

Defense contract pits Amazon against the rest of Big Tech

April 18 2018, by Matt Day And Rachel Lerman, The Seattle Times

A wide range of technology giants find themselves unified by a single concern: that Amazon has the inside track to win a huge winner-take-all government cloud-computing contract that could help accelerate the Seattle company's lead in the fast-growing industry.

The Department of Defense this week released more than 1,000 comments it received in response to a draft plan to seek bids for a multibillion-dollar project to move some Pentagon data to the cloud.

The companies that filed comments were unidentified, but many zoomed in on a central question: Why was the [government](#) focusing on a single provider for the giant [contract](#)?

The answer from the government, in most cases, was evasive: "Your comment has been noted."

Increasingly, companies are unplugging the data centers they use to run their software, replacing them with rented infrastructure from the likes of Amazon's Web Services unit, or AWS, as well as Microsoft, Google and IBM.

Amazon has a wide lead in the commercial market for such cloud-computing services. As the government starts to shift its spending to cloud services, Amazon's rivals fear the [company](#) is poised to replicate that dominance among government buyers.

The Pentagon's draft bid solicitation, first disclosed in March and called the Joint Enterprise Defense Infrastructure (JEDI) initiative, is likely the largest single government cloud-computing contract yet, an up to 10-year deal thought to be worth as much as \$10 billion.

It's hard to overstate the importance of the Defense Department in government technology procurement. The umbrella agency for the armed services accounts for more than 40 percent of federal information technology spending, and other government agencies tend to take cues from the Pentagon.

In recent weeks, Amazon's rivals have ramped up their lobbying effort.

Bloomberg News reported last week that Oracle, the California database software giant making a push to reshape itself as a cloud-computing provider, was leading a campaign with Microsoft and IBM to prevent Amazon from winning the JEDI contract.

Oracle Chief Executive Safra Catz, who reportedly criticized the bidding process in a private dinner with President Donald Trump earlier this month, told journalists on Monday that the choice of a single cloud provider "made no sense."

One person familiar with the matter said Oracle had been coordinating some communications between some potential bidders, but that the effort was informal.

"I wouldn't say there's a coordinated plan of attack," the source said, adding that Oracle, Microsoft and IBM have been making similar points: The contract should be split up among multiple companies. "Oracle is gunning for this, and they're very public about it."

An Amazon spokeswoman didn't reply to a request for comment

Tuesday. The company has previously said it supports an open and competitive bidding process.

Microsoft said earlier this month that it wouldn't object to the government's requirement for a sole provider, but Leigh Madden, the company's general manager for defense, called the decision "counterintuitive."

Nearly 80 percent of commercial cloud customers use a multi-cloud approach, IDC found in a 2016 survey. Multi-cloud approaches, many say, can help increase security and keep a company's services up and running if one provider has an outage.

IBM echoed that sentiment in a statement this week. "No major commercial enterprise in the world would risk a single cloud solution, and neither should the Pentagon," said Sam Gordy, an IBM general manager who runs the company's federal business.

Oracle didn't respond to requests for comment.

Another factor is arguably putting Amazon at the front of the race: It is currently the only company with government certification to store classified data—a contract requirement. But companies don't have to possess that certification now. They would have six months after a winner is picked to receive certification.

The government has said it will release the final contract proposal in May and pick a provider by September, giving the winner until March to receive the classified certification, if necessary.

Microsoft announced last fall it was working on the process, with a product called Azure Government Secret. "We are confident we will meet the timeline," Madden said. He didn't shy away from the

company's drive to be awarded the contract. "We're in this to win," he said.

The government did clarify in its answers to comments this week that while it was awarding a single contract, it wouldn't necessarily be picking one company. Providers are free to team up and create ventures to jointly bid for the business.

And Lt. Col. Kaight Meyers, the project's program manager, said in a letter posted with the revised project draft that the JEDI deal would not stop the government from bidding out other cloud deals.

The project is "complementary to other existing cloud initiatives," she wrote. "It will not preclude the release of future contracting actions."

Amazon seems to have the upper hand, but the company is also relatively new to dealing with major government contracts, especially compared to longtime government vendors like Microsoft.

The Redmond company counts 10 million state and government users in the U.S., and has worked with the Department of Defense for about 30 years, Madden said—longer than Amazon has existed.

Amazon did sign a major intelligence agency deal in 2013, a milestone in the rise of its AWS service, but its government business pales in comparison to rival technology companies.

Katell Thielemann, who tracks government technology buying for researcher Gartner, said fears that the Department of Defense would put all its eggs in one basket are overblown.

"Basically they are making the statement that this is not the one cloud contract to rule them all," she said. The Pentagon "has learned the hard

way that hitching your wagon to a single provider is not a great idea," she said.

The department's current cloud contracts are already spread across multiple vendors. CSRA, a government technology contractor, last year won an award to build some Pentagon cloud-computing infrastructure. Microsoft grabbed a \$1 billion deal to migrate Air Force email tools to the company's cloud-computing offering. And IBM already provides cloud-computing services to the Army's logistics units, among other services.

The frenzy over a single government technology contract is rare, people who follow federal procurement say.

It's even reached the tabloid level. A nonprofit called Less Government took out an ad in the New York Post directly addressing President Donald Trump about the scope of the project and playing on the president's public disdain for Amazon Chief Executive Jeff Bezos.

"Your defense department is set to award a no-bid, 10-year contract for all its IT infrastructure to Administration-enemy Jeff Bezos' Amazon," the ad warned.

The sheer number of comments on the first draft of the proposal is evidence of the intense interest in the deal.

"In 20-plus years of following this market, I've never seen anything of the sort," Thielemann said.

©2018 The Seattle Times

Distributed by Tribune Content Agency, LLC.

Citation: Defense contract pits Amazon against the rest of Big Tech (2018, April 18) retrieved 23

April 2024 from <https://phys.org/news/2018-04-defense-pits-amazon-rest-big.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.