

Written by Pete Toms
Monday, 24 August 2009 00:08



Last Week In Bizball by Pete Toms

This week in LWIB, as the signing deadline passes, fundamental changes to the Rule 4 draft are likely inevitable plus a quick update on last week's report concerning the growing number of players MLB clubs are recruiting from abroad.

THE FUTURE OF THE RULE 4 DRAFT

The Rule 4 signing deadline passed LWIB with Commissioner Selig's efforts to reduce signing bonuses by 10% over last year viewed as largely ineffective. Fundamental changes to the Rule 4 draft appear imminent. Many club officials and scores of pundits agree that "competitive balance" can be enhanced by removing the "signability" factor from the draft via the introduction of mandatory slotting. Commissioner Selig has been advocating in the press for the implementation of both "mandatory slotting" and a "worldwide draft". However, changes to the Rule 4 draft must be negotiated with the MLBPA. (The current CBA expires in December 2011) Some believe that the MLBPA is resolute in its philosophical opposition to any "capping" of compensation while others speculate that resentment amongst MLB player over "rookie compensation" will lead to the successful negotiation of "mandatory slotting". Many in the baseball media are also arguing for allowing the trading of draft picks, believing that it would also contribute to greater "competitive balance". Some player development officials are also calling for an earlier signing deadline, arguing that the current deadline has not been a deterrent to escalating signing bonuses while retarding the development of newly drafted players.

First, how effective were "slot recommendations" in controlling costs in the 2009 amateur draft? From [Jim Callis](#) at Baseball America.

Select [Read More](#) to see the rest of this edition of Last Week in Bizball by Pete Toms

LWIB: An In-Depth Look At the Most Recent Rule 4 Draft, Recruiting International Talent

Written by Pete Toms
Monday, 24 August 2009 00:08

Commissioner Bud Selig slashed bonus recommendations by 10 percent across the board, and his office leaned heavily on teams to heed them. MLB delayed finalizing signings as long as possible and restricted the flow of bonus information more than usual as the Aug. 17 signing deadline approached, so agents couldn't use that data to strike better deals.

But when the clock struck midnight on the Aug. 17 signing deadline, clubs emphatically showed that they cared more about adding talent than staying in MLB's good graces.

Consider:

- For the first time ever, all 30 teams signed at least one player over MLB's slot recommendations. In 2008, the only time this decade the commissioner's office gave clubs the go-ahead to value ability over signability, the Blue Jays, Cardinals, Mets and Tigers still toed the line.*
- MLB recommends specific bonuses for each slot in the first five rounds. This year, teams spent \$134.7 million on bonuses in that range, 24 percent above the \$108.8 million total for all the slots. Last year, clubs shelled out \$137.6 million in the top five rounds, 14 percent above the \$120.9 million slot total.*

AND

- The 29 first-round picks who signed averaged \$2,467,034 in bonuses, just ahead of the record of \$2,458,714 set a year ago.*

MLB argued that the "slot recommendations" did limit the amount of compensation awarded to players in the 2009 amateur draft. [David Waldstein](#) reported in the New York Times that [Rob Manfred](#)

, MLB's Executive Vice President, Labor Relations & Human Resources, believes the "slot recommendations" did help to control the escalating dollars being spent on signing bonuses.

Manfred disputes that the system is being roundly ignored and says it helps rationalize the salary structure of the draft. He pointed out that 65 percent of the players signed at or below the recommended figure and 76 percent were within 5 percent of the recommendations.

But he did acknowledge that as the deadline approached, the numbers soared, and that was

Written by Pete Toms
Monday, 24 August 2009 00:08

when most of the top picks signed.

“The pattern has been that the tougher signings get done closer to the deadline,” Manfred said, “and are likely to be over the slot number.”

Commissioner Selig was quoted by [The Canadian Press](#) , *“(But) the slotting system this year worked better than ever. We had over 70 per cent of our players signed at slot or under.”*

[Maury Brown](#) reported that the “slot recommendations” were not completely ineffective but did agree with Mr. Manfred that they proved of little use as the deadline neared.

So, you could say that the slotting system failed, but maybe, just slightly (didn't increase, but then Selig didn't get clubs to go the reduction route).

AND

*To place perspective around where the majority of draft bonuses go, **the 25 players that did get deals at the deadline account for 7.79 percent of the 321 selected in the top 10 rounds alone. Those players garnered \$56,612,500 in bonuses, or nearly 35.34 percent of the total.***

Commissioner Selig introduced “slot recommendations” in 2002. Seven years later there is near unanimity amongst clubs, MLB officials and baseball media that if “slotting” has netted mixed results in controlling escalating signing bonuses, the draft as it is currently structured does not satisfactorily accomplish its goal of distributing the best amateur baseball players to the worst MLB clubs. More succinctly, clubs are increasingly ignoring “slotting” but “signability” remains a problem.

[Jonathan Mayo](#) reported for MLB.com.

LWIB: An In-Depth Look At the Most Recent Rule 4 Draft, Recruiting International Talent

Written by Pete Toms

Monday, 24 August 2009 00:08

Recently, teams have been willing to take the chance on tough signs, going way above slot to bring in elite talent. Coonelly's (LWIB note, Coonelly is Frank Coonelly, President of the Pittsburgh Pirates) Pirates took Pedro Alvarez with the second pick in the 2008 Draft and eventually signed the third baseman. The Kansas City Royals have ignored slot recommendations for their top picks over the past few seasons.

That's not to say it's a dead issue. In 2007, the Pirates passed on Matt Wieters, and Rick Porcello dropped to the bottom of the first round, with bonus demands playing a large role in both situations. In this year's Draft, Tyler Matzek fell to No. 11, Matt Purke slid to No. 14 and Shelby Miller plummeted all the way down to the 19th selection all because of signability.

AND

"When we think about it, the purpose of the Draft is to make sure that the best player goes to the team that had the worst year the prior year," Manfred said. "Number one on our list, do signability concerns result in teams passing on players who might otherwise been selected? We do believe that happens.

[Kevin Goldstein](#) surveyed the baseball industry for his "Fixing the Draft" report for Baseball Prospectus.

"We're in a bad system, no doubt about it," said one front-office official. "There has to be something in place where the worst teams sign the best players, not just in the first round, but all the way down, and that's not happening under this system."

AND

With more over-slot bonuses each year, the draft simply isn't fulfilling it's primary purpose, a balancing of talent. "Look, we can get really philosophical here, and I'm a capitalist," explained one scouting director. "But in the confines of a sporting league, in order for that league to be

Written by Pete Toms
Monday, 24 August 2009 00:08

equitable, we need some kind of fairer distribution of talent."

Another talked about it in comparison to the drafts in other major sports. "Everyone should recognize the need for a major fix when there is serious discussion this spring over whether or not Washington is going to take [Stephen] Strasburg," explained one front-office official. "If we're going to have a draft, it should be based on talent. That there's any team not taking the player they think is the best shows that we need a major fix here."

[Buster Olney](#) reported last month for ESPN.

The amateur draft is the best way for small-market teams to add impact talent, so baseball needs to figure out a way for those clubs to be able to select players that they can't afford right now. Many cash-strapped teams pass on a guy with a huge price tag (typically Scott Boras clients) to take a lesser player they know they can sign. "And that's not what the draft is meant to be," says Brewers GM Doug Melvin. "The worst teams should have access to the best players."

From the aforementioned piece by Jim Callis at Baseball America.

Considering that last year MLB loosened its reins to ensure draft talent was dispersed more evenly among clubs, then clamped down tight this summer, it seems remarkable that bonuses didn't decline. Then again, maybe it shouldn't.

"When it comes right down to it, we want to sign the players," a National League scouting director said. "Our job is not to enforce the guidelines from the commissioner's office."

In 2002 MLB abandoned an attempt to negotiate with the MLBPA a geographic expansion of the Rule 4 draft. In the current CBA, MLB negotiated with the MLBPA an earlier Rule 4 signing deadline and compensation (in the form of draft picks) for clubs failing to sign a pick, with the goal of strengthening clubs bargaining positions. This CBA expires in less than sixteen months and again the Rule 4 draft is all but certain to be a bargaining issue in the next round of negotiations. LWIB, both Rob Manfred and commissioner Selig publicly expressed MLB's

LWIB: An In-Depth Look At the Most Recent Rule 4 Draft, Recruiting International Talent

Written by Pete Toms

Monday, 24 August 2009 00:08

commitment to negotiating comprehensive changes to the amateur draft in the next CBA. From Jonathan Mayo's aforementioned report on the amateur draft for MLB.com

"This will be a topic in the 2011 negotiations," said Rob Manfred, Major League Baseball's executive vice president of labor relations and human resources. "We're not at the point where I know what it is the clubs will want to propose. We're looking at the issues. Where you start if you have a job like mine, you look at what other sports do. There are things embedded in the NFL and NBA that might be helpful, but we're not at a point that we know yet."

Again from Jim Callis at Baseball America.

MLB's informal slotting has accomplished all it can, and draft spending won't change significantly unless baseball institutes a hard slotting system like the National Basketball Association has. Selig told The Washington Post's Dave Sheinin that MLB would seek mandated slotting and the inclusion of foreign players in the draft during talks for the next collective bargaining agreement. The current deal expires in December 2011.

Selig said: "There's no question in my mind, in 2011, certainly a slotting system and a worldwide draft are things we will be very aggressive in talking about."

And from the aforementioned report from David Waldstein in the New York Times.

When the current collective bargaining agreement runs out in 2011, it is expected that baseball will seek a mandatory signing system for draft picks similar to the one used by the [N.B.A.](#)

"That is an area that will be of great interest in the next round of negotiations," said Rob Manfred, baseball's executive vice president for labor relations. "I'm not going to speculate as to what our proposals are going to be the next time around, but I will say the purpose of the draft is to make sure the weakest team gets the best player. If you have a system like the N.B.A. or the [N.F.L.](#) has, where you know what a draft choice is going to be paid, it takes away any temptation on the part of the club to take signability into account."

Written by Pete Toms
Monday, 24 August 2009 00:08

In the N.B.A., each draft position is assigned a salary figure. It can be negotiated 20 percent above or below that figure, but is now almost always 20 percent above. In the N.F.L., there is a rookie salary pool, and each team can divide up the money however it wishes, as long as it does not exceed the total.

The N.B.A. model, in place since 1995, is the most appealing because it eliminates negotiating and controls costs. Therefore, teams are not afraid to take the best available player for fear they will not be able to sign him.

“Theoretically, a fixed price for each pick in the draft is a mechanism that helps restore the draft to its original purpose,” Manfred said. “Teams know what the cost of the talent is, and they just take the best player.”

And from the aforementioned report from The Canadian Press.

Many in the game believe the draft needs to be reworked and Selig says levelling the disparities between rich and poor teams in signing picks and procuring international talent will be a priority in talks with the players union when the current CBA expires in December 2011.

“There's no doubt about that,” he said. “In the next negotiations, we're going to talk about slotting and the worldwide draft.

Allowing the trading of draft picks in MLB has long been suggested as a means of maximizing the value of draft picks, particularly for small market teams unable or unwilling to pay the larger signing bonuses. Proponents of this change also argue that it would stimulate public interest in the Rule 4 draft (now covered extensively by MLBN). MLB's amateur draft has always been of minor interest to most fans in comparison to the amateur drafts in the other “stick and ball” leagues. MLB has been hesitant to allow the trading of draft picks out of concerns that small market clubs will auction picks to the highest bidder and that player agents will force trades of drafted players to the team of their choosing. Buster Olney, from his aforementioned piece on remedying the draft, advocates for the trading of draft picks.

Written by Pete Toms
Monday, 24 August 2009 00:08

The ability to trade draft picks, which is allowed in the NFL, NBA and NHL, but has never been permitted in baseball. If it were, a team that didn't want to pay the slot price for a prospect could trade that pick for players or for more picks later in the draft.

From [Jayson Stark](#) at ESPN.

TRADING PICKS -- *Now here's a concept the union is in favor of. So it seems just about inevitable that this is a new draft wrinkle that's coming soon. If you have the first pick and you don't want the price tag that comes with Stephen Strasburg, or you don't want the migraine that comes from dealing with Scott Boras, you pick him anyway and then dangle him on the open market. Amazingly, it's always been small-market owners who have opposed the idea of dealing picks. And what's their argument? That it would allow Boras to manipulate the draft. Huh? He manipulates it just fine now.*

From [Part II](#) of Kevin Goldstein's "Fixing the Draft" at Baseball Prospectus.

Surprisingly, nearly all people within baseball supported the idea of trading picks, with more than one person mentioning the excitement factor. "One of the most exciting things during the NFL and NBA drafts is when a trade goes down," said one scouting director. "I'd love to add that to baseball."

While everyone has their concerns about the idea, especially with teams just dumping picks, nearly everyone had a solution to that, or just plain didn't care. "Teams are big boys," said another official. "If they're silly enough to give their pick away for nothing, that's their problem."

The biggest concern would be where teams would simply sell their picks to increase revenue, and basically turn into modern versions of the Kansas City A's by selling off their picks every summer. One team simply suggested a system in which picks could be traded, but draft picks could not be included in any deal that includes monetary compensation, with an official saying, "I wouldn't want to see teams simply trading talent, or potential talent, for money they pocket."

LWIB: An In-Depth Look At the Most Recent Rule 4 Draft, Recruiting International Talent

Written by Pete Toms

Monday, 24 August 2009 00:08

Agents were also in favor of some kind of trading system, but one noted that while the general feeling would be that teams willing to spend money would end up with the most picks, he also felt like such trades would be rare. "If you're the [Rays](#) and you're loaded in the farm and gunning for a playoff spot, why not see if you could move that pick to a team out of it that can help you now?" he asked, while also suggesting a limit to the number of picks a team can deal.

And from Maury Brown's aforementioned report for The Biz of Baseball.

There will, unquestionably, be looks at adjusting the draft process. One adjustment that on the face of it comes with little pain in implementing would be the ability to trade draft positions. This would add excitement as seen in the NBA and NFL. An issue with the concept is that it could setup disparity. Clubs that cannot afford bonuses or major league deals for top picks would trade to the likes of the Yankees, Red Sox, Dodgers... clubs in large markets with high revenue levels.

As one agent, who conceptually opposes a slotting system, but discussed the concept, said today, "If you have hard slots, you remove the need to trade picks. The system would prevent going drastically over, which is the problem for some clubs today."

Prior to the current CBA, the signing deadline for a drafted player extended to one week prior to the next draft. MLB negotiated the current signing deadline of August 15 with the intent that it would strengthen the clubs hand in negotiations with player agents. While MLB appears intent on negotiating "mandatory slotting", some club officials are calling for an earlier signing deadline and perhaps an earlier date for the draft itself to accelerate the development of their draft picks.

Again from Kevin Goldstein at Baseball Prospectus.

Most team officials are willing to give in to the costs of the current system, but it's the loss of development time that is the most jarring. "With the August 15th deadline, all we're getting out of kids this year is an instructional league," said one scouting director. "Every year now, we have more and more kids who can't have a meaningful summer."

LWIB: An In-Depth Look At the Most Recent Rule 4 Draft, Recruiting International Talent

Written by Pete Toms

Monday, 24 August 2009 00:08

Moving the date back one month to July 15th seems to be the most reasonable solution here, as it would get kids the all-important adjustment period out of the way, and it wouldn't change the money aspect in any way. "We're not accomplishing anything this month, and neither are the players," said one team official. "It's just a month of us staring at each other so if we're going to pay the kid anyway, and least we can get them out there playing."

There is also some thought about keeping the signing deadline as-is, but moving the draft back one month to the All-Star break. "Let's face it, we draft before the college season is over, and we're always scrambling around late to get more looks at kids in the northeast," said one scouting director. "I'd love to move it back a month, as we'd just get more information." In order to address the late signings, various insiders had some radical ideas, including extending the seasons of short-season leagues into the end of September. One general manager who discussed taking an advanced circuit like the New York-Penn and Northwest leagues to 110-game seasons that begin in May for players who sign late and aren't ready for current full-season leagues.

From the aforementioned Jonathan Mayo report on the amateur draft for MLB.com.

Some thought should also be given to the timing of the signing deadline. August 15 was agreed on as a time before college classes began, a point important to the clubs because players had used the "Classes start tomorrow" line to force what was then an artificial deadline. August 1 was proposed initially, but the union wanted it moved to Aug. 15 to provide more time for negotiations.

In truth, though, most of the big negotiations don't take place until right before the deadline hits. It's an arbitrary wall, one that could just as easily be on July 1 as it is currently placed. Moving it up would enable any signed player to still get two months of work in with his new organization. Even if he didn't pitch, imagine how ahead of the game Strasburg would be having that time to work out with his new instructors. "It does make sense. I don't see the downside to it," Coonelly agreed. "It doesn't take time to negotiate these contracts, so there's no reason it can't be as early as July 1 and the players would have the opportunity to play somewhat sooner."

Will "mandatory slotting" become a reality in MLB? Can the MLBPA be enticed in the upcoming round of CBA negotiations to consent to such? Isn't the MLBPA philosophically opposed to any "capping" of compensation? (MLB is the only "cap free" "stick and ball" league) Why should the MLBPA agree to "mandatory slotting" when record amounts of dollars are being awarded to

Written by Pete Toms

Monday, 24 August 2009 00:08

players chosen in the draft? As clubs increase the amount of money they invest in young players (Rule 4, international free agents, long term deals "buying out" arbitration eligible years and early years of free agency), veteran players are finding diminished demand for their services. Will "rookie compensation" be an important issue in the upcoming CBA negotiations? Will the current members of the MLBPA "sell out" the future members? Is MLB agitating on the issue of "rookie compensation" with the intent of influencing MLBPA members to lobby their leadership to accept "mandatory slotting"?

Once more, from Kevin Goldstein at Baseball Prospectus.

The problem all along of course has been that the Players Association has never been open to any idea of mandatory slots or spending limits, believing that any talk on that level begins the slippery slope to a true salary cap. However, recent developments in the way teams are spending may be lining up a change in stance by the players. "The impetus for change is definitely going to come from the big leaguers," said one official. "These zero through six[-year] guys [in terms of service time] are so valuable, and that's where teams are spending all of their money," he explained. "The issue here is that the economic model now encourages teams to spend on player procurement instead of on established big leaguers. What we're seeing is a collapse of the middle class, and the union is likely understandably concerned by it."

Again from Jayson Stark at ESPN.

• **SLOTING** -- *Baseball is now the only major sport that doesn't have some sort of system that regulates how much drafted players can get paid. And that can't go on. Not just because the clubs want slotting, either. It's because players want it. We've polled a bunch of them. And big league players want those \$15 million deals going to them, not to kids who have never played a professional baseball game.*

Again from Buster Olney at ESPN.

A negotiated system of draft bonuses on a descending scale, like the NBA has, as opposed to the current MLB system that recommends a bonus for each slot. This way, there would be no holdouts, and drafted players would know what they were getting. "The union might go for it because then they could determine how big a slice of the pie the drafted players will get," says

LWIB: An In-Depth Look At the Most Recent Rule 4 Draft, Recruiting International Talent

Written by Pete Toms

Monday, 24 August 2009 00:08

one executive. "As time goes on, those guys are getting a bigger slice, and it's cutting into what the veterans are making."

[Sam Mellinger](#) reported for the Kansas City Star on the veteran backlash against "rookie compensation".

There are baseball players who will say similar things privately, but the wrath and strength of the union in that sport is such that Ryan Howard's words to ESPN.com are about as strong as you'll hear publicly:

"It's a crazy process. Obviously, (Strasburg's) got a rare talent, to be able to throw as hard as he does. But the bottom line is, you're not proven...Even when you get to the big leagues, you've got to prove you're worth whatever you're trying to get."

Reminds me of Billy Butler's words two years ago when talking about the negotiations of Mike Moustakas, which ran just minutes before the deadline.

"Kids don't understand you don't make your money on your signing bonus. You make it by establishing yourself in the big leagues. The more you hold out, you're wasting a year of your career, I think."

[Craig Calcaterra](#) wrote at NBC Sports that he doesn't foresee the MLBPA opposing "mandatory slotting" with much vigour.

...Most people don't realize this, but draftees aren't union members -- you don't become eligible to join the union until you're on a 40-man roster -- ye the members have the power to negotiate the terms of the draft. As such, giving the owners a hard slotting system doesn't truly take anything off the union's plate.

Sure, they don't want to be seen as laying down to ownership so they'll demand something

Written by Pete Toms

Monday, 24 August 2009 00:08

in return, but make no mistake: current players aren't fans of rapidly-escalating amateur signing bonuses, and the sorts of things they'll likely take from ownership in exchange for a hard slotting system fall on the "better lunch meat on the postgame spread" end of the spectrum than on the end where things of real value reside. It's certainly not work-stoppage material.

In Jonathan Mayo's report on the amateur draft for MLB.com, Pirates President Frank Coonelly argued that curtailing the amount of dollars being spent on signing bonuses would increase the amount of money spent on veteran players' salaries. Mr. Mayo also reports that at least one retired player disagrees with Mr. Coonelly's assertion, the same former player questioning if "slotting" naturally leads to the implementation of a salary cap.

"Is it broken?" Coonelly asked. "It certainly needs to be adjusted in my view in a manner that not only helps clubs in giving them the ability and capacity to select the best player, but also helps Major League players, because every dollar that's spent in the Draft is not spent on Major League players."

If there wasn't a resounding "Amen" from the players choir on that last point, there at least seemed to be some interest in hearing more. Players, both past and current, were more willing to publicly talk about the exploding bonuses. On MLB Network, players-turned-analysts like Harold Reynolds took umbrage over how down the free-agent market for established veterans was (see Abreu, Bobby) while Draft bonuses continued to climb.

The natural extension from that, it stands to reason, would be a willingness to consider things like a hard slotting system. Get that structure under control, the logic follows, and there would be an infusion of dollars into the Major League market, right? Maybe not.

"Your premise would be correct, except that it would be tough to suggest that just because money wouldn't be spent in one area, it would be spent in another," said recently retired Tony Clark, a former associate player representative on the Major League Baseball Players Association Executive Board and now an analyst with MLB Network. "It's an interesting proposition. If it was simply that cut and dry, then I think there would be an opportunity to discuss things moving forward. It never is that simple. Every group is connected."

Clark's point is that how draftees get paid impacts how Minor Leaguers get paid and on up to

Written by Pete Toms

Monday, 24 August 2009 00:08

established veterans in a trickle-up manner. Putting a cap on Draft bonuses, he feels, could lead to changes in the entire salary structure for professional players.

"It has been fought for decades in our game, affording our players an opportunity to maximize their earning potential in as free a market as possible," Clark explained. "If you look at a lot of the other sports leagues, they each have a 'slotting system' in place and they also have rookie caps and veteran caps and team caps, assuming one decision has led to another based on what I mentioned.

In May, [Liz Mullen](#) reported in The Sports Business Journal on comments made by now outgoing MLBPA Executive Director Donald Fehr on the subject of "rookie compensation".

"One of the things you have to be wary of, when you talk about the issues that were just raised, is in collective bargaining generally, and sports is certainly no exception to this, very often people will look, on the other side, will look for wedge issues."

Fehr said the "classic example of a wedge issue" is one in which one group in a union is told another group is getting too much money "and you should all go and squabble with one another."

"Now I don't know if that is involved in this circumstance here, but on this side of the table we are all very conscious of such issues and where the instigation of raising such an issue comes from. If it comes from the players' side, you don't have to worry about it, because it will come with a proposed solution."

The resentment over "rookie compensation" amongst MLBPA veterans is understandable but perhaps unreasonable. The now widespread use of "objective analysis" in evaluating players has resulted in clubs reaping better results from the Rule 4 draft. (Fewer busts) Simultaneously, "objective analysis" has diminished the value of veteran players. (Historically often overpaid in the last years of long-term contracts) Questions (justified or not) concerning the ability of veteran players to maintain performance levels late into their careers in the "post PED" era have also diminished their value.

Written by Pete Toms
Monday, 24 August 2009 00:08

[Erik Manning](#) argued at FANGRAPHS (HT [Rob Neyer](#)) that amateur draft picks (at least first round picks) are a great investment even at today's record prices.

The general feeling seems to be that draft picks need to prove something before they get paid, and that handing out big dollars to a player who hasn't done anything in the big leagues is a huge waste of resources. After all, even first round draft picks bust all the time. But are they really overpaid?

AND

Even with the relatively high failure rate, first round draft picks are incredibly valuable and actually have proven to be quite a bargain. For example, [recommended slot](#) for the first overall pick is this year was \$3.6M. While it's only a group of ten players, 1st overall picks from '90-'99 produced on average \$51.5 million worth of value that a team would normally pay for on the free agent market, or about roughly 14 times today's recommended bonus!

Even with his record deal, Stephen Strasburg is a great value. If you don't think so, just imagine the bidding war that would go on between large market teams if he were a free agent. Dump the slots. Let teams do whatever they want. If they can't do their homework on what a kid's asking price is before the draft him, that's their own failure.

Ultimately, there is no question that MLB clubs are spending record amounts of money developing players while the percentage of industry revenues being paid out to MLB players has been steadily diminishing. Could a decrease in the former amount and an increase in the latter amount lead MLB and the MLBPA to common ground on the "mandatory slotting" issue?

[Eric Fisher](#) reported for The Sports Business Journal in June.

And it has not gone unnoticed in the players' camp how their percentage of overall industry revenue, standing at 52 percent in 2008, has slipped slightly in recent years as baseball has grown to unprecedented heights. MLB players in the early part of the decade saw their salaries represent a percentage of league revenue that was in the high 50s to low 60s.

While comparisons with other leagues can be difficult — MLB is the only major league without a salary cap, and MLB clubs spend millions of dollars on player development for players in the minor leagues — the percentage for MLB players now trails comparable player marks in the other major U.S. professional sports.

[The Biz of Baseball](#) reported in January.

Annual player development costs have risen to an average of approximately \$20 million per club. Boston Red Sox Chairman Tom Werner addressed the subject in March with Sports Business Daily. "Every major league club spends about \$20 million a year on growing their talent," Werner said. "We have a minor league system and coaches and trainers and all kinds of personnel that just aren't equivalent in football or in basketball, where you have the college system as a way of being their minor league."

In March, [Andrew Zimbalist](#) wrote in The SportsBusiness Journal.

...MLB teams have to cover very substantial minor league player costs, while the NBA (NBA Development League) and the NHL (AHL and a few players in the ECHL) have modest minor league player costs and the NFL has none.

Moreover, the NBA D-League and AHL also generate revenue that helps to defray the player costs. The minor league MLB teams are mostly independently owned and, in any case, the revenue earned does not go to major league teams. Yet the major league team pays the salaries of all the players on affiliated clubs.

In 2007, the average MLB team spent more than \$20 million on its player development system. Of this, over \$11.5 million went to pay the salaries of the minor league players.

Generally, each MLB team has six minor league affiliates. Teams also run fall and winter development camps and leagues. Together, an average of 6.2 percent of MLB revenue went

Written by Pete Toms
Monday, 24 August 2009 00:08

toward these minor league salaries.

The player salary and benefit share of NFL revenue in 2006-07 were 58.4 percent. The respective shares in the NBA, NHL and MLB (2007) were 57 percent, 55.6 percent and 51 percent.

If we add the 6.2 percent that goes to minor league baseball players (without generating revenue for the major league club), the total player share in MLB revenue rises to 57.2 percent, putting it ahead of the NBA and NHL shares.

Some form of “mandatory slotting” is likely to be introduced for the 2011 draft (an expansion of the draft into Latin America and perhaps elsewhere is also a real possibility). In return, look for the MLBPA to bargain for changes that will benefit their existing membership in the areas of free agency, salary arbitration and perhaps increased roster size.

MORE ON MLB RECRUITING GLOBALLY

Last week’s edition of [LWIB](#) focused on the growing number of MLB players being recruited from a growing number of countries outside the US. The increased number of Japanese players coming to the US and perhaps more importantly, leaving Japan at earlier ages (Junichi Tazawa) was a focal point of the report. This week in LWIB, [Stuart Biggs](#) reported for Bloomberg that an 18 year old Japanese pitcher who reportedly throws a 94 mph fastball will decide by October whether to forego Japanese professional baseball in favour of playing in the US. Mr. Biggs reports that if the 18 year old – Yusei Kikuchi – opts for the US it could greatly accelerate the trend, started by Tazawa, of Japanese players coming to the US at younger ages.

Fifty thousand people packed into [Koshien Stadium](#) watch [Yusei Kikuchi](#) throw 94 mile-an-hour fastballs in Japan’s biggest sporting event: the summer high school baseball tournament. It may be their last chance.

By October, the 18-year-old must choose Japan or the U.S. for a career he’s dreamed about since primary school. Signing at home would rule Kikuchi out of a U.S. move for as many as

Written by Pete Toms
Monday, 24 August 2009 00:08

nine years, while choosing Major League Baseball may open the door to a stream of amateurs spurning Japan for a chance to play alongside countrymen like [Ichiro Suzuki](#) and [Daisuke Matsuzaka](#)

“Kikuchi would open things up completely,” Danny MacLeith, a scout for the Chicago Cubs, said in an Aug. 17 interview behind home plate at Koshien, in Nishinomiya city west of Osaka. “If he’s available and wants to go, he needs to say so because the Japanese draft is two months away. It’s time.”

AND

Nippon Professional Baseball in 1998 introduced a system mandating that players with less than nine years of experience can go to the U.S. only if their team auctions their rights. The Red Sox paid Seibu \$51 million just to negotiate with Matsuzaka.

Kikuchi’s departure would be different. As a senior at [Hanamaki Higashi High School](#) in the northern prefecture of Iwate, he’s not subject to those rules.

MLB teams have mostly avoided amateurs because the agreement between the two countries is vague and players have been unwilling to risk a U.S. move without professional experience in Japan, MacLeith said.

Red Sox Signing

That changed last year when the Red Sox signed pitcher [Junichi Tazawa](#), to a three-year, \$3 million contract. Tazawa had asked Japanese pro teams not to draft him out of the amateur corporate leagues, a step between high school and the NPB, because he favored going to the U.S.

Written by Pete Toms
Monday, 24 August 2009 00:08

“After Tazawa, more Japanese players may feel they can make the jump,” John Cox, the San Francisco Giants’ director of scouting for the Pacific Rim, said in an Aug. 17 interview at Koshien before watching Kikuchi pitch. “Sometimes when a small hole appears in the dam, the water comes gushing out.”

OTHER NEWS ACROSS THE BUSINESS OF SPORTS NETWORK

(THE BIZ OF BASKETBALL)

- [The Biz of Basketball Adds Complete Summary of Current NBA CBA](#)
- [NBA CBA - 101](#)

(THE BIZ OF FOOTBALL)

- [Punter Hits Center-Hung Display with Kick at New Cowboys Stadium](#)

(THE BIZ OF HOCKEY)

- [CBC’S HOCKEY NIGHT IN CANADA Releases Broadcast Schedule](#)

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](#)

LWIB: An In-Depth Look At the Most Recent Rule 4 Draft, Recruiting International Talent

Written by Pete Toms

Monday, 24 August 2009 00:08

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 Biz of Baseball on Twitter](#) 