

HAS BEZOS SECRETLY BOUGHT WASHINGTON DC AND THE CIA?

The deal for an obscure \$10 billion Pentagon contract suggests the extent to which Jeff Bezos is gobbling up the swamp—without the guy in the White House even batting an eye.

BY MAY JEONG



There's a new scandal quietly unfolding in Washington. It's far bigger than Housing Secretary Ben Carson buying a \$31,000 dinette set for his office, or former EPA chief Scott Pruitt deploying an aide to hunt for a deal on a used mattress. It involves the world's richest man, President Trump's favorite general, and a \$10 billion defense contract. And it may be a sign of how tech giants and Silicon Valley tycoons will dominate Washington for generations to come.

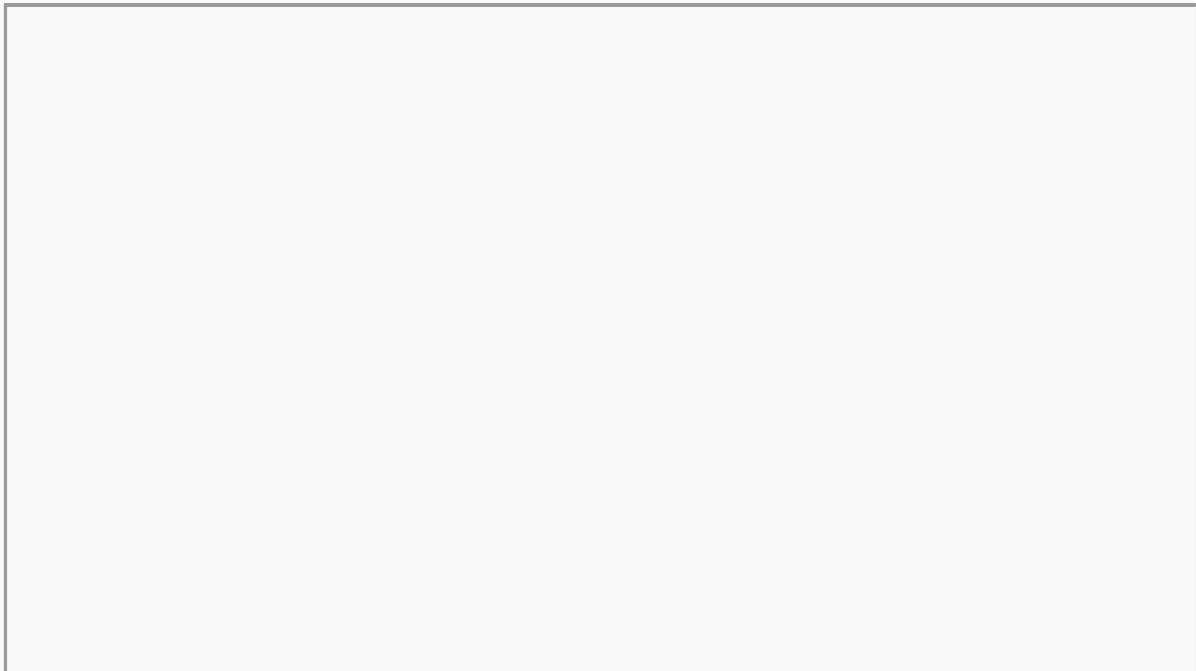
The controversy involves a plan to move all of the Defense Department's data—classified and unclassified—on to the cloud. The information is currently strewn across some 400 centers, and the Pentagon's top brass believes that consolidating it into one cloud-based system, the way the CIA did in 2013, will make it more secure and accessible. That's why, on July 26, the Defense Department issued a request for proposals called JEDI, short for Joint Enterprise Defense Infrastructure. Whoever winds up landing the winner-take-all contract will be awarded \$10 billion—instantly becoming one of America's biggest federal contractors.

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But when JEDI was issued, on the day Congress recessed for the summer, the deal appeared to be rigged in favor of a single provider: Amazon. According to insiders familiar with the 1,375-page request for proposal, the language contains a host of technical stipulations that only Amazon can meet, making it hard for other leading cloud-services providers to win—or even apply for—the contract. One provision, for instance, stipulates that bidders must already generate more than \$2 billion a year in commercial cloud revenues—a “bigger is better” requirement that rules out all but a few of Amazon’s rivals.

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What’s more, the process of crafting JEDI bears all the hallmarks of the swamp that Trump has vowed to drain. Though there has long been talk about the Defense Department joining the cloud, the current call for bids was put together only after Defense Secretary James Mattis hired a D.C. lobbyist who had previously consulted for Amazon. The lobbyist, Sally Donnelly, served as a top advisor to Mattis while the details of JEDI were being hammered out. During her tenure, Mattis flew to Seattle to tour Amazon’s headquarters and meet with **Jeff Bezos**. Then, as the cloud-computing contract was being finalized, Donnelly’s former lobbying firm, SBD Advisors, was bought by an investment fund with ties to Amazon’s cloud-computing unit.

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Jeff Bezos 

@JeffBezos



A pleasure to host [#SecDef](#) James Mattis at Amazon HQ in Seattle today

11:31 AM - Aug 10, 2017

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Congressional insiders who have reviewed the process question whether Donnelly violated a federal law that bars executive-branch employees from participating in government decisions that affect their personal interests. “We recently became aware of serious and possible criminal violations related to the Amazon cloud DOD contract process,” says a high-ranking congressional staffer who spoke on the condition of anonymity. “We are concerned about the implications of the appearance of conflicts of interest and impropriety related to how Pentagon personnel with close ties to Amazon may have influenced multi-billion-dollar cloud contracts.”

Donnelly, through her lawyer, denies any wrongdoing. “Ms. Donnelly sold her entire stake in SBD Advisors before setting foot in the Pentagon,” the lawyer said. “From that moment forward, she has had absolutely no financial or other interest in SBD Advisors or its clients.”

But whether or not any legal or ethical boundaries were crossed, Amazon’s high-ranking connections in the Pentagon underscore how Jeff Bezos continues to

wield influence in Washington, even as the president himself rails against the online goliath. It also raises a larger question: How do you drain a swamp when the alligators are bigger than ever? “When you have that kind of access during a \$10 billion procurement, that compromises the integrity of the procurement,” says John Weiler, an industry expert who runs a trade group that includes many leading IT firms. “Amazon was basically able to write the playbook.”

The details of the JEDI contract provide a window into how new players like Amazon are faring in the notoriously insular world of defense contracting. Donnelly, the lobbyist at the center of the controversy, is a former reporter for Time who set up her own lobbying shop a half mile from the White House in 2012. Stacked with former high-ranking officials from the NSA and the Pentagon, SBD Advisors boasted that it helped clients “navigate the political and media environment in the national security space” and “maximize opportunities.” Among Donnelly’s clients was Amazon Web Services, the online giant’s cloud-computing unit.

During her time at SBD, Donnelly grew close to General Mattis. When Mattis was nominated by President Trump to lead the Pentagon, she was brought on to run his Senate confirmation process. The day after he was sworn in, Donnelly went to work for him as a special advisor.

Donnelly enjoyed direct access to Mattis, and the cloud community knew it. “It was a well known thing that if you needed something you would give it to Sally, and Sally would give it to the defense secretary,” says an insider who worked closely with Donnelly. As one of the secretary’s top advisors, Donnelly vetted his schedule and arranged his meetings. And among the most significant meetings that took place under her watch was a visit to Amazon’s headquarters in Seattle on August 10, 2017. Amazon CEO Jeff Bezos personally tweeted a photo of himself hosting #SecDef Mattis.

Amazon insists that Bezos and Mattis did not discuss the cloud bid during the visit. But the defense secretary reportedly returned from the visit convinced that the Pentagon needed to turn its data over to a commercial cloud provider. A month after Mattis met with Bezos, on September 13, 2017, the Pentagon put out a memo citing the defense secretary’s visit to Seattle, which it hailed as an “epicenter of innovation.” The memo then called for a cloud bid that would cover all of the Pentagon’s data for its 2.3 million employees and service members. Amazon, it appeared, was suddenly in prime position to land a \$10 billion defense contract.

Much of the language of JEDI, in fact, seems specifically tailored for Jeff Bezos. “Everybody immediately knew that it was for Amazon,” says a rival bidder who asked not to be named. To even make a bid, a provider must maintain a distance of at least 150 miles between its data centers, a prerequisite that only Amazon can currently meet. JEDI also asks for “32 GB of RAM”—the precise specification of Amazon’s services. (Microsoft, by contrast, offers only 28 GB, and Google provides 30 GB.) In places, JEDI echoes Amazon’s own language: It calls for a “ruggedized” storage system, the same word Amazon uses to tout its Snowball Edge product.

The Defense Department says that neither Mattis nor Donnelly were involved in shaping JEDI. But congressional insiders plan to take a closer look at how and when Donnelly benefited from the sale of her lobbying firm. According to her financial disclosure forms, she sold her stake in SBD Advisors for \$1.17 million two days before she went to work for Mattis. But she continued to receive payments while she was working at the Pentagon, at a time when Amazon remained a client of the firm. And in March, two weeks after Donnelly left the Pentagon, SBD was bought by C5 Capital, a private equity firm with direct ties to Amazon.

On its website, C5 trumpets that it is working with Amazon Web Services to “meet the growth opportunity being created by the geographic expansion of AWS.” In 2016, C5 and AWS partnered in Bahrain-based fund that backed cloud startups in Africa and the Middle East. “We’ve been partnering with C5 around the world for a long time,” Teresa Carlson, Amazon’s vice president for worldwide public sector, said at a joint event in Washington in May 2017.

Leading Amazon rivals like Google, Microsoft, and IBM are up in arms about the way JEDI was crafted to benefit Amazon. “Everybody in the industry was quite surprised,” says one rival bidder who asked not to be identified. On August 7, Oracle filed an official protest with the Government Accountability Office, arguing that JEDI violates federal procurement laws. In addition, some cybersecurity experts warn that allowing a single company to manage the Pentagon’s data will make it vulnerable to cyberattacks and reduce innovation.

Amazon and others says that it makes sense not to spread the data around. “If you don’t have good experience and a workforce that understands cloud, it’s going to be really hard to try to absorb multiple clouds and create multiple architectures,” Carlson told the Washington Post. And the company’s widely perceived edge in the JEDI process underscores that bigger is still considered

better when it comes to defense contracts. Amazon Web Services generated \$17.5 billion last year—nearly 10 percent of the online giant’s total revenues. “Amazon was an early mover in this market,” says William Schneider, a defense analyst with the Hudson Institute. “It’s a dominant player, and they are the initial providers of cloud services in the intelligence community.”

In a larger sense, the JEDI contract represents the growing clout that technology companies are wielding in Washington—and how they are increasingly wiring the swamp for their own benefit. Amazon has spent \$67 million on lobbying since 2000—including more this year than Citigroup, JP Morgan Chase, and Wells Fargo combined. Its Washington office employs more than 100 lobbyists, including 68 so-called “revolvers”—officials who have moved from government employment to the private sector. The company also employs many former officials with insider connections, including Scott Renda, who worked for the Office of Management and Budget’s cloud computing division, and Anne Rung, who served as the government’s chief acquisition officer.

If you think the JEDI contract is big, consider this: Last year, working for Bezos, Rung helped pass the so-called Amazon amendment, a provision buried in a defense authorization bill that will establish Amazon as the go-to portal for every online purchase the government makes—some \$53 billion *every year*. President Trump may enjoy firing off incendiary tweets attacking Amazon. But Bezos is quietly finding new ways to bolster his empire with billions in federal tax dollars. And the Pentagon, it appears, is helping him do it.