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 June 30, 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	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) 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 August 3, 2001 was 8,435,993.

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 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 twenty-six weeks ended June 30, 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)

	June 30, 2001	Dec 30, 2000
ASSETS		
Current assets:		
Cash	$ 27,839	$ 32,926
Short-term investments	3,016	1,500
Trade accounts receivable, less allowance of $4,737 and $4,450	193,214	195,398
Other receivables, including advances to independent contractors, less allowance of $5,897 and $5,089	14,345	13,122
Prepaid expenses and other current assets	4,956	6,062
Total current assets	243,370	249,008
Operating property, less accumulated depreciation and amortization of $41,226 and $37,497	72,095	76,049
Goodwill, less accumulated amortization of $9,602 and $8,993	31,865	32,474
Deferred income taxes and other assets	15,368	12,831

Total assets	$ 362,698	$ 370,362
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Cash overdraft	$ 15,401	$ 17,496
Accounts payable	69,153	63,002
Current maturities of long-term debt	9,736	9,766
Insurance claims	21,829	23,364
Other current liabilities	32,310	40,662
Total current liabilities	148,429	154,290
Long-term debt, excluding current maturities	72,000	84,877
Insurance claims	21,774	23,336
Shareholders' equity:		
Common stock, $.01 par value, authorized 20,000,000 shares, issued 13,277,974 and 13,233,874 shares	133	132
Additional paid-in capital	72,696	71,325
Retained earnings	234,655	215,368
Cost of 4,858,141 and 4,741,841 shares of common stock in treasury	(180,602)	(172,727)
Notes receivable arising from exercise of stock options	(6,387)	(6,239)
Total shareholders' equity	120,495	107,859
Total liabilities and shareholders' equity	$ 362,698	$ 370,362

See accompanying notes to consolidated financial statements.

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

	Twenty-Six Weeks Ended		Thirteen Weeks Ended	
	June 30, 2001	June 24, 2000	June 30, 2001	June 24, 2000
Revenue	$ 689,299	$ 685,561	$ 358,018	$ 358,555
Investment income	1,959	1,954	903	1,024
Costs and expenses:				
Purchased transportation	510,037	505,108	265,882	264,118
Commissions to agents	54,007	53,938	27,890	28,034
Other operating costs	16,895	15,245	8,792	7,798
Insurance and claims	17,025	19,086	9,222	9,982
Selling, general and administrative	50,975	51,704	24,113	25,756
Depreciation and amortization	7,026	6,190	3,536	3,136
Non-recurring costs		3,040		3,040
Total costs and expenses	655,965	654,311	339,435	341,864
Operating income	35,293	33,204	19,486	17,715
Interest and debt expense	3,932	3,823	1,710	2,118
Income before income taxes	31,361	29,381	17,776	15,597
Income taxes	12,074	11,605	6,843	6,160
Net income	$ 19,287	$ 17,776	$ 10,933	$ 9,437
Earnings per common share	$ 2.27	$ 1.97	$ 1.29	$ 1.06
Diluted earnings per share	$ 2.21	$ 1.92	$ 1.26	$ 1.04
Average number of shares outstanding:				
Earnings per common share	8,503,000	9,024,000	8,494,000	8,880,000
Diluted earnings per share	8,718,000	9,237,000	8,707,000	9,104,000

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See accompanying notes to consolidated financial statements.

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

	Twenty-Six Weeks Ended June 30, 2001	Twenty-Six Weeks Ended June 24, 2000
OPERATING ACTIVITIES		
Net income	$ 19,287	$ 17,776
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization of operating property	6,417	5,581
Amortization of goodwill	609	609
Non-cash interest charges	86	162
Provisions for losses on trade and other accounts receivable	3,406	1,122
Gains on sales of operating property	(195)	(139)
Deferred income taxes, net	(120)	702
Changes in operating assets and liabilities:		
Decrease (increase) in trade and other accounts receivable	(2,445)	11,521
Increase in prepaid expenses and other assets	(3,412)	(4,703)
Increase (decrease) in accounts payable	6,151	(915)
Decrease in other liabilities	(8,352)	(13,881)
Increase (decrease) in insurance claims	(3,097)	1,424
NET CASH PROVIDED BY OPERATING ACTIVITIES	18,335	19,259
INVESTING ACTIVITIES		
Maturities of short-term investments	499	1,000
Purchases of short-term investments		(1,060)
Purchases of operating property	(2,825)	(4,101)
Proceeds from sales of operating property	557	636
NET CASH USED BY INVESTING ACTIVITIES	(1,769)	(3,525)
FINANCING ACTIVITIES		
Decrease in cash overdraft	(2,095)	(2,329)
Borrowings on revolving credit facility		26,500
Proceeds from exercise of stock options	1,224	142
Purchases of common stock	(7,875)	(28,201)
Principal payments on long-term debt and capital lease obligations	(12,907)	(3,660)
NET CASH USED BY FINANCING ACTIVITIES	(21,653)	(7,548)
Increase (decrease) in cash	(5,087)	8,186
Cash at beginning of period	32,926	23,721
Cash at end of period	$ 27,839	$ 31,907

See accompanying notes to consolidated financial statements.

LANDSTAR SYSTEM, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF CHANGES
IN SHAREHOLDERS' EQUITY
Twenty-Six Weeks Ended June 30, 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				19,287				19,287
Purchases of common stock					116,300	(7,875)		(7,875)
Exercises of stock options	44,100	1	1,371				(148)	1,224
Balance June 30, 2001	13,277,974	$ 133	$ 72,696	$ 234,655	4,858,141	$(180,602)	$ (6,387)	$ 120,495

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

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 representing approximately $1,370,000 of employee and office relocation costs, $1,000,000 of severance costs and $670,000 of other costs. 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 $.20 per share ($.20 per diluted share), in both the 2000 twenty-six and thirteen-week periods.

(2) Income Taxes

The provisions for income taxes for the 2001 and 2000 twenty-six-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 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 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 period, Landstar paid income taxes and interest of $15,232,000 and $4,450,000, respectively. During the 2000 period, Landstar paid income taxes and interest of $15,858,000 and $4,073,000, respectively, and acquired operating property by entering into capital leases in the amount of $10,580,000.

(5) Segment Information

The following tables summarize information about Landstar's reportable business segments for the twenty-six and thirteen weeks ended June 30, 2001 and June 24, 2000 (in thousands):

Twenty-Six Weeks Ended June 30, 2001

	Carrier	Multimodal	Insurance	Other	Total
External revenue	$ 543,559	$ 134,019	$ 11,721		$ 689,299
Investment income			1,959		1,959
Internal revenue	14,431	1,121	13,054		28,606
Operating income	37,603	2,121	13,708	$(18,139)	35,293

Twenty-Six Weeks Ended June 24, 2000

	Carrier	Multimodal	Insurance	Other	Total
External revenue	$ 538,509	$ 134,847	$ 12,205		$ 685,561
Investment income			1,954		1,954
Internal revenue	18,508	241	11,566		30,315
Operating income	38,970 (1)	3,983	10,127	$(19,876)	33,204 (1)

Thirteen Weeks Ended June 30, 2001

	Carrier	Multimodal	Insurance	Other	Total
External revenue	$ 280,174	$ 72,190	$ 5,654		$ 358,018
Investment income			903		903
Internal revenue	7,792	639	7,688		16,119
Operating income	20,569	1,535	6,512	$ (9,130)	19,486

Thirteen Weeks Ended June 24, 2000

	Carrier	Multimodal	Insurance	Other	Total
External revenue	$ 282,704	$ 69,649	$ 6,202		$ 358,555
Investment income			1,024		1,024
Internal revenue	9,428	193	6,363		15,984
Operating income	20,258 (1)	2,201	5,328	$(10,072)	17,715 (1)

(1) Includes pre-tax restructuring costs of $3,040.

(6) Commitments and Contingencies

At June 30, 2001, Landstar had commitments for letters of credit outstanding in the amount of $22,496,000, 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 $12,416,000 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 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.

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 commerical 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:

	Twenty-Six Weeks Ended		Thirteen Weeks Ended	
	June 30, 2001	June 24, 2000	June 30, 2001	June 24, 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	74.0	73.7	74.3	73.7
Commissions to agents	7.8	7.9	7.8	7.8
Other operating costs	2.5	2.2	2.4	2.2
Insurance and claims	2.5	2.8	2.6	2.8
Selling, general and administrative	7.4	7.5	6.7	7.2
Depreciation and amortization	1.0	0.9	1.0	0.9
Non-recurring costs		0.4		0.8
Total costs and expenses	95.2	95.4	94.8	95.4
Operating income	5.1	4.9	5.5	4.9
Interest and debt expense	0.6	0.6	0.5	0.6
Income before income taxes	4.5	4.3	5.0	4.3
Income taxes	1.7	1.7	1.9	1.7
Net income	2.8%	2.6%	3.1%	2.6%

TWENTY-SIX WEEKS ENDED JUNE 30, 2001 COMPARED TO TWENTY-SIX WEEKS ENDED JUNE 24, 2000

Revenue for the 2001 twenty-six-week period was $689,299,000, an increase of $3,738,000 over the 2000 twenty-six-week period. The increase was attributable to increased revenue of $5,050,000 at the carrier segment, partially offset by decreased revenue at the multimodal and insurance segments of $828,000 and $484,000, respectively. Overall, revenue per revenue mile (price) increased approximately 1%, which reflected improved freight quality. Investment income at the insurance segment was $1,959,000 and $1,954,000 in the 2001 and 2000 periods, respectively.

Purchased transportation was 74.0% 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, decreased revenue at the insurance segment and increased brokerage revenue at the carrier 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 2.5% 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 2.5% of revenue in 2001 compared with 2.8% in 2000. The decrease in insurance and claims as a percentage of revenue was primarily attributable to favorable development of prior year claims in 2001 and reduced property and casualty insurance premiums. Selling, general and administrative costs were 7.4% of revenue in 2001 compared with 7.5% 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 debt. 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.

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 representing approximately $1,370,000 of employee and office relocation costs, $1,000,000 of severance costs and $670,000 of other costs. The restructuring and relocation were substantially completed as of September 23, 2000.

Interest and debt expense was 0.6% of revenue in 2001 and 2000.

The provisions for income taxes for the 2001 and 2000 twenty-six-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 $19,287,000, or $2.27 per common share ($2.21 per diluted share), in the 2001 period compared with $17,776,000, or $1.97 per common share ($1.92 per diluted share), in the 2000 period. Excluding restructuring costs, net income would have been $19,591,000, or $2.17 per common share ($2.12 diluted earnings per share) in the 2000 period.

THIRTEEN WEEKS ENDED JUNE 30, 2001 COMPARED TO THIRTEEN WEEKS ENDED JUNE 24, 2000

Revenue for the 2001 thirteen-week period was $358,018,000, a decrease of $537,000 compared to the 2000 thirteen-week period. The decrease was attributable to decreased revenue of $2,530,000 and $548,000 at the carrier and insurance segments, respectively, partially offset by increased revenue at the multimodal segment of $2,541,000. Overall, revenue miles (volume) were approximately 1% higher than 2000. Investment income at the insurance segment was $903,000 and $1,024,000 in the 2001 and 2000 periods, respectively.

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 attributable to increased revenue contributed by the multimodal segment, which tends to pay higher rates for purchased transportation, decreased premium revenue at the insurance segment and increased brokerage revenue at the carrier segment. Commissions to agents were 7.8% of revenue in 2001 and in 2000. 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, an increased provision for contractor bad debts and increased independent contractor recruiting and qualification costs. Insurance and claims were 2.6% of revenue in 2001 compared with 2.8% in 2000. The decrease in insurance and claims as a percentage of revenue was primarily attributable to reduced property and casualty insurance premiums, resulting from the assumption of increased risk for property and casualty claims from $1 million to $5 million effective May 2001. Selling, general and administrative costs were 6.7% of revenue in 2001 compared with 7.2% of revenue in 2000. This decrease was primarily due to a decrease in the provision for bonuses under the management incentive compensation plan, partially offset by an increase in the provision for customer bad debt. 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.

Interest and debt expense was 0.5% and 0.6% of revenue in 2001 and 2000, respectively. The decrease was primarily attributable to the effect of lower average borrowings on the senior credit facility and 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 $10,933,000, or $1.29 per common share ($1.26 per diluted share), in the 2001 period compared with $9,437,000, or $1.06 per common share ($1.04 per diluted share), in the 2000 period. Excluding restructuring costs, net income would have been $11,252,000, or $1.27 per common share ($1.24 diluted earnings per share) in the 2000 period.

CAPITAL RESOURCES AND LIQUIDITY

Shareholders' equity increased to $120,495,000 at June 30, 2001 compared with $107,859,000 at December 30, 2000, primarily as a result of net income for the period, partially offset by the repurchase of 116,300 shares of the Company's common stock at an aggregate cost of $7,875,000. Shareholders' equity was 60% and 53% of total capitalization at June 30, 2001 and December 30, 2000, respectively.

Working capital and the ratio of current assets to current liabilities were $94,941,000 and 1.64 to 1, respectively, at June 30, 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 $18,335,000 in the 2001 period compared with $19,259,000 in the 2000 period. The decrease in cash flow provided by operating activities was primarily attributable timing of the collection of accounts receivable. During the 2001 period, Landstar purchased $2,825,000 of operating property. Management anticipates acquiring approximately $8,000,000 of operating property during the remainder of fiscal year 2001 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.

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.

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

On May 16, 2001, Landstar System, Inc. (the "Company") held its Annual Meeting of Shareholders (the "Meeting") at the Ponte Vedra Inn, Ponte Vedra Beach, Florida, 32082. The matters voted upon at the Meeting included (i) the election of three Class II directors for the terms to expire at the 2004 Annual Meeting of Shareholders and (ii) the ratification of appointment of KPMG LLP as the Company's independent auditors for fiscal year 2001.

Pursuant to the Company's Restated Certificate of Incorporation, the Board of Directors has fixed the number of directors at seven: two Class I directors whose members' terms will expire at the 2003 Annual Meeting of Shareholders; three Class II directors whose members' terms will expire at the 2004 Annual Meeting of Shareholders; and two Class III directors whose members' terms will expire at the 2002 Annual Meeting of Shareholders. With respect to the election of the three Class II directors at the Meeting, nominee Merritt J. Mott, nominee William S. Elston and nominee Diana M. Murphy were elected to the Board of Directors of the Company. Mr. Mott received 7,694,611 votes for election to the Board and 51,122 were withheld. Mr. Elston received 7,694,536 votes for election to the Board and 51,197 were withheld. Ms. Murphy received 7,694,627 votes for election to the Board and 51,106 were withheld. The names of the other directors whose terms of office as a director continued after the Meeting are as follows: Jeffrey C. Crowe (a Class III director), David G. Bannister (a Class III director), Henry H. Gerkens (a Class I director) and Ronald W. Drucker (a Class I director).

The proposal to appoint KPMG LLP as the Company's independent auditors for fiscal year 2001 was ratified by the Company's shareholders. Votes for the ratification were 7,669,684, votes against were 75,085 and votes abstaining were 964.

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
(11)	Statement re: Computation of Per Share Earnings:
11.1 *	Landstar System, Inc. and Subsidiary Calculation of Earnings Per Common Share for the Twenty-Six and Thirteen Weeks Ended June 30, 2001 and June 24, 2000
11.2 *	Landstar System, Inc. and Subsidiary Calculation of Diluted Earnings Per Share for the Twenty-Six and Thirteen Weeks Ended June 30, 2001 and June 24, 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: August 10, 2001

Henry H. Gerkens

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

Date: August 10, 2001

Robert C. LaRose

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

EXHIBIT 11.1

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

	Twenty-Six Weeks Ended		Thirteen Weeks Ended	
	June 30, 2001	June 24, 2000	June 30, 2001	June 24, 2000
Earnings available for earnings per share:				
Net income	$ 19,287	$ 17,776	$ 10,933	$ 9,437
Average number of common shares outstanding	8,503	9,024	8,494	8,880
Earnings per common share	$ 2.27	$ 1.97	$ 1.29	$ 1.06

EXHIBIT 11.2

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

	Twenty-Six Weeks Ended		Thirteen Weeks Ended	
	June 30, 2001	June 24, 2000	June 30, 2001	June 24, 2000
Net income	$ 19,287	$ 17,776	$ 10,933	$ 9,437
Average number of common shares outstanding	8,503	9,024	8,494	8,880
Plus: Incremental shares from assumed exercise of stock options	215	213	213	224
Average number of common shares and common share equivalents outstanding	8,718	9,237	8,707	9,104
Diluted earnings per share	$ 2.21	$ 1.92	$ 1.26	$ 1.04