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 28, 1997

or

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

For the transition period from ________________ to ____________________

Commission File Number: 0-21238

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

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

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

32207
(Zip Code)

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

First Shelton Place, 1000 Bridgeport Avenue, Shelton, Connecticut
(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 7, 1997 was 12,623,933.
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PART I

FINANCIAL INFORMATION

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 and thirteen weeks ended June 28, 1997 are not necessarily indicative of the results that may be expected for the entire fiscal year ending December 27, 1997.

These interim financial statements should be read in conjunction with the audited financial statements and notes thereto included in the Company's 1996 Annual Report on Form 10-K.

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Item 1

Item 2

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

	June 28, 1997	December 28, 1996
ASSETS		
Current assets:		
Cash	$ 3,612	$ 4,187
Short-term investments	3,324	
Trade accounts receivable, less allowance of $6,285 and $6,526	169,548	176,892
Other receivables, including advances to independent contractors, less allowance of $4,970 and $4,390	15,335	10,740
Inventories	1,161	1,785
Prepaid expenses and other current assets	9,321	7,319
Total current assets	202,301	200,923
Operating property, less accumulated depreciation		

and amortization of $48,708 and $50,223	95,854	105,564
Goodwill, less accumulated amortization of $7,953 and $7,087	54,260	55,126
Deferred income taxes and other assets	8,387	9,188
Total assets	$ 360,802	$ 370,801
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Cash overdraft	$ 15,863	$ 13,488
Accounts payable	50,202	39,901
Current maturities of long-term debt	17,767	23,241
Estimated insurance claims	27,976	25,328
Other current liabilities	23,176	28,312
Total current liabilities	134,984	130,270
Long-term debt, excluding current maturities	43,998	67,155
Estimated insurance claims	28,499	25,819
Shareholders' equity:		
Common stock, $.01 par value, authorized 20,000,000 shares, issued 12,895,974 shares and 12,882,874 shares	129	129
Additional paid-in capital	62,049	61,740
Retained earnings	97,100	87,655
Cost of 273,041 and 94,041 shares of common stock in treasury	(5,957)	(1,967)
Total shareholders' equity	153,321	147,557
Total liabilities and shareholders' equity	$ 360,802	$ 370,801

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 28, 1997	June 29, 1996	June 28, 1997	June 29, 1996
Revenue	$ 639,240	$ 624,589	$ 333,682	$ 329,112
Costs and expenses:				
Purchased transportation	447,069	425,229	231,947	225,016
Drivers' wages and benefits	15,250	22,730	7,105	11,225
Fuel and other operating costs	25,755	37,292	12,592	19,514
Insurance and claims	23,791	17,756	14,460	7,959
Commissions to agents and brokers	47,705	40,661	24,986	21,894
Selling, general and administrative	46,921	47,269	22,755	23,199
Depreciation and amortization	10,443	12,201	5,329	6,187
Restructuring costs	3,164		1,985	
Total costs and expenses	620,098	603,138	321,159	314,994
Operating income	19,142	21,451	12,523	14,118
Interest and debt expense, net	2,861	3,973	1,422	2,051
Income before income taxes	16,281	17,478	11,101	12,067
Income taxes	6,836	7,310	4,661	5,053
Net income	$ 9,445	$ 10,168	$ 6,440	$ 7,014
Earnings per share	$ 0.75	$ 0.80	$ 0.51	$ 0.55
Average number of common shares outstanding	12,672,000	12,781,000	12,618,000	12,783,000

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 28, 1997	June 29, 1996
OPERATING ACTIVITIES		
Net income	$ 9,445	$ 10,168
Adjustments to reconcile net income to net cash provided (used) by operating activities:		
Depreciation and amortization of operating property	9,372	11,113
Amortization of goodwill and non-competition agreements	1,071	1,088
Non-cash interest charges	132	132
Provisions for losses on trade and other accounts receivable	1,476	1,361
Gains on sales of operating property	(1,502)	(1,183)
Deferred income taxes, net	1,299	(176)
Changes in operating assets and liabilities:		
Decrease (increase) in trade and other accounts receivable	1,273	(23,032)
Increase in inventories, prepaid expenses and other assets	(738)	(3,958)
Increase in accounts payable and other liabilities	5,165	348
Increase (decrease) in estimated insurance claims	5,328	(352)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	32,321	(4,491)
INVESTING ACTIVITIES		
Purchases of investments	(4,799)	
Purchases of operating property	(7,332)	(4,774)
Proceeds from sales of operating property	9,172	4,616
NET CASH USED BY INVESTING ACTIVITIES	(2,959)	(158)
FINANCING ACTIVITIES		
Borrowings under revolving credit facility		16,000
Increase (decrease) in cash overdraft	2,375	(861)
Proceeds from exercise of stock options and related income tax benefit	309	217
Purchases of common stock	(3,990)	
Principal payments on long-term debt and capital lease obligations	(28,631)	(10,619)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	(29,937)	4,737
Increase (decrease) in cash	(575)	88
Cash at beginning of period	4,187	3,415
Cash at end of period	$ 3,612	$ 3,503

See accompanying notes to consolidated financial statements.

LANDSTAR SYSTEM, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF CHANGES
IN SHAREHOLDERS' EQUITY
Twenty-Six Weeks Ended June 28, 1997
(Dollars in thousands)
(Unaudited)

Common Stock	Additional	Treasury Stock at Cost

			Paid-In	Retained			
	Shares	Amount	Capital	Earnings	Shares	Amount	Total
Balance December 28, 1996	12,882,874	$ 129	$61,740	$87,655	94,041	$(1,967)	$147,557
Purchases of common stock					179,000	(3,990)	(3,990)
Exercise of stock options and related income tax benefit	13,100		309				309
Net income				9,445			9,445
Balance June 28, 1997	12,895,974	$ 129	$62,049	$97,100	273,041	$(5,957)	$153,321

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".

(1) Income Taxes

The provisions for income taxes for both the 1997 and 1996 twenty-six week periods were based on an estimated combined full year effective income tax rate of approximately 42%, 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.

(2) Earnings Per Share

Earnings per share amounts were based on the weighted average number of common shares outstanding.

(3) Additional Cash Flow Information

During the 1997 period, Landstar paid income taxes and interest of $9,883,000 and $3,032,000 respectively, and did not acquire any operating property by entering into capital leases. During the 1996 period, Landstar paid income taxes and interest of $10,430,000 and $3,523,000, respectively, and acquired operating property by entering into capital leases in the amount of $13,697,000.

(4) Commitments and Contingencies

At June 28, 1997, Landstar had commitments for letters of credit outstanding in the amount of $18,959,000, primarily as collateral for estimated insurance claims.

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.

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 28, 1996 and Management's Discussion and Analysis of Financial Condition and Results of Operations, included in the 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 provides truckload transportation, intermodal transportation services, expedited air and surface transportation and contract logistics services.

The Company provides truckload and expedited surface transportation through independent contractors, and to a lesser extent company-owned equipment driven by company-employed drivers. The Company's intermodal and expedited air transportation services primarily involve arranging for the movement of customer's goods by a combination of rail or air and truck. Both the railroads and air cargo carriers used by the Company in its intermodal and expedited air operations are independent contractors. Contract logistics services include single source alternatives, truck brokerage and other transportation solutions for large customers. The Company markets its transportation services and provides local operating support primarily through a network of independent commission sales agents.

In March 1997, Landstar formed Signature Insurance Company ("Signature"), a wholly-owned offshore insurance subsidiary. Signature's primary activity is the reinsurance of certain property, casualty and occupational accident risks of the independent contractors who have contracted to haul freight with Landstar. Prior to contracting with Landstar, these independent contractors, who provide truck capacity, must provide proof of insurance for certain coverages, which Signature may reinsure. In addition, it is the Company's intention to have Signature provide certain property, casualty and workers compensation insurance directly to Landstar's operating subsidiaries.

A significant portion of the Company's operating costs vary directly with revenue due to the use of independent contractors and independent commission sales agents. 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 truckload and expedited surface transportation. Purchased transportation for intermodal and expedited air transportation is based on a contractually agreed-upon fixed rate. Purchased transportation as a percentage of revenue for intermodal transportation is normally higher than that of Landstar's other transportation services.

Purchased transportation is the largest component of costs and expenses and, on a consolidated basis, increases or decreases in proportion to the revenue generated through independent contractors. Commissions to agents and brokers are primarily based on contractually agreed upon percentages of revenue or contractually agreed upon percentages of gross profit. Commissions to agents and brokers as a percentage of consolidated revenue will vary directly with the revenue generated through independent commission sales agents. Both purchased transportation and commissions to agents and brokers generally will also increase or decrease as a percentage of the Company's consolidated revenue if there is a change in the percentage of revenue contributed by Signature, intermodal operations or expedited air operations or through company-employed drivers.

Drivers' wages and benefits represent the amount company-employed drivers are compensated. Employee drivers are compensated primarily on a cents per mile driven basis. Drivers' wages and benefits as a percentage of consolidated revenue generally will vary only if there is a change in the revenue contribution generated by Signature or through independent contractors or a change in Landstar's rate of employee driver pay or benefit structure.

The Company's intention is to continue its expansion of truckload capacity provided by independent contractors and to reduce its truckload capacity provided by company-owned equipment and company-employed drivers. It is also the Company's intention to favor independent commission sales agent locations over company-owned and operated locations. Historically, the intermodal operations and a portion of the company-owned equipment operations have principally utilized a company employee sales structure and to a lesser degree, independent commission sales agents. During 1996, management completed the process of converting the majority of the company-owned sales locations to independent commission sales agent locations. Accordingly, purchased transportation and commissions to agents and brokers are anticipated to increase as a percentage of total consolidated revenue and drivers' wages and benefits are anticipated to decline as a percentage of total consolidated revenue over time.

Potential liability associated with accidents in the trucking industry is severe and occurrences are unpredictable. The industry is also subject to substantial workers' compensation expense. 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.

The cost of fuel, including fuel taxes, is the largest component of fuel and other operating costs. Changes in prevailing prices of fuel or increases in fuel taxes can significantly affect the operating results of the company-owned equipment operations. Also included in fuel and other operating costs are costs of equipment maintenance paid to third parties and the operating costs of Company terminals. Effective August 1, 1996, Landstar closed all but one of its Company terminals, including those that had functioned as Landstar Centers. The closings were part of the Company's strategy to reduce its fixed cost elements.

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

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

	Twenty-Six Weeks Ended		Thirteen Weeks Ended	
	June 28, 1997	June 29, 1996	June 28, 1997	June 29, 1996
Revenue	100.0%	100.0%	100.0%	100.0%
Costs and expenses:				
Purchased transportation	69.9%	68.1%	69.5%	68.4%

Drivers' wages and benefits	2.4%	3.6%	2.1%	3.4%
Fuel and other operating costs	4.0%	6.0%	3.8%	5.9%
Insurance and claims	3.7%	2.8%	4.4%	2.4%
Commissions to agents and brokers	7.5%	6.5%	7.5%	6.7%
Selling, general and administrative	7.4%	7.6%	6.8%	7.0%
Depreciation and amortization	1.6%	2.0%	1.6%	1.9%
Restructuring costs	0.5%		0.6%	
Total costs and expenses	97.0%	96.6%	96.3%	95.7%
Operating income	3.0%	3.4%	3.7%	4.3%
Interest and debt expense, net	0.4%	0.6%	0.4%	0.6%
Income before income taxes	2.6%	2.8%	3.3%	3.7%
Income taxes	1.1%	1.2%	1.4%	1.6%
Net income	1.5%	1.6%	1.9%	2.1%

TWENTY-SIX WEEKS ENDED JUNE 28, 1997 COMPARED TO TWENTY-SIX WEEKS ENDED JUNE 29, 1996

Revenue for the 1997 twenty-six week period was $639,240,000, an increase of $14,651,000, or 2.3%, over the 1996 twenty-six week period. The increase in revenue was primarily attributable to premium revenue of $7,694,000 generated by Signature and an overall increase in rate per mile (price) of approximately 3%, which reflected improved freight quality. The increase in revenue was partially offset by a decrease in revenue miles (volume), which reflected the planned reduction in company-owned tractors. In the 1997 period, revenue generated through independent contractors, including railroads and air cargo carriers, was 92.5% of total consolidated revenue compared with 89.2% in the 1996 period.

Purchased transportation was 69.9% of revenue in 1997 compared with 68.1% in 1996. Drivers' wages and benefits were 2.4% of revenue in 1997 compared with 3.6% in 1996. Fuel and other operating costs were 4.0% of revenue in 1997 compared with 6.0% in 1996. The increase in purchased transportation and decrease in drivers' wages and benefits and fuel and other operating costs as a percentage of revenue was primarily attributable to an increase in the

percentage of revenue generated through independent contractors which reflected the reduction in company-owned equipment in accordance with a previously announced restructuring plan. The decrease in fuel and other operating costs as a percentage of revenue was also attributable to reduced terminal and maintenance costs, partially offset by increased trailer costs. Insurance and claims were 3.7% of revenue in 1997 compared with 2.8% of revenue in 1996. Excluding Signature, insurance and claims were 3.1% of revenue in 1997. The increase in insurance and claims as a percentage of revenue compared to the prior year, excluding Signature, was primarily attributable to the favorable development of prior years claims during the 1996 period. Commission to agents and brokers were 7.5% of revenue in 1997 compared with 6.5% of revenue in 1996, primarily due to an increased percentage of revenue generated through independent commission sales agents, which reflected the conversion of company-owned sales locations to independent commission sales agent locations. Selling, general and administrative costs were 7.4% of revenue in 1997 compared with 7.6% in 1996, primarily due to the effect of increased revenue, partially offset by sales and marketing costs incurred by Signature and an increased provision for bonuses under the Company's management incentive compensation plan. Depreciation and amortization was 1.6% of revenue in 1997 compared with 2.0% in 1996, primarily due to a decrease in the number of company-owned tractors.

During the fourth quarter of 1996, the Company announced a plan to restructure its Landstar T.L.C., Inc. ("Landstar T.L.C.") and Landstar Poole, Inc. ("Landstar Poole") operations, in addition to the relocation of its Shelton, Connecticut office headquarters to Jacksonville, Florida in the second quarter of 1997. The Landstar Poole restructuring plan included the transfer of the variable cost business component of Landstar Poole to Landstar Ranger, Inc. and the disposal of 175 company-owned tractors. The Landstar T.L.C. restructuring plan included the merger of Landstar T.L.C. into Landstar Inway, Inc. and the disposal of all the company-owned tractors. During the twenty-six week period of 1997, the Company incurred $3,164,000 of such restructuring costs. As of

June 28, 1997, the restructuring was substantially complete.

Interest and debt expense, net was 0.4% of revenue in 1997 and 0.6% in 1996. This decrease was primarily attributable to lower average borrowings on the senior credit facility and reduced capital lease obligations.

The provisions for income taxes for both the 1997 and 1996 twenty-six week periods were based on an estimated full year combined effective income tax rate of approximately 42%, which is higher than the statutory federal income tax rate primarily as a result of state income taxes, amortization of certain goodwill and the meals and entertainment exclusion.

Net income was $9,445,000, or $0.75 per share, in the 1997 period, compared with $10,168,000, or $0.80 per share, in 1996. Excluding restructuring costs, 1997 net income would have been $11,280,000, or $0.89 per share.

THIRTEEN WEEKS ENDED JUNE 28, 1997 COMPARED TO THIRTEEN WEEKS ENDED JUNE 29, 1996

Revenue for the 1997 thirteen week period was $333,682,000, an increase of $4,570,000, or 1.4%, over the 1996 thirteen week period. The increase was primarily attributable to premium revenue of $7,694,000 generated by Signature. An increase in revenue per revenue mile of approximately 3%, which reflected improved freight quality, was more than offset by a decline in revenue miles, which reflected the planned reduction in company-owned tractors. In the 1997

period, revenue generated through independent contractors, including railroads and air cargo carriers, was 92.1% of total consolidated revenue compared with 89.7% in the 1996 period.

Purchased transportation was 69.5% of revenue in 1997 compared with 68.4% in 1996. Drivers' wages and benefits were 2.1% of revenue in 1997 compared with 3.4% in 1996. Fuel and other operating costs were 3.8% of revenue in 1997 compared with 5.9% in 1996. The increase in purchased transportation and decrease in drivers' wages and benefits and fuel and other operating costs as a percentage of revenue was primarily attributable to an increase in the percentage of revenue generated through independent contractors which reflected the reduction in company-owned equipment in accordance with a previously announced restructuring plan.

The decrease in fuel and other operating costs as a percentage of revenue was also attributable to reduced terminal and maintenance costs, partially offset by increased trailer costs. Insurance and claims were 4.4% of revenue in 1997 compared with 2.4% in 1996. Excluding Signature, insurance and claims were 3.1% of revenue in the 1997 period. The increase in insurance and claims as a percentage of revenue compared to the prior year, excluding Signature, was primarily attributable to the favorable development of prior years claims during the 1996 period. Commissions to agents and brokers were 7.5% of revenue in 1997 compared with 6.7% in 1996, primarily due to an increased percentage of revenue generated through independent commission sales agents, which reflected the conversion of company-owned sales locations to independent commission sales agent locations. Selling, general and administrative costs were 6.8% of revenue in 1997 compared with 7.0% of revenue in 1996, primarily due to increased revenue, partially offset by sales and marketing costs incurred by Signature.

Depreciation and amortization was 1.6% of revenue in 1997 compared with 1.9% in 1996, primarily due to a decrease in the number of company-owned tractors.

During the 1997 thirteen week period, the Company incurred $1,985,000 of costs associated with the previously announced restructuring plan.

Interest and debt expense, net was 0.4% in 1997 and 0.6% in 1996. The decrease was primarily attributable to lower average borrowings on the senior credit facility and reduced capital lease obligations.

The provisions for income taxes for both the 1997 and 1996 thirteen week periods were based on an estimated full year combined effective income tax rate of approximately 42%, which is higher than the statutory federal income tax rate primarily as a result of state income taxes, amortization of certain goodwill and the meals and entertainment exclusion.

Net income was $6,440,000, or $0.51 per share, in the 1997 period, compared with $7,014,000, or $0.55 per share, in the 1996 period. Excluding restructuring costs, 1997 net income would have been $7,591,000, or $0.60 per share.

CAPITAL RESOURCES AND LIQUIDITY

Shareholders' equity increased to $153,321,000 at June 28, 1997, compared with $147,557,000 at December 28, 1996, which reflected net income for the twenty-six weeks of 1997, partially offset by the repurchase of 179,000 shares of common stock, at an aggregate cost of $3,990,000. Shareholders' equity increased to 71.3% of total capitalization at June 28, 1997 compared with 62.0% at December 28, 1996, as a result of reduced borrowings on the acquisition line of the senior credit facility and reduced capital lease obligations.

Working capital and the ratio of current assets to current liabilities were $67,317,000 and 1.50 to 1, respectively, at June 28, 1997, compared with $70,653,000 and 1.54 to 1, respectively, at December 28, 1996. Landstar has historically operated with a current ratio of approximately 1.5 to 1. Cash provided by operating activities was $32,321,000 in the 1997 twenty-six week period compared with cash used by operating activities of $4,491,000 in the 1996 twenty-six week period. The increase in cash flow provided by operating activities was primarily attributable to the timing of cash collections and payments. During the 1997 twenty-six week period, Landstar purchased $7,332,000 of operating property and did not acquire any property by entering into capital leases. Landstar plans to acquire approximately $7,700,000 of operating property during the remainder of fiscal year 1997 either by purchase or lease financing.

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

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 February 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standard ("FAS") No. 128, "Earnings per Share." This statement, effective for financial statements issued for periods ending after December 15, 1997, replaces the presentation of primary earnings per share, currently required under Accounting Principals Board Opinion 15 "Earnings Per Share" ("APB 15"), with a presentation of basic earnings per share. Basic earnings per share excludes dilution and is computed by dividing income available to common shareholders by the weighted average number of common shares outstanding for the period. FAS No. 128 also requires the dual presentation of basic earnings per share and diluted earnings per share on the face of the income statement. Management believes that, upon the adoption of this statement, basic earnings per share will not differ from primary earnings per share calculated in accordance with APB 15 and diluted earnings per share will not be materially different from the basic earnings per share given the current market value of the Company's common stock and the current structure of its stock compensation plans.

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.

PART II

OTHER INFORMATION

I
tem 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 Annual Meeting

On April 17, 1997, Landstar System, Inc. (the "Company") held its Annual Meeting of Shareholders (the "Meeting") at the Trumbull Marriott, 180 Hawley Lane, Trumbull, Connecticut 06111. The matters voted upon at the Meeting included (i) the election of two Class I directors for terms to expire at the 2000 Annual Meeting of Shareholders and (ii) the ratification of appointment of KPMG Peat Marwick LLP as the Company's independent auditors for fiscal year 1997.

Pursuant to the Company's Restated Certificate of Incorporation, the Board of Directors has fixed the number of directors at six: two Class II directors whose members' terms will expire at the 1998 Annual Meeting of Shareholders; two Class III directors whose members' terms will expire at the 1999 Annual Meeting of Shareholders; and two Class I directors whose members' terms will expire at the 2000 Annual Meeting of Shareholders. With respect to the election of the two Class I directors, nominee John B. Bowron and nominee Ronald W. Drucker were elected to the Board of Directors of the Company. Mr. Bowron received 10,442,497 votes for election to the Board and 9,635 were withheld. Mr. Drucker received 10,442,597 votes for election to the board and 9,535 votes were withheld. The names of the other directors whose terms of office as a director continued after the Meeting are as follows: Arthur J. Fritz, (a Class II director), Merritt J. Mott (a Class II director), David G. Bannister (a Class III director), and Jeffrey C. Crowe (a Class III director).

The appointment of KPMG Peat Marwick LLP as the Company's independent auditors for fiscal year 1997 was ratified by the Company's shareholders. Votes for the ratification were 10,424,065, votes against were 5,880 and votes abstaining were 22,187.

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

No reports on Form 8-K were filed by the Registrant during the thirteen week period ended June 28, 1997.

EXHIBIT INDEX

Registrant's Commission File No.: 0-21238

Exhibit No.	Description
(11)	Statement re: Computation of Per Share Earnings:
(11.1)*	Statement re: Computation of Per Share Earnings for the Twenty-Six and Thirteen Weeks ended June 28, 1997.
(11.2)*	Statement re: Computation of Per Share Earnings for the Twenty-Six and Thirteen Weeks ended June 29,1996.
(27)	Statement re: Financial Data Schedule:
(27)*	Statement re: Financial Data Schedule

* Filed herewith

SIGNATURES

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

LANDSTAR SYSTEM, INC.

Date: August 8, 1997

Henry H. Gerkens

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

Date: August 8, 1997

Robert C. LaRose

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

[DESCRIPTION] CALCULATION OF 1997 EARNINGS PER SHARE

EXHIBIT 11.1

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

	Twenty-Six Weeks Ending June 28, 1997	Thirteen Weeks Ending June 28, 1997
Earnings available for earnings per share:		
Net income	$ 9,445	$ 6,440
Average number of common shares outstanding	12,672	12,618
Earnings per share	$ 0.75	$ 0.51

[DESCRIPTION] CALCULATION OF 1996 EARNINGS PER SHARE

EXHIBIT 11.2

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

	Twenty-Six Weeks Ending June 29, 1996	Thirteen Weeks Ending June 29, 1996
Earnings available for earnings per share:		
Net income	$ 10,168	$ 7,014
Average number of common shares outstanding	12,781	12,783
Earnings per share	$ 0.80	$ 0.55

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This schedule contains summary financial information extracted from the Consolidated Balance Sheets at June 28, 1997 (Unaudited) and the Consolidated Statements of Income for the twenty-six weeks ended June 28, 1997 (Unaudited) and is qualified in its entirety by reference to such financial statements.
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