

Our review indicated that savings of about \$3.9 million could have been realized had the Alaska Communication System taken action in a more timely manner after it first became aware that the microwave was less expensive than the cable.

We attempted to determine from officials of the Department of the Air Force why the longstanding question on the use of communication facilities serving Alaska was not resolved more promptly. They were unable to provide us with any record to show why any decisive action had not been taken to resolve this question prior to our review.

We brought our findings to the attention of the Secretary of Defense in a draft report. We proposed that examinations be made into the management of the Alaska Communication System with a view to making changes needed to insure that, if similar situations should arise, they be brought to the attention of appropriate officials for timely action.

On March 28, 1967, the Department of the Air Force, commenting for the Secretary of Defense, stated that it generally concurred with the facts stated in our report.

The Air Force said that it plans to convert the Alaska Communication System operation to industrial funding. Also the Air Force will monitor the cable contract at the highest possible level to insure the most satisfactory combination of price and service for both the Government and the Alaskan public.

Since the Alaska Communication System operation has not yet been converted to industrial funding, action should be taken now to strengthen management controls so that situations similar to that discussed in our report are promptly brought to the attention of appropriate management officials and resolved. With regard to the cable contract, we are in full accord that continued monitoring of the contract is essential and in the best interest of the Government.

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PROCUREMENT OF NUCLEAR SUBMARINE PROPULSION EQUIPMENT UNDER PUBLIC LAW 87-653, DEPARTMENT OF THE NAVY

The General Accounting Office has examined into the pricing of propulsion equipment for use in a nuclear submarine, which is being purchased under a fixed-price subcontract from General Electric Co. Our findings clearly show the additional costs which the Government can incur when significant cost or pricing data is not disclosed during contract price negotiations. They emphasize the need for full disclosure of all data pertinent to price negotiations, as required by Public Law 87-653.

A significant portion of the cost data which General Electric furnished to the Navy and certified as being accurate, complete, and current was based on the cost of processing certain castings in its own plant. We noted, however, that, prior to the date the negotiations were concluded, the Medium Steam Turbine, Generator, and Gear Department of General Electric had requested and received from suppliers price quotations for fully processed castings. These quotations were not disclosed to the Navy during price negotiations, even though the amounts quoted were substantially less than the