these ongoing issues.

As noted by Ms. McDaniel, reporting in the baseball press on the “buscone” culture has been largely critical of the status quo. The majority of opinion argues that the current structure contributes to the financial and physical (steroids) exploitation of the players. Proponents of expanding the amateur draft to Latin America promote the idea that it will create safer and fairer player development. Ms. McDaniel argues the minority opinion, that the status quo is performing well for clubs (producing large numbers of players) and players (compensation). Those who argue against the expansion of the amateur draft promote the idea that its introduction to Puerto Rico has directly resulted in a drastically reduced numbers of players produced in that country.

You may be asking yourself, "Is this unique development plan the reason that the Dominican is such a fertile source of talent?" Well, you probably wouldn't speak that formally to yourself, but maybe you wonder, like I did, if the buscone system made the island more talented. While the buscones may grease the wheels, it turns out that buscones sprang up as an entrepreneurial response to the nation's talent level, so the causation actually goes the other way 'round.

You might also have some humanitarian alarms going off in your head at this point. Questions of fairness and exploitation are routinely raised about this process (see the first two stock storylines that I mentioned earlier). I'll cover this issue in (possibly nauseating) detail in another article, but want to get a few things out of the way first. When you read that 50 percent of that first check could be gone before the ink dries, in a completely legal and accepted practice no less, you must be wondering how that could possibly be fair to the player.

The relative poverty and big commissions immediately spark the "fair" part of your brain, no doubt, but developing baseball players isn't really fair to anyone financially, anywhere in the world. While domestic amateur bonuses are big and growing, it's still a relatively small group that gets the big bucks, and nearly every minor leaguer below Triple-A doesn't crack five figures in annual salary. Nearly every staff member working for a minor league club, amateur team, or in an MLB front office isn't making big money either. The scale of fair goes all the way up to an "unfair" big-league rookie's six-figure salary, but that's just how free-market capitalism works.

If anything, the poorer families in the Dominican benefit more from this process than the

average American family, with more to gain and less spent. A Dominican family can't pay for travel teams, equipment, lessons, and showcases, so, in effect, they let entrepreneurs take 35-50 percent of their first check to subsidize their opportunity to strike it rich and possibly pull their family out of poverty. That sounds like a pretty good deal to me.

Ben Badler at *Baseball America* reported on the suspension by MLB of two elite Dominican amateur prospects over misrepresenting their ages. (BA speculates that both players were expected to receive seven figure signing bonuses) Mr. Badler expects that ongoing investigations of additional amateur suspects will result in more suspensions.
A second report from Mr. Badler
examines the fundamental challenges confronting player development staff in satisfying increased demands from the U.S Consulate and gathering reliable, accurate verifications of player age and identity.

“There's been a change with respect to investigations where the identity of an individual was confirmed but the age was not, we now know from the U.S. Consulate that they want both of those things confirmed," said Lou Melendez, MLB's vice president of international baseball operations. "Previously if you confirmed an individual's identity but not his age, the Consulate was willing to issue him a visa under those circumstances. Some clubs were willing to sign a player under those circumstances also if they just simply knew who he was but they weren't sure of his age.”

[...]

Investigators check the records bureau in the player's town, his school records and hospital records, among other documents, and speak with people in the player's neighborhood. But in the Dominican Republic, that information is not warehoused in easily accessible databases.

"In certain cases the nature of the investigation ran its course where, for whatever reason, whether it was the inability to access certain records or for whatever other reason, you could not confirm the player's age," Melendez said. "You believed it, he indicated he was a certain age and his birth certificate said he was a certain age, but in terms of going through the process of confirming that through the archives, through the records that exist in the country, you just couldn't be 100 percent positive, so that's where you would see an investigator render a conclusion, or a finding, of an identity confirmed, age not confirmed.

[...]

"Confirming a player's age and his identity in the Dominican Republic poses challenges for investigators. Identifying papers and school records are often handwritten in the Dominican Republic, with investigators finding cases of Wite-Out on identifying documents or handwriting on official school records that doesn't match up with the original administrator's handwriting. Switching birth certificates, school records and other identifying documents with younger brothers (and sometimes sisters) pop up, as do more elaborate schemes, scouts say.

Dejan Kovacevic , in the Pittsburgh Post-Gazette reported that the Pirates are set to offer 16 year old Dominican shortstop Miguel Angel Sano a signing bonus of $4 million plus. This could be an indicator that the recent trend of skyrocketing signing bonuses for Latin amateurs will continue despite the recession. (for a more detailed examination of increasing player development costs and discussion of the expansion of the amateur draft, see here)

SECONDARY TICKETING

Eric Fisher in *SportsBusiness Journal* reported on "the overwhelming abundance of seats at or below face value on the secondary markets, including sites that have received official team approval." Mr. Fisher speculates that as much as 40% of tickets on the secondary market are available at or below face value. Not surprisingly, prices for secondary tickets are down 9% from the same point last year and 28% from the 07 full-year number.

"There is so much inventory out on the markets right now, particularly for baseball," said Mike Janes, co-founder and chief executive of FanSnap, a Bay Area-based startup that acts as a metasearch engine for secondary tickets. More than 15 million tickets are accessible through the site, and the majority of those tickets are for sporting events. "I joke now that you're going to pay more for your beer or your parking to go to a game than your actual ticket. Heck, you could pay more for your large mocha latte. But we're living in a very, very different world now.

Mr. Fisher explains how secondary ticketing has changed its focus from providing high end

tickets to a relatively small group to moving increasingly large volumes of tickets.

Price reductions in the secondary market, however, owe to more than just the macroeconomy. The growth of the resale industry has prompted a new wave of individual buyers onto ticket marketplaces to supplement brokers and institutional buyers who more frequently trade there. Most major ticket resellers report that listings from individual sellers are up by double-digit percentages so far this year.

"There's just a ton of new volume out there in the markets right now," said Eric Baker, Viagogo founder and chief executive. "People need cash back right now. They may be staying on with their teams as season-ticket holders and keeping their benefits. But they're going to fewer games and definitely making a more concerted effort to resell what's left. And that's furthered the adoption of the secondary market and usage of it."

[...]

The shift, however, has also required the adaptation of a new business model. As the prices and margins have fallen, sellers have needed to make up revenue through increased lower-margin volume.

ANDY OLIVER

Katie Thomas reported in the New York Times that the NCAA has run afoul of an Ohio judge for not complying with the courts February ruling in the "Andy Oliver" case. The court ruled that collegiate players are allowed to have a lawyer present during contract negotiations with professional clubs. Liz Mullen provides more detail on the speculation that the NCAA is threatening players in an attempt to preserve the pre Oliver status quo. Ms. Mullen's report includes some sharp criticism of the NCAA from MLBPA general counsel Michael Weiner and renowned baseball player agent Tom Reich.

BUSINESS OF SPORTS NETWORK FEATURE ARTICLE:

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