WERNER ENTERPRISES INC

FORM 10-Q
(Quarterly Report)

Filed 11/09/01 for the Period Ending 09/30/01

Address	14507 FRONTIER ROAD OMAHA, NE 68138
Telephone	4028956640
CIK	0000793074
Symbol	WERN
SIC Code	4213 - Trucking, Except Local
Industry	Trucking
Sector	Transportation
Fiscal Year	12/31

WERNER ENTERPRISES INC

FORM 10-Q
(Quarterly Report)

Filed 11/9/2001 For Period Ending 9/30/2001

Address	14507 FRONTIER ROAD P O BOX 45308
	OMAHA, Nebraska 68145
Telephone	402-895-6640
CIK	0000793074
Industry	Trucking
Sector	Transportation
Fiscal Year	12/31

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarter ended Commission file number
September 30, 2001 0-14690

WERNER ENTERPRISES, INC.
(Exact name of registrant as specified in its charter)

NEBRASKA	47-0648386
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

14507 FRONTIER ROAD
POST OFFICE BOX 45308
OMAHA, NEBRASKA 68145-0308 (402) 895-6640
(Address of principal (Zip Code)(Registrant's telephone number)

executive offices)

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 [ ]

As of October 31, 2001, 47,536,510 shares of the registrant's common stock, par value $.01 per share, were outstanding.

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PART I

FINANCIAL INFORMATION

Item 1. Financial Statements.

The interim consolidated financial statements contained herein reflect all adjustments which, in the opinion of management, are necessary for a fair statement of the financial condition, results of operations, and cash flows for the periods presented. They have been prepared in accordance with the instructions to Form 10-Q and do not include all the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements.

Operating results for the three-month and nine-month periods ended September 30, 2001, are not necessarily indicative of the results that may be expected for the year ending December 31, 2001. In the opinion of management, the information set forth in the accompanying consolidated condensed balance sheets is fairly stated in all material respects in relation to the consolidated balance sheets from which it has been derived.

These interim consolidated financial statements should be read in conjunction with the Company's Annual Report on Form 10-K for the year ended December 31, 2000.

WERNER ENTERPRISES, INC.
CONSOLIDATED STATEMENTS OF INCOME

(In thousands, except per share amounts)	Three Months Ended September 30	
	2001	2000
	(Unaudited)	
Operating revenues	$322,618	$304,572
Operating expenses:		
Salaries, wages and benefits	115,020	109,283
Fuel	33,560	35,237
Supplies and maintenance	31,723	26,895
Taxes and licenses	23,529	22,563
Insurance and claims	9,866	9,923
Depreciation	29,005	27,811
Rent and purchased transportation	54,935	48,603
Communications and utilities	3,277	3,688
Other	1,082	(474)
Total operating expenses	301,997	283,529
Operating income	20,621	21,043
Other expense (income):		
Interest expense	775	2,043
Interest income	(585)	(688)
Other	506	(136)
Total other expense	696	1,219
Income before income taxes	19,925	19,824
Income taxes	7,472	7,533
Net income	$ 12,453	$ 12,291
Average common shares outstanding	47,501	47,066
Basic earnings per share	$ .26	$ .26
Diluted shares outstanding	48,265	47,191
Diluted earnings per share	$ .26	$ .26
Dividends declared per share	$ .025	$ .025

WERNER ENTERPRISES, INC.
CONSOLIDATED STATEMENTS OF INCOME

(In thousands, except per share amounts)	Nine Months Ended September 30	
	2001	2000
	(Unaudited)	
Operating revenues	$949,972	$903,193
Operating expenses:		
Salaries, wages and benefits	338,956	320,135
Fuel	104,338	98,285
Supplies and maintenance	87,942	78,534
Taxes and licenses	69,799	66,211
Insurance and claims	31,518	25,127
Depreciation	87,108	80,926
Rent and purchased transportation	160,452	164,968
Communications and utilities	10,587	10,849
Other	2,659	(3,838)
Total operating expenses	893,359	841,197
Operating income	56,613	61,996
Other expense (income):		
Interest expense	3,015	6,256
Interest income	(2,033)	(1,760)
Other	1,232	204
Total other expense	2,214	4,700
Income before income taxes	54,399	57,296
Income taxes	20,400	21,772
Net income	$ 33,999	$ 35,524
Average common shares outstanding	47,283	47,073
Basic earnings per share	$ .72	$ .75
Diluted shares outstanding	47,960	47,260
Diluted earnings per share	$ .71	$ .75
Dividends declared per share	$ .075	$ .075

WERNER ENTERPRISES, INC.
CONSOLIDATED CONDENSED BALANCE SHEETS

(In thousands)	September 30 2001	December 31 2000
	(Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 55,640	$ 25,485
Accounts receivable, trade, less allowance of $4,451 and $3,994, respectively	128,745	123,518
Receivable from unconsolidated affiliate	-	5,332
Other receivables	10,348	10,257
Prepaid taxes, licenses and permits	3,621	12,396
Other current assets	31,532	29,789
Total current assets	229,886	206,777
Property and equipment	1,074,742	1,021,679
Less - accumulated depreciation	352,890	313,881
Property and equipment, net	721,852	707,798
Notes receivable	3,960	4,420
Investment in unconsolidated affiliate	4,214	5,324
Other non-current assets	1,771	2,888
	$ 961,683	$ 927,207
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 36,370	$ 30,710
Insurance and claims accruals	39,111	36,057
Accrued payroll	17,716	12,746
Payable to unconsolidated affiliate	1,010	-
Other current liabilities	23,313	21,906
Total current liabilities	117,520	101,419
Long-term debt	50,000	105,000
Insurance, claims and other long-term accruals	35,301	32,301
Deferred income taxes	184,676	152,403
Stockholders' equity	574,186	536,084
	$ 961,683	$ 927,207

WERNER ENTERPRISES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)	Nine Months Ended September 30	
	2001	2000
	(Unaudited)	
Cash flows from operating activities:		
Net income	$ 33,999	$ 35,524
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	87,108	80,926
Deferred income taxes	32,273	8,881
Loss (gain) on disposal of property and equipment	565	(4,856)
Equity in (income) loss of unconsolidated affiliate	1,110	(74)
Tax benefit from exercise of stock options	1,508	66
Other long-term assets	1,117	-
Insurance claims and other long-term accruals	3,000	-
Changes in certain working capital items:		
Accounts receivable, net	(5,227)	(3,896)
Prepaid expenses and other current assets	12,273	(4,264)
Accounts payable	5,660	(7,077)
Other current liabilities	10,424	16,372
Net cash provided by operating activities	183,810	121,602
Cash flows from investing activities:		
Additions to property and equipment	(130,936)	(129,625)
Proceeds from sales of property and equipment	29,004	52,330
Investment in unconsolidated affiliate	-	(5,000)
Proceeds from collection of notes receivable	665	124
Net cash used in investing activities	(101,267)	(82,171)
Cash flows from financing activities:		
Repayments of short-term debt	-	(25,000)
Proceeds from issuance of long-term debt	5,000	10,000
Repayments of long-term debt	(60,000)	(15,000)
Dividends on common stock	(3,546)	(3,533)
Repurchases of common stock	-	(2,135)
Stock options exercised	6,158	285
Net cash used in financing activities	(52,388)	(35,383)
Net increase in cash and cash equivalents	30,155	4,048
Cash and cash equivalents, beginning of period	25,485	15,368
Cash and cash equivalents, end of period	$ 55,640	$ 19,416
Supplemental disclosures of cash flow information:		
Cash paid (received) during the period for:		
Interest	$ 3,556	$ 5,949
Income taxes	$(15,787)	$ 3,915
Supplemental schedule of non-cash investing activities:		
Notes receivable issued upon sale of revenue equipment	$ 205	$ 3,973

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) Investment in Unconsolidated Affiliate

Effective June 30, 2000, the Company contributed its non-asset based logistics business to Transplace (TPC), in exchange for an equity interest in TPC of approximately 15%. TPC is a joint venture of five large transportation companies - Covenant Transport, Inc.; J. B. Hunt Transport Services, Inc.; Swift Transportation Co., Inc.; U. S. Xpress Enterprises, Inc.; and Werner Enterprises, Inc. Accordingly, the Company is accounting for its investment in TPC using the equity method. Management believes this method is appropriate because the Company has the ability to exercise significant influence over operating and financial policies of TPC through its representation on the TPC board of directors. At September 30, 2001, the investment in unconsolidated affiliate includes a $5,000,000 investment in TPC less $786,100, which represents the Company's 15% equity in the loss from operations of unconsolidated affiliate since June 30, 2000.

(2) Long-Term Debt

Long-term debt consists of the following (in thousands):

	September 30, 2001	December 31, 2000
Notes payable to banks under committed credit facilities	$ -	$ 55,000
6.55% Series A Senior Notes, due November 2002	20,000	20,000
6.02% Series B Senior Notes, due November 2002	10,000	10,000
5.52% Series C Senior Notes, due December 2003	20,000	20,000
Long-term debt	$ 50,000	$105,000

The Company has $100 million of available long-term credit facilities with banks which bear variable interest based on the London Interbank Offered Rate (LIBOR), on which no borrowings were outstanding at September 30, 2001.

(3) Commitments

As of September 30, 2001, the Company has commitments for net capital expenditures of approximately $28 million.

(4) Earnings Per Share

A reconciliation of the numerator and denominator of basic and diluted earnings per share is shown below. Common stock equivalents represent the dilutive effect of outstanding stock options for all periods presented.

(in thousands, except per share amounts)

	Three Months Ended September 30		Nine Months Ended September 30	
	2001	2000	2001	2000
Net income	$ 12,453	$ 12,291	$ 33,999	$ 35,524
Average common shares outstanding	47,501	47,066	47,283	47,073
Common stock equivalents	764	125	677	187
Diluted shares outstanding	48,265	47,191	47,960	47,260
Basic earnings per share	$ .26	$ .26	$ .72	$ .75
Diluted earnings per share	$ .26	$ .26	$ .71	$ .75

Options to purchase shares of common stock which were outstanding during the periods indicated above, but were excluded from the computation of diluted earnings per share because the option purchase price was greater than the average market price of the common shares, were:

	Three Months Ended September 30		Nine Months Ended September 30	
	2001	2000	2001	2000
Number of shares under option	-	699,437	2,500	684,437
Range of option purchase prices	-	$13.25- $20.50	$20.50	$14.94- $20.50

(5) Segment Information

The Company has one reportable segment- Truckload Transportation Services. This segment consists of five operating fleets that have been aggregated since they have similar economic characteristics and meet the other aggregation criteria of SFAS No. 131. The Medium- to Long-Haul Van fleet transports a variety of consumer, non-durable products and other commodities in truckload quantities over irregular routes using dry van trailers. The Regional Short-Haul fleet provides comparable truckload van service within five geographic areas. The Flatbed and Temperature- Controlled fleets provide truckload services for products with specialized trailers. The Dedicated Services fleet provides truckload services required by a specific company, plant, or distribution center.

The Company generates non-trucking revenues related to freight transportation management, third-party equipment maintenance, and other business activities. None of these operations meet the quantitative threshold reporting requirements of SFAS No. 131. As a result, these operations are grouped in "Other" in the table below. The Company does not prepare separate balance sheets by segments and, as a result, assets are not separately identifiable by segment. The Company has no significant intersegment sales or expense transactions that would result in adjustments necessary to eliminate amounts between the Company's segments.

The following tables summarize the Company's segment information (in thousands of dollars):

Revenues

	Three Months Ended September 30		Nine Months Ended September 30	
	2001	2000	2001	2000
Truckload Transportation Services	$302,839	$293,780	$896,062	$852,441
Other	19,779	10,792	53,910	50,752
Total	$322,618	$304,572	$949,972	$903,193

Operating Income

	Three Months Ended September 30		Nine Months Ended September 30	
	2001	2000	2001	2000
Truckload Transportation Services	$20,494	$21,314	$55,998	$62,927
Other	127	(271)	615	(931)
Total	$20,621	$21,043	$56,613	$61,996

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

This report contains forward-looking statements which are based on information currently available to the Company's management. Actual results could differ materially from those anticipated in forward-looking statements as a result of a number of factors, including, but not limited to, those discussed in Item 7, "Management's Discussion and Analysis of Results of Operations and Financial Condition", of the Company's Annual Report on Form 10-K for the year ended December 31, 2000. The Company assumes no obligation to update any forward-looking statement to the extent it becomes aware that it will not be achieved for any reason.

Financial Condition:

During the nine months ended September 30, 2001, the Company generated cash flow from operations of $183.8 million, a 51% increase ($62.2 million) in cash flow compared to the same nine-month period a year ago. The improved cash flow was due primarily to higher depreciation due to the growth of the Company truck fleet ($6.2 million), increased deferred taxes due to the implementation of certain tax strategies and growth of the Company truck fleet ($23.4 million), and working capital improvements ($22.0 million). The cash flow from operations enabled the Company to make net property additions, primarily revenue equipment, of $101.9 million, pay off $55 million of debt, and pay common stock dividends of $3.5 million. Based on the Company's strong financial position, management foresees no significant barriers to obtaining additional financing, if necessary.

The Company's debt to equity ratio at September 30, 2001 was 8.7%, compared with 19.6% at December 31, 2000. The Company's debt to total capitalization ratio (total capitalization equals total debt plus total stockholders' equity) was 8.0% at September 30, 2001 compared to 16.4% at December 31, 2000.

Results of Operations:

The following table sets forth the percentage relationship of income and expense items to operating revenues for the periods indicated.

	Percentage of Operating Revenues			
	Three Months Ended September 30		Nine Months Ended September 30	
	2001	2000	2001	2000
Operating revenues	100.0%	100.0%	100.0%	100.0%
Operating expenses:				
Salaries, wages and benefits	35.7	35.9	35.7	35.4
Fuel	10.4	11.6	11.0	10.9
Supplies and maintenance	9.8	8.8	9.2	8.7
Taxes and licenses	7.3	7.4	7.3	7.3
Insurance and claims	3.1	3.3	3.3	2.8
Depreciation	9.0	9.1	9.2	8.9
Rent and purchased transportation	17.0	16.0	16.9	18.3
Communications and utilities	1.0	1.2	1.1	1.2
Other	0.3	(0.2)	0.3	(0.4)
Total operating expenses	93.6	93.1	94.0	93.1
Operating income	6.4	6.9	6.0	6.9
Net interest expense and other	0.2	0.4	0.3	0.6
Income before income taxes	6.2	6.5	5.7	6.3
Income taxes	2.3	2.5	2.1	2.4
Net income	3.9%	4.0%	3.6%	3.9%

	Operating Statistics			
Average monthly miles per tractor	10,347	10,467	10,316	10,540
Average revenues per total mile (1)	$1.212	$1.204	$1.202	$1.188
Average revenues per loaded mile (1)	$1.341	$1.339	$1.336	$1.319
Average percentage of empty miles	9.62%	10.06%	10.02%	9.93%
Average tractors in service	7,735	7,410	7,676	7,269
Non-trucking revenues (in thousands)	$19,779	$10,792	$53,910	$50,752
Total tractors (at quarter end)				
Company	6,615	6,225	6,615	6,225
Owner-operator	1,135	1,200	1,135	1,200
Total tractors	7,750	7,425	7,750	7,425
Total trailers (at quarter end)	19,800	19,620	19,800	19,620

(1) Net of fuel surcharge revenues.

Three Months Ended September 30, 2001 and 2000

Operating revenues increased 5.9% for the three months ended September 30, 2001, compared to the same period of the prior year, due in part to a 4.4% increase in the average number of tractors in service. Revenue per total mile, excluding fuel surcharges, increased 0.7%, and revenue per total mile, including fuel surcharges, decreased 0.2% compared to third quarter 2000. Fuel surcharges, which represent collections from customers for the higher cost of fuel, were lower due to lower fuel prices (see fuel explanation below). Excluding fuel surcharge revenues, trucking revenues increased 3.9% for the three months ended September 30, 2001, compared to the same period of the prior year. These increases were offset by a 1.1% decrease in miles per truck compared to third quarter 2000 and a $9.0 million net increase in revenues from non-trucking transportation services.

Freight demand during the third quarter 2001 remained soft due to a weaker economy as compared to the same quarter a year ago. While the Company experienced a small decrease in its average miles per truck, it improved its empty mile percentage by 4% by better matching of available freight with truck capacity.

Operating expenses, expressed as a percentage of operating revenues, were 93.6% for the three months ended September 30, 2001, compared to 93.1% for the three months ended September 30, 2000. The decrease in owner- operator miles as a percentage of total miles (16.3% in third quarter 2001 compared to 18.1% in third quarter 2000), contributed to a shift in costs from the rent and purchased transportation expense category as described on the following pages. Owner-operators are independent contractors who supply their own tractor and driver, and are responsible for their operating expenses including fuel, supplies and maintenance, and fuel taxes. Over the past year, it has been more difficult to attract and retain owner-operator drivers due to the challenging operating conditions.

Salaries, wages and benefits decreased from 35.9% to 35.7% of revenues due to an improvement in the tractor to non-driver employee ratio, which lowered non-driver labor costs per mile. A higher percentage of company drivers as compared to owner-operators in third quarter 2001 and an increase in the number of drivers in training partially offset this decrease. Workers' compensation and health insurance expense increased due to rising medical costs and higher weekly claim payments. The market for attracting company drivers has improved during 2001; however, the Company anticipates that the competition for qualified drivers will continue to be high, and cannot predict whether it will experience shortages in the future. If such a shortage was to occur and increases in driver pay rates became necessary to attract and retain drivers, the Company's results of operations would be negatively impacted to the extent that corresponding freight rate increases were not obtained.

Fuel decreased from 11.6% to 10.4% of revenues due to lower fuel prices. Average diesel fuel prices were 12 cents per gallon lower during third quarter 2001 compared to third quarter 2000. Although there has been a recent decrease in fuel prices, prices in October 2001 are significantly higher than average historical fuel price levels over the past ten years. The Company's customer fuel surcharge reimbursement programs recovered most of the increase in fuel cost. After considering the amounts collected from customers through fuel surcharge programs, net of reimbursements to owner- operators, there was no significant impact on third quarter 2001 earnings per share compared to third quarter 2000 earnings per share due to fuel costs. Shortages of fuel, increases in fuel prices or rationing of petroleum products can have a materially adverse effect on the operations and profitability of the Company. The Company is unable to predict whether higher fuel price levels will continue or the extent to which fuel surcharges will be collected from customers. As of September 30, 2001, the Company had no derivative financial instruments to reduce its exposure to fuel price fluctuations.

Supplies and maintenance increased from 8.8% to 9.8% of revenues due to a higher percentage of company drivers compared to owner-operators during the third quarter 2001 and more maintenance performed over-the-road than at company facilities.

Insurance and claims decreased from 3.3% to 3.1% of revenues due primarily to better claims experience in third quarter 2001. Insurance premiums in the liability insurance market have increased significantly for many truckload carriers in recent months. Since the Company is self- insured for $500,000 of liability for each claim, these premium increases only affect the Company for coverage above this amount. The Company has been self-insured and managed its own claims for liability, cargo, and property damage for the last ten years. The Company renewed its annual catastrophic liability insurance coverage effective August 1, 2001. The effect of this insurance renewal was an increase in the Company's total insurance and claims expense of approximately 5%.

Rent and purchased transportation increased from 16.0% to 17.0% of revenues due primarily to an increase in purchased transportation relating to remaining non-trucking operations following the transfer of most of the Company's logistics business to Transplace, offset by the decrease in owner- operator miles as a percentage of total miles. The Company has experienced difficulty recruiting and retaining owner-operators because of high fuel prices, a weak used truck pricing market, and other factors. This has resulted in a reduction of the number of owner-operator tractors from 1,200 as of September 30, 2000, to 1,135 as of September 30, 2001. The Company reimburses owner-operators for the higher cost of fuel based on fuel surcharge reimbursements collected from customers.

Other operating expenses changed from a credit of (0.2)% to 0.3% of revenues due to recording an additional $0.5 million to the allowance for uncollectible receivables in third quarter 2001 compared to the prior year quarter and due to a weak market for the sale of used trucks. Record levels of trucks manufactured over the past two years, an increased supply of used trucks caused in part by trucking company business failures, and slower fleet growth by many carriers have all contributed to a decline in the market value of used trucks. During third quarter 2001, the Company traded more of its used trucks, and the excess of the trade price over the net book value of the truck reduced the cost basis of the new truck. In third quarter of 2000, the Company sold approximately half of its used trucks to third parties through its Fleet Truck Sales retail network and realized gains of $0.9 million. Due to a reduced number of trucks sold to third parties and a lower average sale price per truck, in third quarter 2001 the Company realized losses of $0.1 million. The Company renegotiated its trade agreements with its primary truck manufacturer in June 2001 and continued to expand its nationwide retail truck sales network in response to the weak used truck market.

Net interest expense and other decreased from 0.4% to 0.2% of revenues due to lower interest expense, offset partially by the Company's share of Transplace operating lossees. Interest expense decreased from 0.7% to 0.2% of revenues due to a reduction in the Company's borrowings. Average debt outstanding in third quarter 2001 was $52.5 million versus $115 million in third quarter 2000. In third quarter 2001, the Company recorded a loss of approximately $0.5 million as its percentage share of estimated Transplace losses versus a gain of approximately $0.2 million in the same quarter of 2000. The Company is recording its approximate 15% investment in Transplace using the equity method of accounting and is accruing its percentage share of Transplace's earnings and losses as an other non- operating item.

The Company's effective income tax rate (income taxes as a percentage of income before income taxes) was 37.5% and 38.0% for the three-month periods ended September 30, 2001 and 2000, respectively. The effective income tax rate for the 2001 period decreased due to the implementation of certain tax strategies.

Nine Months Ended September 30, 2001 and 2000

Operating revenues increased by 5.2% for the nine months ended September 30, 2001, compared to the same period of the previous year, primarily due to a 5.6% increase in the average number of tractors. Revenue per mile, excluding fuel surcharges, increased 1.2% due primarily to rate increases.

Operating expenses, expressed as a percentage of operating revenues, were 94.0% for the nine months ended September 30, 2001, compared to 93.1% for the same period of the previous year.

Salaries, wages and benefits increased from 35.4% to 35.7% of revenues, primarily due to a higher percentage of company drivers as compared to owner-operators and an increase in the number of drivers in training. Fuel increased from 10.9% to 11.0% of revenues due to the decrease in owner-operator miles as a percentage of total miles (16.7% and 18.9% for the nine months ended September 30, 2001 and 2000, respectively), offset by slightly lower fuel prices in the nine-month period of 2001 versus 2000. Supplies and maintenance increased from 8.7% to 9.2% of revenues due to an increase in the number of company drivers. Insurance and claims increased from 2.8% to 3.3% of revenues due to unfavorable claims experience, including an increase in the frequency of property damage and cargo damage accidents during the first two quarters of 2001. Depreciation increased from 8.9% to 9.2% due to the increase in the percentage of company-owned trucks versus owner-operator trucks. Rent and purchased transportation decreased from 18.3% to 16.9% of revenues due to a decrease in owner-operator miles as a percentage of total miles. Other operating expenses changed from a credit of (0.4)% to 0.3% of revenues due to a weaker used truck market. Net interest expense and other decreased from 0.6% to 0.3% of revenues due to a reduction in interest expense of 0.4% of revenues, offset partially by the Company's share of Transplace losses of 0.1% of revenues.

Accounting Standards:

On July 20, 2001, the Financial Accounting Standards Board (FASB) issued SFAS No. 141 (SFAS 141), Business Combinations and No. 142 (SFAS 142), Goodwill and Other Intangible Assets. SFAS 141 requires all business combinations initiated after June 30, 2001 to be accounted for using the purchase method. Business combinations accounted for as poolings-of- interests and initiated prior to June 30, 2001 are grandfathered. SFAS 142 replaces the requirement to amortize intangible assets with indefinite lives and goodwill with a requirement for an impairment test. SFAS 142 also requires an evaluation of intangible assets and their useful lives and a transitional impairment test for goodwill and certain intangible assets upon adoption. After transition, the impairment tests will be performed annually. SFAS 142 is effective for fiscal years beginning after December 15, 2001, as of the beginning of the year. As of September 30, 2001, the Company has no goodwill or intangible assets recorded in its financial statements. Management believes that SFAS 141 and SFAS 142 will have no significant effect on the financial position, results of operations and cash flows of the Company.

During June 2001, the FASB issued SFAS No. 143 (SFAS 143), Accounting for Asset Retirement Obligations. This Statement addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. SFAS 143 requires an enterprise to record the fair value of an asset retirement obligation as a liability in the period in which it incurs a legal obligation associated with the retirement of a tangible long-lived asset. SFAS 143 is effective for fiscal years beginning after June 15, 2002. As of September 30, 2001, management believes that SFAS 143 will have no significant effect on the financial position, results of operations and cash flows of the Company.

On October 3, 2001, the FASB issued SFAS No. 144 (SFAS 144), Accounting for the Impairment or Disposal of Long-Lived Assets, which addresses financial accounting and reporting for the impairment or disposal of long-lived assets. While SFAS 144 supersedes SFAS No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of, it retains many of the fundamental provisions of that Statement. SFAS 144 is effective for fiscal years beginning after December 31, 2001. As of September 30, 2001, management believes that SFAS 144 will have no significant effect on the financial position, results of operations and cash flows of the Company.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

The Company is exposed to market risk from changes in commodity prices.

Commodity Price Risk

The price and availability of diesel fuel are subject to fluctuations due to changes in the level of global oil production, seasonality, weather, and other market factors. Historically, the Company has been able to recover a majority of fuel price increases from customers in the form of fuel surcharges. As of September 30, 2001, the Company has implemented customer fuel surcharges with most of its revenue base to offset most of the higher fuel cost per gallon. The Company cannot predict the extent to which higher fuel price levels may occur in the future or the extent to which fuel surcharges could be collected to offset such increases. As of September 30, 2001, the Company had no derivative financial instruments to reduce its exposure to fuel price fluctuations.

PART II

OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibits

None

(b) Reports on Form 8-K.

(i) A report on Form 8-K, filed July 20, 2001, regarding a news release on July 17, 2001, announcing the Company's operating revenues and earnings for the second quarter ended June 30, 2001.

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.

WERNER ENTERPRISES, INC.

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Date:  November 9, 2001        By:  /s/ John J. Steele
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                                    John J. Steele
                                    Vice President, Treasurer and
                                    Chief Financial Officer


Date:  November 9, 2001        By:  /s/ James L. Johnson
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                                    James L. Johnson
                                    Vice President, Controller and
                                    Corporate Secretary
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