



## **Last Week In Bizball by Pete Toms**

This week in LWIB, the increasingly diverse makeup of MLB and MiLB happy with attendance to date,

### **MLB RECRUITING GLOBALLY**

LWIB, [Joel Millman](#) detailed in the WSJ how MLB is recruiting an increasing number of minor leaguers from an increasing number of countries outside the US. The federal government aided MLB in encouraging this trend by changing work visa regulations to allow greater numbers of foreign born players entry into the US. Some argue the increased number of foreign born players is a reaction to the inflationary impact of the amateur draft. Meanwhile, MLB is expected to negotiate in the next CBA an expansion of the amateur draft into Latin America in hopes of debilitating the “buscone” culture and curbing international signing bonuses. Also on the international front, is Japan a future fertile source of players? Also, MLB is investing in player development “down under”. First from Mr. Millman:

*Recent changes in U.S. immigration law and growing competition in baseball for raw talent have allowed the minor-league farm system to flourish with imported players. It has been a home run for globalization, but bad news for U.S.-born players, who suddenly have much more competition. Across the minor and major leagues, the total number of foreign-born players is growing fast, to almost 3,500 of the 8,532 players under contract this summer, from 2,964 three years ago.*

AND

*...Today, 19 Koreans play in the minor leagues, compared with just seven five years ago.*

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Written by Pete Toms

Tuesday, 18 August 2009 10:16

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*This summer's crop of foreign players in the minors includes baseball's first-ever pros from India, two of them on the Pittsburgh Pirates' Gulf Coast league team. That league's rosters include players from Honduras, Haiti, Russia and the Czech Republic*

*Eight teams have minor leaguers from Brazil, including Fábio Murakami, an outfielder for the Philadelphia Phillies' Williamsport, Pa., minor-league team, the Crosscutters. Mr. Murakami is one of several South Americans of Japanese descent in the minors, a list that includes Claudio Fukunaga and Lucas Nakandakare, both from Argentina and under contract to Tampa Bay.*

AND

*The surge of young foreign players into the U.S. minor leagues began in 2007, a few months after then-president and former major-league team owner George W. Bush signed the Creating Opportunities for Minor League Professionals, Entertainers and Teams Act, known as the Compete Act. It freed the farm systems of major-league teams from having to compete with all U.S. employers seeking H2B work visas for foreign employees, the supply of which usually was exhausted each year by February. Now, teams can import as many prospects as they want.*

AND

*The changes pose a challenge to American teens hoping to make the big leagues. Instead of signing hundreds of U.S. amateurs out of high school -- the traditional business model for stocking minor-league rosters -- teams are drafting fewer U.S. kids and signing more so-called nondraft free agents, the vast majority of them teenagers from Latin America.*

*This summer, major-league teams spent over \$70 million signing nondraft free agents from outside the country. That is up from \$54 million last year, and just under \$30 million in 2006, the last year before the Compete Act.*

*Economics plays a huge role. U.S.-born players drafted out of high school rarely sign a contract*

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*to turn pro without a cash bonus, most in excess of \$100,000. This summer, the Cubs have forked out more than \$6 million in signing bonuses to 26 U.S. prospects, an average of nearly a quarter million apiece.*

*While some foreign players like Mr. Lee got hefty signing bonuses, the majority do not. Latin players in particular can be had for a lot less -- just \$10,000 in the case of Venezuelan pitcher Eduardo Figueroa, one of Mr. Lee's teammates. Third baseman George Matheus, another Hawk from Venezuela, received \$15,000 for signing.*

AND

*In the past, visa restrictions meant many foreign prospects were sent to play for sister teams in places like the Dominican Republic and Australia, where they tried to get enough visibility to fill a coveted visa spot. Nowadays, teams figure they can train foreign talent personally, and give youngsters a chance to learn English and assimilate with U.S.-born teammates.*

Select [Read More](#) to see the rest more on recruiting players globally, as well as, an update on minor league attendance

The Pirates signing of two players from India this winter caused [Diane M. Grassi](#) to question MLB's desire to recruit talent from US "inner city" communities.

*But in spite of this feel good rags-to-riches story, it, still begs an important question: Are two college age men from northern India with no prior exposure ever to the game of baseball, including limited athletic experience, good enough to even be considered for baseball's minor or major leagues? If that is the case, then why not consider the youth from the inner cities across*

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*America, too?*

*For the knock against pursuing such young men from our city streets, according to MLB's scouts and instructors stateside, is that they have not had enough exposure to the game as youngsters, given few playing opportunities for them. The excuse heard over and over again is that by the time they reach high school it is too late for them to learn the fundamentals of baseball. But these two guys from India pass the test? Gotta wonder...*

In [February 2007 Ms. Grassi](#) was similarly critical of the aforementioned "Compete Act", arguing that the federal government was abetting MLB in abandoning African American communities as a source of playing talent in favour of cheaper talent available in Latin America.

*All major league teams have academies and/or share facilities primarily in the Dominican Republic with a few remaining in Venezuela, where building has tailed off due to civil unrest. But in its latest coup, MLB has gotten an even bigger break from the federal government in a recent change in the Immigration & Nationality Act, which was hardly publicized. Amended by the U.S. Congress in 2006 and signed into law on December 22, 2006 by President George W. Bush, it is known as the "Compete Act of 2006" or the "Creating Opportunities for Minor League Professionals, Entertainers and Teams Through Legal Entry Act of 2006."*

*The legislation changes the visa status of foreign-born minor league players to be able to use P-1 visas, formerly reserved only for major league players, and an upgrade from the H-2B visas, generally used by temporary foreign-born workers in numerous industries. Each team previously was limited to 26 H-2B visas per season for its minor leagues. Major leagues have no numerical limitations with the P-1 visa, valid for a period of 10 years.*

*Given that over 40% of minor leaguers are foreign-born and that most of them are from the Dominican Republic, this will enable a continuous pipeline of Latin American players. MLB's foreign academies house, feed, school and teach athletic skills to boys as young as 10 years old until they are age 16, who are then allowed to sign minor league contracts. In the U.S., a player must be 18 years old to sign a minor league contract and then must go through the draft system.*

*Young Dominicans have the opportunity to benefit from more than just baseball skills but*

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*preparation for a life in the U.S. as well. They are given a chance to at least temporarily leave a life of depravity. By the same token, very few of these youngsters statistically make it to the major leagues and even prior to their new visa status, hundreds of minor leaguers were brought to the U.S. each year only to be relieved of their services. Hundreds of Dominican players also never return to their homeland and remain in the U.S. as illegal immigrants, primarily surviving in the underground economy of New York City.*

AND

*It has been said that Latin players in the Dominican Republic sign for contracts between 5 and 10 cents on the dollar compared to their U.S. counterparts. And with approximately 400 Dominican players signed each year to minor league contracts, MLB can celebrate its unhampered pipeline of such as well as its new surprisingly cozy relationship with the U.S. Congress which it lobbied along with the U.S. State Department, for these immigration law changes.*

AND

*But it remains a lose-lose for communities across the U.S. which finance sky box stadiums, unable to afford tickets for their families, for games played on the backs of many exploited athletes who never make it to the big leagues and at the expense of our own children, who of little means, are never even encouraged to play baseball by its biggest profiteers.*

*For there is a proviso in the immigration law which both the U.S. Congress and MLB conveniently overlooked. The policy developed in 1998 by the U.S. Department of Labor and the Immigration and Naturalization Service, now the Department of Homeland Security, granted MLB its visa program, contingent upon foreign-born players only occupying positions on a team that could not be filled by U.S. citizens.*

*Obviously, the U.S. government and MLB have come to the conclusion that playing baseball should be included among those "jobs Americans won't do." Terribly convenient, but sad for the game of baseball, no longer to be considered an equal opportunity employer.*

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Did the introduction of the amateur draft in 1965 inflate the costs of acquiring players domestically and lead clubs to allocate more player development resources outside the US? Would an expansion of the amateur draft into Latin America (most notably to the Dominican Republic) have the same effect? From a 2003 Emory University School of Law Paper, "U.S. Labor Market Regulation and the Export of Employment: Major League Baseball Replaces U.S. Players with Foreigners" ( [read in PDF](#) ):

*Our analysis of the market for professional baseball players shows that domestic labor-market restrictions have reduced domestic employment, especially of African-Americans, with employers instead shifting employment overseas. Our theoretical model suggests that, in 1965, the imposition of both the player draft and stricter age minimums for hiring U.S. players reduced the benefits of signing and developing U.S. players, especially players from disadvantaged groups such as African-Americans. Our empirical analysis, using a new data set, then shows that, in response, teams have shifted to developing and hiring players from other countries where the regulations do not apply, such as Latin America."*

AND

*In the 1990s, Puerto Rico has been the one exception to the increasing number of Latin-born players in MLB, providing declining numbers of players.....The draft again explains this....Teams quickly cut back their scouting and development efforts in Puerto Rico....In less than a decade after 1989, the number of Puerto Rican players signed per year had dropped more than 40%."*

[Jimmie Lee Solomon](#) , MLB's Executive Vice President, Baseball Operations was quoted in April 2007 in a piece from [Chris Isidore](#) . "Clubs do leverage their dollars much better if they develop a kid in a country not subject to the draft," "Those decisions are purely business decisions, very pragmatic business decisions."

Will the struggles of Japanese professional baseball lead to more Japanese players in the US and at increasingly younger ages? First, from a recent report by [Junko Fujita](#) on the challenges facing Japanese baseball in light of the global recession.

*Despite earning similar revenues to Major League Baseball teams in North America, few of Japan's 12 big professional outfits say they are profitable, prompting even their once-indulgent*

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*owners to cut costs in tough times.*

*Add in the credit crunch and sliding TV revenues and teams are tightening their purse strings in ever more dramatic and visible ways, including the imminent departure of high-profile American manager Bobby Valentine from the Chiba Lotte Marines.*

*"However hard Japanese baseball teams work to cut costs and boost revenue, most of them can't become profitable," said Munehiko Harada, a sports management professor at Waseda University. "They have done so much but they are still struggling. We might be seeing the limit of their potential now."*

AND

*U.S. baseball teams typically own stadiums or get subsidized access to public facilities but most Japanese teams hire venues at commercial rates, often from private investors.*

*The Fukuoka Softbank Hawks pay 4.8 billion yen (\$49 million) a year, a quarter of their annual revenue, to the Government of Singapore Investment Corp (GIC), owner of the team's home stadium, said Itaru Kobayashi, a team director.*

*That is about seven times the sum the New York Yankees paid New York City for its former home, the Yankee Stadium, records from the New York City Comptroller's Office show.*

*The Hawks, now owned by a mobile phone company, Softbank Corp, have never made a profit since the team was founded in 1938 despite having the fourth-highest audience.*

*"I always ask myself why it costs so much to operate a baseball team in Japan," Kobayashi laments.*

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*Japanese teams survive because their losses are treated as tax-deductible marketing costs for their corporate owners, which include meat packer Nippon Meat Packers Inc, leasing company Orix Corp and drink maker Yakult Honsha.*

*But the sustainability of that model may be in doubt as team owners such as Orix, with a huge exposure to a troubled property market, face difficult times.*

In March, [John Krich](#) reported in the WSJ on speculation that greater numbers of Japanese baseball players could be coming to the US.

*There are expected to be 16 players of Japanese origin in the Major Leagues this season, the most ever, with an equal number in the U.S. minor leagues.*

AND

*So far, there has been little public clamor about the defection of stars to the U.S. Their performances, followed in detail on nightly television recaps and an increasing number of live broadcasts, fuel national pride more than a sense of loss. But what if players begin to jump ship en masse, lured not merely by the mystique of higher-level competition, but U.S. salaries? They average \$3 million a year, about five times the average in Japan. (Recently, Japanese teams have at least unofficially loosened rules controlling players' income from marketing and endorsements.)*

*The onerous length of service before free agency is granted has served to keep most players in Japan for the bulk of their careers. Rules are being eased for players seeking to change teams within Japan, with free agency now granted after eight years (soon to be seven). But there is no sign the NPB is relenting on speeding foreign transfers.*

*If player and team agree, a player can be "posted" before the nine years is up -- essentially, sold at auction to the highest U.S. bidder. And given the bids for Mr. Matsuzaka in 2007, many observers believe more Japanese teams will go for the money, though some note that a period of economic contraction is a bad time to "get addicted" to big U.S. payouts. And Yomiuri, the*



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*publishing giant whose Giants team still dominates revenues and publicity for the Japanese league, has decried selling off the country's best players as succumbing to the "dark side." Says one consultant, "For them, it's a Samurai thing."*

*A further crack in Japan's player-control system appeared just this year when Junichi Tazawa, a high-school star left undrafted by the Japanese leagues, decided to offer himself directly to the Boston Red Sox. Japanese owners want to ban such renegades from returning to play in Japan for two or three years; a spokesman for the players' union says that this is still being contested.*

*Some observers argue that cultural factors will keep Japanese prospects from jumping in huge numbers. "Unlike poor Latin Americans, the Japanese won't be as motivated to endure the hardships of the U.S. minor leagues, the language and food problems, when they can have cushy jobs playing for Japanese company teams," said one adviser.*

AND

*Could the solution to Japan's talent drain come in some eventual absorption of the Japanese leagues into the U.S. Major Leagues? Some baseball insiders see signs of this in the successful staging of the Classic. (LWIB note, "Classic" is the World Baseball Classic) Other positive signs include recent "working agreements" between Japanese and U.S. teams.*

*Alternatively, Japanese owners might add franchises in South Korea, Taiwan and China, creating a wider, all-Asia league stocked with international players. "That would be a dream come true," says Lotte Marines' manager Mr. Valentine.*

Further evidence of MLB's efforts to develop talent outside the US was revealed in last month's [announcement by the Australian Baseball Federation](#) that they are partnering with MLB on a launching a new national league.

[Dan Baynes](#)  
reported for Bloomberg;

*The Australian Baseball Federation said it will collaborate with Major League Baseball on the*

competition. A time frame hasn't been set, though it could start as early as 2010, said [Mark Peters](#), who will oversee the league's establishment.

Australia's federal government will contribute A\$400,000 (\$323,000) in funding, Sports Minister [Kate Ellis](#) said today. Major League Baseball will also invest in the competition, whose predecessor was disbanded a decade ago because it wasn't financially viable.

"That's one of the things we're working on," Peters said in a telephone interview. "Major League Baseball will be a major backer because they actually believe in Australian baseball and that this league will work."

## **MiLB ATTENDANCE UPDATE**

LWIB, [MiLB](#) announced that attendance through the end of July is down 2.9% from the record setting 2008 season. Given the challenges of selling tickets during a recession, MiLB President Pat O'Conner professed to be quite satisfied with the results to date.

*Minor League Baseball clubs attracted over 10 million fans last month, raising the season total to more than 30.5 million. A majority of the leagues experienced increases in their average crowds through July, compared to 2008.*

*The Florida State League, with a 12.5% hike, leads eight of the 15 circuits that are witnessing larger crowds. The others are the California (4.9%); International (2.2%); New York-Penn (1.7%); Eastern (1.2%); Appalachian (1.0%); Pioneer (0.3%); and South Atlantic (0.1%).*

*The overall average crowd of 4,045 is 2.9%, or 120 fans, less than 2008 when Minor League Baseball set its attendance record.*

*"Our clubs are feeling the affects of challenging weather and the economy, but continue to report impressive attendance numbers," stated Minor League Baseball President Pat O'Conner.*

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*"To be less than 3% behind last year's record-setting pace is encouraging. Our fans continue to turn out and our clubs continue to treat them to affordable, family entertainment in first rate venues throughout the country."*

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**Pete Toms** is an author for the [Business of Sports Network](#), most notably, The Biz of Baseball. He looks forward to your comments and can be [contacted through The Biz of Baseball](#)

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