

## 'THE DARKSIDE IS STRONG IN THIS ONE'

### Bezos; JEDI in Chief?

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.

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.

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.

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.

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.

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## TOO BIG TO TAX?

Less than a month after Seattle passed a historic tax on large corporations to fund affordable housing in the city with America's third-largest homeless population, everything went to shit.

Major local employers fought tooth and nail to reverse what would have been a meager \$275 fee for each worker—or “head”—employed by companies with at least \$20 million in revenue. Leading the charge, of course, was **Jeff Bezos's Amazon**, the increasingly monopolistic retail goliath that seemed like a cool innovation when it started mailing us books in the late 90s and now looks more and more like the most powerful corporation in the world.

Corporations have been powerful political players in America for more than a century. But for Amazon and its allies to reverse an already watered-down tax—the original plan was \$500 per head—in an ostensibly progressive metropolis shows just how much weight big businesses have, and how easily they can throw it around anywhere they want.

The “head tax” was just the latest attempt by Seattle to raise revenue. Last year, the city passed a law imposing an income tax on residents, but in November a court ruled it was illegal because of a Washington state prohibition on income taxes (Seattle is appealing the ruling). The city also imposed a controversial tax on sugary beverages starting this year.

In that context, a tax targeting Amazon in particular seemed like a less fraught way to get money for progressive priorities. The corporation, in case you hadn't noticed, is doing pretty well these days. After acquiring Whole Foods and breaking into the brick-and-mortar market it initially eschewed, the company's revenues were up 38% last year compared to 2016, and its stock price spiked 70%. Total 2017 revenue reached about \$179 billion and corporate profits some \$3 billion. The tax Amazon felt so threatened by would have cost it just \$12 million given its roughly 45,000 employees. To call that a drop in the bucket is a massive understatement; it's a drop in the fucking ocean. (Bezos, for his part, has a net worth approaching \$140 billion, making him the wealthiest person on Earth and an avatar for a society where public goods like public housing are increasingly hard to come by.)

If the concentrated economic and political power of monopolistic companies like Amazon worries you, the week has been off to a brutal start: On the same day Seattle's city council voted to repeal the tax on local employers, a federal judge gave the green light to the looming AT&T and Time Warner merger. Barring a higher court reversing this decision—or the FCC suddenly deciding to care about consumer protection—that means not only that we'll have even more insanely powerful corporate lobbying entity in DC, but also that a top internet and cable provider will also own the content from networks like CNN and HBO. As at Amazon, everything in the process of human creative expression, from ideation to production to distribution, will likely soon happen under the same corporate roof.

If all of this sounds like an ominous trend toward monopoly and oligarchy, that's because it is...

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