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ERG Lodges Tcard \$200m Defence and Counterclaim

ERG Limited announced today that it has filed a counter claim in the Supreme Court of NSW for more than \$200 million in damages against the Public Transport Ticketing Corporation (“PTTC”) in respect of a claim brought against ERG and its wholly owned subsidiary Integrated Transit Solutions Ltd (“ITSL”) in relation to a termination of the Sydney Tcard project.

In its counter claim lodged with Supreme Court of NSW on Friday 9 May 2008 ITSL has claimed damages of more than \$200 million to recover its losses associated with the supply and operation of the Tcard system in Sydney plus unspecified damages to recover the lost opportunity to exploit the Tcard for other commercial purposes.

ERG and ITSL also lodged details of their defence against a claim brought against them by the PTTC. ERG and ITSL contend that PTTC’s purported termination of the Tcard contract constituted a repudiation of the contract. ERG and ITSL claim PTTC was not entitled to terminate the contract as it had itself materially contributed to the delays associated with the project and it had also failed to act reasonably and in good faith in relation to the Remedial Plan submitted by ITSL in December 2007 and its decision to terminate the contract.

In order to successfully deliver the Tcard System, ITSL relied upon the PTTC to engage with the main operators of public transport in Sydney, Railcorp and the State Transit Authority, to support and co-operate with ITSL. ERG and ITSL contend that PTTC failed to properly engage the operators, which is evident from the numerous examples of their conduct in frustrating or preventing ITSL from completing a range of activity associated with the system delivery in a timely manner.

PTTC and the NSW Government also persistently failed to address the key issue of fare reform across the NSW public transport system.

ERG and ITSL claim that PTTC had an obligation to act reasonably and in good faith in relation to ITSL’s Remedial Plan and had the PTTC done so the Remedial Plan would have provided a satisfactory basis for the project to continue.

ITSL’s Remedial Plan included a number of initiatives including fast tracking the introduction of the Railcorp smartcard system to address the chaos currently being experienced at ticket offices at peak times.

MEDIA RELEASE



The PTTC was established in 2006 with the objective of providing an integrated ticketing system for public transport in NSW which the Minister said at the time would be fully operational by November 2010. That will no longer happen and users of public transport in NSW can expect continuing delays and inconvenience as a result.

ERG's Chairman, Mr Colin Henson said "ERG strongly believes the Tcard project was terminated by the NSW Government for political purposes and that PTTC's conduct lacked reasonableness and good faith. The project was plagued by disinterest by the Government, lack of leadership by the Minister and PTTC Executives, and a complete breakdown in the PTTC's ability to manage the transport operators to effectively co-operate with ITSL in development, testing, installation and operation of the Tcard system. ERG has suffered significant loss as a result of this conduct and we will be seeking to recover this loss through the defence and counter claim lodged on 9 May."

ERG has sought assurances from the NSW Government that it will stand behind PTTC and meet any costs and damages awarded against PTTC in the proceedings.

Colin Henson
Chairman

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BACKGROUND INFORMATION

The ERG Group is a world leader in the development and supply of integrated fare management and software systems for the transit industry. The Group has installed systems operating in major cities throughout the world including Gothenburg, Hong Kong, Melbourne, Rome, San Francisco and Singapore that support more than 22 million smart cards in circulation and process approximately 5 billion transactions per annum. Additional installations are in progress in London, Seattle, Stockholm and Washington DC. ERG is an Australian-based company, listed on the Australian Securities Exchange and employs approximately 900 people in 10 countries, including over 500 people in Australia. ERG generates significant export revenue and international acclaim for Australian technology. Large transit agencies and the travelling public in major cities throughout the world depend on ERG for the maintenance and support of their current systems and completion of their new integrated ticketing systems.

Additional information is available at www.erggroup.com