



## Last Week In Bizball by Pete Toms

This week in LWIB, much discussion of the amateur draft plus the continuing feud between Richard Brodsky and the New York Yankees and a few quick updates on Latin player development matters. **RULE 4 AMATEUR DRAFT**

Is anybody content with the structure of MLB's amateur draft? Last week, [LWIB](#) reported on commissioner Selig's continued efforts to enforce "slotting recommendations" in this year's draft. Commissioner Selig's attempts in the past two drafts produced mixed results, the bottom line being record amounts of signing bonuses continued to be awarded to drafted amateurs. Whether or not the amount of money awarded in signing bonuses would have been greater without the "slotting recommendations" is debatable.

The [2009 Rule 4](#) amateur draft begins tomorrow. LWIB saw much discussion about the state of the draft, much of it spurred by widespread speculation concerning the impending demands of consensus #1 pick Stephen Strasburg. Many have reported that agent Scott Boras will demand a record shattering \$50 million for Strasburg (no doubt Mr. Boras is fuelling the rumours) but many pundits believe that figure is entirely unrealistic.

[Jayson Stark](#) :

*Fifty million bucks.*

*Roll that around your tongue.*

*Fifty million bucks.*

## LWIB: Gearing-Up for the Rule 4 Draft, Brodsky vs. Yankees, Latin Player Market

Written by Pete Toms  
Sunday, 07 June 2009 23:57

---

*That's not this week's Powerball jackpot. That's the unofficial, early-line, insane price tag Scott Boras has theoretically slapped on the forehead of the surefire No. 1 pick in next week's baseball draft, Stephen Strasburg.*

[Tim Kurkjian](#) :

*Depending on who you talk to, Boras and Strasburg are expected to ask for a six-year deal worth between \$25 million and \$50 million...*

[Mark Zvolinski](#) :

*Several top sports publications, including Sports Illustrated, documented the right-hander and attached a fetching price of \$50 million (all figures U.S.) for the Washington Nationals, who own the first overall pick.*

*Realistically, baseball insiders say that incredible price is essentially a high-water strategy by agent Scott Boras. Ultimately, the feeling is Strasburg will come in at about \$15 million, which would make both sides happy and still give Boras the record for a drafted player.*

Strasburg's reported demands have focused attention on the enormous leverage that 1st round picks wield in negotiations with the club drafting them. Last year, the Nationals drafted Aaron Crow with the 9th pick but failed to sign him. (As a result, the Nationals will pick 10th tomorrow, compensation for not signing Crow.) Mr. Boras is certainly aware that the woeful Nationals understand they will be excoriated in the Washington press should they fail to sign their top pick in consecutive seasons, or not choose Strasburg due to "signability" concerns. A number of high profile baseball pundits argued this week that allowing the trading of draft picks would be advantageous to clubs in Washington's position. In the aforementioned Jayson Stark piece he quotes an unnamed "club official"; "... we should be able to trade picks like all the other sports do. It would create more excitement around our draft. And if you're the Nationals and you don't want to spend \$50 million, this is a guy you could trade and get four great players back and rebuild your franchise."

Written by Pete Toms  
Sunday, 07 June 2009 23:57

---

[Keith Law](#) also argued in favour of allowing the trading of draft picks.

*Small-market or just plain cheap teams selecting near the top of the draft are hostages of their situations. If the best player on the board wants a bonus well above slot for that teams' position, and they are unwilling or unable to pay, they must select the best player on the board whom they can afford, but in the process they have no way to recover the value they lost from having to bypass the best player. Allowing these teams to trade picks would mean that, for example, the Pirates, picking fourth last year, could have received value in excess of what they actually got (selecting Daniel Moskos, who wasn't one of the 10 best players in the draft) by trading their pick to a team that coveted Rick Porcello or Matt Wieters, two high-slot players still available for the Pirates' pick.*

[Bill Shaikin](#) reported that the MLBPA agrees that it is time to allow the trading of draft picks (The PA has argued in favour of different variations on this idea since the 2002 CBA);

*"No, it's not working," said Michael Weiner, the union's general counsel. "I disagree that the only way to fix it is slots."*

*The union abhors the slot concept and any restriction on the ability of players to negotiate contracts.*

*"The best way to preserve competitive balance," Weiner said, "is to say, 'Here's an asset. What's the best way to exploit it?' "*

*Say the Washington Nationals, owners of the top pick in Tuesday's draft, would rather not select Strasburg and wait all summer for Boras to come down from his overly hyped \$50-million asking price.*

*If the owners want reform, Weiner wonders, why not give the Nationals the option to trade the pick, to fill three or four holes with young players, at less cost?*

Attempts to reform the amateur draft and the debate over the trading draft picks is not new.

Written by Pete Toms  
Sunday, 07 June 2009 23:57

---

MLB won concessions from the PA in the last round of CBA negotiations which they hoped would slow the growth in signing bonuses awarded drafted amateurs. The '07 draft was the first conducted under the new rules. Subsequent to the then new August 15 signing deadline, [Jim Callis](#) at Baseball America reported:

*The commissioner's office strongly believed that teams would have the upper hand in 2007, thanks to improved and extended compensation for unsigned draftees, plus the institution of a signing deadline. That was a miscalculation, as teams continued to do whatever it took to sign premium talents, and Scott Boras proved that he just needs a deadline to push clubs up against. It doesn't matter where it falls on the calendar.*

Mr. Callis also argued that allowing the trading of draft picks is not the solution to resolving inequities amongst clubs in the draft.

*Trading draft picks, which the union would have to sign off on, wouldn't level the playing field much if at all. With trades, agents like Boras could all but choose his client's destination by saying that, for example, Porcello's lifelong dream has been to play for the Yankees.*

*Since it started in 2000, slotting has curtailed the growth of bonuses, albeit at the cost of steering more of the better prospects to the richer teams in recent drafts. Less is more.*

*MLB won't abandon slotting. Yet the more the commissioner's office tries to rig the draft, the worse it gets. If baseball truly wants the worst teams to wind up with the top players, it needs to stop strong-arming clubs into toeing an artificial line.*

Working against Commissioner Selig in his efforts to enforce "slotting" is a growing belief amongst clubs that investing in amateur talent (inside and outside the draft) reaps greater returns than investing in free agency. The [Biz of Baseball](#) reported in November on the escalating dollars being spent in the amateur draft;

*The past two drafts have seen a trend of small and mid market franchises outspending many larger market franchises. The Rays and Nationals ranked #2 and #5 in dollars spent on signing*

Written by Pete Toms  
Sunday, 07 June 2009 23:57

---

*bonuses in the '07 draft with the Royals and Rangers also in the top 10. The 08 draft saw an increase in this behaviour with the Royals, Rays and Pirates all in the top 4 along with the Giants, Brewers, Rangers, Twins and Indians all in the top 10. The shift amongst small and mid market teams to compete more aggressively in the Rule IV draft is perhaps a reaction to the diminishing number of quality free agents available in recent years. According to Maury Brown, "...clubs are wrapping up contracts more often now – signing players to extensions, which in turn lowers the number of players in the free agency pool....." And, "What has happened over the years is a case of viewing free agency as an inefficient avenue in which to build contenders." Increasing investments in the Rule IV draft might also be attributed to the better results that clubs are garnering in the draft, perhaps due to the increased emphasis on "objective analysis" in evaluating amateur talent.*

While the MLBPA is understandably opposed to a "mandatory slotting", some of their members resent the signing bonuses being paid to "unproven" amateurs. (The same schism exists in the NFLPA where despite the existence of a rookie salary cap, 1st round picks continue to receive record contracts. Some NFL veterans have publicly criticized their union over this.) Both Jayson Werth and Ryan Howard were quoted in the aforementioned piece from Jayson Stark, making critical remarks about the rumoured compensation for Strasburg. Torii Hunter was quoted on the same subject in the aforementioned Bill Shaikin piece, echoing the comments of his peers in Philadelphia:

*If he comes in and gets \$30 million, I'm happy for him," said the Angels' Torii Hunter, a two-time All-Star. "If they're giving it away, you might as well take it. If it was me, I'm doing the same thing.*

*"But you've got guys in here who have proven themselves and haven't made \$30 million."*

Despite the protests of some veterans, player agents and clubs understand that 1st round picks are simply, more often than not, better baseball players than those drafted later. LWIB [Peter Gammons](#) reported that of the 47 2008 All Stars who were initially acquired via the draft (there were also 17 All Stars initially acquired outside the draft), 22 were 1st round picks. (1st round NFL picks also strongly outperform their peers picked in later rounds).

Pundits, clubs and MLB agree that mandatory slotting is needed in the next CBA to transform the draft from an auction, as it currently stands, to a true draft where the worst clubs acquire the most talented amateurs. Again from the Shaikin piece, Rob Manfred argued in favour of

Written by Pete Toms  
Sunday, 07 June 2009 23:57

---

mandatory slotting:

*"You have some cost certainty, but, frankly, that is not the biggest benefit," said Rob Manfred, baseball's executive vice president for labor relations.*

*"The biggest benefit is restoring the integrity of the draft. If you know Round 1, Slot 1, is going to cost you X dollars, you have no motivation to do anything other than take the best player."*

But will the PA ever consent to mandatory slotting? Beyond their philosophical opposition to any "capping" of compensation and despite support for the concept amongst at least some of their membership, the PA is also concerned that their members are deriving diminishing benefits from free agency and salary arbitration. The PA is attempting to dissuade player agents from cooperating with the increasingly popular club practice of signing young players to long term deals which "buy up" arbitration eligible years and early years of free agency. [Liz Mullen](#) reported on the PA's efforts in November:

*The MLB Players Association is now requiring agents to consult with the union before they negotiate contracts for arbitration-eligible players.*

AND

*Some top agents are worried about a trend of multiyear deals for arbitration-eligible and pre-arbitration players that take them through their arbitration years and, in some cases, through their first few years of free agency. Some of those deals have included multiple club options, in which the club, not the player, decides whether to extend the deal at a prearranged price.*

AND

Written by Pete Toms  
Sunday, 07 June 2009 23:57

---

*Agents negotiating multiyear deals that would cover clients' arbitration-eligible years also must now consult with the union, Weiner said. Nearly 90 percent of arbitration-eligible cases are resolved before they reach arbitration hearings, statistics show.*

Simultaneously, the PA is concerned with the softening market for major league free agents the past two off seasons. [Liz Mullen](#) reported in April on the PA's concerns about the state of free agency:

*Major League Baseball spent \$1.07 billion on signing free agents this year, about the same as last year, but an increased number of signings meant the overall average contract package value was down.*

*Clubs signed 94 free agents this season, a 17.5 percent increase over last year, and spent a total of \$1.07 billion after spending \$1.06 billion in 2008. The average overall contract value declined almost 15 percent, from \$13.35 million to \$11.38 million*

*Average annual value fell nearly 2 percent to \$4.68 million, and average contract length was down about 12 percent to 2.43 years.*

AND

*But an agent, who did not want to be identified criticizing MLB clubs he must negotiate with, noted that the free agent market began to freeze up in December 2007, before the economic crisis hit, and the trend continued in 2008, even though baseball boasted record revenue of \$6.5 billion.*

AND

Written by Pete Toms  
Sunday, 07 June 2009 23:57

---

*MLB Players Association general counsel Michael Weiner would not comment but confirmed that the union is investigating the free agent market.*

This week in Bizball should be interesting. How many clubs will draft with the intention of adhering to “slotting” suggestions? How many clubs will ignore “slotting”? When the August 15 signing deadline rolls around, will signing bonuses be up, down or flat? Will “objective analysis” continue to rule in front offices and clubs continue to spend big on amateur talent while demand for veteran talent diminishes? Will the economy impact upon the amount of money spent? Will Stephen Strasburg command \$50 million or will he be playing in an indy league near you next season?

## **RICHARD BRODSKY VS. THE NEW YORK YANKEES**

In March, [The Biz of Baseball](#) reported on the political and populist backlash against the New York Yankees and in particular the new Yankee Stadium. The report lists a number of NYC pols who have been openly hostile towards the Yankees over the public financing of the new stadium (some who had been in favour of the initial – and larger - round of municipal bond financing in 2006). LWIB, Assemblyman Richard Brodsky ‘s long running investigation in to the public contribution for the construction of the new stadium came to state Supreme Court in Albany. [The AP](#) reported:

*Assemblymen Richard Brodsky, a Westchester Democrat, and James Brennan, a Brooklyn Democrat, are questioning what Brodsky claims is nearly \$4 billion in financing and tax breaks over 30 years that was used to build the new ballpark.*

The aspect of the hearing that garnered the most attention was the Yankee’s claim that the cost to them to comply fully with Mr. Brodsky’s subpoena would be \$5 million plus. [Richard Sandomir](#) reported from the hearing:

*The Yankees are so big that they claim their employees have stored 1.39 million e-mail messages and attachments, totaling an estimated 5.5 million pages, on the subjects of Brodsky’s subpoena. The cost of a search, the Yankees said, would be \$5.5 million, which they said the state would have to pay.*



Written by Pete Toms  
Sunday, 07 June 2009 23:57

---

While Mr. Brodsky's investigation in to the Yankees is often characterized as self serving political grandstanding (which isn't to argue that the new Yankee Stadium wasn't built with substantial public contributions), it was the Yankee's claim of a cost of \$5 million plus to gather all the relevant documentation and correspondence that drew the most attention. Professor Raymond Sauer commented at [The Sports Economist](#) blog;

*...a NY Assemblyman has a subpoena to obtain what seems like a gazillion documents from the Yankees, in order to ferret out the facts behind the recent stadium deal. At least the Yankees are making it seem like a gazillion documents, as they claim it would cost the state over \$5 million - about a buck a page - to produce them. Heh - are these gold-plated documents, akin to the \$2500 seats the Yankees were trying to sell earlier this year?*

### MISCELLANEOUS UPDATE ON THE LATIN PLAYER MARKET

[LWIB](#) has reported on the international signing period (commences July 2). This week in LWIB, [Dejan Kovacevic](#) reports that the Pirates might not be willing to pay much hyped 16 year old Dominican Miguel Angel Sano the same \$4 million plus record dollars that Oakland paid Michael Ono last year. Within the same report there is speculation that the draft slot recommendation this year for the #4 pick in the Rule IV draft (belonging to the Pirates) is \$2.5 million.

[Jeff Zrebiec](#) reports that the Orioles may attempt to sign Sano. If the Orioles are the successful bidder for Sano's services it will mark a significant change in the Orioles approach to the international free agent market. Mr. Zrebiec notes that, *"The Orioles, meanwhile, haven't given out a bonus to an international free agent worth more than \$600,000 over the last decade, and have never paid \$1 million or higher."*

Also on the international player development front, the bonus skimming scandal in MLB continues to grow.

[Bill Shaikin](#)

reports that,

*"The Angels fired international scouting director Clay Daniel upon receiving information from baseball's investigative arm that connected him with improprieties in the signing of prospects in Venezuela, a source familiar with the probe said Friday."*

### BUSINESS OF SPORTS NETWORK FEATURE ARTICLE:

[ESPN "ScoreCenter" App for iPhone, iPod Touch Released](#) - Business of Sports Network

---

## LWIB: Gearing-Up for the Rule 4 Draft, Brodsky vs. Yankees, Latin Player Market

Written by Pete Toms  
Sunday, 07 June 2009 23:57

---

**Pete Toms** is an author for The Biz of Baseball and a staff member of the [Business of Sports Network](#). He can be contacted at

[pete@businessofsportsnetwork.com](mailto:pete@businessofsportsnetwork.com)

***Don't forget to register and log in on The Biz of Baseball site to get updates via your in-box, and see information only logged in members can see.***

**[Follow the Business of Sports Network on Twitter](#)** 