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 28, 2002

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.)

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

32224
(Zip Code)

(904) 398-9400
(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 28, 2002 was 15,818,387.

PART I

FINANCIAL INFORMATION

Index

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 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 28, 2002 are not necessarily indicative of the results that may be expected for the entire fiscal year ending December 28, 2002.

These interim financial statements should be read in conjunction with the audited financial statements and notes thereto included in the Company's 2001 Annual Report on Form 10-K.

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

	Sept. 28, 2002	Dec. 29, 2001
ASSETS		
Current assets:		
Cash	$ 64,946	$ 47,886
Short-term investments	2,200	2,982
Trade accounts receivable, less allowance of $3,838 and $4,416	208,647	185,206
Other receivables, including advances to independent contractors, less allowance of $5,053 and $4,740	10,346	13,779
Prepaid expenses and other current assets	5,549	4,020
Total current assets	291,688	253,873

Operating property, less accumulated depreciation and amortization of $51,945 and $44,455	65,000	68,532
Goodwill 31,134 31,134		
Other assets	16,575	11,112
Total assets	$ 404,397	$ 364,651
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Cash overdraft	$ 16,339	$ 13,018
Accounts payable	70,241	55,813
Current maturities of long-term debt	10,163	9,965
Insurance claims	23,903	21,602
Other current liabilities	41,174	31,667
Total current liabilities	161,820	132,065
Long-term debt, excluding current maturities	62,460	91,909
Insurance claims	23,897	21,585
Deferred income taxes	3,268	1,652
Shareholders' equity:		
Common stock, $.01 par value, authorized 20,000,000 shares, issued 16,286,306 and 13,328,834 shares	163	133
Additional paid-in capital	261	75,036
Retained earnings	159,299	258,162
Cost of 112,879 and 5,241,841 shares of common stock in treasury	(5,435)	(209,926)
Notes receivable arising from exercise of stock options	(1,336)	(5,965)
Total shareholders' equity	152,952	117,440
Total liabilities and shareholders' equity	$ 404,397	$ 364,651

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. 28, 2002	Sept. 29, 2001	Sept. 28, 2002	Sept. 29, 2001
Revenue	$1,112,569	$1,044,983	$ 385,660	$ 355,684
Investment income	1,552	2,861	474	902
Costs and expenses:				
Purchased transportation	822,193	774,162	285,771	264,125
Commissions to agents	87,550	82,291	30,645	28,284
Other operating costs	26,274	24,841	8,460	7,946
Insurance and claims	32,672	23,802	8,288	6,777
Selling, general and administrative	77,421	76,127	26,698	25,152
Depreciation and amortization	8,521	10,328	2,821	3,302
Total costs and expenses	1,054,631	991,551	362,683	335,586
Operating income	59,490	56,293	23,451	21,000
Interest and debt expense	3,518	5,529	966	1,597
Income before income taxes	55,972	50,764	22,485	19,403
Income taxes	21,269	19,547	8,544	7,473
Net income	$ 34,703	$ 31,217	$ 13,941	$ 11,930
Earnings per common share (1)	$ 2.14	$ 1.85	$ 0.86	$ 0.72
Diluted earnings per share (1)	$ 2.06	$ 1.81	$ 0.83	$ 0.70

Average number of shares outstanding:				
Earnings per common share (1)	16,223,000	16,838,000	16,224,000	16,501,000
Diluted earnings per share (1)	16,847,000	17,270,000	16,875,000	16,943,000

(1) All earnings per share amounts and average number of shares outstanding have been restated to give retroactive effect to a two-for-one stock split effected in the form of a 100% stock dividend announced July 18, 2002.

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. 28, 2002	Sept. 29, 2001
OPERATING ACTIVITIES		
Net income	$ 34,703	$ 31,217
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization of operating property	8,521	9,417
Amortization of goodwill		911
Non-cash interest charges	205	86
Provisions for losses on trade and other accounts receivable	6,084	5,300
Losses (gains) on sales of operating property	34	(197)
Deferred income taxes, net	1,616	(192)
Changes in operating assets and liabilities:		
Increase in trade and other accounts receivable	(26,092)	(7,326)
Decrease (increase) in prepaid expenses and other assets	(634)	1,329
Increase in accounts payable	14,428	4,791
Increase (decrease) in other liabilities	9,507	(9,983)
Increase (decrease) in insurance claims	4,613	(4,022)
NET CASH PROVIDED BY OPERATING ACTIVITIES	52,985	31,331
INVESTING ACTIVITIES		
Maturities of investments	2,500	1,009
Purchases of investments	(8,281)	(496)
Purchases of operating property	(2,649)	(4,902)
Proceeds from sales of operating property	294	631
NET CASH USED BY INVESTING ACTIVITIES	(8,136)	(3,758)
FINANCING ACTIVITIES		
Increase (decrease) in cash overdraft	3,321	(790)
Borrowings on revolving credit facility		25,000
Proceeds from exercises of stock options	1,523	1,763
Proceeds from repayment of notes receivable arising from exercises of stock options	4,721	1,183
Purchases of common stock	(5,435)	(37,199)
Principal payments on long-term debt and capital lease obligations	(31,919)	(15,377)
NET CASH USED BY FINANCING ACTIVITIES	(27,789)	(25,420)
Increase in cash	17,060	2,153
Cash at beginning of period	47,886	32,926
Cash at end of period	$ 64,946	$ 35,079

See accompanying notes to consolidated financial statements.

LANDSTAR SYSTEM, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF CHANGES
IN SHAREHOLDERS' EQUITY
Thirty-Nine Weeks Ended September 28, 2002
(Dollars in thousands)
(Unaudited)

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Retained Earnings	Treasury Stock at Cost Shares	Treasury Stock at Cost Amount	Notes Receivable Arising from Exercise of Stock Options	Total
Balance December 29, 2001	13,328,834	$ 133	$ 75,036	$ 258,162	5,241,841	$(209,926)	$ (5,965)	$ 117,440
Net income				34,703				34,703
Exercises of stock options	77,660	1	1,614				(92)	1,523
Repayment of notes receivable arising from exercises of stock options							4,721	4,721
Retirement of treasury stock	(5,241,841)	(52)	(76,389)	(133,485)	(5,241,841)	209,926		-
Purchases of common stock					112,879	(5,435)		(5,435)
Stock split effected in the form of a 100% stock dividend	8,121,653	81		(81)				-
Balance September 28, 2002	16,286,306	$ 163	$ 261	$ 159,299	112,879	$ (5,435)	$ (1,336)	$ 152,952

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) Stock Split

On July 18, 2002, Landstar announced that its Board of Directors had declared a two-for-one stock split of its common stock to be effected in the form of a 100% stock dividend. Stockholders of record on August 2, 2002 received one additional share of common stock for each share held. The additional shares were distributed on August 12, 2002. All share and per share amounts have been restated to give retroactive effect to this stock split.

(2) Income Taxes

The provisions for income taxes for the 2002 and 2001 thirty-nine-week and thirteen-week periods were based on estimated full year combined effective income tax rates of approximately 38.0% and 38.5%, respectively, which are higher than the statutory federal income tax rate primarily as a result of state income taxes and the meals and entertainment exclusion in both years and the amortization of certain goodwill in the 2001 period.

(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. All earnings per share amounts have been restated to give retroactive effect to the two-for-one stock split announced July 18, 2002.

(4) Goodwill

The Company adopted Statement of Financial Accounting Standards (SFAS) No. 142, "Goodwill and Other Intangible Assets" in the first quarter of fiscal year 2002. SFAS No. 142 eliminates the requirement to amortize goodwill on a recurring basis over its estimated useful life. Adoption of SFAS No. 142 resulted in the elimination of goodwill amortization expense beginning with the first quarter of 2002. SFAS No. 142 requires that goodwill now be tested for impairment on an annual basis by reporting unit based on fair value measurements. During the first quarter of 2002, the Company completed the transitional goodwill impairment test and determined that the fair value of each reporting unit exceeded the carrying value of the net assets of each reporting unit. Accordingly, no impairment loss was recognized. During the thirty-nine-week and thirteen-week periods ended September 29, 2001, the Company recorded goodwill amortization expense of $911,000 and $302,000, respectively. Elimination of this amortization expense would have resulted in net income of $32,128,000, or an increase of $0.06 in earnings per share ($0.05 per diluted share), and $12,232,000, or an increase of $0.02 in earnings per share ($0.02 per diluted share), in the 2001 thirty-nine-week and thirteen-week periods, respectively. The Company has no other intangible assets subject to the provisions of SFAS No. 142.

(5) Additional Cash Flow Information

During the 2002 period, Landstar paid income taxes and interest of $16,638,000 and $3,303,000, respectively, and acquired operating property by entering into capital leases in the amount of $2,668,000. During the 2001 period, Landstar paid income taxes and interest of $19,131,000 and $6,175,000, respectively. The Company did not acquire operating property by entering into capital leases during 2001.

(6) Segment Information

The following tables summarize information about Landstar's reportable business segments for the thirty-nine and thirteen weeks ended September 28, 2002 and September 29, 2001 (in thousands):

Thirty-nine Weeks Ended September 28, 2002

	Carrier	Multimodal	Insurance	Other	Total
External revenue	$ 878,836	$ 213,018	$ 20,715		$1,112,569
Investment income			1,552		1,552

	Carrier	Multimodal	Insurance	Other	Total
Internal revenue	17,899	1,849	22,667		42,415
Operating income	63,912	5,007	15,867	$(25,296)	59,490
Goodwill	20,496	10,638			31,134

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
Goodwill	20,788	10,775			31,563

Thirteen Weeks Ended September 28, 2002

	Carrier	Multimodal	Insurance	Other	Total
External revenue	$ 298,872	$ 79,959	$ 6,829		$ 385,660
Investment income			474		474
Internal revenue	6,394	689	7,194		14,277
Operating income	22,453	2,222	8,307	$ (9,531)	23,451

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

(7) Commitments and Contingencies

At September 28, 2002, Landstar had commitments for letters of credit outstanding in the amount of $19,929,000, primarily as collateral for insurance claims. The commitments for letters of credit outstanding included $9,080,000 under the Third 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 adverse effect on the results of operations in a given quarter or year. However, no assurances can be given in this regard.

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 29, 2001 and Management's Discussion and Analysis of Financial

Condition and Results of Operations included in the 2001 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 Inway, Inc., Landstar Ligon, Inc. and Landstar Gemini, Inc. The carrier segment primarily 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 and truck brokerage. The carrier segment markets its services primarily through independent commission sales agents and utilizes tractors provided by independent contractors, either permanently leased to the Company or third party broker carriers. Historically, the Company's carrier segment has primarily relied on capacity provided by independent contractors permanently leased to the Company. Pursuant to a plan to augment its available capacity and increase its revenue, the Company has begun to increase the carrier segment's use of capacity provided by third party broker carriers. A significant decrease in the number of tractors supplied by independent contractors permanently leased to the Company or the availability of capacity provided by third party broker carriers may have an adverse effect on the Company's results of operations. 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 tractors provided by independent contractors, 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, 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 who are permanently leased to the Company. Purchased transportation for the brokerage services operations of the carrier and multimodal segments is based on a negotiated rate for each load hauled. 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 and brokerage 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, revenue less the cost of purchased transportation, at the multimodal segment. Commissions to agents as a percentage of consolidated revenue will vary directly with the percentage of consolidated revenue generated by the carrier segment, the multimodal segment and Signature and increases or decreases in gross profit at the multimodal segment.

Trailing equipment 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, cargo or workers' compensation claims or the unfavorable development of existing claims could be expected to materially adversely affect Landstar's operating income. Landstar retains liability for each individual commercial trucking claim up to $1,000,000 per occurrence through April 30, 2001 and $5,000,000 per occurrence thereafter. To reduce its exposure to unladen liability claims (claims incurred while the vehicle is being operated without a trailer attached or is being operated with an attached trailer which does not contain or carry any cargo), Landstar requires its independent contractors to maintain unladen truckers liability coverage of $1,000,000 per occurrence. Under the Company's unladen truckers liability program, independent contractors purchase truckers unladen liability coverage from a third party insurance company. Signature reinsures this unladen liability coverage for independent contractors who participate in the Company's unladen program, up to $25,000 per occurrence through December 31, 2001 and $1,000,000 thereafter. The Company also retains liability for each general liability claim up to $1,000,000, $250,000 for each workers' compensation claim and $250,000 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 trailing equipment and management information services equipment.

All historical share related financial information presented herein has been restated to reflect a two-for-one stock split effected in the form of a 100% stock dividend distributed on August 12, 2002 to stockholders of record on August 2, 2002.

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. 28, 2002	Sept. 29, 2001	Sept. 28, 2002	Sept. 29, 2001
Revenue	100.0%	100.0%	100.0%	100.0%
Investment income	0.1	0.3	0.1	0.3
Costs and expenses:				
Purchased transportation	73.9	74.1	74.1	74.3
Commissions to agents	7.9	7.8	7.9	8.0
Other operating costs	2.4	2.4	2.2	2.2
Insurance and claims	2.9	2.3	2.2	1.9
Selling, general and administrative	6.9	7.3	6.9	7.1
Depreciation and amortization	0.8	1.0	0.7	0.9
Total costs and expenses	94.8	94.9	94.0	94.4
Operating income	5.3	5.4	6.1	5.9
Interest and debt expense	0.3	0.5	0.3	0.4
Income before income taxes	5.0	4.9	5.8	5.5

Income taxes	1.9	1.9	2.2	2.1
Net income	3.1%	3.0%	3.6%	3.4%

THIRTY-NINE WEEKS ENDED SEPTEMBER 28, 2002 COMPARED TO THIRTY-NINE WEEKS ENDED SEPTEMBER 29, 2001

Revenue for the 2002 thirty-nine-week period was $1,112,569,000, an increase of $67,586,000 over the 2001 thirty-nine-week period. The increase was attributable to increased revenue of $58,781,000, $5,809,000 and $2,996,000 at the carrier, multimodal and insurance segments, respectively. Overall, revenue miles (volume) increased approximately 8%. Revenue per load increased approximately 6% while revenue per revenue mile (price) decreased approximately 1%, reflecting changes in freight mix, including an increase in the average length of haul at the carrier segment. The increase in premium revenue at the insurance segment was primarily attributable to an increase in the level of reinsurance underwritten for unladen truckers liability from $25,000 per occurrence to $1,000,000 per occurrence effective January 1, 2002. Investment income at the insurance segment was $1,552,000 and $2,861,000 in the 2002 and 2001 periods, respectively. The decrease in investment income was primarily due to a reduced rate of return, attributable to the decline in interest rates.

Purchased transportation was 73.9% of revenue in 2002 compared with 74.1% in 2001. The decrease in purchased transportation as a percentage of revenue was primarily due to increased revenue at the insurance and carrier segments and reduced rates paid to third party broker carriers at the multimodal segment. Commissions to agents were 7.9% of revenue in 2002 and 7.8% of revenue in 2001. The increase in commissions to agents as a percentage of revenue was primarily due to an increase in net revenue, revenue less the cost of purchased transportation, at the multimodal segment.

Other operating costs were 2.4% of revenue in 2002 and 2001. Insurance and claims were 2.9% of revenue in 2002 compared with 2.3% in 2001. The increase in insurance and claims as a percentage of revenue was primarily attributable to increased trucking claims in the $4 million excess of $1 million layer as a result of one severe accident in June 2002, increased unladen truckers liability claims due to the increased level of risk assumed under the program effective January 1, 2002 and favorable development of prior year claims in 2001, partially offset by reduced property and casualty insurance premiums. Selling, general and administrative costs were 6.9% of revenue in 2002 compared with 7.3% of revenue in 2001. The decrease in selling, general and administrative costs as a percentage of revenue was primarily due to decreased wages, travel and entertainment expenses and communications costs, partially offset by an increased provision for bonuses under the Company's incentive compensation plans. Depreciation and amortization was 0.8% of revenue in 2002 compared with 1.0% in 2001. The decrease in depreciation and amortization as a percentage of revenue was primarily due to the January 1, 2002 implementation of SFAS No. 142, which eliminated the amortization of goodwill, and reduced depreciation expense for trailing equipment and information technology assets.

Interest and debt expense was 0.3% and 0.5% of revenue in 2002 and 2001, respectively. This decrease was primarily attributable to decreased interest rates, decreased average borrowings on the senior credit facility and decreased average capital lease obligations for trailing equipment.

The provisions for income taxes for the 2002 and 2001 thirty-nine-week periods were based on estimated full year combined effective income tax rates of approximately 38.0% and 38.5%, respectively, which are greater than the statutory federal income tax rate primarily as a result of state income taxes and the meals and entertainment exclusion in both years and the amortization of certain goodwill in the 2001 period. The decrease in the effective income tax rate was attributable to the elimination of goodwill amortization in 2002.

Net income was $34,703,000, or $2.14 per common share ($2.06 per diluted share), in the 2002 period compared with $31,217,000, or $1.85 per common share ($1.81 per diluted share), in the 2001 period.

THIRTEEN WEEKS ENDED SEPTEMBER 28, 2002 COMPARED TO THIRTEEN WEEKS ENDED SEPTEMBER 29, 2001

Revenue for the 2002 thirteen-week period was $385,660,000, an increase of $29,976,000 over the 2001 thirteen-week period. The increase was attributable to increased revenue of $22,376,000, $6,769,000 and $831,000 at the carrier, multimodal and insurance segments, respectively. Overall, revenue miles increased approximately 11%. Revenue per load increased approximately 4% while revenue per revenue mile decreased approximately 2%, reflecting changes in freight mix, including an increase in the average length of haul at the carrier segment. During the quarter, trucks provided by independent contractors declined slightly. This decrease was more than offset by increased truck productivity and increased utilization of capacity provided by third party broker carriers. The increase in premium revenue at the insurance segment was primarily attributable to an increase in the level of reinsurance underwritten for unladen truckers liability. Investment income at the insurance segment was $474,000 and $902,000 in the 2002 and 2001 periods, respectively. The decrease in investment income was primarily due to a reduced rate of return, attributable to the decline in interest rates.

Purchased transportation was 74.1% of revenue in 2002 compared with 74.3% in 2001. The decrease in purchased transportation as a percentage of revenue was primarily attributable to increased revenue at the insurance segment. Commissions to agents were 7.9% of revenue in 2002 and 8.0% of revenue in 2001. The decrease in commissions to agents as a percentage of revenue was primarily due to reduced gross profit at the multimodal segment resulting from higher purchased transportation costs. Other operating costs were 2.2% of revenue in 2002 and 2001. Insurance and claims were 2.2% of revenue in 2002 compared with 1.9% in 2001. The increase in insurance and claims as a percentage of revenue was primarily attributable to increased unladen truckers liability claims due to the increased level of risk assumed under the program, effective January 1, 2002 and increased cargo claims costs. Selling, general and administrative costs were 6.9% of revenue in 2002 compared with 7.1% of revenue in 2001. The decrease in selling, general and administrative costs as a percentage of revenue was primarily due to decreased wages, travel and entertainment expenses and communications costs, partially offset by an increased provision for bonuses under the Company's incentive compensation plans. Depreciation and amortization was 0.7% of revenue in 2002 compared with 0.9% in 2001. The decrease in depreciation and amortization as a percentage of revenue was primarily due to the January 1, 2002 implementation of SFAS No. 142, which eliminated the amortization of goodwill and reduced depreciation and amortization for trailing equipment and information technology assets.

Interest and debt expense was 0.3% and 0.4% of revenue in 2002 and 2001, respectively. The decrease was primarily attributable to decreased interest rates, decreased average borrowings on the senior credit facility and decreased capital lease obligations for trailing equipment.

The provisions for income taxes for the 2002 and 2001 thirteen-week periods were based on estimated full year combined effective income tax rates of approximately 38.0% and 38.5%, respectively, which are greater than the statutory federal income tax rate primarily as a result of state income taxes and the meals and entertainment exclusion in both years and the amortization of certain goodwill in the 2001 period. The decrease in the effective income tax rate was attributable to the elimination of goodwill amortization in 2002.

Net income was $13,941,000, or $0.86 per common share ($0.83 per diluted share), in the 2002 period compared with $11,930,000, or $0.72 per common share ($0.70 per diluted share), in the 2001 period.

CAPITAL RESOURCES AND LIQUIDITY

Shareholders' equity increased to $152,952,000 at September 28, 2002 compared with $117,440,000 at December 29, 2001, primarily as a result of net income for the period and the repayment of notes receivable arising from the exercises of stock options, partially offset by the purchase of 112,879 shares of the Company's common stock at an aggregate price of $5,435,000. Shareholders' equity was 68% and 54% of total capitalization at September 28, 2002 and December 29, 2001, respectively. As of September 28, 2002, the Company is authorized to purchase up to 887,121 shares, adjusted for the two-for-one stock split, of its common stock under its authorized stock purchase program.

Working capital and the ratio of current assets to current liabilities were $129,868,000 and 1.80 to 1, respectively, at September 28, 2002, compared with $121,808,000 and 1.92 to 1, respectively, at December 29, 2001. Landstar has historically operated with current ratios within the range of 1.5 to 1 to 2.0 to 1. Cash provided by operating activities was $52,985,000 in the 2002 period compared with $31,331,000 in the 2001 period. The increase in cash flow provided by operating activities was primarily attributable to the timing of payments. During the 2002 period, Landstar purchased $2,649,000 of operating property and acquired $2,668,000 of revenue equipment by entering into capital leases. Management anticipates acquiring $17,000,000 of operating property during the remainder of fiscal year 2002 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, 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.

FORWARD-LOOKING STATEMENTS

Certain of the statements contained in this report are forward-looking statements. From time to time, we may also provide oral or written forward-looking statements in other materials we release to the public. Forward-looking statements give our current expectations or forecasts of future events. You can identify these statements by the fact that they do not relate strictly to historical or current facts. They use words such as "anticipates", "believes", "estimates", "plans", 'predicts", "may", "should", "will", and other words of similar meaning in connection with any discussion of future operating or financial performance. Forward-looking statements are made based upon management's current expectations and beliefs concerning future developments and their potential effects on the Company. There can be no assurance that future developments will be in accordance with management's expectations or that the effect of future developments on the Company will be those anticipated by management. A variety of factors could cause our actual results to differ materially from those expressed in such forward-looking statements. These factors include, without limitation, an increase in the frequency or severity of accidents; cargo or workers' compensation claims; unfavorable development of existing accident claims; a downturn in economic domestic growth or growth in the transportation sector; a significant decrease in the availability of capacity; and the other factors described elsewhere in this report, in Item 7 of the Company's Report on Form 10-K for the year ended December 29, 2001 or in other Securities and Exchange Commission filings of the Company. You should understand that it is not possible to predict or identify all such factors. Consequently, you should not consider any such list to be a complete set-of-all potential risks and uncertainties. While the Company periodically reassesses material trends and uncertainties affecting its results of operations and financial condition, the Company does not intend, and undertakes no obligation, to review or revise any particular forward-looking statement referenced in this report or elsewhere in light of future events.

SEASONALITY

Landstar's operations are subject to seasonal trends common to the trucking industry. Results of operations for the quarter ending in March are typically lower than the quarters ending June, September and December.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The Company maintains a credit agreement with a syndicate of banks and JPMorgan Chase Bank, as the administrative agent, (the "Third Amended and Restated Credit Agreement") that provides $175,000,000 of borrowing capacity in the form of a revolving credit facility, $50,000,000 of which may be utilized in the form of letter of credit guarantees. Borrowings under the Third 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 JPMorgan Chase 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 JPMorgan Chase 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 Third Amended and Restated Credit Agreement. There have been no significant changes that would affect the information provided in Item 7a of the 2001 Annual Report on Form 10-K regarding quantitative and qualitative disclosures about market risk.

Item 4. Controls and Procedures

Within the 90-day period prior to the filing of this report, an evaluation was carried out under the supervision and with the participation of the Company's management, including the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), of the effectiveness of our disclosure controls and procedures. Based on that evaluation, the CEO an CFO have concluded that the Company's disclosure controls and procedures are effective to ensure that information required to be disclosed by the Company in reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms. Subsequent to the date of such evaluation, there were no significant changes in the Company's internal controls or in other factors that could significantly affect these controls.

PART II

OTHER INFORMATION

Item 1. Legal Proceedings

On September 20, 2001, a suit was filed entitled Gulf Bridge RoRo, Inc. v. Landstar System, Inc. (hereinafter "Landstar"), Landstar Logistics, Inc. (hereinafter "Landstar Logistics"), and Ford Motor Co., Inc. in Federal District Court in Mobile, Alabama. The suit alleges breach of contract and misrepresentation against Landstar and Landstar Logistics and certain other causes of action arising out of a contract between Landstar Logistics and the Plaintiff involving a trans-Gulf of Mexico roll-on/roll-off shipping venture developed by the Plaintiffs. The complaint and discovery developed after the filing of the suit would indicate that Plaintiff's principal claim is that Landstar and Landstar Logistics breached a duty under the contract to use "best efforts" to aid in the arrangement of freight for Plaintiff's vessel and that Landstar and Landstar Logistics misrepresented material facts which induced Plaintiff to enter into the contract with Landstar Logistics. The suit makes claim for $25,000,000 for damages for breach of contract and $50,000,000 punitive and other damages related to the misrepresentation counts. As of October 31, 2002, discovery remains open and proceeding in this matter. Discovery completion date has been set by the Court for November 8, 2002. The trial court had initially ordered that this matter would be tried in February of 2003, but has now indicated that the matter will not be tried until April of 2003.

The Company believes it has meritorious defenses to this litigation and intends to defend it vigorously. The Company also believes that if this litigation were determined adverse to it, the probable liability of the Company, exclusive of any available insurance recoveries, would not have a material adverse effect on the financial condition of the Company but could have a material adverse effect on the results of operations in a given quarter or year. The Company also believes, however, that any such liability would have no greater impact on the Company's results of operations for any fiscal quarter or fiscal year than any previous litigation to which the Company has been a party in the last three fiscal years. No assurances can be given as to the outcome of this matter.

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

KPMG LLP provides certain tax compliance services to the Company. The Company's audit committee pre-approved the provision of these non-audit services to the Company, as contemplated by Section 202 of the Sarbanes-Oxley Act of 2002.

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 July 22, 2002 announced the Company's authorized 2-for-1 stock split effected in the form of a 100% stock dividend effective August 12, 2002 to shareholders of record on August 2, 2002.

The Company's Form 8-K filed with the Securities and Exchange Commission on August 8, 2002 contained the Company's Principal Executive Officer's and Principal Financial Officer's certifications pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

The Company's Form 8-K filed with the Securities and Exchange Commission on August 9, 2002 contained the Company's Principal Executive Officer's and Principal Financial Officer's certifications of certain covered reports pursuant to Securities and Exchange Commission Order No. 4-460.

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 28, 2002 and September 29, 2001
11.2 *	Landstar System, Inc. and Subsidiary Calculation of Diluted Earnings Per Share for the Thirty-Nine and Thirteen Weeks September 28, 2002 and September 29, 2001

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* 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 1, 2002 /s/ Jeffrey C. Crowe

Jeffrey C. Crowe
Chairman of the Board and
Chief Executive Officer

Date: November 1, 2002 /s/ Robert C. LaRose

Robert C. LaRose
Vice President, Chief Financial
Officer and Secretary

CERTIFICATIONS

I, Jeffrey C. Crowe , certify that:

1. I have reviewed this quarterly report on Form 10-Q of Landstar System, Inc.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: November 1, 2002

Jeffrey C. Crowe
Chairman of the Board and
Chief Executive Officer

CERTIFICATIONS

I, Robert C. LaRose, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Landstar System, Inc.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: November 1, 2002

Robert C. LaRose
Vice President, Chief
Financial Officer and Secretary

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. 28, 2002	Sept. 29, 2001	Sept. 28, 2002	Sept. 29, 2001
Earnings available for earnings per share:				
Net income	$ 34,703	$ 31,217	$ 13,941	$ 11,930
Average number of common shares outstanding	16,223	16,838	16,224	16,501
Earnings per common share	$ 2.14	$ 1.85	$ 0.86	$ 0.72

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. 28, 2002	Sept. 29, 2001	Sept. 28, 2002	Sept. 29, 2001
Net income	$ 34,703	$ 31,217	$ 13,941	$ 11,930
Average number of common shares	16,223	16,838	16,224	16,501
Plus: Incremental shares from assumed exercise of stock options	624	432	651	442
Average number of common shares and common share equivalents outstanding	16,847	17,270	16,875	16,943
Diluted earnings per share	$ 2.06	$ 1.81	$ 0.83	$ 0.70