

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 29, 2001

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
(State or other jurisdiction
of incorporation or organization)

06-1313069
(I.R.S. Employer
Identification No.)

13410 Sutton Park Drive South, Jacksonville, Florida
(Address of principal executive offices)

32224
(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 () No ()

The number of shares of the registrant's Common Stock, par value \$0.01 per
share, outstanding as of the close of business on November 8, 2001 was
8,086,993.

PART I

FINANCIAL INFORMATION

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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 statement 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 29, 2001 are not necessarily indicative of the results that may be expected for the entire fiscal year ending December 29, 2001.

These interim financial statements should be read in conjunction with the audited financial statements and notes thereto included in the Company's 2000 Annual Report on Form 10-K.

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

	Sept. 29, 2001	Dec. 30, 2000
	-----	-----
ASSETS		
Current assets:		
Cash	\$ 35,079	\$ 32,926
Short-term investments	3,002	1,500
Trade accounts receivable, less allowance of \$4,712 and \$4,450	198,549	195,398
Other receivables, including advances to independent contractors, less allowance of \$6,746 and \$5,089	11,997	13,122
Prepaid expenses and other current assets	4,898	6,062
Total current assets	----- 253,525	----- 249,008
Operating property, less accumulated depreciation and amortization of \$42,708 and \$37,497	71,100	76,049
Goodwill, less accumulated amortization of \$9,904 and \$8,993	31,563	32,474
Deferred income taxes and other assets	10,757	12,831

Total assets	\$ 366,945	\$ 370,362
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Cash overdraft	\$ 16,706	\$ 17,496
Accounts payable	67,793	63,002
Current maturities of long-term debt	9,833	9,766
Insurance claims	21,350	23,364
Other current liabilities	30,679	40,662
Total current liabilities	146,361	154,290
Long-term debt, excluding current maturities	94,433	84,877
Insurance claims	21,328	23,336
Shareholders' equity:		
Common stock, \$0.01 par value, authorized 20,000,000 shares, issued 13,328,834 and 13,233,874 shares	133	132
Additional paid-in capital	74,211	71,325
Retained earnings	246,585	215,368
Cost of 5,241,841 and 4,741,841 shares of common stock in treasury	(209,926)	(172,727)
Notes receivable arising from exercise of stock options	(6,180)	(6,239)
Total shareholders' equity	104,823	107,859
Total liabilities and shareholders' equity	\$ 366,945	\$ 370,362

See accompanying notes to consolidated financial statements.

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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. 29, 2001	Sept. 23, 2000	Sept. 29, 2001	Sept. 23, 2000
Revenue	\$1,044,983	\$1,037,917	\$ 355,684	\$ 352,356
Investment income	2,861	3,154	902	1,200
Costs and expenses:				
Purchased transportation	774,162	764,698	264,125	259,590
Commissions to agents	82,291	82,440	28,284	28,502
Other operating costs	24,841	22,413	7,946	7,168
Insurance and claims	23,802	25,317	6,777	6,231
Selling, general and administrative	76,127	76,739	25,152	25,035
Depreciation and amortization	10,328	9,534	3,302	3,344
Non-recurring costs		5,270		2,230
Total costs and expenses	991,551	986,411	335,586	332,100
Operating income	56,293	54,660	21,000	21,456
Interest and debt expense	5,529	6,243	1,597	2,420
Income before income taxes	50,764	48,417	19,403	19,036
Income taxes	19,547	19,125	7,473	7,520
Net income	\$ 31,217	\$ 29,292	\$ 11,930	\$ 11,516
Earnings per common share	\$ 3.71	\$ 3.29	\$ 1.45	\$ 1.33
Diluted earnings per share	\$ 3.62	\$ 3.21	\$ 1.41	\$ 1.30
Average number of shares outstanding:				
Earnings per common share	8,419,000	8,909,000	8,251,000	8,677,000
Diluted earnings per share	8,635,000	9,120,000	8,472,000	8,883,000

See accompanying notes to consolidated financial statements.

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

	Thirty-Nine Weeks Ended	
	Sept. 29, 2001	Sept. 23, 2000
OPERATING ACTIVITIES		
Net income	\$ 31,217	\$ 29,292
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization of operating property	9,417	8,623
Amortization of goodwill	911	911
Non-cash interest charges	86	243
Provisions for losses on trade and other accounts receivable	5,300	2,145
Gains on sales of operating property	(197)	(191)
Deferred income taxes, net	(192)	1,154
Changes in operating assets and liabilities:		
Decrease (increase) in trade and other accounts receivable	(7,326)	8,354
Decrease (increase) in prepaid expenses and other assets	1,329	(473)
Increase (decrease) in accounts payable	4,791	(6,832)
Decrease in other liabilities	(9,983)	(10,261)
Decrease in insurance claims	(4,022)	(4,031)
NET CASH PROVIDED BY OPERATING ACTIVITIES	31,331	28,934
INVESTING ACTIVITIES		
Maturities of short-term investments	1,009	1,000
Purchase of short-term investment	(496)	(1,560)
Purchases of operating property	(4,902)	(6,220)
Proceeds from sales of operating property	631	1,396
NET CASH USED BY INVESTING ACTIVITIES	(3,758)	(5,384)
FINANCING ACTIVITIES		
Increase (decrease) in cash overdraft	(790)	6,016
Borrowings on revolving credit facility	25,000	27,500
Proceeds from exercise of stock options	2,946	142
Purchases of common stock	(37,199)	(46,185)
Principal payments on long-term debt and capital lease obligations	(15,377)	(5,941)
NET CASH USED BY FINANCING ACTIVITIES	(25,420)	(18,468)
Increase in cash	2,153	5,082
Cash at beginning of period	32,926	23,721
Cash at end of period	\$ 35,079	\$ 28,803

See accompanying notes to consolidated financial statements.

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LANDSTAR SYSTEM, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF CHANGES
IN SHAREHOLDERS' EQUITY
Thirty-Nine Weeks Ended September 29, 2001
(Dollars in thousands)
(Unaudited)

Common Stock	Additional Paid-In	Retained	Treasury Stock at Cost	Notes Receivable Arising from Exercise of
-----	-----	-----	-----	-----

	Shares	Amount	Capital	Earnings	Shares	Amount	Stock Options	Total
Balance December 30, 2000	13,233,874	\$ 132	\$ 71,325	\$ 215,368	4,741,841	\$(172,727)	\$ (6,239)	\$ 107,859
Net income				31,217				31,217
Purchases of common stock					500,000	(37,199)		(37,199)
Exercises of stock options	94,960	1	2,886				59	2,946
Balance September 29, 2001	13,328,834	\$ 133	\$ 74,211	\$ 246,585	5,241,841	\$(209,926)	\$ (6,180)	\$ 104,823

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 statement 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" or the "Company."

(1) Non-recurring Costs

Approximately 100 Landstar Ranger, Inc. ("Landstar Ranger") drivers are represented by the International Brotherhood of Teamsters (the "Teamsters"). The vast majority of these unionized drivers participate in the Teamsters' Central States Southeast and Southwest Areas Pension Fund (the "Fund"). Under a prior collective bargaining agreement, Landstar Ranger was required to make contributions to various Teamster pension funds for 205 drivers regardless of the actual number of unionized drivers. Effective April 1, 2000, a new collective bargaining agreement required Landstar Ranger to make pension contributions for only the actual number of unionized drivers. As a result of the elimination of the requirement to make contributions for more than the actual number of unionized drivers, the Trustees of the Fund have terminated participation in the Fund by Landstar Ranger effective October 1, 2000. The Trustees of the Fund regard this action as a withdrawal by Landstar Ranger. In the third quarter of 2000, the Company recorded a charge in the amount of \$2,230,000 for its estimated withdrawal liability from the Fund. After deducting income tax benefits of \$880,000, this charge reduced net income by \$1,350,000, or \$0.15 per share (\$0.15 per diluted share) in the 2000 thirty-nine-week period and \$0.16 per share (\$0.15 per diluted share) in the 2000 thirteen-week

period.

On March 28, 2000, the Company announced a plan to restructure the operations of Landstar Ligon, Inc. and to relocate its headquarters from Madisonville, Kentucky to Jacksonville, Florida in June of 2000. As a result of this restructuring and relocation, a one-time charge in the amount of \$3,040,000 was recorded during the second quarter of 2000. The restructuring and relocation were substantially completed by September 23, 2000. After deducting related income tax benefits of \$1,225,000, this one-time restructuring charge reduced net income by \$1,815,000, or \$0.20 per share (\$0.20 per diluted share), in the 2000 thirty-nine-week period.

(2) Income Taxes

The provisions for income taxes for the 2001 and 2000 thirty-nine-week and thirteen-week periods were based on estimated full year combined effective income tax rates of approximately 38.5% and 39.5%, respectively, which are 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 and 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 2001 thirty-nine-week period, Landstar paid income taxes and interest of \$19,131,000 and \$6,175,000, respectively. The Company has not acquired operating property by entering into capital leases during 2001. During the 2000 thirty-nine-week period, Landstar paid income taxes and interest of \$21,332,000 and \$6,653,000, respectively, and acquired operating property by entering into capital leases in the amount of \$17,710,000.

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(5) Segment Information

The following tables summarize information about Landstar's reportable business segments for the thirty-nine and thirteen weeks ended September 29, 2001 and September 23, 2000 (in thousands):

Thirty-Nine Weeks Ended September 29, 2001

	Carrier	Multimodal	Insurance	Other	Total
	-----	-----	-----	-----	-----
External revenue	\$ 820,055	\$ 207,209	\$ 17,719		\$1,044,983
Investment income			2,861		2,861
Internal revenue	22,100	1,764	20,185		44,049
Operating income	56,055	3,836	22,932	\$(26,530)	56,293

Thirty-Nine Weeks Ended September 23, 2000

	Carrier	Multimodal	Insurance	Other	Total
	-----	-----	-----	-----	-----
External revenue	\$ 816,079	\$ 203,541	\$ 18,297		\$1,037,917
Investment income			3,154		3,154
Internal revenue	26,913	604	16,860		44,377
Operating income	61,519 (1)	6,056	17,263	\$(30,178)	54,660 (1)

Thirteen Weeks Ended September 29, 2001

	Carrier	Multimodal	Insurance	Other	Total
	-----	-----	-----	-----	-----
External revenue	\$ 276,496	\$ 73,190	\$ 5,998		\$ 355,684
Investment income			902		902
Internal revenue	7,669	643	7,131		15,443
Operating income	18,452	1,715	9,224	\$(8,391)	21,000

Thirteen Weeks Ended September 23, 2000

	Carrier	Multimodal	Insurance	Other	Total
	-----	-----	-----	-----	-----
External revenue	\$ 277,570	\$ 68,694	\$ 6,092		\$ 352,356
Investment income			1,200		1,200
Internal revenue	8,405	363	5,294		14,062
Operating income	22,549 (2)	2,073	7,136	\$(10,302)	21,456 (2)

(1) Includes pre-tax non-recurring costs of \$5,270.

(2) Includes pre-tax non-recurring costs of \$2,230.

(6) Commitments and Contingencies

At September 29, 2001, Landstar had commitments for letters of credit outstanding in the amount of \$20,929,000, primarily as collateral for insurance claims. The commitments for letters of credit outstanding included \$10,080,000 under the Second Amended and Restated Credit Agreement and \$10,849,000 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 30, 2000 and Management's Discussion and Analysis of Financial Condition and Results of Operations included in the 2000 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. The Company 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 Ligon, Inc. ("Landstar Ligon") and Landstar Gemini, Inc. The carrier segment provides truckload transportation for a wide range of general commodities over irregular routes with its fleet of dry and specialty vans and unsided trailers, including flatbed, drop deck and specialty. It also provides short-to-long haul movement of containers by truck and dedicated power-only truck capacity. 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 and emergency and expedited ground and air freight. 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.

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The insurance segment is comprised of Signature Insurance Company ("Signature"), a wholly-owned offshore insurance subsidiary 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.

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 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 as a percentage of consolidated revenue will vary directly with the percentage of consolidated revenue generated through independent commission sales agents. Both purchased transportation and commissions to agents 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 operations or the air freight operations of the multimodal segment.

Trailer rent and maintenance costs are the largest components 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. Landstar retains liability for each individual commercial trucking claim up to \$1,000,000 through April 30, 2001 and \$5,000,000 thereafter. The Company also retains liability for each general liability claim up to \$1,000,000, \$250,000 for each workers' compensation claim and \$100,000 for each cargo claim.

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. 29, 2001	Sept. 23, 2000	Sept. 29, 2001	Sept. 23, 2000
Revenue	100.0%	100.0%	100.0%	100.0%
Investment income	0.3	0.3	0.3	0.3
Costs and expenses:				
Purchased transportation	74.1	73.7	74.3	73.7
Commissions to agents	7.8	7.9	8.0	8.1
Other operating costs	2.4	2.2	2.2	2.0
Insurance and claims	2.3	2.4	1.9	1.8
Selling, general and administrative	7.3	7.4	7.1	7.1
Depreciation and amortization	1.0	0.9	0.9	0.9
Non-recurring costs		0.5		0.6
Total costs and expenses	94.9	95.0	94.4	94.2
Operating income	5.4	5.3	5.9	6.1
Interest and debt expense	0.5	0.6	0.4	0.7
Income before income taxes	4.9	4.7	5.5	5.4
Income taxes	1.9	1.9	2.1	2.1
Net income	3.0%	2.8%	3.4%	3.3%

THIRTY-NINE WEEKS ENDED SEPTEMBER 29, 2001 COMPARED TO THIRTY-NINE WEEKS ENDED SEPTEMBER 23, 2000

Revenue for the 2001 thirty-nine-week period was \$1,044,983,000, an increase of \$7,066,000 over the 2000 thirty-nine-week period. The increase was attributable to increased revenue of \$3,976,000 at the carrier segment and \$3,668,000 at the multimodal segment, partially offset by decreased revenue at the insurance segment of \$578,000. Overall, revenue per revenue mile (price) increased approximately 1.5%, which reflected improved freight quality primarily at the multimodal segment, and more than offset a slight decline in revenue miles (volume).

Investment income at the insurance segment was \$2,861,000 and \$3,154,000 in the 2001 and 2000 periods, respectively. The decrease in investment income was primarily due to a reduced rate of return on the investment portfolio held by the insurance segment.

Purchased transportation was 74.1% of revenue in 2001 compared with 73.7% in 2000. The increase in purchased transportation as a percentage of revenue was primarily due to increased rates charged by third party capacity providers at the multimodal segment, increased brokerage revenue at the carrier segment and decreased revenue at the insurance segment. Commissions to agents were 7.8% of revenue in 2001 compared with 7.9% in 2000. The decrease in commissions to agents as a percentage of revenue was caused by the increased purchased transportation costs incurred at the multimodal segment which negatively impacted gross profit and resulted in lower agent commissions.

Other operating costs were 2.4% of revenue in 2001 compared with 2.2% in 2000. The increase in other operating costs as a percentage of revenue was primarily due to higher net trailer costs, increased independent contractor recruiting and qualification costs and an increased provision for contractor bad debts. Insurance and claims were 2.3% of revenue in 2001 compared with 2.4% in 2000. The decrease in insurance and claims as a percentage of revenue was primarily attributable to reduced premiums for commercial trucking liability insurance and increased brokerage revenue as a percentage of total revenue, which has a lower claims risk profile. Selling, general and administrative costs were 7.3% of revenue in 2001 compared with 7.4% of revenue in 2000. The decrease in selling, general and administrative costs as a percentage of revenue was primarily due to a reduction in the provision for bonuses under the Company's management incentive compensation plan, partially offset by an increased provision for customer bad debts. Depreciation and amortization was 1.0% of revenue in 2001 compared with 0.9% in 2000. The increase in depreciation and amortization as a percentage of revenue was primarily attributable to increased Company-owned trailers.

Approximately 100 Landstar Ranger drivers are represented by the International Brotherhood of Teamsters (the "Teamsters"). The vast majority of these unionized drivers participate in the Teamsters' Central States Southeast and Southwest Areas Pension Fund (the "Fund"). Under a prior collective bargaining agreement, Landstar Ranger was required to make contributions to various Teamster pension funds for 205 drivers regardless of the actual number of unionized drivers. Effective April 1, 2000, a new collective bargaining agreement required Landstar Ranger to make pension contributions for only the actual number of unionized drivers. As a result of the elimination of the requirement to make contributions for more than the actual number of unionized drivers, the Trustees of the Fund have terminated participation in the Fund by Landstar Ranger effective October 1, 2000. The Trustees of the Fund regard this action as a withdrawal by Landstar Ranger. In the third quarter of 2000, the Company recorded a charge in the amount of \$2,230,000 for its estimated withdrawal liability from the Fund.

On March 28, 2000, the Company announced a plan to restructure the operations of Landstar Ligon and to relocate its headquarters from Madisonville, Kentucky to Jacksonville, Florida in June of 2000. As a result of the restructuring and relocation, a one-time charge in the amount of \$3,040,000 was recorded during the second quarter of 2000. The restructuring and relocation were substantially completed as of September 23, 2000.

Interest and debt expense was 0.5% of revenue in 2001 and 0.6% of revenue in 2000. The decrease in interest expense as a percentage of revenue was primarily attributable to lower interest rates, partially offset by increased capital lease obligations for trailing equipment.

The provisions for income taxes for the 2001 and 2000 thirty-nine-week periods were based on estimated full year combined effective income tax rates of approximately 38.5% and 39.5%, respectively, which are 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. The decrease in the effective income tax rate was attributable to the implementation of state income tax planning strategies.

Net income was \$31,217,000, or \$3.71 per common share (\$3.62 per diluted share), in the 2001 period compared with \$29,292,000, or \$3.29 per common share (\$3.21 per diluted share), in the 2000 period. Excluding non-recurring costs, net income would have been \$32,457,000, or \$3.64 per common share (\$3.56 diluted earnings per share) in the 2000 period.

THIRTEEN WEEKS ENDED SEPTEMBER 29, 2001 COMPARED TO THIRTEEN WEEKS
ENDED SEPTEMBER 23, 2000

Revenue for the 2001 thirteen-week period was \$355,684,000, an increase of \$3,328,000 over the 2000 thirteen-week period. The increase was attributable to increased revenue at the multimodal segment of \$4,496,000, partially offset by decreased revenue of \$1,074,000 and \$94,000 at the carrier and insurance segments, respectively. Overall, revenue per revenue mile increased approximately 2%, which reflected improved freight quality primarily at the multimodal segment, and more than offset a 1% decline in revenue miles. Investment income at the insurance segment was \$902,000 and \$1,200,000 in the 2001 and 2000 periods, respectively. The decrease in investment income was primarily due to a reduced rate of return on the investment portfolio held by the insurance segment.

Purchased transportation was 74.3% of revenue in 2001 compared with 73.7% in 2000. The increase in purchased transportation as a percentage of revenue was primarily due to increased purchased transportation rates charged by third party capacity providers at the multimodal segment and increased brokerage revenue at the carrier segment. Commissions to agents were 8.0% of revenue in 2001 and 8.1% of revenue in 2000. The decrease in commissions to agents as a percentage of revenue was primarily caused by the increased purchase transportation costs incurred at the multimodal segment which negatively impacted gross profit and resulted in lower agent commissions. Other operating costs were 2.2% of revenue in 2001 compared with 2.0% in 2000. The increase in other operating costs as a percentage of revenue was primarily due to higher net trailer costs and increased independent contractor recruiting and qualification costs. Insurance and claims were 1.9% of revenue in 2001 compared with 1.8% in 2000. The increase in insurance and claims as a percentage of revenue was primarily attributable to favorable development of prior year claims in 2000, partially offset by reduced premiums for commercial trucking liability insurance in 2001. Selling, general and administrative costs were 7.1% of revenue in 2001 and 2000. Depreciation and amortization was 0.9% of revenue in 2001 and 2000.

Interest and debt expense was 0.4% and 0.7% of revenue in 2001 and 2000, respectively. The decrease was primarily attributable to lower interest rates.

The provisions for income taxes for the 2001 and 2000 thirteen-week periods were based on estimated full year combined effective income tax rates of approximately 38.5% and 39.5%, respectively, which are 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. The decrease in the effective income tax rate was attributable to the implementation of state income tax planning strategies.

Net income was \$11,930,000, or \$1.45 per common share (\$1.41 per diluted share), in the 2001 period compared with \$11,516,000, or \$1.33 per common share (\$1.30 per diluted share), in the 2000 period. Excluding the non-recurring costs related to the estimated withdrawal liability, net income would have been \$12,866,000, or \$1.48 per common share (\$1.45 diluted earnings per share) in the 2000 period.

CAPITAL RESOURCES AND LIQUIDITY

Shareholders' equity decreased to \$104,823,000 at September 29, 2001 compared with \$107,859,000 at December 30, 2000, primarily as a result of the purchase of 500,000 shares of the Company's common stock at an aggregate cost of \$37,199,000, partially offset by net income for the period. Shareholders' equity was 50% and 53% of total capitalization at September 29, 2001 and December 30, 2000, respectively. As of September 29, 2001 the Company may purchase an additional 500,000 shares of its common stock under its authorized stock repurchase program.

Working capital and the ratio of current assets to current liabilities were \$107,164,000 and 1.73 to 1, respectively, at September 29, 2001, compared with \$94,718,000 and 1.61 to 1, respectively, at December 30, 2000. Landstar has historically operated with current ratios approximating 1.5 to 1. Cash provided by operating activities was \$31,331,000 in the 2001 period compared with \$28,934,000 in the 2000 period. The increase in cash flow provided by operating activities was primarily attributable timing of payments. During the 2001 period, Landstar purchased \$4,902,000 of operating property. Management anticipates purchasing approximately \$1,000,000 of operating property during the remainder of fiscal year 2001.

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, complete its announced stock repurchase program and meet working capital needs.

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.

In June 2001, the Financial Accounting Standards Board issued SFAS No. 142, "Goodwill and Other Intangible Assets." This Statement, effective for fiscal years beginning after December 15, 2001, establishes standards for recognizing and measuring goodwill and other intangible assets. The Company believes other than the elimination of amortization expense for goodwill currently reflected on the Company's balance sheet, the adoption of this Statement will not materially affect the financial position or results of operations of the Company or materially affect the Company's financial statements.

FORWARD-LOOKING STATEMENTS

The following is a "safe harbor" statement under the Private Securities Litigation Reform Act of 1995. Statements contained in this document that are not based on historical facts are "forward-looking statements." This Management's Discussion and Analysis of Financial Condition and Results of Operations and other sections of this Form 10-Q statement contain forward-looking statements, such as statements which relate to Landstar's business objectives, plans, strategies and expectations. Terms such as "anticipates," "believes," "might," "will," the negative thereof and similar expressions are intended to identify forward-looking statements. Such statements are subject to uncertainties and risks, including but not limited to; an increase in the frequency or severity of accidents or workers' compensation claims; unfavorable development of existing accident claims; a downturn in domestic economic growth or growth in the transportation sector; and other operational, financial or legal risks or uncertainties detailed in Landstar's Securities and Exchange Commission filings from time to time. These risks and uncertainties could cause actual results or events to differ materially from historical results or those anticipated. Investors should not place undue reliance on such forward-looking statements and the Company undertakes no obligation to publicly update or revise any forward-looking statements.

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 2000 Annual Report on Form 10-K regarding quantitative and qualitative disclosures about market risk.

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PART II

OTHER INFORMATION

Item 1. Legal Proceedings

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

The Company's Form 8-K filed with the Securities and Exchange Commission on August 15, 2001 made comment to erroneous information on four separate Form 4 filings that were made by the Company on August 10, 2001.

EXHIBIT INDEX

Registrant's Commission File No.: 0-21238

Exhibit No. -----	Description -----
(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 29, 2001 and September 23, 2000
11.2 *	Landstar System, Inc. and Subsidiary Calculation of Diluted Earnings Per Share for the Thirty-Nine and Thirteen Weeks Ended September 29, 2001 and September 23, 2000

* 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 8, 2001

Henry H. Gerkens

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

Date: November 8, 2001

Robert C. LaRose

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

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. 29, 2001	Sept. 23, 2000	Sept. 29, 2001	Sept. 23, 2000
Earnings available for earnings per share:				
Net income	\$ 31,217	\$ 29,292	\$ 11,930	\$ 11,516
Average number of common shares outstanding	8,419	8,909	8,251	8,677
Earnings per common share	\$ 3.71	\$ 3.29	\$ 1.45	\$ 1.33

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. 29, 2001	Sept. 23, 2000	Sept. 29, 2001	Sept. 23, 2000
Net income	\$ 31,217	\$ 29,292	\$ 11,930	\$ 11,516
Average number of common shares outstanding	8,419	8,909	8,251	8,677
Plus: Incremental shares from assumed exercise of stock options	216	211	221	206
Average number of common shares and common share equivalents outstanding	8,635	9,120	8,472	8,883
Diluted earnings per share	\$ 3.62	\$ 3.21	\$ 1.41	\$ 1.30