

AWS' \$10B NSA cloud contract could make it a government cloud leader...if it can get past a Microsoft protest

Article

The news: Amazon Web Services (AWS) quietly secured a National Security Agency (NSA) cloud computing contract reportedly worth up to **\$10 billion**, per NextGov.

- Codenamed “WildandStormy,” the contract appears to be part of a larger, multi-year effort by the agency to move most of its data to the cloud, though details around the deal remain unclear.
- If the contract succeeds, it would represent **the most expensive cloud deal struck by the US government to date**.
- For context, US federal agencies collectively spent a record **\$6.6 billion** on cloud computing in the fiscal year 2020, up from **\$6.1 billion** in 2019, according to an analysis by Bloomberg Government via NextGov.

How we got here: The NSA’s cloud contract comes on the heels of fallout from a highly contentious competition between AWS and **Microsoft** over the Department of Defense’ ten-year \$10 billion Joint Enterprise Defense Infrastructure (JEDI) cloud contract.

- Microsoft was awarded the **JEDI contract** in October 2019, but was immediately challenged with a lawsuit from AWS, which claimed that then-President Trump’s bias against Amazon influenced the Pentagon’s decision.
- Facing the prospect of a lengthy legal battle, Pentagon officials announced that they were **scrapping** JEDI earlier this year.

The big picture: US federal agencies such as the **Department of Defense** and the **Central Intelligence Agency (CIA)** have spent years soliciting private cloud partners to help store and analyze mammoth amounts of data.

- AWS signed its first major cloud deal, worth **\$600 million**, with the CIA back in 2013.
- Then, late last year, the CIA awarded another multibillion dollar cloud contract, this time spread out amongst AWS, **Microsoft, Google, Oracle** and **IBM**.

The tables have turned: In a role reversal, now Microsoft is jockeying to have AWS’ contract thrown out. The company filed a petition against the deal with the Government Accountability Office on July 21, reportedly claiming that **the NSA failed to conduct a proper evaluation** when deciding on a cloud partner.

The opportunity: If successful, the NSA contract could help solidify AWS' place as the US federal government's preferred cloud partner **over Microsoft**, which in turn could **help the company widen its market lead**.

- As of Q1 2021, AWS made up **31%** of worldwide cloud infrastructure service spent worldwide, compared to Microsoft's Azure with **22%**, **according to** Canalys. Though already a sizable lead, AWS could widen that even further with successful large, multi-billion dollar government contracts.
- Since the Pentagon's JEDI contract unraveled, AWS has been able to solidify itself as the government's cloud partner.
- In late June, AWS endeared itself even further to the public sector by **acquiring** Wickr, an encrypted messaging app that has a strong reputation among government and military agencies.

What's the catch? Microsoft's protest of the NSA project could potentially derail AWS' efforts, if Microsoft is willing to engage in a long, likely expansive legal battle. If that happens, the government cloud space might well end up right back where it started, with yet another \$10 billion deal sent to the grave as the result of Big Tech deadlock.