UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)
[X] Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended September 25, 1999

or

[ ] Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from ________________ to ____________________

Commission File Number: 0-21238

LANDSTAR SYSTEM, INC.
(Exact name of registrant as specified in its charter)

Delaware	06-1313069
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

4160 Woodcock Drive, Jacksonville, Florida
(Address of principal executive offices)

32207
(Zip Code)

(904) 390-1234
(Registrant's telephone number, including area code)

N/A
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes (X) No ( )

The number of shares of the registrant's Common Stock, par value $.01 per share, outstanding as of the close of business on October 29, 1999 was 9,529,820.

PART I

FINANCIAL INFORMATION

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Item 1

Item 1. Financial Statements

The interim consolidated financial statements contained herein reflect all adjustments (all of a normal, recurring nature) which, in the opinion of management, are necessary for a fair presentation of the financial condition, results of operations, cash flows and changes in shareholders' equity for the periods presented. They have been prepared in accordance with Rule 10-01 of Regulation S-X and do not include all the information and footnotes required by generally accepted accounting principles for complete financial statements. Operating results for the thirty nine weeks ended September 25, 1999 are not necessarily indicative of the results that may be expected for the entire fiscal year ending December 25, 1999.

These interim financial statements should be read in conjunction with the audited financial statements and notes thereto included in the Company's 1998 Annual Report on Form 10-K.

LANDSTAR SYSTEM, INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
(Dollars in thousands, except per share amounts)
(Unaudited)

	Sept. 25, 1999	Dec. 26, 1998
ASSETS		
Current assets:		
Cash	$ 30,068	$ 26,681
Trade accounts receivable, less allowance of $4,045 and $6,428	186,041	172,471
Other receivables, including advances to independent contractors, less allowance of $5,413 and $4,007	13,637	13,980
Prepaid expenses and other current assets	7,318	5,428
Total current assets	237,064	218,560
Operating property, less accumulated depreciation		

and amortization of $35,757 and $29,603	51,687	46,958
Goodwill, less accumulated amortization of $7,474 and $6,561	34,036	34,949
Deferred income taxes and other assets	20,114	13,198
Total assets	$ 342,901	$ 313,665
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Cash overdraft	$ 15,965	$ 14,746
Accounts payable	67,094	50,624
Current maturities of long-term debt	5,909	4,708
Insurance claims	30,071	29,873
Accrued compensation	9,514	9,881
Other current liabilities	33,521	33,058
Total current liabilities	162,074	142,890
Long-term debt, excluding current maturities	35,567	29,732
Insurance claims	28,668	29,195
Shareholders' equity:		
Common stock, $.01 par value, authorized 20,000,000 shares, issued 13,061,974 and 13,041,574 shares	131	130
Additional paid-in capital	65,592	65,198
Retained earnings	154,541	124,237
Cost of 3,273,041 and 2,618,041 shares of common stock in treasury	(102,029)	(76,176)
Notes receivable arising from exercise of stock options	(1,643)	(1,541)
Total shareholders' equity	116,592	111,848
Total liabilities and shareholders' equity	$ 342,901	$ 313,665

See accompanying notes to consolidated financial statements.

LANDSTAR SYSTEM, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME
(Dollars in thousands, except per share amounts)
(Unaudited)

	Thirty Nine Weeks Ended		Thirteen Weeks Ended	
	Sept. 25, 1999	Sept. 26, 1998	Sept. 25, 1999	Sept. 26, 1998
Revenue	$1,007,959	$ 949,742	$ 351,460	$ 324,033
Investment income	1,751	1,191	633	441
Costs and expenses:				
Purchased transportation	742,442	701,981	259,165	239,952
Commissions to agents and brokers	80,587	74,803	28,439	25,688
Other operating costs	21,627	20,818	7,858	6,574
Insurance and claims	29,030	32,886	7,067	8,300
Selling, general and administrative	73,304	71,414	24,573	24,766
Depreciation and amortization	8,806	7,531	3,375	2,678
Total costs and expenses	955,796	909,433	330,477	307,958
Operating income	53,914	41,500	21,616	16,516
Interest and debt expense	2,981	2,584	1,321	988
Income from continuing operations before income taxes	50,933	38,916	20,295	15,528
Income taxes	20,629	15,761	8,221	6,289
Income from continuing operations	30,304	23,155	12,074	9,239
Discontinued operations, net of income taxes		(22,589)		
Net income	$ 30,304	$ 566	$ 12,074	$ 9,239

Earnings per common share:

Income from continuing operations	$ 2.99	$ 2.06	$ 1.21	$ 0.86
Loss from discontinued operations		(2.01)		
Earnings per common share	$ 2.99	$ 0.05	$ 1.21	$ 0.86
Diluted earnings per share:				
Income from continuing operations	$ 2.95	$ 2.05	$ 1.20	$ 0.85
Loss from discontinued operations		(2.00)		
Diluted earnings per share	$ 2.95	$ 0.05	$ 1.20	$ 0.85
Average number of shares outstanding:				
Earnings per common share	10,149,000	11,223,000	9,954,000	10,743,000
Diluted earnings per share	10,270,000	11,316,000	10,076,000	10,852,000

See accompanying notes to consolidated financial statements.

LANDSTAR SYSTEM, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in thousands)
(Unaudited)

	Thirty Nine Weeks Ended	
	Sept. 25, 1999	Sept. 26, 1998
OPERATING ACTIVITIES OF CONTINUING OPERATIONS		
Net income	$ 30,304	$ 566
Adjustments to reconcile net income to net cash provided by operating activities of continuing operations:		
Discontinued operations		22,589
Depreciation and amortization of operating property	7,893	6,570
Amortization of goodwill and non-competition agreement	913	961
Non-cash interest charges	243	243
Provisions for losses on trade and other accounts receivable	1,122	3,850
Losses (gains) on sales of operating property	179	(306)
Deferred income taxes, net	2,003	(2,118)
Changes in operating assets and liabilities, net of discontinued operations:		
Increase in trade and other accounts receivable	(14,349)	(6,817)
Increase in prepaid expenses and other assets	(11,052)	(4,146)
Increase in accounts payable	16,470	7,427
Increase in other liabilities	96	5,019
Increase (decrease) in insurance claims	(329)	6,848
NET CASH PROVIDED BY OPERATING ACTIVITIES OF CONTINUING OPERATIONS	33,493	40,686
INVESTING ACTIVITIES		
Maturities of short-term investments		1,552
Purchases of operating property	(2,369)	(4,347)
Proceeds from sales of operating property	1,303	1,383
Proceeds from sale of discontinued operations		40,435
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(1,066)	39,023
FINANCING ACTIVITIES OF CONTINUING OPERATIONS		
Increase in cash overdraft	1,219	1,870
Borrowings on revolving credit facility		15,000
Proceeds from exercise of stock options and related income tax benefit	293	1,118
Purchases of common stock	(25,853)	(47,392)
Principal payments on long-term debt and capital lease obligations	(4,699)	(21,646)
NET CASH USED BY FINANCING ACTIVITIES OF CONTINUING OPERATIONS	(29,040)	(51,050)
NET CASH USED BY DISCONTINUED OPERATIONS		(26,472)
Increase in cash	3,387	2,187
Cash at beginning of period	26,681	17,994
Cash at end of period	$ 30,068	$ 20,181

See accompanying notes to consolidated financial statements.

LANDSTAR SYSTEM, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF CHANGES
IN SHAREHOLDERS' EQUITY
Thirty Nine Weeks Ended September 25, 1999
(Dollars in thousands)
(Unaudited)

	Common Stock		Additional		Treasury Stock at Cost		Notes Receivable Arising from	
	Shares	Amount	Paid-In Capital	Retained Earnings	Shares	Amount	Exercise of Stock Options	Total
Balance December 26, 1998	13,041,574	$ 130	$ 65,198	$ 124,237	2,618,041	$ (76,176)	$ (1,541)	$ 111,848
Net income				30,304				30,304
Purchases of common stock					655,000	(25,853)		(25,853)
Exercise of stock options and related income tax benefit	20,400	1	394				(102)	293
Balance September 25, 1999	13,061,974	$ 131	$ 65,592	$ 154,541	3,273,041	$(102,029)	$ (1,643)	$ 116,592

See accompanying notes to consolidated financial statements.

LANDSTAR SYSTEM, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

The consolidated financial statements include the accounts of Landstar System, Inc. and its subsidiary, Landstar System Holdings, Inc., and reflect all adjustments (all of a normal, recurring nature) which are, in the opinion of management, necessary for a fair presentation of the results for the periods presented. The preparation of the consolidated financial statements requires the use of management's estimates. Actual results could differ from those estimates. Landstar System, Inc. and its subsidiary are herein referred to as "Landstar."

(1) Discontinued Operations

On August 22, 1998, Landstar Poole, Inc. ("Landstar Poole"), a wholly-owned subsidiary of Landstar which comprised the entire company-owned tractor segment, completed the sale of all of its tractors and trailers, certain operating assets and the Landstar Poole business to Schneider National, Inc.

for $40,435,000 in cash. Accordingly, the financial results of this segment have been reported as discontinued operations in the accompanying financial statements. Certain liabilities of the company-owned tractor segment were retained by Landstar, primarily insurance claims, capital lease obligations and accounts payable.

The loss from discontinued operations of $22,589,000 in the thirty nine-week period ended September 26, 1998 included a loss on sale of $21,489,000, net of income tax benefits of $2,511,000, and a loss from operations of $1,100,000, net of income tax benefits of $597,000.

The company-owned tractor segment had revenue of $58,715,000 and $13,357,000 for the thirty nine weeks and thirteen weeks ended September 26, 1998.

(2) Income Taxes

The provisions for income taxes from continuing operations for the 1999 and 1998 thirty nine-week periods were based on an estimated combined full year effective income tax rate of 40.5%, which is higher than the statutory federal income tax rate primarily as a result of state income taxes, amortization of certain goodwill and the meals and entertainment exclusion.

(3) Earnings Per Share

Earnings per common share amounts are based on the weighted average number of common shares outstanding. Diluted earnings per share amounts are based on the weighted average number of common shares outstanding plus the incremental shares that would have been outstanding upon the assumed exercise of all dilutive stock options.

(4) Additional Cash Flow Information

During the 1999 period, Landstar paid income taxes and interest of $24,126,000 and $3,095,000, respectively, and acquired operating property by entering into capital leases in the amount of $11,735,000. During the 1998 period, Landstar paid income taxes and interest of $18,718,000 and $3,207,000 ($836,000 related to Landstar Poole), respectively, and acquired operating property by entering into capital leases in the amount of $12,902,000.

(5) Segment Information

The following tables summarize information about Landstar's reportable business segments for the thirty nine and thirteen weeks ended September 25, 1999 and September 26, 1998 (in thousands):

Thirty Nine Weeks Ended September 25, 1999

	Carrier	Multimodal	Insurance	Other	Total
External revenue	$ 777,434	$ 211,360	$ 19,165		$1,007,959
Investment income			1,751		1,751
Internal revenue	25,234	474	20,327		46,035
Operating income	59,336	7,078	15,982	$(28,482)	53,914

Thirty Nine Weeks Ended September 26, 1998

	Carrier	Multimodal	Insurance	Other	Total
External revenue	$ 730,119	$ 201,558	$ 18,065		$ 949,742
Investment income			1,191		1,191
Internal revenue	28,089	378	16,385		44,852
Operating income	48,774	4,839	12,018	$(24,131)	41,500

Thirteen Weeks Ended September 25, 1999

	Carrier	Multimodal	Insurance	Other	Total

	Carrier	Multimodal	Insurance	Other	Total
External revenue	$ 269,312	$ 75,709	$ 6,439		$ 351,460
Investment income			633		633
Internal revenue	8,994	243	5,156		14,393
Operating income	21,105	2,867	7,363	$ (9,719)	21,616

Thirteen Weeks Ended September 26, 1998

	Carrier	Multimodal	Insurance	Other	Total
External revenue	$ 247,908	$ 69,858	$ 6,267		$ 324,033
Investment income			441		441
Internal revenue	9,639	115	4,844		14,598
Operating income	17,779	2,089	6,281	$ (9,633)	16,516

(6) Commitments and Contingencies

At September 25, 1999, Landstar had commitments for letters of credit outstanding in the amount of $22,229,000, primarily as collateral for insurance claims. The commitments for letters of credit outstanding included $12,480,000 under the Second Amended and Restated Credit Agreement and $9,749,000 secured by assets deposited with a financial institution.

Landstar is involved in certain claims and pending litigation arising from the normal conduct of business. Based on the knowledge of the facts and, in certain cases, opinions of outside counsel, management believes that adequate provisions have been made for probable losses with respect to the resolution of all claims and pending litigation and that the ultimate outcome, after provisions thereof, will not have a material adverse effect on the financial condition of Landstar, but could have a material effect on the results of operations in a given quarter or year.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with the attached interim consolidated financial statements and notes thereto, and with the Company's audited financial statements and notes thereto for the fiscal year ended December 26, 1998 and Management's Discussion and Analysis of Financial Condition and Results of Operations included in the 1998 Annual Report to Shareholders.

RESULTS OF OPERATIONS

Landstar System, Inc. and its subsidiary, Landstar System Holdings, Inc. ("Landstar" or the "Company"), provide transportation services to a variety of market niches throughout the United States and to a lesser extent in Canada and between the United States and Canada and Mexico through its operating subsidiaries which employ different operating strategies. Under the provisions of Financial Accounting Standards Board Statement of Financial Accounting Standards No. 131, "Disclosure about Segments of an Enterprise and Related Information," the Company determined it has three reportable business segments. These are the carrier, multimodal and insurance segments.

The carrier segment consists of Landstar Ranger, Inc.("Landstar Ranger"), Landstar Inway, Inc. ("Landstar Inway") and Landstar Ligon, Inc.("Landstar Ligon"). The carrier segment provides truckload transportation for a wide range of general commodities over both regular and irregular routes with its fleet of dry and specialty vans and unsided trailers, including flatbed, drop deck and specialty. The carrier segment markets its services primarily through independent commission sales agents and utilizes tractors provided by independent contractors. The nature of the carrier segment's business is such that a significant portion of its operating costs varies directly with revenue.

The multimodal segment is comprised of Landstar Logistics, Inc. and Landstar Express America, Inc. Transportation services provided by the multimodal segment include the arrangement of intermodal moves, contract logistics, truck brokerage, short-to-long haul movement of containers by truck and emergency and expedited air freight and truck services. The multimodal segment markets its services through independent commission sales agents and utilizes capacity provided by independent contractors, including railroads and air cargo carriers. The nature of the multimodal segment's business is such that a significant portion of its operating costs also varies directly with revenue.

The insurance segment is comprised of Signature Insurance Company ("Signature"), a wholly-owned offshore insurance subsidiary that was formed in March 1997, and Risk Management Claim Services, Inc. The insurance segment provides risk and claims management services to Landstar's operating companies. In addition, it reinsures certain property, casualty and occupational accident risks of certain independent contractors who have contracted to haul freight for Landstar and provides certain property and casualty insurance directly to Landstar's operating subsidiaries.

On August 22, 1998, Landstar Poole, Inc. ("Landstar Poole"), a wholly-owned subsidiary of Landstar which comprised the entire company-owned tractor segment, completed the sale of all of its tractors and trailers, certain operating assets and the Landstar Poole business to Schneider National, Inc. for $40,435,000 in cash. Accordingly, the financial results of this segment have been reported as discontinued operations in the accompanying financial statements.

Purchased transportation represents the amount an independent contractor is paid to haul freight and is primarily based on a contractually agreed-upon percentage of revenue generated by the haul for truck capacity provided by independent contractors. Purchased transportation for the intermodal services operations and the air freight operations of the multimodal segment is based on a contractually agreed-upon fixed rate. Purchased transportation as a percentage of revenue for the intermodal services operations is normally higher than that of Landstar's other transportation operations. Purchased transportation is the largest component of costs and expenses and, on a consolidated basis, increases or decreases in proportion to the revenue generated through independent contractors. Commissions to agents and brokers are primarily based on contractually agreed-upon percentages of revenue at the carrier segment and of gross profit at the multimodal segment. Commissions to agents and brokers as a percentage of consolidated revenue will vary directly with revenue generated through independent commission sales agents. Both purchased transportation and commissions to agents and brokers generally will also increase or decrease as a percentage of the Company's consolidated revenue if there is a change in the percentage of revenue contributed by Signature or by the intermodal services or air freight operations of the multimodal segment.

Trailer rental and maintenance costs paid to third parties are the largest component of other operating costs.

Potential liability associated with accidents in the trucking industry is severe and occurrences are unpredictable. A material increase in the frequency or severity of accidents or workers' compensation claims or the unfavorable development of existing claims can be expected to adversely affect Landstar's operating income.

Employee compensation and benefits account for over half of the Company's selling, general and administrative expense. Other significant components of selling, general and administrative expense are communications costs and rent expense.

Depreciation and amortization primarily relates to depreciation of trailers and management information services equipment.

The following table sets forth the percentage relationships of income and expense items to revenue for the periods indicated:

	Thirty Nine Weeks Ended		Thirteen Weeks Ended	
	Sept. 25, 1999	Sept. 26, 1998	Sept. 25, 1999	Sept. 26, 1998

Revenue	100.0%	100.0%	100.0%	100.0%
Investment income	0.2	0.1	0.2	0.1
Costs and expenses:				
Purchased transportation	73.6	73.9	73.7	74.1
Commissions to agents and brokers	8.0	7.9	8.1	7.9
Other operating costs	2.1	2.2	2.2	2.0
Insurance and claims	2.9	3.4	2.0	2.6
Selling, general and administrative	7.3	7.5	7.0	7.6
Depreciation and amortization	0.9	0.8	1.0	0.8
Total costs and expenses	94.8	95.7	94.0	95.0
Operating income	5.4	4.4	6.2	5.1
Interest and debt expense	0.3	0.3	0.4	0.3
Income from continuing operations before income taxes	5.1	4.1	5.8	4.8
Income taxes	2.1	1.7	2.4	1.9
Income from continuing operations	3.0	2.4	3.4	2.9
Discontinued operations, net of income taxes		(2.3)		
Net income	3.0%	0.1%	3.4%	2.9%

THIRTY NINE WEEKS ENDED SEPTEMBER 25, 1999 COMPARED TO THIRTY NINE WEEKS ENDED SEPTEMBER 26, 1998

Revenue for the 1999 thirty nine week period was $1,007,959,000, an increase of $58,217,000, or 6.1%, over the 1998 thirty nine week period. The increase was attributable to increased revenue of $47,315,000, $9,802,000 and $1,100,000 at the carrier, multimodal and insurance segments, respectively. Overall, revenue per revenue mile at the carrier and multimodal segments increased approximately 2%, which reflected improved freight quality, while revenue miles were approximately 4% higher than 1998. The insurance segment generated investment income of $1,751,000 and $1,191,000 during the 1999 and 1998 periods, respectively.

Purchased transportation was 73.6% of revenue in 1999 compared with 73.9% in 1998. The decrease in purchased transportation as a percentage of revenue was due to an increase in the percentage of revenue contributed by the carrier segment. Commissions to agents and brokers were 8.0% of revenue in 1999 and 7.9% in 1998. The increase in commissions to agents and brokers as a percentage of revenue was primarily attributable to an increase in the percentage of revenue generated through independent commission sales agents which reflected the conversion of company-owned sales locations to independent commission sales agent locations. Other operating costs were 2.1% of revenue in 1999 and 2.2% in 1998. The decrease in other operating costs as a percentage of revenue was due to a one-time reduction in the cost of fuel taxes and permits which resulted from a favorable fuel tax audit and a permit refund. This decrease was partially offset by increased contractor recruiting costs and an increased provision for contractor bad debt. Insurance and claims were 2.9% of revenue in 1999 compared with 3.4% in 1998. The decrease in insurance and claims as a percentage of revenue was primarily attributable to lower premium expense and favorable development of prior year claims. Selling, general and administrative costs were 7.3% of revenue in 1999 compared with 7.5% of revenue in 1998. This decrease was primarily due to a decrease in the provision for customer bad debts, partially offset by a higher provision for bonuses under the Company's management incentive compensation plan and increased management information services costs. In addition, selling, general and administrative costs in the prior year included $560,000 of one time costs incurred for the relocation of Landstar Express America, Inc. from Charlotte, North Carolina to Jacksonville, Florida.

Interest and debt expense was 0.3% of revenue in 1999 and 1998.

The provisions for income taxes from continuing operations for the 1999 and 1998 thirty nine-week periods were based on an estimated full year combined effective income tax rate of approximately 40.5%, which is higher than the statutory federal income tax rate primarily as a result of state income taxes, amortization of certain goodwill and the meals and entertainment exclusion.

Net income was $30,304,000, or $2.99 per common share ($2.95 per diluted share), in the 1999 period. Income from continuing operations for the 1998 period was $23,155,000, or $2.06 per common share ($2.05 per diluted share). The loss from discontinued operations for the 1998 period was $22,589,000, or $2.01 loss per common share ($2.00 loss per diluted share).

THIRTEEN WEEKS ENDED SEPTEMBER 25, 1999 COMPARED TO THIRTEEN WEEKS ENDED SEPTEMBER 25, 1998

Revenue for the 1999 thirteen-week period was $351,460,000, an increase of $27,427,000, or 8.5%, over the 1998 thirteen-week period. The increase was attributable to increased revenue of $21,404,000, $5,851,000 and $172,000 at the carrier, multimodal and insurance segments, respectively. Overall, revenue per revenue mile increased approximately 2%, which reflected improved freight quality, while revenue miles were approximately 7% higher than 1998. The insurance segment generated investment income of $633,000 and $441,000 during the 1999 and 1998 periods, respectively.

Purchased transportation was 73.7% of revenue in 1999 compared with 74.1% in 1998. The decrease in purchased transportation as a percentage of revenue was due to an increase in the percentage of revenue contributed by the carrier segment and a decrease in revenue at the intermodal services operations of the multimodal segment. Commissions to agents and brokers were 8.1% of revenue in 1999 and 7.9% in 1998. The increase in commissions to agents and brokers as a percentage of revenue was primarily attributable to an increase in the percentage of revenue generated through independent commission sales agents which reflected the conversion of company-owned sales locations to independent commission sales agents. Other operating costs were 2.2% of revenue in 1999 and 2.0% of revenue in 1998. The increase in other operating costs as a percentage of revenue was due to higher net trailer costs, increased contractor recruiting costs and a higher provision for contractor bad debt. Insurance and claims were 2.0% of revenue in 1999 compared with 2.6% in 1998. The decrease in insurance and claims as a percentage of revenue was primarily attributable to favorable development of prior year claims. Selling, general and administrative costs were 7.0% of revenue in 1999 compared with 7.6% of revenue in 1998. The decrease in selling, general and administrative costs as a percentage of revenue was primarily due to a decrease in the provision for customer bad debts, partially offset by increased management information services costs.

Interest and debt expense was 0.4% and 0.3% of revenue in 1999 and 1998, respectively. The increase in interest and debt expense as a percentage of revenue was due to increased capital lease obligations and fees incurred as a result of amending the Company's senior credit facility.

The provisions for income taxes for the 1999 and 1998 thirteen-week periods were based on an estimated full year combined effective income tax rate of approximately 40.5%, which is higher than the statutory federal income tax rate primarily as a result of state income taxes, amortization of certain goodwill and the meals and entertainment exclusion.

Net income was $12,074,000, or $1.21 per common share ($1.20 per diluted share), in the 1999 period. Net income for the 1998 period was $9,239,000, or $0.86 per common share ($0.85 per diluted share).

CAPITAL RESOURCES AND LIQUIDITY

Shareholders' equity increased to $116,592,000 at September 25, 1999 compared with $111,848,000 at December 26, 1998, as a result of net income, partially offset by the purchase of 655,000 shares of the Company's common stock at an aggregate cost of $25,853,000. During the third quarter of 1999, the Company's Board of Directors approved the purchase of up to an additional 500,000 shares of the Company's common stock from time to time in the open market and privately negotiated transactions. Shareholders' equity was 74% and 76% of total capitalization at September 25, 1999 and December 26, 1998, respectively.

Working capital and the ratio of current assets to current liabilities were $74,990,000 and 1.46 to 1, respectively, at September 25, 1999, compared with $75,670,000 and 1.53 to 1, respectively, at December 26, 1998. Landstar has historically operated with current ratios approximating 1.5 to 1. Cash provided by operating activities of continuing operations was $33,493,000 in the 1999 period compared with $40,686,000 in the 1998 period. The decrease in cash flow provided by operating activities of continuing operations was primarily attributable to timing of collections, partially offset by increased earnings and timing of payments. During the 1999 period, Landstar purchased $2,369,000 of operating property and acquired $11,735,000 of revenue equipment by entering into capital leases. Management anticipates acquiring approximately $14,000,000 of operating property during the remainder of fiscal year 1999 either by purchase or lease financing.

Management believes that cash flow from operations combined with the Company's borrowing capacity under its revolving credit agreement will be adequate to meet Landstar's debt service requirements, fund continued growth, both internal and through acquisitions, and meet working capital needs.

The Company is aware of the issues associated with the programming code in its existing computer systems in order for the systems to recognize date sensitive information when the year changes to 2000. The Company believes it has identified all of its information technology ("IT") and non-information technology ("non-IT") systems which require change to ensure all of its systems will be year 2000 compliant. With the 1999 fourth quarter relocation of all the Company's Jacksonville, FL based operations to its new facility, all non-IT systems that were not year 2000 compliant have been replaced with new year 2000 compliant systems. The Company has utilized in-house staff, with third party assistance, to convert its IT systems to year 2000 compliance. The Company believes that its pricing, billing and settlement systems are critical to the Company's operations. These systems enable the Company to invoice customers and pay independent contractors and commission sales agents properly. The operating subsidiaries comprising the multimodal segment are year 2000 compliant. Several years ago the Company began to implement a strategy to standardize the carrier group's critical IT systems using the Landstar Ranger system as the base. The critical IT systems of Landstar Ranger have been reprogrammed to be year 2000 compliant. During the 1999 third quarter, the Company completed the conversion of the critical IT systems of Landstar Ligon to the same systems as Landstar Ranger. During the 1999 second quarter, Landstar Inway, the remaining operating company in the carrier segment, successfully completed reprogramming its critical IT systems. The Company has successfully completed a comprehensive system-wide test of all critical IT systems. In addition, as part of the overall standardization plan, the Company has converted all of its operating companies to a generic, year 2000 compliant general ledger and accounts payable software system.

As part of the Company's comprehensive review of its systems, it is continuing to verify the year 2000 readiness of third parties (customers and vendors) who provide services that are material to the Company's operations. The Company is currently communicating with its material vendors and customers to assess their year 2000 readiness and will continue to monitor their progress throughout 1999.

The vast majority of the changes necessary to make the Company's IT systems year 2000 compliant were incurred as part of ongoing system development or as part of a Company-wide strategy to standardize computer systems. As such, management has not separately quantified the cost of year 2000 compliance. However, management estimates the total cost of third party assistance for year 2000 compliance approximated $700,000. Although management expects the cost of maintaining and upgrading the Company's computer systems to increase over the next few years compared to prior years, management does not believe that the future costs of maintaining and upgrading Landstar's computer systems will have a material adverse effect on the results of operations.

In the event the Company determines that one or more of its material vendors will not become year 2000 compliant, the Company's contingency plan is to select alternative vendors or implement alternate procedures for an interim period.

Although management believes all of the Company's critical IT systems have been reprogrammed to properly recognize year 2000 transactions, an unforeseen failure, or the non compliance of third party vendors, could have a material adverse effect on the Company's future operating results or financial condition.

INFLATION

Management does not believe inflation has had a material impact on the results of operations or financial condition of Landstar in the past five years. However, inflation higher than that experienced in the past five years might have an adverse effect on the Company's results of operations.

FORWARD-LOOKING STATEMENTS

The Company has included various statements in Management's Discussion and Analysis of Financial Condition and Results of Operations, which may be considered as forward-looking statements of expected future results of operations or events. Such statements, based upon management's interpretation of currently available information, are subject to risks and uncertainties that could cause future financial results or events to differ materially from those which are presented. Such risks and factors which are outside of the Company's control include general economic conditions, competition in the transportation industry, governmental regulation, the Company's ability to recruit and retain qualified independent contractors, fuel prices, adverse weather conditions and the conversion of the Company's or its vendors' critical IT systems to year 2000 compliance.

SEASONALITY

Landstar's operations are subject to seasonal trends common to the trucking industry. Results of operations for the quarter ending in March is typically lower than the quarters ending June, September and December due to reduced shipments and higher operating costs in the winter months.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The Company maintains a credit agreement with a syndicate of banks and The Chase Manhattan Bank, as the administrative agent, (the "Second Amended and Restated Credit Agreement") that provides $200,000,000 of borrowing capacity, consisting of $150,000,000 revolving credit and $50,000,000 revolving credit to finance acquisitions. Borrowings under the Second Amended and Restated Credit Agreement bear interest at rates equal to, at the option of Landstar, either (i) the greatest of (a) the prime rate as publicly announced from time to time by The Chase Manhattan Bank, (b) the three month CD rate adjusted for statutory reserves and FDIC assessment costs plus 1% and (c) the federal funds effective rate plus 1/2%, or, (ii) the rate at the time offered to The Chase Manhattan Bank in the Eurodollar market for amounts and periods comparable to the relevant loan plus a margin that is determined based on the level of the Company's Leverage Ratio, as defined in the Second Amended and Restated Credit Agreement. There have been no significant changes that would affect the information provided in Item 7a of the 1998 Annual Report on Form 10-K regarding quantitative and qualitative disclosures about market risk.

PART II

OTHER INFORMATION

Item 1. Legal Proceedings

On August 5, 1997, suit was filed entitled Rene Alberto Rivas vs. Landstar System, Inc., Landstar Gemini, Inc., Landstar Ranger, Inc., Risk Management

Claim Services, Inc., Insurance Management Corporation, and Does 1 through 500, inclusive, in federal district court in Los Angeles. The suit claims Rivas represents a class of all drivers who, according to the suit, should be classified as employees and are therefore allegedly aggrieved by the practice of Landstar Gemini, Inc. requiring such drivers, as independent contractors, to provide either a worker's compensation certificate or to participate in an occupational accident insurance program. Rivas claims violations of federal leasing regulations for allegedly improperly disclosing the program. Rivas also claims violations of Racketeer Influence and Corrupt Organizations ("RICO") Act and the California Business and Professions Act. He seeks on behalf of himself and the class damages of $15 million trebled by virtue of trebling provisions in the RICO Act plus punitive damages. A motion to dismiss these claims was argued to the court on February 9, 1998. On March 24, 1998, the court granted defendant's motion to dismiss the RICO claim.

The federal court has now held that Rivas may not recover damages for alleged violations of the federal leasing regulations without first proceeding at the Federal Highway Administration. Further, Rivas has now agreed to dismiss his federal lawsuit and submit his claim to arbitration as provided under the motor vehicle lease agreement. It is anticipated that arbitration will commence in early to mid 2000. The Company continues to vigorously contest this action. It believes that the drivers in question are properly classified as independent contractors and it also has other meritorious defenses to the various claims.

The Company is routinely a party to litigation incidental to its business, primarily involving claims for personal injury and property damage incurred in the transportation of freight. The Company maintains insurance which covers liability amounts in excess of retained liabilities from personal injury and property damages claims.

Item 2. Changes in Securities

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Submission of Matters to a Vote of Security Holders

None.

Item 5. Other Information

None.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

The exhibits listed on the Exhibit Index are filed as part of this quarterly report on Form 10-Q.

(b) Form 8-K

None.

EXHIBIT INDEX

Registrant's Commission File No.: 0-21238

Exhibit No.	Description
(4)	Instruments defining the rights of security holders, including indentures:
4.1 *	Second Amendment, dated September 8, 1999, to the Second Amended and Restated Credit Agreement, dated as of October 10, 1997
(11)	Statement re: Computation of Per Share Earnings:
11.1 *	Landstar System, Inc. and Subsidiary Calculation of Earnings Per Common Share for the Thirty Nine and Thirteen Weeks Ended September 25, 1999 and September 26, 1998
11.2 *	Landstar System, Inc. and Subsidiary Calculation of Diluted Earnings Per Share for the Thirty Nine and Thirteen Weeks Ended September 25, 1999 and September 26, 1998
(27)	Financial Data Schedules:
27.1 *	1999 Financial Data Schedule

____

* Filed herewith

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

LANDSTAR SYSTEM, INC.

Date: November 4, 1999

Henry H. Gerkens

Henry H. Gerkens
Executive Vice President and
Chief Financial Officer;
Principal Financial Officer

Date: November 4, 1999

Robert C. LaRose

Robert C. LaRose
Vice President Finance and Treasurer;
Principal Accounting Officer

EXHIBIT 4.1

SECOND AMENDMENT

SECOND AMENDMENT, dated as of September 8, 1999 (this "Amendment"), to the Second Amended and Restated Credit Agreement, dated as of October 10, 1997 (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement"), among LANDSTAR SYSTEM HOLDINGS, INC., a Delaware Corporation (the "Borrower"), LANDSTAR SYSTEM, INC., a Delaware corporation (the "Parent"), the Subsidiaries of the Borrower which are signatories hereto, the several banks and other financial institutions from time to time parties to this agreement (such banks and other financial institutions other than the Existing Lenders, the "Lenders") and The Chase Manhattan Bank ("Chase"), as administrative agent for the Lenders hereunder (in such capacity, the "Administrative Agent").

W I T N E S S E T H:

WHEREAS, the Borrower, the Parent, the Subsidiaries of the Borrower which are signatories hereto, the Lenders and the Agent are parties to the Credit Agreement; and

WHEREAS, the Borrower has requested that the Lenders agree to amend certain provisions of the Credit Agreement, and the Lenders are agreeable to such request upon the terms and subject to the conditions set forth herein;

NOW, THEREFORE, in consideration of the premises and mutual agreements contained herein, and for other valuable consideration the receipt of which is hereby acknowledged, the Borrower, the Parent, the Subsidiaries of the Borrower which are signatories hereto and the Agent hereby agree as follows:

1 Definitions. All terms defined in the Credit Agreement

shall have such defined meanings when used herein unless otherwise defined herein.

2 Amendment to Section 1.1. Section 1.1 is hereby amended by inserting the phrase "and/or any other Persons principally engaged in trucking or a similar business" immediately before the period in the definition of the term "Insurance Subsidiary."

3 Amendment to Section 4.16. Section 4.16 is hereby amended by inserting the phrase "and to repurchase the Capital Stock of the Borrower" immediately after the term "Permitted Acquisitions" in the first sentence of such subsection.

4 Amendment to Section 6.4. Section 6.4 is hereby amended by inserting the phrase "and/or any other Persons principally engaged in trucking or a similar business" immediately before the second parenthesis therein.

5 Amendment of Subsection 7.1(a). Subsection 7.1(a) of the Credit Agreement is hereby amended by deleting it in its entirety and inserting in lieu thereof the following new subsection 7.1(a):

"(a) Maintenance of Net Worth. Permit Consolidated Net Worth on the last day of any fiscal quarter of the Parent to be less than $80,000,000."

6 Amendment of Subsection 7.10(e). Subsection 7.10(e) of the Credit Agreement is hereby amended by deleting the Dollar amount "$10,000,000" and inserting in lieu thereof the Dollar amount "$20,000,000" and by deleting the word "three" and inserting in lieu thereof the word "five".

7 Amendment of Subsection 7.16. Subsection 7.16 of the Credit Agreement is hereby amended by adding the phrase "and/or any other Persons principally engaged in trucking or a similar business" in the fourth line from the bottom of that subsection, immediately after the word "Subsidiaries" and before the word "provided" and adding the following new language after the last parenthesis therein:

"and provided, further, that no more than one third (1/3) of the total insurance premiums received by the Insurance Subsidiary during any period of four consecutive fiscal quarters may derive from policies held by Persons principally engaged in trucking or a similar business not doing business with the Borrower and/or any of its Subsidiaries."

8 Representations; No Default. On and as of the date hereof, and after giving effect to this Amendment, the Borrower confirms, reaffirms and restates that the representations and warranties set forth in Section IV of the Credit Agreement are true and correct in all material respects, provided that the references to the Credit Agreement therein shall be deemed to be references to this Amendment and to the Credit Agreement as amended by this Amendment.

9 Conditions to Effectiveness. This Amendment shall become effective on the date on which the Agent shall have received counterparts of this Amendment, duly executed and delivered by a duly authorized officer of each of the Borrower, the Parent, each Guarantor which is a party to the Subsidiaries Guarantee and each of the Required Lenders.

10 Limited Effect. Except as expressly amended herein, the Credit Agreement shall continue to be, and shall remain, in full force and effect. This Amendment shall not be deemed to be a waiver of, or consent to, or a modification or amendment of, any other term or condition of the Credit Agreement or to prejudice any other right or rights which the Lenders may now have or may have in the future under or in connection with the Credit Agreement or any of the instruments or agreements referred to therein, as the same may be amended from time to time.

11 Costs and Expenses. The Borrower agrees to pay or reimburse the Agent for all its reasonable and customary out-of-pocket costs and expenses incurred in connection with this Amendment, including, without limitation, the reasonable fees and disbursements of its counsel.

12 Counterparts. This Amendment may be executed by one or more of the parties hereto in any number of separate counterparts, and all of said counterparts taken together shall be deemed to constitute one and the same instrument.

13 GOVERNING LAW. THIS AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed and delivered by their respective duly authorized officers as of the date first above written.

LANDSTAR SYSTEM HOLDINGS, INC.

By:
Title:

LANDSTAR SYSTEM, INC.

By:
Title:

THE CHASE MANHATTAN BANK,
as Administrative Agent and as a Lender

By:
Title:

EXHIBIT 11.1

LANDSTAR SYSTEM, INC. AND SUBSIDIARY
CALCULATION OF EARNINGS PER COMMON SHARE
(In thousands, except per share amounts)
(Unaudited)

	Thirty Nine Weeks Ended		Thirteen Weeks Ended	
	Sept. 25, 1999	Sept. 26, 1998	Sept. 25, 1999	Sept. 26, 1998
Earnings available for earnings per share:				
Income from continuing operations	$ 30,304	$ 23,155	$ 12,074	$ 9,239
Discontinued operations, net of income taxes		(22,589)		
Net income	$ 30,304	$ 566	$ 12,074	$ 9,239
Average number of common shares outstanding	10,149	11,223	9,954	10,743
Earnings per common share:				
Income from continuing operations	$ 2.99	$ 2.06	$ 1.21	$ 0.86
Loss from discontinued operations		(2.01)		
Earnings per common share	$ 2.99	$ 0.05	$ 1.21	$ 0.86

EXHIBIT 11.2

LANDSTAR SYSTEM, INC. AND SUBSIDIARY
CALCULATION OF DILUTED EARNINGS PER SHARE
(In thousands, except per share amounts)
(Unaudited)

	Thirty Nine Weeks Ended		Thirteen Weeks Ended	
	Sept. 25, 1999	Sept. 26, 1998	Sept. 25, 1999	Sept. 26, 1998
Earnings available for earnings per share:				
Income from continuing operations	$ 30,304	$ 23,155	12,074	$ 9,239
Discontinued operations, net of income taxes		(22,589)		
Net income	$ 30,304	$ 566	$ 12,074	$ 9,239
Average number of common shares outstanding	10,149	11,223	9,954	10,743
Plus: Incremental shares from assumed exercise of stock options	121	93	122	109
Average number of common shares and common share equivalents outstanding	10,270	11,316	10,076	10,852
Diluted earnings per share:				
Income from continuing operations	$ 2.95	$ 2.05	$ 1.20	$ 0.85
Loss from discontinued operations		(2.00)		
Diluted earnings per share	$ 2.95	$ 0.05	$ 1.20	$ 0.85

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This schedule contains summary financial information extracted from the Consolidated Balance Sheets at September 25, 1999 (Unaudited) and the Consolidated Statements of Income for the thirty nine weeks ended September 25, 1999 (Unaudited) and is qualified in its entirety by reference to such financial statements.
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