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## Landstar System, Inc. Q1 2009 Earnings Call Transcript

### Question-and-Answer Session

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#### Operator

(Operator Instructions) Your first question comes from Christopher Ceraso – Credit Suisse.

#### Christopher Ceraso – Credit Suisse

Just a couple of questions, I don't know if you've given this before but can you give us a breakdown at the gross margin level between the business carried and the BCO segment versus the brokerage business?

#### James B. Gattoni

BCO runs anywhere 19% to 20% whereas the brokerages 9% to 11%.

#### Christopher Ceraso – Credit Suisse

Did that widen out quite a bit versus a year ago because of what happened with fuel and the cost of purchase [inaudible].

#### James B. Gattoni

On the brokerage side, yeah definitely we saw improvement in that net yield so in a tight capacity in high fuel cost you'd probably see a 9% margin whereas when things loosen up and fuel goes down you probably have more towards the 11%.

#### Christopher Ceraso – Credit Suisse

Then what's your outlook for pricing as we roll in to Q2? Does it continue to worsen or do people start to go out of business in this type of market?

#### Henry H. Gerkens

You can't run a lose for too long, there's only so many losses that you can run up. At a certain point in time when I think of capacity, capacity hasn't come out of the market place at the rate that I thought it needed to come out and people are hanging in there. On the other hand, with some of the pricing things that we've been seeing here, as I said in my prepared comments, pretty desperate pricing measures and the fact that they're still losing money on those moves, we don't participate in that type of stuff. I would anticipate that at some point in time there's got to be some exits in the marketplace.

People can't make money at some of the pricing that we've seen. Pat, do you have anything you want to add to that?

**Patrick J. O'Malley**

No.

**Operator**

Your next question comes from Thomas Wadewitz – JP Morgan.

**Thomas Wadewitz – JP Morgan**

You talked about your non-guidance comments that if the decline in revenue in second quarter is similar to first quarter you'd be in a certain range \$0.40 to \$0.45. What's your view on revenue growth in the second quarter? Do you think that it's going to deteriorate a lot relative to first quarter on a year-over-year basis or what kind of visibility do you have to that? Because, it sounds like March for your business was a fair bit weaker than the first two months of the quarter.

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