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Telstra's Vicki.ai a glimpse into the future of Australian business

Telstra's decision to hive off its AI projects and staff at such a critical time will make other companies stand up and take notice. The big consulting groups and tech companies must be loving it.



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If there's one big Australian business we should hope gets AI right, it is Telstra.

Telstra is our biggest, most important tech company. It has the biggest network, the most engineers, the deepest pockets, the political power, the mateship with Microsoft – and all of our expectations – to find and unlock whatever productive uses are in AI's promised land.



Vicki Brady's going all-in with a consulting firm she knows well. **David Rowe**

But Telstra, for all the advantages that incumbency brings, hasn't been great at capitalising on technological change. It is big, slow, bureaucratic and almost altruistic. It missed data centres, sold its copper network, was too slow to save White Pages, fumbled around with pay television and Foxtel, and is grinding away in health, while still living off the thing it did do right – installing 3G mobile services, where it was a world leader.

The next big wave of technological change is unfolding – artificial intelligence. Chief executive Vicki Brady is rolling out heaps of AI use cases including generative AI tools Ask Telstra and One Sentence Summary to serve customers faster, and diagnostics tools to find network issues before they affect customers. She says AI is already here.

But having dipped her toes in, Brady wants to go all-in. She wants AI used more widely across the organisation, more quickly, more customers to benefit and more money for shareholders. “To get different outcomes, you can’t keep doing things the same old way,” she says.

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So, Brady has called in global consulting firm Accenture [<https://www.afr.com/link/follow-20180101-p5l470>], which she believes to be the big guns, for a rare joint venture. She will tip all of Telstra's AI-related staff (up to 726 across Australia and India) and projects into the new seven-year joint venture, which will be 60 per cent owned by Accenture and overseen by its AI consultants.

Telstra will be under the same shareholder pressure and customer pressure as it ever was – AI or no AI.

Accenture will invest money, and be paid fees per an overarching service agreement.

Brady will do away with 16 other firms and suppliers involved in Telstra's AI projects and put all its eggs with Accenture and another joint venture with Australian data analytics firm Quantum (signed in 2022). The new joint venture will be responsible for reducing Telstra's data platforms to three from 30, for example, and deploying AI into Telstra's frontline teams, back office and network infrastructure.

What's interesting here is that Brady could've just hired Accenture – they are guns for hire. But Brady says she was so confident in Accenture's ability, having talked to

them about AI and had them install a SAP system upgrade when she was CFO years ago, that she wanted to go one step further with the seven-year deal.

She was so confident AI is more than just hype, that she wanted to accelerate the change. And she wanted to do things differently from how Telstra's done them in the past.

"As we were looking at how bold we wanted to be ... it became evident that doing it under a joint venture gave the certainty and flexibility to be able to move fast enough," she says.

Big tech dependency risk

Is this future? Is it no longer enough to hire a global consulting firm?

[https://www.afr.com/link/follow-20180101-p5kzl0] We asked more than 50 blue chip CEOs about AI late last year and they're all doing it in some form,

[https://www.afr.com/link/follow-20180101-p5kzl0] so we're sure they'll be watching Brady to see how she's going about it at Telstra.

And what about the risk of being so reliant on one counterparty – yes, even a big global one?

That seems to be the new world of Australian business. Our big companies are getting into bed with big, global giants in a bid to be Australia's winners from technological change.

They are going deeper with one or two vendors, almost bidding for their attention, at a time when skills are in short supply and plenty of others are scrambling to make the same changes. Having been to Silicon Valley and met with plenty of US software executives, they think they have seen the future and are urgently trying to be part of it.

Telstra has a similar strategic tie-up with Microsoft, extended last year, which saw Telstra "invest" in 21,000 Copilot for Microsoft licences in return for Microsoft signing up to use a new ultra-fast intercity fibre network.

The risk is that Australia's blue chips become so reliant on offshore technology companies and consultants they lose their own skills and become vulnerable to

threats and an ever-spiralling circus of price escalations.

It's one of the reasons why Schroders' head of equities, Martin Conlon, one of Australia's top fundamental investors, has started asking all ASX-listed companies and their CEOs two questions [<https://www.afr.com/chanticleer/the-one-question-investors-should-ask-every-australian-company-20241121-p5ksnm>]: Are you making your business reliant on big technology? And what are you going to do if they put prices up 15 per cent a year?

Sceptical investors

Brady, who's become much more vocal about AI and its potential impact on Australia in the past year, has no doubt Telstra is getting into bed with the right counterparty.

Last year, Commonwealth Bank of Australia's Matt Comyn talked similarly about a bunch of his big US tech firm suppliers: Microsoft, Anthropic, Amazon and even Nvidia [<https://www.afr.com/link/follow-20180101-p5kthd>].

Comyn said the main thing was to be discerning with data. Brady made a point of saying Telstra would keep control of its data and AI strategy road map – Accenture's role is to help deliver the latter.

Brady was very excited to announce the new global AI joint venture on Wednesday, although it wasn't deemed big enough news to announce to shareholders on the ASX. We suggest investors watch this one closely – both for what it says about Telstra, where Brady wants to take it and how big business' relationship with consulting firms and IT vendors could change.

You can bet Telstra's big investors will be sceptical; they always are when it comes to IT projects, consultants and technological change. It has also paid to be sceptical at Telstra.

This company, in the middle of the hottest pocket of the infrastructure assets and with a huge customer base, has delivered about a 50 per cent drop in both earnings per share and dividends in the past decade. It will be under the same shareholder pressure to balance capital expenditure and dividends and customer pressure to deliver reliable services as it ever was – AI or no AI.

As for the consultants, they must be loving the opportunity to enter such long-term agreements, adding retainer income to what's traditionally been a roller-coaster ride of a business. Their skills are so in demand they can do things like get embedded inside Telstra and its AI work.

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