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February 18, 1994

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Diane Cornell, Esquire
Office of Chairman Reed Hundt
Federal Communications Commission
1919 M Street, NW, Room 814
Washington, DC 20554

Re: PP Docket 93-253
Competitive Bidding
Ex Parte Presentation

Dear Ms. Cornell:

Thank you for meeting with members of the Coalition for Wireless Competition regarding the need to allocate set asides for designated entities bidding for PCS spectrum blocks. In response to your request for additional information supporting the problems women-owned businesses face in obtaining capital for their businesses, I would like to direct your attention to the Comments of American Women in Radio and Television, Inc. ("AWRT"), filed November 9, 1993, a copy of which is enclosed for your convenience.

Specifically with reference to the issue of access to capital, you should refer to Exhibit 7 of AWRT's Comments, which is the Executive Summary of the National Women's Business Council's 1992 Annual Report to the President and Congress. The National Women's Business Council ("NWBC") was established by Congress in 1988 to make recommendations to the Congress and the President regarding the status of women business owners. The NWBC found that:

Three years of Council investigations into the status of women-owned businesses left no doubt that the foremost barrier women perceived was that of access to capital. At every level -- from the small, home-based business operating on creativity and sheer nerve to the expanding corporation

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preparing to go public -- lack of access to adequate funding was the constant concern and overwhelming reason cited for failures.

Report p. 1 (emphasis in original). The NWBC further found that:

Women in both high technology industries and telecommunications who actually had found funding in the \$6 to \$18 million range told of difficulties which seemed far beyond what should be expected for companies with records of successful and profitable operation. At this top level of small business as well as the start-up level, women do not fit traditional comfortable profiles, and compete less successfully for scarce expansion dollars.

Report p. 8. The Council "strongly urges that Congress mandate action by all federal agencies to set prime and sub contracting goals for women-owned businesses," as "only 1.5% of all federal procurement dollars are awarded to women-owned businesses."

Report p. 10 (emphasis in original). The NWBC's complete annual reports and hearing transcripts and survey data can be obtained by contacting its Washington office at 202-205-3850.

In addition, please refer to Exhibit 3 of AWRIT's Comments, which include "Facts on Working Women: Women Business Owners," No. 89-5, December 1989, published by the U.S. Department of Labor, Women's Bureau. At page 2 of that report, the Department of Labor found that businesses owned by women were more likely than businesses owned by men to "have been started or acquired with no capital required or borrowed." Further, "women founded their businesses with about half the capital used by men."

While individual AWRIT members have experienced their own difficulties in obtaining capital for their communications businesses, you do not need to take our word for it. The attached government-sponsored reports support the fact that the most difficult problem women encounter in entering business ownership is access to capital.

Diane Cornell, Esquire
February 18, 1994
Page 3

If I may be of further assistance, please do not hesitate to contact me directly at 4350 N. Fairfax Drive, Suite 900, Arlington, VA 22203-1633, Tel: 703-841-0606; Fax: 703-841-2345.

Very truly yours,



Melodie A. Virtue
Vice President, Government Relations
American Women in Radio & Television, Inc.

Enclosures (2)

cc(w/enc.): Robert Pepper, Esq.
MAV/blr

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EXECUTIVE DIRECTOR

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American Women in Radio and Television
Washington, DC

November 9, 1993

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

William F. Caton, Acting Secretary
Federal Communications Commission
1919 M Street, NW
Washington, DC 20554

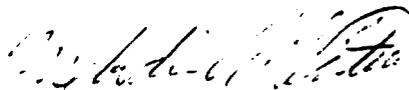
RE: PP Docket No. 93-253
Implementation of Section 309(j)
of the Communications Act
Competitive Bidding

Dear Mr. Caton:

Transmitted herewith, on behalf of the American Women in Radio and Television, Inc., are an original and nine copies of the **COMMENTS OF AMERICAN WOMEN IN RADIO AND TELEVISION, INC.**, in the above-referenced proceeding.

Should further information be desired, kindly communicate directly with this office.

Very truly yours,



Melodie A. Virtue
Vice President
Government Relations

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November 9, 1993

William F. Caton, Acting Secretary
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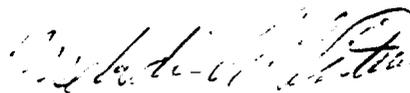
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Very truly yours,



Melodie A. Virtue
Vice President
Government Relations

Enclosures (1)
MAV/blr

Before The
Federal Communications Commission
Washington, D.C. 20554

In The Matter Of)
)
Implementation of Section 309(j)) PP Docket No.93-253
of the Communications Act)
Competitive Bidding)
)

To The Commission:

**COMMENTS OF
AMERICAN WOMEN IN RADIO AND TELEVISION, INC.**

American Women in Radio and Television, Inc. ("AWRT"), respectfully submits its Comments in response to the Commission's *Notice of Proposed Rule Making*, FCC 93-455, released October 12, 1993 ("NPRM"), in the above-referenced proceeding. In support hereof, the following is stated:

I. INTRODUCTION

AWRT is a non-profit, national organization of professional women and men who work in radio, television, cable, broadcast advertising, and other communications related fields. Since 1951, AWRT has worked to improve the quality of radio and television, to facilitate communication and exchange of ideas in the broadcasting and communications industries, and to promote the entry and advancement of women in broadcast and cable management and ownership and other communications fields.

In addition to its extensive experience with the problems and discrimination historically encountered by women in the broadcasting and cable industry, AWRT has a unique ability to present views of women affected by the NPRM. AWRT's mission is to advance the impact of women in the electronic media by educating, advocating, and acting as a resource to its members and the industry. The new communications devices and modes of transmission in the emerging technologies will have a profound impact on the electronic media. With the congressional directive that the Commission ensure the distribution of licenses to a wide variety of applicants, AWRT's views will add an important perspective to Commission consideration in this proceeding.

II. THE NOTICE OF PROPOSED RULE MAKING

The Omnibus Budget Reconciliation Act of 1993, Pub. L. No. 103-66, 1193 U.S.C.C.A.N. (107 Stat. 312), amended the Communications Act of 1934, 47 U.S.C. §§ 151-713, and directed the Federal Communications Commission ("FCC") to, *inter alia*, initiate competitive auctions to award licenses for the use of radio spectrum in certain services. Congress mandated that the competitive bidding process promote "economic opportunity and competition and ensur[e] that new and innovative technologies are readily accessible to the American people by avoiding excessive concentration of licenses and by disseminating licenses among a wide variety of applicants, including small businesses, rural telephone companies, and businesses owned by minority groups and women." 107 Stat. at 388, *to be codified at* 47 U.S.C. § 309(J).

In its NPRM, the Commission requested information and comments on the constitutionality of measures proposed to allow businesses owned by women, among others, preferential treatment designed to "giv[e] [such entities] the opportunity to participate' in the provision of spectrum-based services." NPRM at ¶ 72. Specifically, in light of two cases dealing with gender and race-based preferences, *Lamprecht v. FCC*, 958 F.2d 382 (D.C. Cir. 1992), and *Metro Broadcasting v. FCC*, 497 U.S. 547 (1990), the Commission seeks data upon which to support its record demonstrating the need for such preferences so that the preferences will withstand constitutional scrutiny. NPRM at ¶¶ 72-76.

Specifically, the NPRM proposes to establish a competitive bidding system which would give female applicants certain advantages such as designated spectrum blocks, bidding preferences, preferential payment terms and other preferential treatment designed to meet the Congressional mandate of Section 309(j) to "promote economic opportunity" for female-owned businesses. NPRM at ¶ 72. The NPRM asks how such preferences are substantially related to the achievement of important governmental objectives. NPRM at ¶ 73.

III. DISCUSSION

A. AWRT Supports Economic Advantages For Women

AWRT supports a scheme of preferences for small businesses and minority and female-owned businesses in the competitive bidding process including tax certificates, spectrum set-asides, bidding

preferences, and preferential payment terms. AWRT believes that gender based preferences can be enacted without running afoul of the Equal Protection Clause of the Fifth Amendment to the Constitution. Gender based preferences are constitutional where the "preferential measures ... [are] ... supported by a convincing and comprehensive record that demonstrates that the government's methods are substantially related to the goal it hopes to achieve." NPRM at 73, citing *Metro Broadcasting v. FCC*, 497 U.S. 547, 560-563, and *Lamprecht v. FCC*, 958 F.2d 382, 399-408.

B. Promotion of Economic Activity Is A Substantial Governmental Interest

Congress directed the FCC to "promot[e] economic opportunity and competition ... by disseminating licenses among a wide variety of applicants, including small businesses and businesses owned by members of minority groups and women." H.R. Rep. No. 111, 103d Cong., 1st Sess. (1993) *reprinted in* 1993 U.S.C.C.A.N. 378, 581; *See also* 107 Stat. at 388. In other words, the Congressional goal is economic opportunity and competition. Specifically, Congress seeks to achieve economic opportunity for, *inter alia*, female-owned businesses. The FCC is to achieve this goal by ensuring licenses are disseminated "among a wide variety of applicants." *Id.* Congress instructed the FCC to achieve these goals by the "use of tax certificates, bidding preferences, and other procedures." H.R. Cong. Rep. No. 213, 103d Cong., 1st Sess. (1993), *reprinted in* U.S.C.C.A.N. 1088, 1171-1173.

The need to create economic opportunity for businesses owned by women is supported by numerous findings and studies which

demonstrate the disparity between economic opportunities available to female-owned businesses and their male counterparts. As of 1987, women-owned approximately 27% of U.S. small businesses.¹ In the communications related industries,² there are even fewer women-owned companies. Of the 32,536 U.S. small businesses operating in communications services in 1987, only 7,899 or 24% were owned by women.³ When firms without paid employees are excluded, women own only 14.6% (1,098 out of 7,524) of the small firms in communications businesses.⁴ Between 1982 and 1987, the number of women-owned businesses in the communications field (including firms without paid employees) grew from 1,392 to 7,899, an increase of over 467% in a five year period.⁵ Nonetheless, of all small businesses owned by women, only

¹ *The State of Small Business: A Report to the President* (Transmitted to the Congress 1991), page 250, attached in pertinent part as Exhibit 1, is based on 1987 data from the Business Census conducted every five years. In prior reports, including 1987, only sole proprietorships, partnerships, and Subchapter S Corporations were included in the survey of women-owned businesses. Regular corporations were added to the survey in the 1992 census. The data from the quinquennial survey of business, last taken in 1992, will not become publicly available until early 1995 according to personnel in the Economic Census and Surveys Division of the U.S. Census Bureau. Additional information from the 1987 Minority Business Census, which includes a section on women-owned businesses, is attached as Exhibit 2. "Facts on Working Women" from the U.S. Department of Labor, regarding women-owned businesses by ethnic background, are supplied in Exhibit 3. The Congressional Caucus for Women's Issues Report, attached as Exhibit 4, at page 1, reports that 32% of all small businesses were owned by women as of 1991 based on Small Business Administration data.

² Communications industries and businesses for purposes of the 1987 survey are defined by census SIC codes in Exhibit 5. The businesses range from telephone, broadcasting and cable to missile tracking stations and stock ticker services. *Id.*

³ 1987 Economic Censuses, "Women Owned Business," WB87-1, U.S. Department of Commerce, Bureau of the Census, August 1990, Tables 10 and 1, respectively, SIC Code 48 "Communications," attached hereto as Exhibit 6. A breakdown of the number of women-owned firms in communications' SIC Codes, e.g., for telephones, television and radio, is attached in Exhibit 5.

⁴ Exhibit 6.

⁵ Exhibit 6, Table 1. Including only small firms with paid employees, the increase from 1982 to 1987 was 641%. *See id.*

0.19% were in communications businesses.⁶ In sum, women are severely underrepresented as owners of communications companies.⁷

According to the Congressional Caucus for Women's Issues, many barriers exist for women business owners, particularly in the areas of access to credit and federal procurement.⁸ Similar conclusions are also found in the 1992 Annual Report to the President and Congress of the National Women's Business Council:

While increasing numbers of women continue to enter the telecommunications industry, there is still a marked lack of women with the technical and managerial expertise--plus length of experience--to start a successful telecommunications business.... [A]ccess to capital is extremely difficult. This is a capital-intensive industry, generally requiring a substantial start-up investment. Sources of capital are limited....⁹

According to the FCC Small Business Advisory Committee, "[e]ntry opportunities for small service providers have been constrained in existing telecommunications markets by undercapitalization,

⁶ Exhibit 6, Table 1 ($7899/4,114,787 = .0019 \times 100$). For firms with paid employees, women-owned communications firms constituted 0.17% of all small businesses owned by women. The industry subgroup including communications is Transportation and Public Utilities. This industry subgroup accounts for 1.94% of the small businesses owned by women. See Exhibit 1, *The State of Small Business: A Report to the President*, at 263; "Report of the FCC Small Business Advisory Committee to the Federal Communications Commission Regarding Gen. Docket 90-314," September 15, 1993, at 4, hereinafter SBAC Report.

⁷ Women comprise 53% of the nation's population according to the 1990 census.

⁸ See Exhibit 4 at page 2.

⁹ 1992 Annual Report to the President and Congress, National Women's Business Council, "Women Entrepreneurs in Telecommunications -- Denver, March, 1992," page 15. Attached hereto as Exhibit 7. See also, 1991 Annual Report to the President and Congress, National Women's Business Council (NWBC), page 26 ("[A]ccess to capital has been and continues to be the biggest problem women business owners must face"), attached hereto as Exhibit 8 and note 10, *infra*. Please note that the NWBC attachments are summaries of its findings. The complete annual reports can be obtained from its Washington office.

concentration of ownership, and other conditions contributing to the exclusion of businesses owned by minorities and women.”¹⁰

These reports strongly support the conclusion that there is a need to create economic opportunities for women, particularly in communications industries. As Congress stated in the Statute and the legislative history, an important governmental interest will be served by the gender based preferences. The use of preferences to promote economic opportunity in spectrum based services for female-owned businesses is not based on “sex-based generalizations,” but on empirical data supporting the need to create economic opportunity for female-owned businesses. *Lamprecht v. FCC*, 598 F.2d at 392-95. Therefore, the promotion of economic opportunities for businesses owned by women is a substantial governmental interest.

Additional caselaw further supports the conclusion that promoting economic opportunity is an important governmental interest. According to the Supreme Court, “[r]eduction in the disparity in economic condition between men and women caused by the long history of discrimination against women has been recognized as such an important governmental objective.” *Califano v. Webster*, 430 U.S. 313, 317 (1977). See also, *Associated General Contractors v. City and County of San Francisco*, 813 F.2d 922 (9th Cir. 1987) (remedying disadvantages women faced in the market place is an important governmental interest); *Coral Construction Co. v. King County*, 941 F.2d 910, 932 (9th Cir. 1991)(The county “has a legitimate and important interest in remedying the many disadvantages that confront women business owners.”).

¹⁰ SBAC Report, at page 3.

C. Preferences Are Substantially Related To Achieving The Governmental Interest -- Economic Opportunity

Gender based preferences, as proposed by the Commission and suggested by Congress, are necessary to achieve an important governmental interest -- promoting economic opportunity in the provision of spectrum based services for female-owned business.¹¹ The promulgation of regulations, in the form of preferences such as set-asides and bidding preferences, will increase the ability of female-owned business to enter the spectrum based services market.

Without the proposed spectrum blocks set-aside for PCS, women entrepreneurs and other small businesses will have a great disadvantage in competing against well-heeled established companies in the spectrum auction, and the goal of disseminating licenses to a wide variety of applicants will be lost. Furthermore, the proposed set-asides do not exclude men, as men are eligible to bid in the auction as small businesses for the restricted spectrum and for the other five spectrum blocks proposed for allocation to each market area. Thus, any claim that the set-aside blocks violate the Equal Protection Clause is virtually diluted.

¹¹ The Department of Transportation has already "designated women as disadvantaged business owners on a par with minorities for purposes of their state grant programs." NWBC 1992 Annual Report at 9, attached hereto as Exhibit 7.

Unlike the female preferences in *Lamprecht, supra*,¹² the goal Congress and the Commission seek to achieve, economic opportunity, can be achieved by the incentives for women and minorities to enter spectrum based businesses the FCC proposes in the NPRM. “[S]et-aside and preference methods are legitimate means of furthering the [legitimate governmental] objective” of “remedying the many disadvantages that confront women business owners” and “are not unduly onerous.” *Coral Construction Co. v. King County*, 941 F.2d at 932. Thus, the means are substantially related to the goal of increasing economic opportunity.

IV. CONCLUSION

To pass constitutional muster, gender-based classifications must serve an important governmental interest and the means employed, e.g., preferences, must be substantially related to achievement of that important governmental interest. The promotion of economic opportunity for businesses owned by women is an important governmental interest. That interest can be advanced by assisting female-owned businesses to enter the communications industry, particularly the spectrum based services industry. Tax certificates, spectrum set-asides, bidding preferences and preferential payment terms will all assist female-owned businesses to enter the market and will help compensate for inequities in other areas such as capital financing. Thus, a program of preferences for female applicants will directly and immediately achieve the Congressional goal of creating economic

¹² In *Lamprecht*, the majority opinion of the Court of Appeals for the D.C. Circuit found that there had not been sufficient record support to conclude that female ownership of broadcast stations fostered the governmental interest in programming diversity. At that time, Congress had restricted the FCC's appropriations so that no studies of female ownership in broadcasting could be made. *Lamprecht*, 958 F.2d at 385.

opportunity for businesses owned by women in the spectrum based services industry. Such a scheme will not contravene the Equal Protection Clause of the Fifth Amendment to the Constitution.

WHEREFORE, the premises considered, American Women in Radio and Television, Inc., respectfully submits these Comments in support of the proposed scheme of economic opportunities such as tax certificates, spectrum set-asides, bidding preferences, and preferential payment terms for businesses owned by women entrepreneurs and submits that such a program will not violate the Equal Protection Clause of the Constitution.

Respectfully submitted,

AMERICAN WOMEN IN RADIO AND
TELEVISION, INC.


Melodie A. Virtue
Vice President, Government Relations

1101 Connecticut Avenue, N.W.
Suite 700
Washington, D.C. 20036

November 9, 1993



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THE STATE OF SMALL BUSINESS:

A REPORT
OF THE
PRESIDENT
TRANSMITTED TO THE CONGRESS

1945

Women-Owned Businesses

Synopsis

The number of women-owned businesses increased by 57.4 percent between 1982 and 1987, with the receipts of these businesses rising by 81.2 percent over this same period, according to the Census Bureau's latest Survey of Women-Owned Business. The industries for which the receipts of women-owned businesses grew most rapidly between 1982 and 1987—manufacturing; transportation, communications, and public utilities; and construction—are industries in which women-owned businesses have traditionally been underrepresented. As a result, the industrial distribution of the receipts of women-owned businesses in 1987 was more diverse than it was in 1982.

The first federally produced estimates of the number and receipts of regular (1120C) corporations owned by women were created as a byproduct of a special survey undertaken by the Federal Reserve Board of Governors and the U.S. Small Business Administration. Combining these estimates with the Census data on women-owned sole proprietorships, partnerships, and Subchapter S corporations obtains crude but uniquely comprehensive estimates of the relative size of the women-owned business population in 1987. It is estimated that women owned approximately 27 percent of all U.S. businesses, and that women-owned businesses generated about 4.5 percent of total business receipts in 1987.

The Internal Revenue Service provides the SBA with annual estimates of the number and receipts of women-owned, men-owned, and jointly owned sole proprietorships. The most recent data available are for 1988, and they indicate that the formidable growth of women-owned businesses that occurred during the last decade may be slowing. Between 1987 and 1988, the number of women-owned sole proprietorships grew by 3.3 percent, the lowest yearly increase during the 1977-1988 time span for which these data are available. Whether these data reflect an inevitable slowing in the rate of increase of women-owned businesses, or an aberration in the data will not be known until statistics for later periods are available.

Introduction

The 1980s witnessed two remarkable developments in the status of women-owned businesses. First, this segment of the business population grew at a significant rate in both the number of businesses and receipts. Second, women were becoming business owners and rapidly increasing their receipts in a wider and more representative mix of industries.

The 1982 and 1987 Surveys of Women-Owned Businesses

This appendix examines the size and growth of the women-owned business population using data from three basic sources: (1) the Survey of Women-Owned Businesses (WOB), produced by the U.S. Bureau of the Census; (2) data obtained from a one-time survey conducted by the Federal Reserve Board of Governors and the SBA; and (3) data on women-owned, men-owned, and jointly owned sole proprietorships compiled for the SBA by the Internal Revenue Service. While none of these data sources provides a complete picture of the women-owned business population, each provides insight on some important developments in the status of women-owned businesses.¹

The Census Bureau's Survey of Women-Owned Businesses is the most comprehensive source of data on women-owned businesses that are collected on a regular (quinquennial) basis. Every five years since 1972, the Census Bureau—as a special program of its Economic Censuses—releases basic statistics on women-owned businesses, as well as statistics on businesses owned by Blacks and other minorities.² These statistics cover women-owned sole proprietorships, partnerships, and Subchapter S corporations, but do not cover regular corporations, which are typically the largest businesses.³ (Unless otherwise specified, the discussion presented in this appendix does not pertain to regular corporations owned by women.) Although the Census data coverage is incomplete, it is the most comprehensive of its kind.

Over the last several years, there has been much fanfare about the rapid growth of the women-owned business population, but until the October 1990 release of the 1987 Census statistics on women-owned businesses,

¹For a discussion of the various sources of data on women-owned businesses, see U.S. Small Business Administration, Office of Advocacy, *A Status Report to Congress: Statistical Information on Women in Business* (Washington, D.C.: U.S. Small Business Administration, December 1990).

²The Census Bureau classifies a business as women-owned if 50 percent or more of the business' owners are women. By this classification scheme, jointly owned sole proprietorships are counted among women-owned businesses.

³Beginning with 1987, the Census data also exclude businesses with less than \$500 in annual receipts.

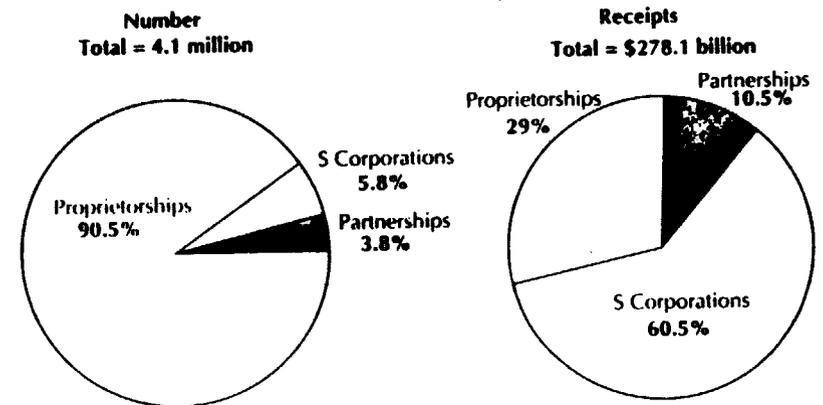
the dimensions of this growth were not really known.⁴ Comparing 1982 and 1987 statistics on women-owned businesses reveals a formidable increase in the number of women-owned businesses. Female business ownership has made great strides by other measures as well: between 1982 and 1987, the number of women-owned sole proprietorships, partnerships, and Subchapter S corporations rose from 2,612,621 to 4,112,787, an increase of about 58 percent. The total receipts of these businesses nearly tripled over this same period, rising from \$98.3 billion in 1982 to \$278.1 billion in 1987. To put these growth rates into perspective, the number of all U.S. businesses, including regular corporations, rose by only 26.2 percent, from 14.6 million in 1982 to 18.4 million in 1987, and their sales increased by 55 percent, from \$6.8 trillion to \$10.6 trillion.

As of 1987, women-owned businesses accounted for roughly 30 percent of the number and about 13.9 percent of the receipts of all businesses within the Census universe. Most of these women-owned businesses are organized as sole proprietorships, although Subchapter S corporations account for most of the receipts of these businesses (Chart D.1, Table D.1).

Perhaps as significant as the growth of the women-owned business population is the industrial diversification of these businesses. Traditionally, women-owned businesses have been concentrated in the retail trade and services industries. As recently as 1987, more than half (55.2 percent) of all women-owned businesses were in services (Table D.2). But this figure is somewhat misleading: while the percentage of all women-owned businesses in these industries rose between 1982 and 1987, the share of women-owned business receipts accounted for by these industries declined (Table D.2). Whereas in 1982, women-owned firms in the retail trade and services industries accounted for just over 63 percent of the total receipts of women-owned businesses, by 1987, that share had decreased to under 53 percent. One reason is the strong growth in total receipts of women-owned businesses in industries where they were traditionally

⁴A processing error in the 1977 women-owned business data rendered those data incomparable with data for other years. Thus, 1982 and 1987 are the first two consecutive time periods for which comparable statistics on women-owned businesses are available.

Distribution of the Number and Receipts of Women-Owned Businesses by Legal Form of Organization in 1987



Source: U.S. Department of Commerce, Bureau of the Census, *Women-Owned Business, 1987* (Washington, D.C.: U.S. Government Printing Office, 1990), Table 7.

more sparsely represented, namely, construction, manufacturing, and wholesale trade.

Between 1982 and 1987, the number of women-owned businesses in the construction industry rose by nearly 60 percent, and their total receipts more than quadrupled, rising from \$4.6 billion in 1982 to \$20.3 billion in 1987 (Charts D.2 and D.3, Table D.3).

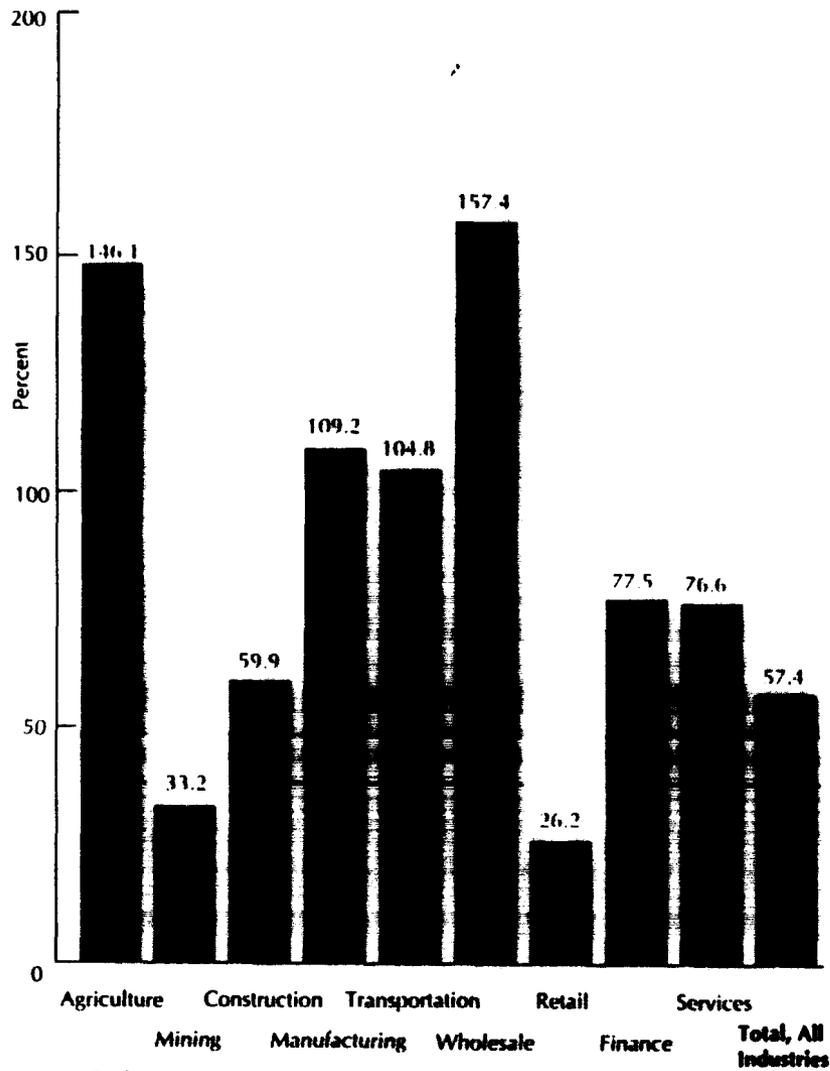
During this same period, the number of women-owned businesses in manufacturing more than doubled, rising from 44,909 in 1982 to 93,960 in 1987. Even more striking was the change in their total receipts, up nearly sixfold, from \$5.3 billion in 1982 to \$30.9 billion in 1987. The manufacturing share of women-owned business receipts increased from 5.4 percent in 1982 to 11.1 percent in 1987.

The growth of women-owned businesses in wholesale trade was also strong: between 1982 and 1987, the number of women-owned firms in this industry rose from 32,059 to 82,513, an increase of 157.4 percent. Their receipts increased by more than 365 percent, from \$9.2 billion in 1982 to \$42.8 billion in 1987.

An indication of women's complete integration into business ownership would be an industrial cross-section of women-owned businesses that closely resembles that

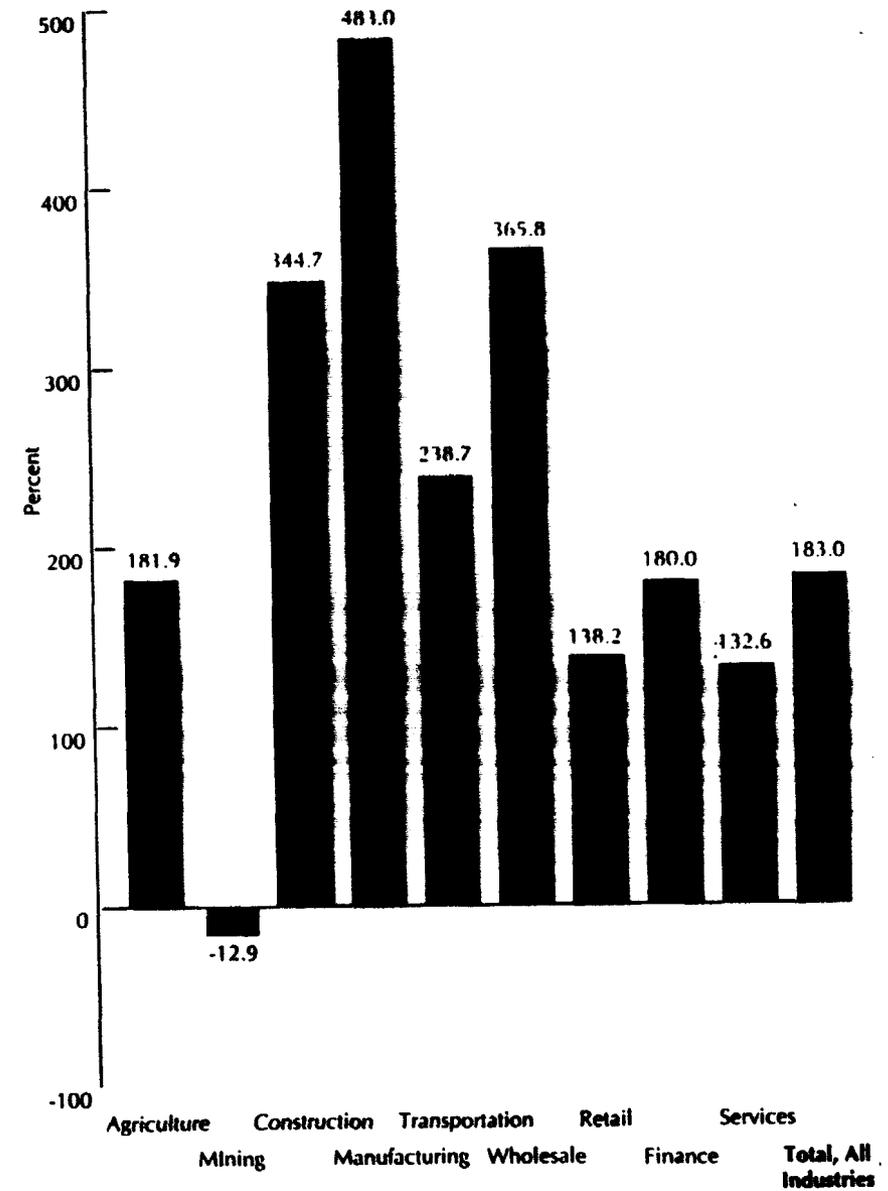
Changes in Industrial Distribution

Change in the Number of Women-Owned Businesses, by Industry Division, 1982-1987



Source: U.S. Department of Commerce, Bureau of the Census, *Women-Owned Businesses, 1987* (Washington, D.C.: U.S. Government Printing Office, 1990), Table 1.

Change in the Receipts of Women-Owned Businesses, by Industry Division, 1982-1987



Source: U.S. Department of Commerce, Bureau of the Census, *Women-Owned Businesses, 1987* (Washington, D.C.: U.S. Government Printing Office, 1990), Table 1.

Changes in Geographic Distribution

of the entire business population. The 1987 Census data indicate that women business owners have made great strides in this direction by rapidly increasing their industrial diversification.

Between 1982 and 1987, the Northeastern states led the nation in relative growth in the number and annual receipts of women-owned businesses (Tables D.4 and D.5). In fact, five of the six states that had the fastest relative growth in women-owned business receipts were in New England. The increases were 526.6 percent in Massachusetts, 395.7 percent in Rhode Island, 374.3 percent in New Hampshire, 288.8 percent in Maine, 285.0 percent in Delaware, and 279.7 percent in Connecticut. Virtually all of the top 14 states were on the East Coast. These geographic patterns in the receipts growth of women-owned businesses are not readily explained; they do not mirror patterns in the overall economic growth of states' economies. For instance, there is no systematic relationship between the rankings of states by the relative growth of women-owned businesses' receipts between 1982 and 1987 and by relative growth of statewide personal income over the same period.

Between 1982 and 1987, California remained the state with the largest absolute volume of receipts generated by women-owned businesses. In 1987, the receipts of women-owned businesses in California were a formidable \$31.0 billion, just over 11 percent of the \$278 billion in women-owned business receipts nationwide.

Women-Owned Businesses as Employers of U.S. Workers

Women-owned businesses are increasingly important providers of American jobs. Between 1982 and 1987, the number of women-owned businesses with paid employees nearly doubled, rising from 311,662 businesses in 1982 to 618,198 businesses in 1987. As of 1987, women-owned businesses employed 3.1 million American workers, more than twice the 1.4 million workers employed by women-owned businesses in 1982.

A More Complete Accounting of the Women-Owned Business Population

The Federal Reserve Board of Governors, with SBA cooperation, conducted the National Survey of Small Business Finance (NSSBF) to collect information on the financial structure of small businesses. A byproduct of this survey is the only federally produced estimate of the number and receipts of regular (1120C) corporations owned by women. According to the NSSBF, there were 184,103 regular corporations owned by women in 1987, with total receipts of approximately \$198.8 billion.

Pursuing More Timely Data

Combining the 1987 NSSBF figures on women-owned regular corporations with the 1987 Census data on women-owned sole proprietorships, partnerships, and Subchapter S corporations creates crude but uniquely comprehensive estimates of the total number of women-owned businesses and their annual receipts. The combined Census and NSSBF data reveal that in 1987 there were approximately 4.3 million women-owned businesses, with total receipts of \$476.9 billion. These estimates—contrasted with Census and IRS universe estimates of the 1987 U.S. business population—establish an approximate lower bound for women-owned business' share of businesses and business receipts: as of 1987, about 26.6 percent of U.S. businesses were women-owned, accounting for roughly 4.5 percent of total U.S. business receipts.⁵

The Census Bureau's quinquennial Survey of Women-Owned Businesses (WOB) is the most comprehensive source of data on women-owned businesses collected by the federal government on a regular basis. However, these data are collected only at five-year intervals, and there is a two- to three-year lag in their release.

The IRS assists the SBA to enable more timely tracking of women-owned businesses and to track these businesses over the interim years not covered by Census' WOB. Every year, under an interagency agreement with the IRS, SBA's Office of Advocacy purchases customized tabulations based on a random sample of nonfarm sole proprietorship income tax returns.

On the basis of the first names of sole proprietors appearing on Form 1040C income tax returns, the IRS classifies nonfarm sole proprietorships as women-owned, men-owned, or jointly owned. The IRS provides the SBA with tabulations of the number, annual receipts, and net income of sole proprietorships by gender of ownership, geographic location (SBA region), and indus-

⁵The Census Bureau reports that there were 13,695,480 sole proprietorships, partnerships, and Subchapter S corporations (with receipts of \$500 or more) in 1987, with combined 1987 receipts of \$1.995 trillion. The Internal Revenue Service reports that there were 2,484,228 regular (1120C) corporations with total receipts of \$8.61 trillion in 1987.

try group.⁶ At present, IRS/SBA data on women-owned, men-owned, and jointly owned sole proprietorships are available for every year, except 1978, between 1977 and 1988.

Between 1980 and 1988, the number of women-owned nonfarm sole proprietorships increased by 81.9 percent, from 2,535,240 in 1980 to 4,610,951 in 1988. This is about one and one-half times the rate of increase in the number of all nonfarm sole proprietorships (Table D.6). The total receipts of women-owned nonfarm sole proprietorships rose from \$36.4 billion in 1980 to \$83.4 billion in 1988, an increase of 129.2 percent. By contrast, the total receipts of all nonfarm sole proprietorships rose by 55.8 percent over this eight-year period (Table D.7). As of 1988, the average receipts size of women-owned sole proprietorships was \$18,080 (in current dollars), or about 34 percent of the average (current dollar) receipts size of men-owned sole proprietorships (\$52,485).

In 1980, the share of all nonfarm sole proprietorships owned by women was 26.1 percent; by 1988, it had risen to 30.4 percent. In 1988, women-owned sole proprietorships accounted for 13 percent of the receipts of all nonfarm sole proprietorships, up from 8.8 percent in 1980.

Between 1980 and 1988, the industrial sectors that experienced the strongest relative growth in the number of women-owned sole proprietorships—mining, construction, manufacturing, and transportation, communications, and public utilities—were industries in which women-owned businesses have traditionally been underrepresented. This pattern is consistent with the increasing industrial diversification of women-owned businesses revealed by the Census data for 1982 and 1987.

Ranked by geographic location, SBA Region II (New Jersey and New York) posted the highest rate of growth in the number of women-owned nonfarm sole proprietorships, at 114.2 percent (Table D.8). However, SBA

⁶The industry groups are: (1) agriculture, forestry, and fishing; (2) mining, construction, and manufacturing; (3) transportation, communications, and electric utilities; (4) wholesale and retail trade; (5) finance, insurance, and real estate; and (6) services. Cost considerations preclude processing a sufficiently large sample of tax returns to permit legal disclosure of data arrayed by gender of ownership and less aggregated levels of geographic and industrial detail.

Region IX (Arizona, California, Hawaii, and Nevada) exhibited the strongest relative growth—217.0 percent—in women-owned business receipts (Table D.9).

The average annual increase in the number of women-owned nonfarm sole proprietorships between 1977 and 1988 was 8.4 percent, nearly twice the 4.4-percent average annual growth rate in the number of proprietorships owned by men (Table D.10). After adjusting for inflation, the total receipts of women-owned nonfarm sole proprietorships grew at an average annual rate of 5.9 percent, almost six times the 0.1 percent average growth rate of the receipts of men-owned sole proprietorships during this same period (Table D.11).

Between 1977 and 1988, there was a fairly steady decline in the average inflation-adjusted receipts of nonfarm sole proprietorships, regardless of gender of ownership (Table D.12). However, the receipts size of women-owned sole proprietorships declined less each year, on average (-2.6 percent) than did men-owned sole proprietorships (-4.1 percent), or nonfarm sole proprietorships overall (-4.3 percent).

In many ways, the 1988 IRS/SBA data on women-owned sole proprietorships represent a departure from the favorable trends that prevailed from the late 1970s through most of the 1980s. For example, the 1987-1988 growth in the number of women-owned nonfarm sole proprietorships was the lowest in the entire 1977-1988 period for which data are available. In fact, 1987-1988 marked the first time since 1983-1984 that the number of women-owned sole proprietorships increased less than men-owned nonfarm sole proprietorships and nonfarm sole proprietorships overall.

Moreover, while the total (inflation-adjusted) receipts of women-owned nonfarm sole proprietorships actually declined by 0.06 percent between 1987 and 1988, those of men-owned sole proprietorships rose by 1.41 percent and overall receipts of nonfarm sole proprietorships increased by 1.83 percent.

The apparent change of direction in the 1987-1988 IRS/SBA women-owned business statistics may reflect an aberration in the data or may be a temporary phenomenon. However, the last several years have been characterized by exceptionally strong growth in the women-owned segment of the business population, and it is inevitable that this pace will eventually slow down. Only time will tell whether 1988 marks the inflection point in the expansion of the women-owned business population.

Conclusion

Women-owned businesses constitute a rapidly expanding segment of the U.S. business population. Moreover, as revealed by both IRS/SBA time series data on women-owned sole proprietorships and the more comprehensive 1982 and 1987 Census data, women entrepreneurs are moving into industries where women-owned businesses have traditionally been underrepresented. This development is essential if women are to achieve economic parity among business owners. In the real world, profit rates vary by industry, and in this context, women's ability to establish businesses in all industries is an equity issue.⁷ The increased industrial diversification of women-owned businesses is a positive development in the economic empowerment of women.

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⁷See *Relative Tax Burden by Firm Size and Industry*, report no. PB86-159878, prepared by Jack Faucett Associates, Inc., for the U.S. Small Business Administration, Office of Advocacy (Springfield, Va.: National Technical Information Service, 1985).

Number and Receipts of Women-Owned Businesses by Legal Form of Organization, 1987

Legal Form of Organization	Number of Businesses	Percent of Total	Total Receipts (Millions of Dollars)	Percent of Total
Sole Proprietorships	3,722,544	90.5	80,627	10.5
Partnerships	155,760	3.8	29,265	29.0
Subchapter S Corporations	236,483	5.8	168,246	60.5

Source: Adapted by the U.S. Small Business Administration, Office of Advocacy, from U.S. Department of Commerce, Bureau of the Census, Women-Owned Businesses, 1987 (Washington, D.C.: U.S. Government Printing Office, 1990), Table 7.

Number and Receipts of Women-Owned Businesses by Industry, 1982 and 1987

Industry	1982				1987			
	Number of Firms	Percent of Total	Receipts (Thousands of Dollars)	Percent of Total	Number of Firms	Percent of Total	Receipts (Thousands of Dollars)	Percent of Total
Agriculture, Forestry, Fishing	19,497	0.75	685,728	0.70	47,979	1.17	1,932,818	0.69
Mining	19,832	0.76	2,220,945	2.26	26,420	0.64	1,933,822	0.70
Construction	58,991	2.26	4,564,914	4.64	94,308	2.29	20,302,124	7.30
Manufacturing	44,909	1.72	5,302,877	5.40	93,960	2.28	30,914,089	11.11
Transportation, Communications, Public Utilities	38,944	1.49	3,228,923	3.29	79,768	1.94	10,936,278	3.93
Wholesale Trade	32,059	1.23	9,189,524	9.35	82,513	2.01	42,804,558	15.39
Retail Trade	631,309	24.16	35,861,430	36.48	796,692	19.37	85,417,525	30.71
Finance, Insurance, Real Estate	246,403	9.43	6,369,932	6.48	437,360	10.63	17,833,402	6.41
Services	1,284,837	49.18	26,277,751	26.73	2,269,028	55.17	61,123,430	21.98
Unclassified	235,840	9.03	4,589,489	4.67	184,759	4.49	4,940,071	1.78

Source: Adapted by the U.S. Small Business Administration, Office of Advocacy, from U.S. Department of Commerce, Bureau of the Census, Women-Owned Businesses, 1987 (Washington, D.C.: U.S. Government Printing Office, 1990), Table 1.

Number and Receipts of Women-Owned Businesses, 1982 and 1987

	Number of Businesses		Percent Change, 1982-1987	Rank
	1982	1987		
Agriculture	19,497	47,979	146.08	2
Mining	19,832	26,420	33.22	8
Construction	58,991	94,308	59.87	7
Manufacturing	44,909	93,960	109.22	3
Transportation, Communications, Public Utilities	8,944	79,768	104.83	4
Wholesale Trade	32,059	82,513	157.38	1
Retail Trade	631,309	796,692	26.20	9
Finance, Insurance, Real Estate	246,403	437,360	77.50	5
Services	1,284,837	2,269,028	76.60	6
Unclassified	235,840	184,759	-21.66	—

	Receipts (Thousands of Dollars)		Percent Change, 1982-1987	Rank
	1982	1987		
Agriculture	685,728	1,932,818	181.86	5
Mining	2,220,945	1,933,822	-12.93	9
Construction	4,564,914	20,302,124	344.74	3
Manufacturing	5,302,877	30,914,089	482.97	1
Transportation, Communications, Public Utilities	3,228,923	10,936,278	238.70	4
Wholesale Trade	9,189,524	42,804,558	365.80	2
Retail Trade	35,861,430	85,417,525	138.19	7
Finance, Insurance, Real Estate	6,369,932	17,833,402	179.96	6
Services	26,277,751	61,123,430	132.61	8
Unclassified	4,589,489	4,940,071	7.64	—

Source: U.S. Department of Commerce, Bureau of the Census, *Women-Owned Businesses, 1987* (Washington, D.C.: U.S. Government Printing Office, 1987), Table 1.

Women-Owned Firms by SBA Region and State, 1982 and 1987

Region/State			Percent Change, 1982-1987	Rank
	1982	1987		
Massachusetts	63,162	111,376	76.3	5
Rhode Island	8,032	14,517	80.7	3
New Hampshire	11,912	22,713	90.7	1
Maine	14,473	23,922	65.3	13
Connecticut	35,450	60,924	71.9	7
Vermont	8,044	13,802	71.6	8
New Jersey	63,243	117,373	85.6	2
New York	176,485	284,912	61.4	16
Delaware	5,702	9,727	70.6	9
Maryland	48,371	81,891	69.3	10
Virginia	56,882	94,416	66.0	11
Pennsylvania	106,159	167,362	57.7	20
District of Columbia	8,893	10,987	23.6	51
West Virginia	15,730	22,549	43.4	43
North Carolina	57,374	93,532	63.0	14
Florida	125,392	221,361	76.5	4
Georgia	53,254	88,050	65.3	12
South Carolina	27,055	42,604	57.5	21
Alabama	30,856	48,018	55.6	27
Tennessee	44,643	67,448	51.1	30
Mississippi	20,411	28,976	42.0	45
Kentucky	36,558	53,454	46.2	36
Illinois	110,278	177,057	60.6	18
Wisconsin	44,413	69,185	55.8	26
Minnesota	56,234	88,137	56.7	22
Michigan	87,133	133,958	53.7	28
Indiana	62,015	89,949	45.0	40
Ohio	102,519	154,084	50.3	32