

A tale of two Washingtons

It make sense for Amazon to build its second HQ near Washington

The federal government is a big client of the web giant



Print edition | United States

Mar 8th 2018 | SAN FRANCISCO

HQ Trivia has become one of America's most talked-about smartphone games, with players making a daily habit of answering obscure multiple-choice questions in the hope of winning cash prizes. Meanwhile Amazon, the e-commerce giant, has drawn Americans into a different guessing game—about which site the Seattle-based company will choose for its second headquarters. Around 240 cities and regions applied for that honour last year, and the firm has culled its list to 20 possible places. Government officials from across the country (and Toronto) are cosyng up to the tech giant, which has promised to hire as many as 50,000 new

employees and invest \$5bn in building and operating its new campus over the next 15 years or so.

Three of the 20 finalists are in the Washington, DC area, including the city itself, northern Virginia and Montgomery County, Maryland. Beltway-dwellers are abuzz with speculation that Amazon will cross the Potomac. Rumours spread wildly and frequently in the capital, but there is cause to believe these. In early March delegates from Amazon reportedly spent a week touring possible sites in the area and meeting with government officials. Jeff Bezos, Amazon’s boss and America’s richest man, already owns a home in Washington, DC, as well as a newspaper, the *Washington Post*. This would make more frequent jaunts between Seattle and the DC area relatively painless.

ADVERTISING

14



inRead invented by Teads

Latest stories

Stephanie Clifford, an adult-film star, is suing President Donald Trump

GRAPHIC DETAIL

Why a Mennonite woman has refused to testify in a death-penalty case

ERASMUS

"Sweet Country" gives Australia an indigenous hero

PROSPERO

See more

Amazon’s cloud business, Amazon Web Services (AWS), also already has a home of sorts in the area. Herndon, Virginia, a town that is less than a ten-minute drive from Washington’s Dulles airport, houses the largest number of AWS employees in America outside of Seattle, according to one person close to the company. Several prominent government agencies, including

the Central Intelligence Agency, are clients of AWS, which has an early lead in providing cloud services to the government and handling top-secret data.

In coming years the American government will serve as an important source of growth for AWS and its rivals, as more departments shift their data to the cloud. The government accounts for around 5% of the \$1.6trn spent globally each year on technology, according to Forrester, a research firm. This year the Department of Defence is expected to sign a ten-year contract for cloud computing, in a deal said to be worth billions, and tech firms are competing fiercely to be picked. Just as “beltway bandits”—firms that do lots of business with the government and include two big defence contractors, Lockheed Martin and BAE Systems—find it worth their while to have headquarters close by, so will tech firms keen to win large government contracts.

However, in the next five years the government will not only be a huge potential source of business for Amazon, but also its biggest threat. As the e-commerce and cloud-computing giant grows and pushes into new businesses, including financial services, home security and logistics, it will come under even more scrutiny from regulators. Amazon has already beefed up its official lobbying efforts in the capital, but being a local employer could be helpful. Having 50,000 employees going to the same country clubs and putting children in the same schools as government officials is a shrewd strategy if Amazon wants to fend off government attacks, says Blair Levin, a former official at the Federal Communications Commission.

If such attempts at exerting soft power in Washington are not enough to win over government officials, Amazon will at least have a back-up plan. Having two headquarters would make it possible to separate AWS from Amazon’s retail operation with very little hassle, if regulators ever suggest breaking up the giant firm into separate parts. The mighty firm is sure to make enemies in the years ahead, and not just among the finalists who lose out on wooing Amazon to their states.

This article appeared in the United States section of the print edition under the headline "A tale of two Washingtons"