

**Source: The Rivkin Report, 5 Nov 07.**

### **REGIONAL EXPRESS**

REX has been sold off dramatically over the last week. WHY? The pilot shortage that we have mentioned several times before has been blamed for the suspension of both the Sydney Cooma Route and the Brisbane to Maryborough route. We believe the bottom line impact of these decisions is negligible at this time.

We will continue to monitor REX for further progress on its new-pilot scheme and the poaching rate at which REX's highly regarded pilots are being poached by other airlines. We suspect it will have to be the airlines that must address this pilot shortage via aggressive training and recruitment strategies. REX has taken leadership in this area.

We have said many times that the single biggest risk to inflation and growth in this country at this time is finding good people and REX's challenges reflect that problem.

The current price of \$2.20 looks over sold to us and represents good medium risk buying for short-medium term investors.

This market is very skittish in the small cap space. We have seen a general process of de-rating fur to a more conservative outlook generally so just appreciate that this volatility is all part of investing and as long as we remain happy with the underlying business we own, then we can continue to hold it.

**The Rivkin Report Investment Team**