

Microsoft Wins Pentagon's \$10 Billion JEDI Contract, Thwarting Amazon



Microsoft was awarded the Defense Department's 10-year JEDI cloud computing project over Amazon, whose founder, Jeff Bezos, has been a target of President Trump's criticism. Credit

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SAN FRANCISCO — The Department of Defense on Friday [awarded a \\$10 billion technology contract](#) to Microsoft over Amazon in a contest that was closely watched after [President Trump ramped up his criticism of Amazon's founder, Jeff Bezos, and said he might intervene](#).

[Update: [Amazon accuses Trump of "improper pressure" on JEDI contract](#).]

The 10-year contract for the Joint Enterprise Defense Infrastructure, known as JEDI, had set off a showdown among Amazon, Microsoft, IBM, Oracle and Google for the right to transform the military's cloud computing systems. The acrimonious process involved intense lobbying efforts and legal challenges among the rivals.

The contract has an outsize importance because it is central to the Pentagon's efforts to modernize its technology. Much of the military operates on 1980s and 1990s computer systems, and the Defense Department has spent billions of dollars trying to make them talk to one another.

The decision was a surprise because [Amazon had been considered the front-runner](#), in part because it had built cloud services for the Central Intelligence Agency. But that was before Mr. Trump became publicly hostile to Mr. Bezos, who also owns The Washington Post. The president often refers to the newspaper as the "Amazon Washington Post" and has accused it of spreading "fake news."

In public, Mr. Trump said there were other "great companies" that should have a chance at the contract. But a speechwriter for former Defense Secretary Jim Mattis says [in a book](#) scheduled for publication next week that Mr. Trump had wanted to foil Amazon and give the contract to another company.

The issue quickly became radioactive at the Pentagon. The new defense secretary, Mark T. Esper, at first said he wanted to [take several months to review the issue](#) and then, a few days ago, recused himself from the bidding. He said he could not participate because his son worked for IBM, one of the competitors for the contract.

As recently as this month, the betting was that Microsoft would, at most, get only part of the contract and that the Pentagon would use multiple suppliers for its cloud services, as do many private companies. Microsoft was considered in the lead for other government cloud programs, including an intelligence contract; only recently has Microsoft opened enough classified server facilities to be able to handle data on the scale of the Pentagon contract.

"The acquisition process was conducted in accordance with applicable laws and regulations," the Defense Department said in a statement on Friday. "All offerors were treated fairly and evaluated consistently with the solicitation's stated evaluation criteria."

Microsoft did not immediately have a comment. Amazon, which calls its cloud platform Amazon Web Services, or AWS, said in a statement that it was surprised by the decision.

"AWS is the clear leader in cloud computing, and a detailed assessment purely on the comparative offerings clearly led to a different conclusion," Drew Herdener, a spokesman for Amazon, said. "We remain deeply committed to continuing to innovate for the new digital battlefield where security, efficiency, resiliency and scalability of resources can be the difference between success and failure."

The award to Microsoft is likely to fuel suspicions that Mr. Trump may have weighed in privately as well as publicly against Amazon. Experts on federal contracting said it would be highly improper for a president to intervene in the awarding of a contract.

Price Floyd, a former head of public affairs at the Pentagon who consulted briefly for Amazon, said he thought Mr. Trump's vocal criticism of Amazon would give it ample grounds to protest the award to Microsoft.

"He's the commander in chief, and he hasn't been subtle about his hostility toward Amazon," Mr. Floyd said.

Microsoft's win has implications for the cloud computing industry, in which businesses rent space on technology companies' server computers, giving them cheap and fast access to storage and processing.

Amazon has long been the dominant player, with about 45 percent of the market, trailed by Microsoft with around 25 percent, said Daniel Ives, an analyst for Wedbush Securities who has closely followed the JEDI saga.

Landing the JEDI contract puts Microsoft in a prime position to earn the roughly \$40 billion that the federal government is expected to spend on cloud computing over the next several years, he said.

Losing the bid is also a hit to the reputation of Amazon, which decided last year to open [a large outpost in Northern Virginia](#) that will eventually employ at least 25,000 people.

Unifying information in the cloud has obvious benefits for the Pentagon as the military moves to greater use of remote sensors, semiautonomous weapons and, ultimately, artificial intelligence. It is particularly crucial now that United States Cyber Command has been elevated to the equivalent of Central Command, which runs operations in the Middle East, or the Northern Command, which defends the continental United States.

But some critics of the process argued that such a large contract should not be awarded to a single company, while proponents said using only one provider would eliminate glitches in military systems and streamline communications.

The initial reaction on Friday from some lawmakers was positive, mostly because the long-delayed contract had finally been issued.

Representative Jim Langevin, a Rhode Island Democrat who has immersed himself in cyber issues, suggested the military was finally catching up with private industry.

“Advanced general-purpose cloud is the industry norm, and it’s past time the Department of Defense had access to these capabilities,” said Mr. Langevin, the chairman of the Armed Services Subcommittee on Intelligence and Emerging Threats and Capabilities. “I look forward to continuing to use my position in Congress to increase access to next-generation technologies that support our war fighters.”

But Senator Mark Warner, a Democrat of Virginia, [said on Twitter](#) that it was “important that we maintain a fair & competitive process” and that “for the President to use the power of his office to punish critics in the media would be a complete abuse of power.”

Amazon, Microsoft, IBM, Oracle and Google began battling for the JEDI contract more than a year ago. [Google dropped out](#) last October without submitting a formal bid, saying the military work conflicted with its corporate principles, which preclude the use of artificial intelligence in weaponry.

The Pentagon said in April that only [Amazon and Microsoft met its technical requirements](#) for fulfilling the contract. In [an unsuccessful legal challenge](#), Oracle alleged that Amazon had biased the process in its favor by hiring Defense Department employees to work on the bidding process.

In August, the Defense Department’s inspector general announced that it had assembled a team to review the JEDI process. But while that was underway, Mr. Trump raised his objections. The process froze, and Pentagon officials said time was being wasted — which would ultimately put the United States at a military disadvantage.

“In 20 years of covering tech, I’ve never seen a battle for any type of contract reach this level of nastiness,” Mr. Ives said.

He said he saw the ferocity of the contest mainly as a response to Amazon's enormous success as the pioneer of cloud computing, which is now the foundation of much of the digital infrastructure of private industry. He said Amazon's revenue from federal government contracts, about \$200 million in 2014, had reached \$2 billion this year, much of it from the C.I.A. and other intelligence agencies.

Kate Conger reported from San Francisco, and David E. Sanger and Scott Shane from Washington. Karen Weise contributed reporting from Seattle.