

DISCRIMINATION BY NAVY IN AWARDING CONTRACTS FOR ELECTRICAL SWITCHES

Ark-Les Switch Corporation, Watertown, Massachusetts charges that Section 665 (Intercommunications) of the Bureau of Ships of the Navy Department has favored Arrow, Hart & Hegeman, Electric Company of Hartford, Connecticut, in the procurement of electrical switches for all types of ships, resulting in a waste of public funds represented by the difference between the actual cost and the price at which the switches could have been procured under competitive bidding.

These two corporations are the leaders in the electrical switch field. Arrow, Hart & Hegeman is the larger concern, having an estimated volume of sales in 1943 of \$12,000,000. as compared with \$2,650,000. for Ark-Les. Ark-Les had approximately 300 employees on July 1, 1943. Prior to the war it manufactured electrical switches for the automotive industry. Arrow, Hart and Hegeman had dominated the pre-war appliance switch business.

M. F. MacNeil, President of Ark-Les complains of five major instances of discrimination.

1. Negotiation 795. Only one invitation to a bid on a supply of switches was sent from Navy Procurement Offices, 90 Church Street, New York City. That went to Arrow, Hart and Hegeman. MacNeil learned about it and, upon request, was furnished with an invitation to bid. He bid \$5,525. for four items out of six. Arrow, Hart & Hegeman bid \$15,560. for the same items and were awarded the contract. Ark-Les promised complete delivery within 15 days. Arrow, Hart and Hegeman promised staggered deliveries in 45 to 75 days. An Ark-Les representative learned

from the New York Navy Purchasing Office after first being refused access to the information that Arrow, Hart and Hegeman had been awarded the contract "for the good of the Navy."

MacNeil demanded an explanation of the failure to award the contract to him as low bidder by letter to the Secretary of the Navy dated November 23, 1942. He received a reply dated January 20, 1943, stating reasons for the rejection of his bid:

- a. Failure to quote on all items contained in the invitation to bid. MacNeil claims this is a common practice, followed by him in other instances where the Navy did award him a contract.
- b. Failure to supply plans and illustrations forming part of the invitation to bid. MacNeil claims no Navy regulation required this.
- c. Lack of Navy records on Ark-Les capacity to perform. MacNeil has letters from Portsmouth Navy Yard approving Ark-Les as a source; also questionnaire on subject filed with Bid.

2. Development contract for "JR" type switch. Late in 1942 Section 665 placed this contract with Arrow, Hart & Hegeman. Ark-Les was not sent an invitation to bid. It involved the development of a smaller, lighter and less expensive switch of high quality than the commonly known J type then in existence.

3. Production contract for "JR" switches. This was awarded to Arrow, Hart and Hegeman, December 27, 1943. With respect to this contract and its performance, MacNeil claims:

- a. Prices are high. For example, Ark-Les could supply the Navy item 5 for \$11.70 but the contract with Arrow, Hart and Hegeman was \$19.38.
- b. Deliveries are behind. Contract called for one-half in 60 days, complete in 90 days. There were no deliveries until June 21, 1944 and as of the middle of July 1944 the major portion of this contract remained undelivered. MacNeil claims that he could have achieved a production rate of 2,000 switches per day by June 15. This type is in heavy demand by the Navy.

4. Production of 10, 30, 60 and 100 ampere switches.

In July 1943 this contract was awarded to Arrow, Hart and Hegeman for \$395,000. MacNeil complained to Commander Grimes, Chief of Section 665 and was told it was none of his business who the contracts were awarded to. Shortly, thereafter, however, Mr. MacNeil was informed that the contract was held up and re-advertised, with invitations being sent out to at least two contractors who do not make this type of switch, one being Allis Chalmers. The contract was then again awarded to Arrow, Hart and Hegeman at \$315,380. MacNeil says \$250,000. to \$270,000. would have been a reasonable figure.

5. Unfair "operational" test of an Ark-Les switch.

Bruno Ahlers, Ark-Les New York representative witnessed Mr. Flatt, at Brooklyn Navy Yard testing a 10-amp switch at 450 volts when it should have been tested at 120 volts. A new regulation requires this testing to be done in Portsmouth Navy Yard but Flaherty & Portnay of Section 665 told Warren, Ark-Les Washington representative that that regulation was "no good" and that Section 665 was going to make its own tests regardless.

Ark-Les in soliciting business for "JR" switches from Paragon Electric Company of Chicago, was confronted by a statement that their switches had not been approved by Section 665. Ark-Les bid \$9.17 each and Arrow, Hart and Hegeman bid \$12.35, on a quantity of 11,000. A similar objection prevented Ark-Les from getting a General Electric Contract although Ark-Les bid \$12.25 against \$16.00 for Arrow, Hart and Hegeman.
