RYDER SYSTEM INC

FORM 10-K
(Annual Report)

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Industry	Rental & Leasing
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Fiscal Year	12/31

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

FORM 10-K

☑ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2003

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 1-4364

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

FLORIDA	59-0739250
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
3600 N.W. 82 AVENUE, MIAMI, FLORIDA 33166	(305) 500-3726
(Address of principal executive offices including zip code)	(Telephone number including area code)

Indicate by check mark whether the registrant (l) 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 ☑ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K: ☑

Indicate by check mark whether the registrant is an accelerated filer (as defined by Rule 12b-2 of the Exchange Act). Yes ☑ No ☐

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant computed by reference to the price at which the common equity was sold as of June 30, 2003 was $1,600,680,084. The number of shares of Ryder System, Inc. Common Stock ($0.50 par value) outstanding as of January 30, 2004 was 64,881,447.

DOCUMENTS INCORPORATED BY REFERENCE INTO THIS REPORT	PART OF FORM 10-K INTO WHICH DOCUMENT IS INCORPORATED
Ryder System, Inc. 2004 Proxy Statement	Part III

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SECURITIES REGISTERED PURSUANT TO SECTION 12(B) OF THE ACT:

TITLE OF EACH CLASS OF SECURITIES	EXCHANGE ON WHICH REGISTERED
Ryder System, Inc. Common Stock ($.50 par value)	New York Stock Exchange Pacific Exchange Chicago Stock Exchange Berlin-Bremen Stock Exchange
Ryder System, Inc. 9% Series G Bonds, due May 15, 2016	New York Stock Exchange
Ryder System, Inc. 9 7/8% Series K Bonds, due May 15, 2017	New York Stock Exchange

SECURITIES REGISTERED PURSUANT TO SECTION 12(G) OF THE ACT:

None

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RYDER SYSTEM, INC.
Form 10-K Annual Report

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PART I

ITEM 1. BUSINESS

OVERVIEW

Ryder System, Inc., a Florida corporation organized in 1955, is a leader in transportation and supply chain management solutions. Our business is divided into three business segments: Fleet Management Solutions (FMS), which provides leasing, commercial rental and programmed maintenance of commercial trucks, tractors and trailers to customers, principally in the U.S., Canada and the U.K.; Supply Chain Solutions (SCS), which provides comprehensive supply chain consulting and lead logistics management solutions throughout North America and in Latin America, Europe and Asia; and Dedicated Contract Carriage (DCC), which provides vehicles and drivers as part of a dedicated transportation solution, principally in North America.

Financial information relating to each of our business segments is included in the notes to our consolidated financial statements set forth in Item 8 of this report.

INDUSTRY AND OPERATIONS

Fleet Management Solutions

Over the last several years, many key trends have been reshaping the transportation industry, particularly the $56 billion private commercial fleet market and the $25 billion U.S. commercial fleet lease and rental market. Commercial vehicles have become more complicated requiring companies to spend a significant amount of time and money to keep up with new technology, diagnostics, retooling and training. Because of increased demand for convenience, speed and reliability, companies that own and manage their own fleet of vehicles have put greater emphasis on the quality of their preventive maintenance and safety programs. Finally, new regulatory requirements such as regulations covering diesel emissions and the number of off-duty rest hours a driver must take (hours of service regulations) have placed additional administrative burdens on private-fleet owners.

Through our FMS business, we provide our customers with flexible fleet solutions that are designed to improve their competitive position by allowing them to focus on their core business and to redirect their capital to other parts of their business. Our FMS product offering includes a wide-range of full service leasing, commercial rental and programmed maintenance solutions as well as additional value-added fleet support services such as insurance, vehicle administration and fuel services. In addition, we provide our leasing customers with access to a large selection of used trucks, tractors and trailers through our used vehicle sales program.

For the fiscal year ended December 31, 2003, our global FMS business accounted for 61% of our third-party revenues. Our FMS customers in the U.S. range from small businesses to large national enterprises. These customers operate in a variety of industries including beverage, newspaper, grocery, lumber and wood products, home furnishings and metal. As of December 31, 2003, we had a fleet of approximately 135,000 commercial trucks, tractors and trailers leased or rented through approximately 740 locations in 48 states and Puerto Rico.

Our domestic FMS business is divided into 7 regions: Northeast, Mid-South, Gulf States, North Central, Midwest, Southwest and West. Each region is divided into 7 to 12 customer business units (CBU) and each CBU contains 7 to 15 branch offices. A branch office typically consists of a maintenance facility or “shop,” offices for sales and other personnel, and in many cases, a commercial rental counter.

Full Service Leasing. Our leasing customers typically come to us once they have decided to outsource their fleet management function or to upgrade their fleet without having to dedicate a significant amount of their own capital. Under a typical full service lease, we provide the vehicles, programmed maintenance, supplies and related equipment necessary for operation of the vehicles while our customers furnish and supervise their own drivers and dispatch and exercise control over the vehicles. However, our leasing experts will assess a customer’s situation and, after considering the size of the customer, residual risk, balance sheet treatment and other factors, will tailor a leasing program that best suits the customer’s needs.

Once we have agreed on a leasing program, we acquire vehicles and components that are custom-engineered to the customer's requirements and lease the vehicles to the customers for periods ranging from three to ten years. Because we purchase our vehicles from a limited number of manufacturers, we are able to leverage our buying power and offer our lease customers an attractive alternative to maintaining their own fleet of vehicles. We also offer our leasing customers the additional fleet support services described below. As of December 31, 2003, we leased approximately 101,800 vehicles under full service leases in the U.S. As of December 31, 2003, we had more than 10,800 full service lease customer accounts in the U.S.

Commercial Rental. Our rental customers typically come to us to supplement their private fleet of vehicles on a short-term basis (typically less than one month) either because of seasonal increases in their business or discrete projects that require additional transportation resources. Our rental representatives assist our customers in selecting a vehicle that satisfies the customer's needs and supervise the rental process, which includes execution of a rental agreement and a vehicle inspection. In addition to vehicle rental, we offer our rental customers liability insurance coverage under our existing policies and the benefits of our comprehensive fuel services program. Our commercial rental fleet also provides additional vehicles to our full service lease customers to handle their peak or seasonal business needs. A fleet of approximately 33,200 vehicles, ranging from heavy-duty tractors and trailers to light-duty trucks, is available for commercial short-term rental in the U.S. The rental fleet's average age is 4.1 years. The utilization rate of the rental fleet during fiscal year 2003 was approximately 72%.

Programmed Maintenance. Our programmed maintenance customers typically include our full service lease customers as well as customers that want to utilize our extensive network of maintenance facilities and trained technicians to maintain the vehicles they own or lease from third parties, usually a bank or other financial institution. The Ryder Programmed Maintenance service offering is designed to reduce vehicle downtime through preventive/predictive maintenance based on vehicle type and driving habits, vehicle repair, including parts and labor, 24-hour emergency roadside service and replacement vehicles for vehicles that are temporarily out of service. These vehicles are typically serviced at our own facilities. However, based on the size and complexity of a customer's fleet, we may operate an on-site maintenance facility, or captive shop, at the customer's location. Our maintenance facilities typically include a service island for refueling, safety inspections and preliminary maintenance checks as well as a shop for preventive maintenance and repairs. As of December 31, 2003, we had approximately 1,600 programmed maintenance customer accounts in the U.S.

Fleet Support Services. In order to capitalize on our large base of lease customers, we are continuously expanding our fleet support service offerings. Currently we offer the following fleet support services:

Service	***Description***
Insurance	Liability insurance coverage under Ryder's insurance program which includes monthly invoicing, discounts based on driver performance and vehicle specifications, flexible deductibles; claims administration; gap insurance; fleet risk assessment
Safety	Establishing safety standards; providing safety training, driver certification, prescreening and road tests; safety audits; instituting procedures for transport of hazardous materials; coordinating drug and alcohol testing; loss prevention consulting
Fuel	Fuel purchasing (both in bulk and at the pump) at competitive prices; fuel planning; fuel tax reporting; centralized billing; fuel cards
Administrative	Vehicle use and other tax reporting; permitting and licensing; regulatory compliance (including hours of service administration)
Environmental Management	Storage tank monitoring; stormwater management; environmental training; ISO 14001 certification

Used Vehicles. We typically sell our used vehicles at one of our 50 sales centers throughout North America or through our website at *www.Usedtrucks.Ryder.com.* Before we offer any used vehicle for sale, our technicians assure that it is *Road Ready* , which means the vehicle has passed a 43-point performance inspection based on specifications formulated through the Ryder Programmed Maintenance program. In addition, all of our *Road Ready* vehicles must have state-of-the-art engineering and remaining years of useful life. Although we typically sell our used vehicles for prices in excess of book value, the extent to which we are able to realize a gain on the sale of used vehicles is dependent upon various factors including the general state of the used vehicle market, the age and condition of the vehicle at the time of its disposal and depreciation methods with respect to the vehicle.

Our FMS business strategy revolves around the following interrelated goals and priorities:

- deliver unparalleled maintenance, environmental and safety services to our customers;

- offer a wide range of support services that complement our leasing, rental and maintenance businesses;

- optimize asset utilization and management; and

- offer competitive pricing through cost management initiatives and increased pricing discipline on new business.

FMS Acquisitions. Effective December 31, 2003, we acquired substantially all the assets of Iowa-based General Car and Truck Leasing System, a major privately owned commercial truck leasing, maintenance and rental company, including General's fleet of over 4,200 vehicles, 15 of its 34 service locations and more than 700 customers. The initial purchase price was approximately $105 million in cash, subject to post-closing adjustments. The acquisition allows us to leverage our existing U.S. infrastructure in key markets while adding new infrastructure to strengthen our presence in targeted areas of the Midwest and Southeast.

In addition, in December 2003, we entered into a non-binding letter of intent to purchase substantially all the assets of Ruan Leasing Company, a major privately owned truck leasing, rental and contract maintenance company headquartered in Des Moines, Iowa, with operations in the Midwest, Southeast and Mid-Atlantic regions, as well as in California. Ruan has a fleet of nearly 6,800 vehicles and an additional 4,800 units under contract maintenance agreements, serving over 550 customers in the U.S. The acquisition remains subject to the negotiation of a definitive purchase agreement and customary closing conditions, including regulatory consents. The transaction is expected to close by the end of the first quarter of 2004.

Supply Chain Solutions

The global supply chain logistics market is estimated to be $140 billion. Several key trends are affecting the market for third-party logistics services. Logistics customers are increasingly focused on logistic solutions that leverage information to enhance operating and financial performance. As a result, they are demanding more costly IT-based services, including warehouse and transportation management systems, shipment tracking and web-enabled communications systems. Because increased customer expectations, expansion into advanced service offerings and globalization require a more productive and meaningful relationship between logistics providers and their customers, there is an increased emphasis on effective management and relationship processes. Finally, the importance of creating value for logistics customers through operating performance, cost management and service delivery has created a need for innovative broad-based solutions that include a network of service providers.

Through our SCS business, we offer a complete range of innovative lead logistics management services that are designed to optimize a customer's global supply chain and address the needs and concerns reflected by the trends previously mentioned. The term supply chain refers to a strategically designed process that directs the movement of materials, funds and related information from the acquisition of raw materials to delivery of finished products to the end-user. Our SCS product offerings are organized into three categories: professional services, distribution operations and transportation solutions. We also offer our SCS customers a variety of information technology solutions, referred to as e-fulfillment, which are an integral part of our other SCS services.

For the fiscal year ended December 31, 2003, our global SCS business accounted for 28% of our revenues. As of December 31, 2003, we had approximately 120 SCS customer accounts in the U.S., most of which are large enterprises that maintain large, complex supply chains. These customers operate in a variety of industries including automotive, electronics, high-tech, telecommunications, industrial, aerospace, consumer goods, paper and paper products, office equipment, food and beverage, and general retail industries.

Unlike our FMS operations which are managed through a network of regional offices, CBUs and branch offices, most of our core SCS business operations in the U.S. revolve around our customers' supply chain and are strategically located to maximize efficiencies and reduce costs. Along with those core customer specific locations, we also concentrate certain logistics expertise in locations not associated with specific customer sites. For example, our transportation planning and procurement group operates from our transportation management center in Ann Arbor, Michigan and our transportation logistics group operates from our transportation management center in Ft. Worth, Texas.

We are awarded a significant portion of our SCS business through requests for proposals or RFP processes. Many companies that maintain elaborate supply chain networks, including many of our existing customers, submit an RFP to manage all or a portion of their supply chain on an outsourced basis. A team of SCS operations and logistics design specialists as well as representatives from our finance, real estate and information technology departments will formulate a bid that includes a proposed supply chain solution as well as pricing information. The bid may include one or more of the following SCS services.

Professional Services. Our SCS business offers a variety of consulting services that support every aspect of a customer's supply chain. Our SCS experts are available to evaluate a customer's existing supply chain to identify inefficiencies, as well as opportunities for integration and improvement. Once the assessment is complete, we work with the customer to develop a supply chain strategy that will create the most value for the customer and its target clients. Once a customer has adopted a supply chain strategy, a team of SCS logistics experts and representatives from our information technology, real estate, finance and transportation management groups work together to design a strategically focused supply chain solution. The solution may include both a distribution plan that sets forth the number, location and function of each distribution facility and a transportation solution that sets forth the mode or modes of transportation and route selection. In addition to providing the distribution and transportation expertise necessary to implement the supply chain solution, our SCS representatives can coordinate and manage all aspects of the customer's supply chain provider network to assure consistency, efficiency and flexibility. We also provide transportation consulting services to our SCS customers which allows us to leverage the expertise and resources of our FMS business.

Distribution Operations. Our SCS business offers a wide range of services relating to a customer's distribution operations such as designing a customer's distribution or warehouse facility, managing the customer's existing distribution facilities or a facility we acquire in order to provide the agreed-upon services, managing the flow of goods directly from the receiving function to the shipping function (cross-docking), coordinating warehousing and transportation for inbound material flows, handling import/export for international shipments, coordinating just-in-time replenishment of component parts to manufacturing and final assembly, monitoring shipment and inventory status through web-enabled tracking solutions, providing logistics services in connection with the return of products to our customers after delivery to a target client (reverse logistics) and providing additional value-added services such as light assembly of components into defined units (kitting), packaging and refurbishment.

Transportation Solutions. Our SCS business offers services relating to all aspects of a customer's transportation network. Our team of transportation experts provides shipment planning and execution which includes shipment consolidation, load scheduling and delivery confirmation through a series of technological and web-based solutions. Our transportation consultants, in conjunction with our Ryder Freight Brokerage department, focus on carrier procurement of all modes of transportation, rate negotiation and freight bill audit and payment services. In addition, our SCS business provides customers as well as our FMS and DCC businesses with capacity management services that are designed to create load-building opportunities and minimize excess capacity.

Our SCS business strategy revolves around the following interrelated goals and priorities:

- offer strategically-focused comprehensive supply chain solutions to our customers;
- leverage the expertise and resources of our FMS business;
- achieve strong partnering relationships with our customers;
- be a market innovator by continuously improving the effectiveness and efficiency of our solution delivery model;
- serve our customer’s global needs as lead manager, integrator and high-value operator; and
- create shareholder value for our customers.

Dedicated Contract Carriage

The U.S. dedicated contract carriage market is estimated to be $8 billion. This market is affected by many of the trends that impact our FMS business such as the increased cost associated with purchasing and maintaining a fleet of vehicles. The administrative burden relating to regulations issued by the Department of Transportation (DOT) regarding driver screening, training and testing as well as record keeping and other costs associated with the new hours of service requirements make our DCC product an attractive alternative to private fleet management. In addition, market demand for just-in-time delivery creates a need for a well defined routing and scheduling plan that is based on comprehensive asset utilization analysis and fleet rationalization studies.

Through our DCC business segment, we combine the equipment, maintenance and administrative services of a full service lease with additional services to provide a customer with a dedicated transportation solution that is designed to increase their competitive position, improve risk management and integrate their transportation needs with their overall supply chain. Such additional services include driver hiring and training, routing and scheduling, fleet sizing, safety, regulatory compliance, risk management, technology and communication systems support, including on-board computers and other technical support. These additional services allow our customers to shift to us the labor issues associated with maintaining a private fleet of vehicles, such as driver turnover, government regulation, including hours of service regulations, DOT audits and workers compensation.

Our DCC consultants examine and assess the customer’s transportation needs. In order to customize an appropriate DCC transportation solution for our customers, our DCC logistics specialists perform a transportation analysis using advanced logistics planning and operating tools. Based on this analysis, they formulate a distribution plan which includes the routing and scheduling of vehicles, the efficient use of vehicle capacity and overall asset utilization. The goal of the plan is to create a distribution system that optimizes freight flow while meeting a customer’s service goals. A team of DCC transportation specialists can then implement the plan by leveraging the resources, expertise and technological capabilities of both our FMS and SCS businesses.

To the extent a distribution plan includes multiple modes of transportation (air, rail, sea and highway), our DCC experts, in conjunction with our SCS transportation specialists, select appropriate transportation modes and carriers, place the freight, monitor carrier performance and audit billing. In addition, through our SCS business, we can reduce costs and add value to a customer’s distribution system by aggregating orders into loads, looking for shipment consolidation opportunities and organizing loads for vehicles that are returning from their destination point back to their point of origin (backhaul).

Because it is highly customized, our DCC product is particularly attractive to companies that operate in industries that have time-sensitive deliveries or special handling requirements, such as newspapers and refrigerated products, as well as to companies whose distribution systems involve multiple stops within a closed loop highway route.

For the fiscal year ended December 31, 2003, our DCC business accounted for 11% of our revenues. As of December 31, 2003, we had approximately 260 DCC customer accounts in the U.S. Although a significant portion of our DCC operations are located at customer facilities, our DCC business utilizes and benefits from our extensive network of FMS facilities.

Our DCC business strategy revolves around the following interrelated goals and priorities:

- align our DCC and SCS businesses to create revenue opportunities and improve operating efficiencies in both segments, particularly through increased backhaul utilization;

- increase market share for customers that operate closed loop distribution systems that require a more comprehensive transportation solution; and

- expand our DCC support services to create customized transportation solutions for new customers and improve the solutions we have created for existing customers.

International

In addition to our operations in the U.S., we have FMS, SCS and DCC operations in Canada, Latin America, Europe and Asia. We have made it a goal to expand our international operations by leveraging our domestic product offerings and customer base.

Canada. We have been operating in Canada for over 40 years. Our FMS operations in Canada include full service leasing, commercial rental and programmed maintenance. We also offer fleet support services such as insurance, fuel services and compliance services. As of December 31, 2003, we had a fleet of approximately 10,000 commercial trucks, tractors and trailers leased or rented through approximately 20 locations throughout 8 Canadian provinces. As of December 31, 2003, we had over 1,200 full service lease customer accounts in Canada.

Our Canadian operations also include a full range of SCS and DCC services including lead logistics management services and distribution and transportation solutions. Given the proximity of this market to our U.S. operations, the Canadian operations are highly coordinated with their U.S. counterparts, managing cross-border transportation and freight movements. As of December 31, 2003, we had approximately 50 SCS customer accounts in Canada.

Europe. We began operating in the U.K. in 1971 and since then have expanded into other parts of Europe including Ireland, Germany and Poland by leveraging our operations in the U.S. and the U.K. Our FMS operations in Europe include full service leasing, commercial rental and programmed maintenance. We also offer fleet support services such as insurance, fuel services, compliance services, driver capability and on-board technology.

As of December 31, 2003, we had a fleet of approximately 12,400 commercial trucks, tractors and trailers leased or rented through approximately 40 locations throughout the U.K. and Germany. We also maintain a network of over 200 maintenance facilities in the U.K. In addition to our typical FMS operations, we also supply and manage vehicles, equipment and personnel for military organizations in the U.K. and Germany. As of December 31, 2003, we had over 1,100 full service lease customer accounts in the U.K. and Germany.

Our European operations include a complete range of SCS and DCC service offerings including lead logistics management services, distribution and transportation solutions and logistics consulting and design services. In addition, we operate a comprehensive shipment, planning and execution system through our European transportation management services center located in Düsseldorf, Germany. As of December 31, 2003, we had approximately 50 SCS customer accounts in Europe.

Latin America. We began operating in Mexico, Brazil and Argentina in the mid-1990s. In all off these markets we offer a full range of SCS services, including managing distribution operations and cross-docking terminals, and designing and managing customer specific transportation solutions. In our Argentina and Brazil operations, we also offer international transportation services for freight moving between these markets, including transportation management, backhaul management and customs procedure management.

Our Mexican operations also manage more than 4,000 border crossings each week between Mexico and the U.S., often highly integrated with our domestic distribution and transportation operations. As of December 31, 2003, we had approximately 30 SCS customer accounts in Latin America.

Asia. We began operating in Asia in 2000 through our acquisition of Ascent Logistics. Although our Asian operations are headquartered in Singapore, we also provide logistics and consulting services in China via our Shanghai office and coordinate logistics activities in countries such as Thailand, India, Malaysia, Australia and New Zealand. We offer a wide range of SCS services to customers in the region, including management of distribution operations, domestic transportation management, coordination, scheduling and management of international freight movement, postponement, bundling and other customization activities and procurement. As of December 31, 2003, we had approximately 60 SCS customer accounts in Asia.

E-Commerce Solutions

As part of the services provided by our FMS, SCS and DCC business segments, we have developed the following e-commerce solutions:

- *e-Fulfillment* — provides end-to-end management of the fulfillment channel from order entry to final delivery, including web-enabled inventory visibility, transportation planning/management, value-added services and reverse logistics;

- *Ryder.com* — includes a range of web-enabled tools that allow SCS and DCC customers to access information and enhance supply chain performance;

- *RyderTrac/ RyderShip/ RyderFlow* — web-enabled shipment tracking system;

- *RyderFleetProducts.com* — after market distributor of a complete range of truck parts, shop supplies, safety products and automotive products for their fleet;

- *Usedtrucks.Ryder.com* — listing of *Road Ready* used vehicles for sale from Ryder's extensive fleet including maintenance histories; and

- *RyderSafetyServices.com* — after market distributor of a complete range of safety products and services related to fleet management.

Administration

We have consolidated most of our financial administrative functions for the U.S. and Canada, including credit, billing and collections, into our Shared Services Center, a centralized processing center located in Alpharetta, Georgia. This centralization results in more efficient and consistent centralized processing of selected administrative operations. The Shared Services Center's main objectives are to reduce on-going annual administrative costs, enhance customer service through process standardization, create an organizational structure that will improve market flexibility and allow future reengineering efforts to be more easily attained at lower implementation costs.

Regulation

Our business is subject to regulation by various federal, state and foreign governmental entities. The DOT and various state agencies exercise broad powers over certain aspects of our business, generally governing such activities as authorization to engage in motor carrier operations, safety and financial reporting. We are also subject to a variety of requirements of national, state/provincial and local governments, including the Environmental Protection Agency and the Occupational Safety and Health Administration, that regulate safety, the management of hazardous materials, water discharges and air emissions, solid waste disposal and the release and cleanup of regulated substances. We may also become subject to new or more restrictive regulations imposed by the Environmental Protection Agency, the DOT, the Occupational Safety and Health Administration, or other authorities relating to engine exhaust emissions, drivers' hours of service, security and ergonomics.

The Environmental Protection Agency has issued regulations that require progressive reductions in exhaust emissions from diesel engines through 2007. Beginning in October 2002, new diesel engines were required to meet new emissions limits. Some of these regulations require subsequent reductions in the sulfur content of diesel fuel beginning in June 2006 and the introduction of emissions after-treatment devices on newly manufactured engines and vehicles beginning with the model year 2007.

Safety

Safety is an integral part of our strategy because preventing injury and decreasing service interruptions increases efficiency and customer satisfaction. In 2002, we were awarded the *Green Cross for Safety* from the National Safety Council for our commitment to workplace safety and corporate citizenship.

Our safety department focuses on (i) recruiting and maintaining qualified drivers; (ii) improving driver and management safety training; (iii) implementing periodic reviews of driver records; (iv) creating incentives for drivers with good safety records; and (v) raising awareness of safety-related issues on a company-wide basis.

In addition, our safety department develops driver safety and training programs such as hours of service, driving ethics, security and hazmat transport, to promote safety, customer relations, service standards and productivity. All of our drivers must meet or exceed DOT qualifications. Our safety department updates driver qualification files at least annually to maintain compliance with DOT regulations.

Risk Management

The nature of our business exposes us to risk of liability for damages arising primarily out of cargo loss and damage, customer-managed inventory shrinkage, vehicle liability, property damage and workers compensation. We are responsible for a deductible for auto liability, physical damage, cargo and workers compensation claims. We maintain insurance with independent insurance carriers that provide coverage for claims in excess of deductible amounts. Management believes that our insurance coverage is adequate.

Competition

As an alternative to using our services, customers may choose to provide these services for themselves, or may choose to obtain similar or alternative services from other third-party vendors.

Our FMS and DCC business segments compete with companies providing similar services on a national, regional and local level. Regional and local competitors may sometimes provide services on a national level through their participation in various cooperative programs. Competitive factors include price, equipment, maintenance, service and geographical coverage and, with respect to DCC, driver and operations expertise. We compete with other finance lessors and also to an extent, particularly in the U.K., with a number of truck and trailer manufacturers who provide truck and trailer leasing, extended warranty maintenance, rental and other transportation services. Value-added differentiation of the full service truck leasing, truck rental, contract and non-contract truck maintenance service and DCC offerings has been, and will continue to be, our emphasis.

In the SCS business segment, we compete with companies providing similar services on an international, national, regional and local level. Additionally, this business is subject to potential competition in most of the regions it serves from air cargo, shipping, railroads, motor carriers and other companies that are expanding logistics services such as freight forwarders, contract manufacturers and integrators. Competitive factors include price, service, equipment, maintenance, geographical coverage, market knowledge, expertise in logistics-related technology, and overall performance (e.g., timeliness, accuracy and flexibility). Value-added differentiation of these service offerings across the full global supply chain will continue to be our overriding strategy.

Employees

As of December 31, 2003, we had approximately 26,700 full-time employees worldwide, of which 22,000 were employed in North America, 2,000 in South America and Mexico, 2,300 in Europe and 400 in Asia. We have approximately 15,900 hourly employees in the United States, approximately 3,300 of which are organized by labor unions. These employees are principally represented by the International Brotherhood of Teamsters, the International Association of Machinists and Aerospace Workers and the United Auto Workers, and their wages and benefits are governed by approximately 100 labor agreements that are renegotiated periodically. None of the businesses in which we currently engage have experienced a material work stoppage, slowdown or strike and we consider that our relationship with our employees is good.

EXECUTIVE OFFICERS OF THE REGISTRANT

All of the executive officers of Ryder were elected or re-elected to their present offices either at or subsequent to the meeting of the Board of Directors held on May 2, 2003. They all hold such offices, at the discretion of the Board of Directors, until their removal, replacement or retirement.

NAME	AGE	POSITION
Gregory T. Swienton	54	Chairman, President and Chief Executive Officer
Tracy A. Leinbach	44	Executive Vice President and Chief Financial Officer
Bobby J. Griffin	55	Executive Vice President, International Operations
Challis M. Lowe	58	Executive Vice President, Human Resources, Public Affairs and Corporate Communications
Vicki A. O’Meara	46	Executive Vice President, General Counsel and Secretary
Anthony G. Tegnelia	58	Executive Vice President, U.S. Supply Chain Solutions
Richard B. Carson	55	Senior Vice President, Fleet Management Solutions
Gregory F. Greene	44	Senior Vice President, Strategic Planning and Development
Robert E. Sanchez	38	Senior Vice President and Chief Information Officer
Art A. Garcia	42	Vice President and Controller

Gregory T. Swienton has been Chairman since May 2002, President since June 1999 and Chief Executive Officer since November 2000. Before joining Ryder, Mr. Swienton was Senior Vice President of Growth Initiatives of Burlington Northern Santa Fe Corporation (BNSF) and before that Mr. Swienton was BNSF’s Senior Vice President, Coal and Agricultural Commodities Business Unit.

Tracy A. Leinbach has been Executive Vice President and Chief Financial Officer since March 2003. Ms. Leinbach served as Executive Vice President, Fleet Management Solutions from March 2001 to March 2003, Senior Vice President, Sales and Marketing from September 2000 to March 2001, and she was Senior Vice President, Field Management from July 2000 to September 2000. Ms. Leinbach also served as Managing Director-Europe of Ryder Transportation Services from January 1999 to July 2000 and previously she had served Ryder Transportation Services as Senior Vice President and Chief Financial Officer from 1998 to January 1999, Senior Vice President, Business Services from 1997 to 1998, and Senior Vice President, Purchasing and Asset Management for six months during 1996. From 1985 to 1996, Ms. Leinbach held various financial positions in Ryder subsidiaries.

Bobby J. Griffin has been Executive Vice President, International Operations since January 2003. Previously, Mr. Griffin served as Executive Vice President, Global Supply Chain Operations since March 2001. Prior to this appointment, Mr. Griffin was Senior Vice President, Field Management West from January 2000 to March 2001. Mr. Griffin was Vice President, Operations of Ryder Transportation Services from 1997 to December 1999. From 1993 to 1997, Mr. Griffin also served as Vice President and General Manager of ATE Management and Service Company, Inc. and Managed Logistics Systems, Inc., operating units of the former Ryder Public Transportation Services. Mr. Griffin was Executive Vice President, Western Operations of Ryder/ATE from 1987 to 1993. He joined Ryder as Executive Vice President, Consulting of ATE in 1986 after Ryder acquired ATE Management and Service Company.

Challis M. Lowe has served as Executive Vice President, Human Resources, Public Affairs and Corporate Communications since November 2000. Ms. Lowe joined Ryder as Executive Vice President of Human Resources in May 2000. Before joining Ryder, Ms. Lowe was a consultant to the merger of Beneficial Management Corp. with Household Finance from 1998 to 1999. From 1997 to 1998, Ms. Lowe was Executive Vice President, Human Resources and Administrative Services at Beneficial Management Corp., a financial services company. From 1993 to 1997, she was Executive Vice President at Heller International, a financial services company, where she was responsible for Human Resources and Communications.

Vicki A. O’Meara has been Executive Vice President and General Counsel since June 1997 and Secretary since February 1998. Prior to joining Ryder, Ms. O’Meara was a partner with the Chicago office of the law firm Jones Day. Previously, she held a variety of positions with the federal government including service as Assistant Attorney General for the Environmental and Natural Resources Division of the Department of Justice, Deputy General Counsel of the Environmental Protection Agency and in the Office of White House Counsel.

Anthony G. Tegnelia has served as Executive Vice President, U.S. Supply Chain Solutions since December 2002. Previously, he was Senior Vice President, Global Business Value Management. Mr. Tegnelia joined Ryder in 1977 and has held a variety of other positions with Ryder including Senior Vice President and Chief Financial Officer of Ryder’s integrated logistics business segment and Senior Vice President, Field Finance.

Richard B. Carson has served as Senior Vice President, Fleet Management Solutions since February 2002. He previously served as Vice President, Fleet Management Solutions in the Northeast Region from January 1997 to February 2002. Mr. Carson joined Ryder in June 1973 and has held various positions since then.

Gregory F. Greene has served as Senior Vice President, Strategic Planning and Development since April 2003. He previously served as Senior Vice President, Global Talent Management from March 2002 to April 2003. Mr. Greene joined Ryder in August 1993 as Manager of Executive and International Compensation and has since held various positions. Prior to joining Ryder, Mr. Greene served as Director of Human Resources for Sunglass Hut, Inc.

Robert E. Sanchez has served as Senior Vice President and Chief Information Officer since January 2003. He previously served as Senior Vice President of Global Transportation Management from March 2002 to January 2003. Previously, he also served as Chief Information Officer from June 2001 to March 2002. Mr. Sanchez joined Ryder in 1993 as a Senior Business System Designer.

Art A. Garcia has been Vice President and Controller since February 2002. Previously, Mr. Garcia served as Group Director, Accounting Services from September 2000 to February 2002 and from April 2000 to June 2000. Mr. Garcia was Chief Financial Officer of Blue Dot Services, Inc., a national provider of heating and air conditioning services, from June 2000 to September 2000. Mr. Garcia served as Director, Corporate Accounting for Ryder from April 1998 to April 2000. Mr. Garcia joined Ryder in December 1997 as Senior Manager, Corporate Accounting. Prior to joining Ryder, Mr. Garcia held various positions in the audit services practice of Coopers and Lybrand LLP from 1984 to December 1997.

FACTORS AFFECTING OUR BUSINESS

Our business is subject to a number of general economic factors in the United States and worldwide that may have a materially adverse effect on results of operations, many of which are largely out of our control. These include recessionary economic cycles and downturns in customers’ business cycles, particularly in market segments and industries where we have a concentration of customers, interest rate fluctuations, increases in fuel prices or fuel shortages and the effects of future or threatened terrorism. Slow economic conditions in the United States contributed to our decline in revenue for the year ended December 31, 2003 compared with 2002.

Numerous competitive factors could impair our ability to maintain our current profitability. These factors include the following:

- we compete with many other leasing and transportation service providers, some of which may have greater capital resources or lower capital costs;
- some of our competitors periodically reduce their prices to gain business which may limit our ability to maintain or increase prices;
- the trend towards consolidation in the transportation industry may create large competitors with greater financial resources and other competitive advantages relating to their size;

- advances in technology require increased investments to remain competitive and our customers may not be willing to accept higher prices to cover the cost of these investments;

- competition from logistics and freight management companies that do not operate trucking fleets may adversely affect customer relationships and prices; and

- changes in applicable laws and regulations, or costs of complying with current or future laws and regulations.

We implemented and continue to implement a variety of strategic initiatives to reduce costs and improve productivity. These initiatives include improving purchasing programs, improving the efficiency of maintenance operations, increasing the efficiency of rental and trailer fleet utilization, extending the duration of expiring leases and generating revenue from increased utilization of idle equipment. The continued successful implementation of these initiatives on a timely basis in the future is one of the keys to our future competitiveness and profitability.

Our business has been negatively impacted by an industry-wide downturn in the market for used tractors and trucks, particularly Class 8 vehicles, which are the largest class of heavy-duty tractors. This overall trend has caused the actual proceeds realized upon the sale of used revenue earning equipment to be lower than what was realized historically. The worsening of this trend may cause further unfavorable differences between residual values realized and current expectations, thus negatively affecting our profitability and financial condition.

Regulations imposed by federal, state and foreign governmental agencies regarding the emission of diesel fuel have resulted in higher prices for tractors and diesel engines, decreased demand for new tractors and increased fuel and maintenance costs. These adverse effects combined with uncertainty as to the reliability of the vehicles equipped with the newly designed diesel engines and the residual values that will be realized from the disposition of these vehicles could reduce our revenues from truck leasing, increase costs, make it more difficult to realize expected residual values for used vehicles equipped with the newly designed diesel engines or otherwise adversely affect business.

In the aftermath of terrorist attacks on the United States, federal, state and municipal authorities have implemented and are implementing various security measures, including checkpoints and travel restrictions on large trucks. Although many companies will be adversely affected by any slowdown in the availability of transportation services, the negative impact could disproportionately affect our business. New security measures could disrupt or impede our ability to meet the needs of our customers, particularly those related to the timeliness of deliveries. No assurance can be given that these measures will not have a material adverse effect on our operating results.

FURTHER INFORMATION

For further discussion concerning our business, see the information included in Items 7 and 8 of this report.

We make available free of charge through our website at *www.ryder.com* our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and all amendments to those reports as soon as reasonably practicable after such material is electronically filed with or furnished to the Securities and Exchange Commission.

In addition, we expect to post our Corporate Governance Guidelines and the charters for our Audit Committee, Compensation Committee and Corporate Governance and Nominating Committee (formerly the Committee on Directors and Public Responsibility) on our website at *www.ryder.com* prior to our 2004 Annual Meeting of Shareholders. You may request copies of these documents, at no cost, by writing to us at: Investor Relations, Ryder System Inc., 3600 N.W. 82nd Avenue, Miami, Florida 33166.

ITEM 2. PROPERTIES

Our properties consist primarily of vehicle maintenance and repair facilities, warehouses and other real estate and improvements.

We maintain approximately 760 FMS locations in the United States, Puerto Rico and Canada; we own approximately 460 of these facilities and lease the remaining 300 facilities. Our FMS locations generally include a repair shop and administrative offices.

We also maintain approximately 130 locations in the United States and Canada in connection with our domestic SCS and DCC businesses. Almost all of our SCS locations are leased and generally include a warehouse and administrative offices.

We maintain over 70 international locations (locations outside of the United States and Canada) for our international FMS and SCS businesses. These locations are in the U.K., Ireland, Germany, Poland, Mexico, Argentina, Brazil, China, Taiwan and Singapore. The majority of these locations are leased and generally include a repair shop, warehouse and administrative offices.

Our headquarters facility is a 400,000 square foot building located on approximately 40 acres of land in Miami, Florida that we have owned since 1973. Due to the age of the headquarters building and the headcount reductions experienced over recent years, we explored various strategic alternatives for the relocation of our headquarters. As a result, in December 2002, we announced that we reached an agreement with a real estate developer to build a new headquarters facility in Miami, Florida. We will lease the new building which is approximately 230,000 square feet. We expect the new headquarters to be completed during 2005 and are in the process of marketing our current facility and land for sale.

ITEM 3. LEGAL PROCEEDINGS

We are involved in various claims, lawsuits and administrative actions arising in the course of our businesses. Some involve claims for substantial amounts of money and/or claims for punitive damages. While any proceeding or litigation has an element of uncertainty, management believes that the disposition of such matters, in the aggregate, will not have a material impact on our consolidated financial position, results of operations or liquidity.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

There were no matters submitted to a vote of our security holders during the quarter ended December 31, 2003.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

	Stock Price		Dividends per Common Share
	High	Low	
2003			
First quarter	**$23.94**	**20.26**	**0.15**
Second quarter	**27.34**	**20.00**	**0.15**
Third quarter	**31.26**	**23.10**	**0.15**
Fourth quarter	**34.65**	**28.14**	**0.15**
Total	**$34.65**	**20.00**	**0.60**
2002			
First quarter	$29.95	21.77	0.15
Second quarter	31.09	26.31	0.15
Third quarter	29.00	21.90	0.15
Fourth quarter	25.07	21.05	0.15
Total	$31.09	21.05	0.60

Our common shares are listed on the New York Stock Exchange, the Chicago Stock Exchange, the Pacific Exchange and the Berlin-Bremen Stock Exchange. As of January 30, 2004, there were 12,565 common stockholders of record and our stock price on the New York Stock Exchange was $36.80.

Securities Authorized for Issuance Under Equity Compensation Plans

The following table includes information as of December 31, 2003 about certain plans which provide for the issuance of common stock in connection with the exercise of stock options and other stock-based awards:

Plan	Number of Securities to Be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans Excluding Securities Reflected in Column (a)
	(a)	**(b)**	**(c)**
		(Shares in thousands)	
Equity compensation plans approved by security holders:			
Broad based employee stock option plans	6,905	$24.52	4,158
Employee Stock Purchase Plan	—	—	733
Non-Employee Directors' Stock Plans	177	22.50	323
Equity compensation plans not approved by security holders	—	—	—
Total	7,082	$24.47	5,214

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Purchases of Equity Securities

The following table provides information with respect to purchases we made of our common stock during the fourth quarter of 2003:

	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program (1)	Approximate Dollar Value That May Yet Be Purchased Under the Program (1)
	(Shares in thousands)			
October 1 through October 31, 2003	50	$29.43	50	$88,528,000
November 1 through November 30, 2003	68	29.92	118	86,509,000
December 1 through December 31, 2003	—	—	118	86,509,000
Total	118	$29.71	118	$86,509,000

(1) In September 2003, the Board of Directors authorized a two-year share repurchase program. The program was publicly announced on October 3, 2003. Under the program, shares of common stock will be purchased in a dollar amount not to exceed the proceeds generated from the issuance of common stock to employees under various employee stock option and stock purchase plans since January 1, 2003. The program, which extends through September 30, 2005, limits aggregate share repurchases to no more than $90 million. At December 31, 2003, the number of shares purchased under this program was 117,500.

ITEM 6. SELECTED FINANCIAL DATA

	Years ended December 31				
	2003	2002	2001	2000	1999
	(Dollars in thousands, except per share amounts)				
Revenue	**$4,802,294**	4,776,265	5,006,123	5,336,792	4,952,204
Earnings from continuing operations: (1)					
Before income taxes	**$ 212,475**	175,883	30,706	141,321	110,450
After income taxes (2)	**$ 135,559**	112,565	18,678	89,032	68,524
Per diluted common share (2)	**$ 2.12**	1.80	0.31	1.49	1.00
Net earnings (2),(3)	**$ 131,436**	93,666	18,678	89,032	419,678
Per diluted common share (2),(3)	**$ 2.06**	1.50	0.31	1.49	6.11
Cash dividends per common share	**$ 0.60**	0.60	0.60	0.60	0.60
Average common shares — Diluted (in thousands)	**63,871**	62,587	60,665	59,759	68,732
Year-end shareholders' equity (4)	**$1,334,385**	1,108,215	1,230,669	1,252,708	1,204,905
Average shareholders' equity (4)	**$1,193,850**	1,246,068	1,242,543	1,225,910	1,181,750
Return on average shareholders' equity (%) (4)	**11.0**	7.5	1.5	7.3	35.5
Book value per common share (4)	**$ 20.85**	17.75	20.24	20.86	20.29
Market price — high	**$ 34.65**	31.09	23.19	25.13	28.75
Market price — low	**$ 20.00**	21.05	16.06	14.81	18.81
Total debt	**$1,815,900**	1,551,468	1,708,684	2,016,980	2,393,389
Long-term debt	**$1,449,489**	1,389,099	1,391,597	1,604,242	1,819,136
Debt to equity (%) (4)	**135**	140	139	161	199
Year-end assets	**$5,278,603**	4,766,982	4,927,161	5,474,923	5,770,450
Average assets	**$4,963,747**	4,845,689	5,156,489	5,691,121	6,032,130
Return on average assets (%)	**2.6**	1.9	0.4	1.6	7.0
Average asset turnover (%)	**96.7**	98.6	97.1	93.8	82.1
Net cash provided by operating activities	**$ 802,855**	632,787	308,702	1,015,533	269,819
Capital expenditures	**$ 725,130**	600,301	656,597	1,288,784	1,734,566
Number of vehicles	**160,200**	161,400	170,100	176,300	171,500
Number of employees	**26,700**	27,800	29,500	33,100	30,300

(1) *Earnings from continuing operations include unusual items representing Year 2000 expense, restructuring and other charges and loss on early extinguishment of debt. Year 2000 expense totaled $24 million ($15 million after-tax, or $0.22 per diluted common share) in 1999. Restructuring and other charges totaled $4 million ($2 million after-tax, or $0.04 per diluted common share) in 2002, $117 million ($81 million after-tax, or $1.34 per diluted common share) in 2001, $42 million ($26 million after-tax, or $0.44 per diluted common share) in 2000 and $52 million ($33 million after-tax, or $0.48 per diluted common share) in 1999. Loss on early extinguishment of debt totaled $7 million ($4 million after-tax, or $0.06 per diluted common share) in 1999. Earnings from continuing operations include goodwill and intangible amortization totaling $13 million ($12 million after-tax, or $0.19 per diluted common share) in 2001, $12 million ($10 million after-tax, or $0.17 per diluted common share) in 2000 and $14 million ($11 million after-tax, or $0.17 per diluted common share) in 1999.*

(2) *In 2001, earnings from continuing operations include a one-time reduction in deferred taxes of $7 million, or $0.11 per diluted common share, as a result of a change in Canadian tax law that affected our Canadian operations.*

(3) *Net earnings for 2003 include the cumulative effect of a change in accounting principle for variable interest entities resulting in an after-tax charge of $3 million, or $0.05 per diluted common share. Net earnings for 2003 also include the cumulative effect of a change in accounting principle for costs associated with eventual retirement of long-lived assets primarily relating to components of revenue earning equipment resulting in an after-tax charge of $1 million, or $0.02 per diluted common share. Net earnings for 2002 include the cumulative effect of change in accounting principle for goodwill resulting in an after-tax charge of $19 million, or $0.30 per diluted common share. In September 1999, Ryder sold its public transportation services business for an after-tax gain of $339 million, or $4.94 per diluted common share. The disposal of this business has been accounted for as discontinued operations. Net earnings for 1999 include the results of discontinued operations.*

(4) *Shareholders' equity as of December 31, 2003 and 2002 reflects after-tax equity charges of $187 million and $229 million, respectively, related to the accrual of additional minimum pension liability.*

ITEM 7. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This discussion should be read in conjunction with our consolidated financial statements and related notes contained in Item 8 of this report on Form 10-K.

OVERVIEW

Our business is divided into three business segments: our Fleet Management Solutions (FMS) business segment provides leasing, commercial rental and programmed maintenance of commercial trucks, tractors and trailers to customers, principally in the U.S., Canada and the U.K.; our Supply Chain Solutions (SCS) business segment provides comprehensive supply chain consulting and lead logistics management solutions throughout North America and in Latin America, Europe and Asia; and our Dedicated Contract Carriage (DCC) business segment provides vehicles and drivers as part of a dedicated transportation solution, principally in North America. We operate in extremely competitive markets. Our customers select us based on numerous factors including service quality, price, technology and service offerings. As an alternative to using our services, customers may also choose to provide these services for themselves, or may choose to obtain similar or alternative services from other third-party vendors.

Over the past three years we have transformed our business, addressing many fundamental business processes throughout the organization. We have focused intently on addressing our cost structure and balance sheet in order to deliver improved results to our shareholders and also to make Ryder more competitive in the marketplace. In 2003, we continued to realize significant savings from our cost management initiatives and process improvement actions, allowing us to deliver strong results despite higher pension costs and reduced volumes in our U.S. contractual business. In the future, we will continue identifying cost saving opportunities to enhance our competitive position in a very competitive environment.

During 2003, we targeted several strategic opportunities in our FMS business. In December, we completed the acquisition of a fleet of approximately 4,200 vehicles serving over 700 customers in the U.S. In December, we also announced that we had signed a non-binding letter of intent to purchase another fleet of nearly 6,800 vehicles serving over 550 customers, which we expect to complete by the end of the first quarter of 2004. These acquisitions do not require us to build new capabilities and enable us to leverage our existing infrastructure to create operating synergies for our FMS business segment. In 2004, we will continue to evaluate strategic acquisitions in FMS and other segments of our business.

In addition to our strategic initiatives, a primary issue that affects our business growth is economic conditions in the U.S. and in other regions of the world where we do business. Because of the soft U.S. economy over the past several years, our U.S. contractual business base was down in 2003. We are focused on increasing new sales while maintaining the appropriate pricing discipline that provides an attractive return for the service we provide to our customers. We are encouraged by recent increased levels of activity and interest on the part of our customers to sign new business. However, because of the time required to have lease equipment manufactured and delivered and to design and implement a new supply chain activity, there is a time lag in our businesses between the date when a contract is signed and when revenue is generated. Therefore, we do not expect to see an impact on revenue from new sales contracts until the middle of 2004.

ITEMS AFFECTING COMPARABILITY BETWEEN PERIODS

Effective July 1, 2003, Ryder consolidated three variable interest entities (VIEs) in connection with the adoption of the Financial Accounting Standards Board’s Interpretation No. (FIN) 46, “Consolidation of Variable Interest Entities.” The consolidated VIEs were established as part of previous sale-leaseback transactions of revenue earning equipment in which Ryder sold revenue earning equipment to special-purpose entities (SPEs) and then leased the revenue earning equipment back as lessee under operating lease arrangements. Ryder enters into sale-leaseback transactions in the ordinary course of business in order to lower the total cost of funding operations, to diversify funding among different classes of investors and to diversify funding among different types of funding instruments. Sale-leaseback transactions have been executed with third-party financial institutions, as well as with SPEs. In connection with the sale-leaseback transactions executed with SPEs, in the form of vehicle securitizations and a synthetic leasing arrangement, we provided credit enhancements and residual value guarantees that obligate Ryder to absorb the majority of the expected losses from such entities, if any are realized. Therefore, FIN 46 required that these entities be consolidated.

As a result of the consolidation of these VIEs, Ryder recorded a non-cash cumulative effect charge of $3 million on an after-tax basis, or $0.05 per diluted share in the third quarter of 2003. The cumulative effect charge represented depreciation and interest expense of the VIEs that would have been recorded had FIN 46 been in effect since lease inception, in excess of rent expense recorded under operating leases. The charge is expected to reverse in operating earnings over the next three years. The consolidation of the VIEs did not have a significant impact on our consolidated net earnings; however, reported depreciation expense, equipment rental and interest expense were impacted by the consolidation of the VIEs. In addition, both net cash provided by operating activities and our free cash flow measure increased due to the add-back of depreciation expense on the VIEs' revenue earning equipment and net cash used in financing activities also increased due to principal payments on VIEs' debt. Net earnings for 2002 and 2001 would not have been materially different if this standard had been adopted effective January 1, 2001.

Effective January 1, 2003, we adopted the provisions of Statement of Financial Accounting Standards (SFAS) No. 143, "Accounting for Asset Retirement Obligations," which addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. SFAS No. 143 requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made and that the associated asset retirement costs be capitalized as part of the carrying amount of the long-lived asset. The cumulative effect adjustment recognized upon adoption of this standard was $1 million on an after-tax basis, or $0.02 per diluted share, consisting primarily of costs associated with the retirement of certain components of revenue earning equipment. Net earnings for 2002 and 2001 would not have been materially different if this standard had been adopted effective January 1, 2001.

Effective January 1, 2002, we also adopted the provisions of SFAS No. 142, "Goodwill and Other Intangible Assets," and discontinued the amortization of goodwill and intangible assets with indefinite useful lives. Had we applied the non-amortization provisions of SFAS No. 142 as of January 1, 2001, net earnings for 2001 would have totaled $30 million, or $0.50 per diluted share, as compared to the reported net earnings for 2001 of $19 million, or $0.31 per diluted share. SFAS No. 142 also required us to perform an assessment of whether there was an indication that the remaining recorded goodwill was impaired as of the date of adoption. The impairment test required us to compare the implied fair value of a reporting unit's goodwill to our carrying amount, both of which were measured as of January 1, 2002. The residual fair value after this allocation was the implicit fair value of the reporting unit's goodwill. As a result of this assessment, we recorded a non-cash cumulative effect charge of $19 million on a before and after-tax basis, or $0.30 per diluted share, associated with the Asian operations of our SCS business segment. Under previous requirements, no goodwill impairment would have been recorded on January 1, 2002.

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CONSOLIDATED RESULTS

	Years ended December 31		
	2003	2002	2001
	(In thousands)		
Earnings before cumulative effect of changes in accounting principles (1),(2)	**$135,559**	112,565	18,678
Per diluted common share	**2.12**	1.80	0.31
Net earnings (1),(2),(3)	**131,436**	93,666	18,678
Per diluted common share	**2.06**	1.50	0.31
Weighted-average shares outstanding — diluted	**63,871**	62,587	60,665

(1) Results include restructuring and other charges of $2 million after-tax, or $0.04 per diluted common share in 2002 and $81 million after-tax, or $1.34 per diluted common share in 2001. See Note 4 — "Restructuring and Other (Recoveries) Charges, Net" in the Notes to Consolidated Financial Statements for additional discussion.

(2) Results for 2001 include a one-time reduction in deferred taxes of $7 million, or $0.11 per diluted common share, as a result of a change in Canadian tax law that affected our Canadian operations. Results for 2001 also include goodwill and intangible amortization of $12 million after-tax, or $0.19 per diluted common share.

(3) Net earnings for 2003 include the cumulative effect of a change in accounting principle for variable interest entities resulting in an after-tax charge of $3 million, or $0.05 per diluted common share. Net earnings for 2003 also include the cumulative effect of a change in accounting principle for costs associated with eventual retirement of long-lived assets primarily relating to components of revenue earning equipment resulting in an after-tax charge of $1 million, or $0.02 per diluted common share. Net earnings for 2002 include the cumulative effect of a change in accounting principle for goodwill resulting in an after-tax charge of $19 million, or $0.30 per diluted common share.

Earnings before the cumulative effect of changes in accounting principles increased 20% to $136 million in 2003 compared with 2002. The increase in earnings was due to savings realized from continuing cost management and process improving actions, improved SCS operating performance, better FMS rental pricing, and the impact of favorable exchange rate fluctuations. These earnings increases were partially offset by an increase in after-tax annual pension expense of nearly $34 million which principally impacted our FMS business segment, which employs the majority of the employees that participate in our primary U.S. pension plan. The earnings growth rate in 2003 exceeded the related earnings per share growth rate because the average number of shares outstanding during 2003 increased reflecting the impact of stock issuances under employee stock option and stock purchase plans during the year.

Earnings before the cumulative effect of changes in accounting principles increased 503% to $113 million in 2002 compared with 2001. The increase in earnings was due primarily to a significant reduction in restructuring and other charges from $81 million after-tax in 2001 compared with $2 million after-tax in 2002. The increase in earnings was also attributable to cost management actions and operational process improvement efforts, improved rental utilization, increased volumes within the automotive sector of SCS, lower interest costs and the discontinuance of amortization of goodwill and intangible assets with indefinite useful lives (See Note 1 — "Summary of Significant Accounting Policies — Goodwill and Other Intangible Assets" in the Notes to Consolidated Financial Statements). These earnings increases were partially offset by a one-time reduction in deferred taxes of $7 million in 2001 as a result of a change in Canadian tax law and higher pension costs of $19 million after-tax in 2002, compared with 2001. See "Operating Results by Business Segment" for further discussion of the operating results for the past three years.

	Years ended December 31		
	2003	2002	2001
	(In thousands)		
Revenue:			
Fleet Management Solutions	**$3,231,675**	3,183,022	3,352,540
Supply Chain Solutions	**1,362,428**	1,388,299	1,453,881
Dedicated Contract Carriage	**514,731**	517,961	534,962
Eliminations	**(306,540)**	(313,017)	(335,260)
Total	**$4,802,294**	4,776,265	5,006,123

Revenue for 2003 increased 1% to $4.8 billion compared with 2002. Comparisons were impacted by increased FMS fuel services revenue as a result of higher average fuel prices. For all years reported, Ryder realized minimal changes in profitability as a result of higher fuel prices as these generally reflect costs that are passed through to our customers. During 2003, FMS was negatively impacted by continued softness in the U.S. economy resulting in reduced full service lease and programmed maintenance demand, as well as the impact of some ancillary business not renewed. These decreases were partially offset by improved commercial rental revenue due to higher pricing. SCS revenue decreased in 2003 compared with 2002 as a result of volume reductions combined with the non-renewal of certain customer contracts. Revenue comparisons for FMS and SCS were favorably impacted by changes in foreign exchange rates and expanded business in Canada, Latin

America and Asia.

Revenue decreased 5% to $4.8 billion in 2002 compared with 2001. All business segments experienced a revenue decrease in 2002 over 2001 as a result of the slow economic conditions in the U.S. and in other countries where we operate. The FMS revenue decrease of 5% also reflects the effects of a smaller overall fleet (primarily in commercial rental) and lower fuel services revenue as a result of lower average fuel prices and volumes. SCS revenue decreased in 2002 as a result of volume reductions, especially in the electronics, high-tech and telecommunications sector and the non-renewal of certain customer contracts.

Our FMS segment leases revenue earning equipment and provides fuel, maintenance and other ancillary services to our SCS and DCC segments. Eliminations relate to inter-segment sales that are accounted for at approximate fair value as if the sales were made to third parties.

	Years ended December 31		
	2003	2002	2001
	(In thousands)		
Operating expense	**$2,039,156**	1,949,384	2,132,500
Percentage of revenue	**42%**	41%	43%

Operating expense increased 5% to $2.0 billion in 2003 compared with 2002. The increase was principally a result of increases in fuel costs due to higher average fuel prices in 2003. Operating expense was also impacted by higher maintenance costs as a result of an older fleet, offset by a reduction in overhead spending from ongoing cost management actions. Operating expense decreased 9% to $1.9 billion in 2002 compared with 2001. The decrease was a result of a reduction in FMS fuel costs as a result of lower average prices and volumes in 2002, a reduction in overheads due to cost containment actions, including the shut-down of certain facilities in 2001, and the cancellation of an information technology outsourcing contract.

	Years ended December 31		
	2003	2002	2001
	(In thousands)		
Salaries and employee-related costs	**$1,242,930**	1,268,704	1,212,184
Percentage of revenue	**26%**	27%	24%

Salaries and employee-related costs decreased 2% to $1.2 billion in 2003 compared with 2002. The decrease was a result of headcount reductions, which offset higher pension expense. Average headcount decreased 6% in 2003 compared with 2002 reflecting the non-renewal of certain customer contracts, the impact of cost management actions and reduced volumes across all business segments. The number of employees at December 31, 2003 decreased 4% to approximately 26,700, compared with 27,800 at December 31, 2002.

Pension expense increased nearly $54 million in 2003 to $82 million compared with 2002, and principally impacted FMS. The increase in pension expense is primarily attributable to the U.S. pension plan and reflects the adverse effect of negative pension asset returns in 2002, as well as the impact of lower interest rates resulting in a lower discount rate for calculating the present value of pension obligations. Based on actual pension asset returns experienced in 2003 and interest rate levels at December 31, 2003, we expect pension expense on a pre-tax basis to decrease to approximately $66 million in 2004. Our 2004 pension expense estimates are subject to change based upon the completion of actuarial analysis of all pension plans. See “Critical Accounting Estimates” for further discussion on pension accounting estimates. The anticipated pension expense decrease in 2004 would primarily impact FMS, which employs the majority of employees that participate in Ryder’s primary U.S. pension plan.

Salaries and employee-related costs increased 5% to $1.3 billion in 2002 compared with 2001. The increase was due to growth in pension and medical benefit costs, higher salary expense from the in-sourcing of certain information technology functions and greater incentive compensation, which was partially offset by decreased salaries and other employee-related costs as a result of 2001 strategic initiatives that resulted in the termination of over 1,400 employees. See “Restructuring and Other (Recoveries) Charges, Net” for further discussion.

	Years ended December 31		
	2003	2002	2001
		(In thousands)	
Freight under management expense	**$414,284**	414,369	436,413
Percentage of revenue	**9%**	9%	9%

Freight under management (FUM) expense represents subcontracted freight costs on logistics contracts for which Ryder purchases transportation. FUM expense of $414 million in 2003 was unchanged compared with 2002. The volume decline experienced in our SCS business during 2003 was principally attributed to non-transportation based activities. FUM expense decreased 5% in 2002 compared with 2001 due to revenue reductions in our SCS business segment as a result of reduced freight volumes in the U.S. and South America and the non-renewal of customer contracts.

	Years ended December 31		
	2003	2002	2001
		(In thousands)	
Depreciation expense	**$624,580**	552,491	545,485
Gains on vehicle sales, net	**(15,780)**	(14,223)	(11,968)
Equipment rental	**200,868**	343,531	427,024

Depreciation expense relates primarily to FMS revenue earning equipment. Depreciation expense in 2003 increased 13% to $625 million compared with 2002. While the overall average fleet size (owned and leased) declined 3% during 2003, depreciation expense grew because of an increase in the average number of owned (compared with leased) revenue earning equipment units. The number of owned units increased because of the consolidation of VIEs effective July 1, 2003, the conversion of leased units to owned status as a result of lease extensions and the replacement of expiring lease units with owned. See discussion on Fleet Management Solutions in “Operating Results by Business Segment” for further detail on vehicle counts. For the six months ended December 31, 2003, depreciation expense attributable to the revenue earning equipment of consolidated VIEs approximated $40 million. Depreciation expense increased 1% to $552 million in 2002 compared with 2001. Depreciation expense increased due to a greater number of owned (compared with leased) revenue earning equipment units as well as reduced estimated residual values associated with certain owned tractors.

Gains on vehicle sales, net increased 11% to $16 million in 2003 compared with 2002. The increase in gains on vehicle sales, net was due to a higher number of FMS unit sales of owned equipment and improved average pricing on vehicles sold in the tractor class compared with 2002. Gains on vehicle sales, net increased 19% to $14 million in 2002 compared with 2001. Despite a reduction in the number of vehicles sold, Ryder experienced an increase in gains on vehicle sales, net due to a decline in the average book value of units sold. The decline in the average book value of units sold in 2002 reflected an increase in depreciation expense and an increase in the age of vehicles sold.

We periodically review and adjust residual values, reserves for guaranteed lease termination values and useful lives of revenue earning equipment based on current and expected operating trends and projected realizable values. See “Critical Accounting Estimates” for further discussion on depreciation and residual value guarantees. While we believe that the carrying values and estimated sales proceeds for revenue earning equipment are appropriate, there can be no assurance that a deterioration in economic conditions or adverse changes to expectations of future sales proceeds will not occur, resulting in higher depreciation or losses on disposal.

Equipment rental primarily consists of rental costs on revenue earning equipment in FMS. Equipment rental costs decreased 42% to $201 million in 2003 compared with 2002. The decrease was due to a reduction in the average number of leased vehicles (compared with owned) resulting from the consolidation of VIEs effective July 1, 2003, term extensions and an overall decline in fleet size, which principally impacted equipment under lease.

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For the six months ended December 31, 2003, equipment rental was reduced by approximately $50 million for revenue earning equipment of VIEs consolidated effective July 1, 2003. Equipment rental costs decreased 20% to $344 million in 2002 compared with 2001. The decrease in 2002 equipment rental is due to a decrease in the number of leased vehicles and lower lease rates due to a changing mix of leased units. Equipment rental costs in 2002 also reflect decreased lease termination charges as a result of improved market pricing.

	Years ended December 31		
	2003	2002	2001
	(In thousands)		
Interest expense	**$96,169**	91,718	118,549
Percentage of revenue	**2%**	2%	2%

Interest expense increased 5% to $96 million in 2003 compared with 2002. The increase in interest expense reflects the impact of interest expense of approximately $10 million on debt of VIEs, consolidated effective July 1, 2003. Excluding interest expense from consolidated VIEs, comparisons for 2003 were favorably impacted by overall lower market interest rates and reduced effective interest rates as a result of hedging transactions which principally benefited FMS. Interest expense decreased 23% to $92 million in 2002 compared with 2001. The decrease in interest expense reflects lower debt levels due to reduced capital spending, generally lower market interest rates and reduced effective interest rates as a result of hedging transactions entered into during the first quarter of 2002.

	Years ended December 31		
	2003	2002	2001
	(In thousands)		
Miscellaneous income, net	**$(12,158)**	(9,808)	(1,334)

Miscellaneous income, net increased to $12 million in 2003 from $10 million in 2002. During 2003, miscellaneous income, net was favorably impacted from a $2 million gain on sale of a facility in our European FMS operations. Additionally, 2003 miscellaneous income, net improved as a result of better market performance of investments classified as trading securities used to fund certain benefit plans and lower losses on the sale of trade receivables related to the decreased use of our revolving receivables financing program. These positive factors were partially offset by the elimination of servicing fee income related to certain VIEs. Prior to the consolidation of VIEs effective July 1, 2003, miscellaneous income, net included fee income related to administrative services provided to vehicle lease trusts in connection with the vehicle securitization transactions. As a result of consolidating the vehicle securitization trusts, we no longer recognize a benefit from service fee income.

Ryder had miscellaneous income, net of $10 million in 2002 compared with miscellaneous income, net of $1 million in 2001. The increase in miscellaneous income, net during 2002 is primarily attributed to a reduction in losses on the sale of receivables related to the decreased use of Ryder's revolving facility for the sale of receivables and 2001 losses on the sale of operating property and equipment.

	Years ended December 31		
	2003	2002	2001
	(In thousands)		
Restructuring and other (recoveries) charges, net	**$(230)**	4,216	116,564

Restructuring and other (recoveries) charges, net were $(0.2) million in 2003, $4 million in 2002 and $117 million in 2001. See "Restructuring and Other (Recoveries) Charges, Net" for further discussion.

	Years ended December 31		
	2003	2002	2001
	(In thousands)		
Provision for income taxes	**$76,916**	63,318	12,028

Ryder's effective tax rate was 36.2% in 2003 compared with 36.0% in 2002 and 39.2% in 2001. The higher 2001 effective tax rate resulted primarily from increased net non-deductible items in 2001, principally the write-down of goodwill, included in restructuring and other (recoveries) charges, partially offset by a permanent reduction in corporate tax rates in Canada. This resulted in a one-time reduction in Ryder's related deferred taxes of approximately $7 million.

RESTRUCTURING AND OTHER (RECOVERIES) CHARGES, NET

The components of restructuring and other (recoveries) charges, net in 2003, 2002 and 2001 were as follows:

	Years ended December 31		
	2003	2002	2001
	(In thousands)		
Restructuring charges (recoveries), net:			
Severance and employee-related costs	**$ 4,902**	5,198	30,438
Facilities and related costs	**(8)**	106	6,261
	4,894	5,304	36,699
Other (recoveries) charges:			
Asset write-downs	**(1,182)**	(285)	40,046
Goodwill impairment	**—**	—	24,425
Strategic consulting fees	**—**	(64)	8,586
Loss on sale of business	**—**	—	3,512
Contract termination costs	**—**	(219)	8,345
Insurance reserves — sold business	**(42)**	(520)	(2,920)
Gain on sale of corporate aircraft	**—**	—	(2,129)
Settlement of commercial dispute	**(3,900)**	—	—
Total	**$ (230)**	4,216	116,564

Allocation of restructuring and other (recoveries) charges, net across business segments in 2003, 2002 and 2001 is as follows:

	Years ended December 31		
	2003	2002	2001
	(In thousands)		
Fleet Management Solutions	**$(961)**	(177)	48,930
Supply Chain Solutions	**536**	5,137	61,246
Dedicated Contract Carriage	**(311)**	243	1,370
Central Support Services	**506**	(987)	5,018
Total	**$(230)**	4,216	116,564

2003 Activity

During 2003, Ryder approved a plan to eliminate approximately 140 positions as a result of on-going cost management and process improvement actions in Ryder’s FMS and SCS business segments and Central Support Services. The charge related to these actions included severance and employee-related costs totaling $6 million. While many of these employees had not been terminated as of December 31, 2003, such actions will be finalized by March 31, 2004. We expect pre-tax cost savings of approximately $11 million annually in salaries and employee-related costs as a result of these cost management activities. Also during 2003, we reversed severance and employee-related costs totaling $1 million that had been recorded in prior restructurings due to refinements in estimates.

Other recoveries during 2003 principally include a settlement of a commercial dispute pertaining to prior billings with an information technology vendor and gains on sales of owned facilities identified for closure in prior restructuring charges.

2002 Activity

During the fourth quarter of 2002, Ryder approved a plan to eliminate approximately 140 positions as a result of cost management actions principally in our SCS business segment and Central Support Services, which were substantially finalized as of December 31, 2002. The charge related to these actions included severance and employee-related costs totaling $7 million. Our estimate of pre-tax cost savings in salaries and employee-related costs as a result of these cost management activities totaled approximately $14 million. During 2002, we reversed severance and employee-related costs totaling $2 million that had been recorded in prior restructuring charges due to refinements in the estimates.

Other recoveries during 2002 include net gains (recoveries) on sale of owned facilities identified for closure in prior restructuring charges, the reversal of contract termination costs recognized in 2001 resulting from refinements in estimates and the final settlement of insurance reserves attributed to a previously sold business.

2001 Activity

In late 2000, we communicated to our employees planned strategic initiatives designed to reduce costs, improve the earnings power of our business and streamline our structure. As part of these initiatives, we reviewed employee functions and staffing levels to eliminate redundant work or otherwise restructure work in a manner that led to a workforce reduction. The process resulted in terminations of over 1,400 employees during 2001, which were substantially finalized as of December 31, 2002. Severance and employee-related costs of $30 million, net of $2 million in recoveries of prior year charges, in 2001 included termination benefits to employees whose jobs were eliminated as part of this review. During the third quarter of 2001, we initiated the shutdown of Systemcare, Ryder's shared user home delivery network in the U.K. The shutdown was initiated as a result of our review of future prospects for the operation in light of historical and anticipated operating losses. The shutdown was completed after meeting contractual obligations to current customers, which extended to December 31, 2002. The severance and employee-related charge included $3 million incurred as part of the Systemcare shutdown.

During 2001, we identified 55 facilities in the U.S. and in other countries to be closed in order to improve profitability. Facilities and related costs of $6 million in 2001 represent contractual lease obligations for closed facilities.

Additionally, during 2001 we recorded various other charges which are summarized as follows:

Asset write-downs: Asset write-downs of $40 million were recorded during 2001 and are described below:

- In 2001, Ryder cancelled an information technology project in the FMS business segment. In connection with the cancellation, we recorded a non-cash charge of $22 million for the write-down of software licenses acquired for the project that could not be resold or redeployed and software development costs and assets related to the project that had no future economic benefit.

- In 1997, Ryder entered into an Information Technology Services Agreement (ITSA) with Accenture LLP (Accenture) under which we outsourced many of our information technology needs that were previously provided by Ryder employees. Under the terms of the ITSA, Ryder prepaid for a number of services to be provided over the 10-year term of the agreement expiring in 2007. Under the terms of the agreement, Ryder was also obligated to pay certain termination costs to Accenture in the event the ITSA was terminated by Ryder prior to the expiration date.

  As part of restructuring initiatives in 2001, we approved and committed Ryder to in-source services provided by Accenture under the ITSA. In December 2001, Ryder and Accenture entered into a written agreement to transition certain IT services previously delivered by Accenture under contract to Ryder. Under this agreement, Ryder agreed to waive any right to reimbursement of approximately $3 million in unamortized prepaid expenses related to the ITSA.

- Strategic initiatives during 2001 also resulted in asset write-downs to fair value less cost to sell of approximately $4 million for facilities that were identified for closure and held for sale pursuant to the initiatives. At such time, Ryder had the ability to remove the facilities from operations upon identification of a buyer or receipt of an acceptable bid. Fair value was determined based on appraisals of these properties. Also, as part of the strategic initiatives, we wrote down investments in e-commerce assets of $3 million, including specialized property and equipment and software, that were terminated or abandoned during 2001 and for which the fair value of such investments was zero.

- Additionally, during 2001, an investment of $6 million in certain license agreements for supply chain management software was written down. The write-down consisted of the unamortized cost of licenses and related software development costs previously capitalized for which development was abandoned as a result of restructuring initiatives. Since the software licenses would no longer be used in the business nor could the licenses be resold, such licenses were valued at zero.

- Due to the decision to shut down the aforementioned Systemcare operations, we assessed the recoverability of Systemcare's long-lived assets held for use as described in Note 1 — "Summary of Significant Accounting Policies — Impairment of Long-Lived Assets" in the Notes to Consolidated Financial Statements. Assets of $2 million, consisting primarily of specialized vehicles to be disposed of after the shutdown of Systemcare's operations, were considered impaired and written down because estimated fair values were less than the carrying values of the assets. Fair values were determined based on internal valuations of similar assets.

Goodwill Impairment: We also identified certain operating units for which circumstances indicated that the carrying amount of long-lived assets, in particular, goodwill, may not be recoverable. We assessed the recoverability of these long-lived assets and determined that the goodwill related to these operating units was not recoverable. See Note 1 — "Summary of Significant Accounting Policies — Goodwill and Other Intangible Assets" in the Notes to Consolidated Financial Statements for Ryder's policy on impairment of goodwill and other intangible assets. Impairment charges in 2001, all of which related to SCS operating units, are summarized as follows:

	(In thousands)
Systemcare — U.K. home delivery network	$10,602
Ryder Argentina	9,130
Ryder Brazil	3,706
Other	987
Total	$24,425

As part of the decision to shut down the aforementioned Systemcare operations, goodwill of $11 million was considered impaired and written down during 2001.

Goodwill impairment in Ryder Argentina was triggered by the significant adverse change in the business climate in Argentina in the fourth quarter of 2001 that led to a devaluation of the Argentine Peso, breakdowns in the Argentine banking system and repeated turnover in the country's leadership. These factors, combined with a history of operating losses and anticipated future operating losses, led to goodwill impairment. Goodwill of $9 million was considered impaired and was written down in December 2001.

During the fourth quarter of 2001, we reviewed goodwill associated with our remaining investment in Ryder Brazil for impairment. Subsequent to the sale of the contracts and related net assets associated with the disposal of our outbound auto-carriage business (Vehiculos) in Ryder Brazil discussed below, we made a significant effort to restructure the operations of Ryder Brazil. However, such restructuring was not sufficient to offset the impact of lost business, the impact of the Argentine economic crisis and the marginal historical and anticipated cash flows related to the remaining business. As a result of this analysis, goodwill of $4 million was considered impaired and was written down in December 2001.

Strategic consulting fees: Strategic consulting fees of $9 million were incurred during 2001 in relation to the aforementioned strategic initiatives. These consulting fees represented one-time costs of engaging consultants to assist with restructuring initiatives in 2001.

Loss on sale of business: During March 2001, Ryder sold Vehiculos in Ryder Brazil for $14 million and incurred a loss of $4 million on the sale of the business.

Contract termination costs: In connection with the agreement to in-source information technology services provided by Accenture, Ryder agreed to pay termination fees and certain demobilization costs of approximately $8 million. Also during 2001, we made a decision to terminate a long-term marketing arrangement to reduce marketing costs.

Insurance reserves — sold business: During 2001, we recognized $3 million in recoveries from an insurance settlement attributed to a business sold in 1989. The insurance recovery represents an adjustment to our indemnification reserve for favorable actuarial developments since the time of the sale.

Gain on sale of corporate aircraft: As a direct result of the 2001 restructuring and cost reduction initiatives, we decided to sell our corporate aircraft. Ryder sold the aircraft during the first quarter of 2001 and recorded a $2 million gain on the sale.

OPERATING RESULTS BY BUSINESS SEGMENT

	Years ended December 31		
	2003	2002	2001
		(In thousands)	
Revenue:			
Fleet Management Solutions	**$3,231,675**	3,183,022	3,352,540
Supply Chain Solutions	**1,362,428**	1,388,299	1,453,881
Dedicated Contract Carriage	**514,731**	517,961	534,962
Eliminations	**(306,540)**	(313,017)	(335,260)
Total	**$4,802,294**	4,776,265	5,006,123
NBT:			
Fleet Management Solutions	**$ 195,493**	214,384	194,398
Supply Chain Solutions	**41,254**	(6,221)	(6,760)
Dedicated Contract Carriage	**33,516**	31,157	34,755
Eliminations	**(33,586)**	(34,636)	(36,989)
	236,677	204,684	185,404
Unallocated Central Support Services	**(24,432)**	(24,585)	(25,396)
Goodwill Amortization	**—**	—	(12,738)
Restructuring and other recoveries (charges), net	**230**	(4,216)	(116,564)
Earnings before income taxes and cumulative effect of changes in accounting principles	**$ 212,475**	175,883	30,706

We define the primary measurement of our segment financial performance as “Net Before Tax” (NBT) which includes an allocation of Central Support Services (CSS) and excludes goodwill impairment, goodwill amortization and restructuring and other recoveries (charges), net. CSS represents those costs incurred to support all of our business segments, including sales and marketing, human resources, finance, corporate services, information technology, health and safety, legal and communications. The objective of the NBT measurement is to provide clarity on the profitability of each of our business segments and, ultimately, to hold leadership of each business segment and each operating segment within each business segment accountable for their allocated share of CSS costs.

Certain costs are considered to be overhead not attributable to any segment and remain unallocated in CSS. Included within the unallocated overhead remaining within CSS are the costs for investor relations, corporate communications, public affairs and certain executive compensation. See Note 22 — “Segment Reporting” in Notes to Consolidated Financial Statements for a description of how the remainder of CSS costs is allocated to the business segments.

Our FMS segment leases revenue earning equipment and provides fuel, maintenance and other ancillary services to our SCS and DCC segments. Inter-segment revenues and NBT are accounted for at approximate fair value as if the transactions were made with third parties. NBT related to inter-segment equipment and services billed to customers (equipment contribution) is included in both FMS and the business segment which served the customer and then eliminated (presented as “Eliminations”).

The following table sets forth equipment contribution included in NBT for our SCS and DCC segments:

	Years ended December 31		
	2003	2002	2001
	(In thousands)		
Equipment Contribution:			
Supply Chain Solutions	**$15,319**	15,454	16,619
Dedicated Contract Carriage	**18,267**	19,182	20,370
Total	**$33,586**	34,636	36,989

These segment results are not necessarily indicative of the results of operations that would have occurred had each segment been an independent, stand-alone entity during the periods presented.

Fleet Management Solutions

	Years ended December 31		
	2003	2002	2001
	(In thousands)		
Full service lease and programmed maintenance	**$1,791,478**	1,795,254	1,855,865
Commercial rental	**490,864**	458,355	468,438
Other	**308,606**	346,770	369,912
Dry revenue (1)	**2,590,948**	2,600,379	2,694,215
Fuel services revenue	**640,727**	582,643	658,325
Total revenue	**$3,231,675**	3,183,022	3,352,540
Segment NBT	**$ 195,493**	214,384	194,398
Segment NBT as a % of total revenue	**6.0%**	6.7%	5.8%
Segment NBT as a % of dry revenue (1)	**7.5%**	8.2%	7.2%

(1) We use dry revenue, a non-GAAP financial measure, to evaluate the operating performance of our FMS business segment and as a measure of sales activity. Fuel services revenue, which is directly impacted by fluctuations in market fuel prices, is excluded from our dry revenue computation, as fuel is largely a pass through to customers for which we realize minimal changes in profitability as a result of fluctuations in fuel services revenue.

2003 versus 2002

FMS total revenue increased 2% to $3.2 billion in 2003 compared with 2002. Revenue in 2003 was impacted by increases in fuel services revenue as a result of increased average fuel prices, particularly during the first half of 2003. Dry revenue (revenue excluding fuel) totaling $2.6 billion remained unchanged in 2003 compared with 2002. In 2003, FMS total revenue and dry revenue benefited from favorable exchange rates in Canada and the U.K.

Full service lease and programmed maintenance revenue remained unchanged in 2003 as compared to 2002 due to the effects of weak leasing demand in the U.S., a reduction in fleet size and fewer total miles run by leased vehicles, which resulted in decreased variable billings. The impact of these negative factors was partially offset by higher revenue in Canada and the U.K. as a result of favorable exchange rates and higher volumes. We expect full service lease and programmed maintenance revenue to improve in 2004 due to new initiatives aimed at generating new sales and improving business retention, expected continued improvement of the U.S. economy and the impact from an acquisition completed at the end of 2003. As previously announced, we are also in the process of negotiating the acquisition of a fleet of approximately 6,800 vehicles (lease and commercial rental) which is expected to be closed by the end of the first quarter of 2004.

Commercial rental revenue (consisting of pure rental and lease customer revenue) increased 7% to $491 million in 2003 compared with 2002. Commercial rental revenue comparisons have steadily improved since the end of 2002 and, in fourth quarter of 2003, revenue grew 9% compared with the year-earlier period. Commercial rental revenue increased primarily as a result of stronger pricing throughout 2003. U.S. rental fleet utilization was 72% and remained unchanged in 2003 as compared with 2002. In the U.S., pure rental revenue (total rental revenue less rental revenue related to units provided to full service lease customers), which accounts for over half of the U.S. commercial rental business, increased 8% to $235 million as compared with $219 million in 2002 due to stronger pricing. Lease customer revenue primarily represents rental vehicles provided to our existing full service lease customers, generally during peak periods in their operations. In the U.S., lease customer revenue increased 2% to $175 million in 2003 compared with the prior year reflecting the impact of increased rental activity from full service lease customers. Rental statistics presented are for the U.S. fleet, which generates more than 80% of total commercial rental revenue. We expect commercial rental revenue to continue to improve in 2004 based on the modest increases in rental transactions experienced during the second half of 2003, improved pricing discipline and the impact of acquisitions.

Other FMS revenue, which consists of trailer rentals, other maintenance and repairs services and ancillary revenue to support product lines, decreased 11% to $309 million in 2003 compared with 2002. Other revenue decreased due primarily to the non-renewal of a customer contract to provide ancillary fleet services which expired at the end of the first quarter of 2003. We expect unfavorable comparisons in other revenue to continue through the end of the first quarter of 2004 with prospects of modest improvement for the balance of the year.

FMS NBT decreased 9% to $195 million in 2003 compared with 2002. The decrease was due primarily to higher pension expense of $48 million in 2003 as compared with 2002. NBT comparisons were also adversely impacted by lower lease revenue and the non-renewal of a contract to provide ancillary fleet services. The impact of these items was partially offset by higher commercial rental pricing, improved asset management performance resulting from lower vehicle counts and carrying costs, reduced operating expenses as a result of our cost management and process improvement actions and the impact of favorable exchange rate fluctuations.

2002 versus 2001

FMS total revenue decreased 5% to $3.2 billion in 2002 compared with 2001. Revenue comparisons in 2002 were impacted by decreases in fuel services revenue. Fuel services revenue declined 11% to $583 million in 2002 compared with 2001, as a result of lower volume and pricing, particularly during the first half of 2002. Dry revenue (revenue excluding fuel) decreased 3% to $2.6 billion in 2002 compared with 2001 reflecting revenue declines in leasing and commercial rental revenue.

Full service lease and programmed maintenance revenue decreased 3% to $1.8 billion in 2002 compared with 2001. The decrease was primarily due to the weak U.S. economy as well as decreases in variable billings, which are generally a function of total miles run by leased vehicles. All elements of our commercial rental revenue decreased in 2002 compared with 2001 reflecting slow economic conditions and a planned rental fleet reduction, which offset improved rental utilization and pricing. U.S. rental fleet utilization improved to 72% in 2002 compared with 69% in 2001. Our U.S. commercial rental fleet size declined 8% in 2002 as compared with 2001. In the U.S., pure rental revenue decreased 2% to $219 million in 2002 compared with 2001 due to the continued softness in the U.S. economy. In the U.S., lease customer revenue decreased 5% to $172 million in 2002 compared with the prior year. Other transportation services revenue decreased 6% in 2002 compared with 2001 as a result of the weak U.S. economy.

FMS NBT increased 10% to $214 million in 2002 compared with 2001. The increase was due primarily to improved rental utilization, lower interest expense and operating expense reductions due to cost management and process improvement initiatives. NBT for 2002 also benefited from lower carrying costs on used vehicles held for sale (owned and leased) because of reduced vehicle counts and, to a lesser extent, improved pricing on tractor sales. Such improvements were partially offset by increased pension expense of $23 million in 2002 over 2001.

Our fleet of owned and leased revenue earning equipment is summarized as follows (number of units rounded to the nearest hundred):

	December 31	
Number of Units	**2003**	2002
By type:		
Trucks	**62,400**	62,200
Tractors	**48,900**	48,800
Trailers	**43,200**	44,800
Other	**5,700**	5,600
Total	**160,200**	161,400
By business:		
Full service lease	**118,900**	120,900
Commercial rental	**38,500**	37,600
Service and other vehicles	**2,800**	2,900
Total	**160,200**	161,400
Owned (1),(2)	**150,200**	125,500
Leased (1)	**10,000**	35,900
Total	**160,200**	161,400
Full year average (1),(2)	**160,000**	165,200

(1) Effective July 1, 2003, 15,800 units converted from leased to owned status in connection with the consolidation of VIEs.

(2) Effective December 31, 2003, 4,200 units were added to the fleet as part of an acquisition.

The totals in each of the tables above include the following non-revenue earning equipment (number of units rounded to the nearest hundred):

Number of Units	December 31 2003	2002
Not yet earning revenue (NYE)	**1,000**	1,100
No longer earning revenue (NLE):		
Units held for sale	**4,300**	3,500
Other NLE units	**2,800**	3,500
Total [(1)]	**8,100**	8,100

(1) Non-revenue earning equipment for FMS operations outside the U.S. totaled approximately 1,000 vehicles for all periods presented, which are not included above.

NYE units represent new units on hand that are being prepared for deployment to lease customers or into our rental fleet. Preparations include activities such as adding lift gates, paint, decals, cargo area and refrigeration units. NLE units represent units held for sale, as well as other units for which no revenue has been earned in the previous 30 days. These vehicles may be temporarily out of service, being prepared for sale or not rented due to lack of demand.

Supply Chain Solutions

	Years ended December 31 2003	2002	2001
	(In thousands)		
U.S. operating revenue:			
Automotive, aerospace and industrial	**$ 420,066**	439,788	422,380
High-tech and consumer industries	**247,475**	295,428	335,749
Other	**14,665**	14,350	15,459
U.S. operating revenue	**682,206**	749,566	773,588
International operating revenue	**270,316**	228,206	248,762
Total operating revenue [(1)]	**952,522**	977,772	1,022,350
Freight under management (FUM) expense	**409,906**	410,527	431,531
Total revenue	**$1,362,428**	1,388,299	1,453,881
Segment NBT	**$ 41,254**	(6,221)	(6,760)
Segment NBT as a % of total revenue	**3.0%**	(0.4%)	(0.5%)
Segment NBT as a % of operating revenue [(1)]	**4.3%**	(0.6%)	(0.7%)

(1) We use operating revenue, a non-GAAP financial measure, to evaluate the operating performance of our SCS business segment and as a measure of sales activity. FUM expense is deducted from total revenue to arrive at our operating revenue computation as FUM expense is largely a pass through to customers. Ryder realizes minimal changes in profitability as a result of fluctuations in FUM expense.

2003 versus 2002

SCS total revenue in 2003 of $1.4 billion decreased 2% as compared with 2002. Operating revenue (which excludes FUM) decreased 3% in 2003 compared with 2002. U.S. operating revenue declined 9% in 2003 compared to 2002 as a result of reduced volume levels in some of our customer segments and the non-renewal of certain contracts. The revenue reductions in the U.S. were partially offset by increased volumes

and expanded business in Canada, Latin America and Asia, as well as the favorable impact of exchange rates. International revenue comparisons were also favorably impacted by revenue from an inventory procurement contract which generated $21 million in revenue in 2003. In the first quarter of 2004, the terms of this contract were favorably renegotiated to eliminate inventory risk and will require net revenue reporting on a prospective basis. We expect unfavorable revenue comparisons to continue in light of the non-renewal of certain customer contracts, competitive market conditions and volume reductions in some industry sectors.

The SCS business segment NBT improved to $41 million in 2003 compared with a deficit of $6 million in 2002. Despite lower operating revenue in 2003, SCS improved results were driven by numerous profit improvement actions taken in this business over the past eighteen months, which have reduced overhead costs and improved global operating performance. SCS NBT in 2002 was negatively impacted by facility lease termination charges of $3 million and also costs associated with profit margin improvement initiatives.

2002 versus 2001

SCS total revenue in 2002 decreased 5% to $1.4 billion compared with 2001. Operating revenue decreased 4% in 2002 compared with 2001. The declines in revenue for 2002 reflect volume reductions in the electronics, high-tech and telecommunications and consumer products operating units as a result of the slowdown in the U.S. economy in general and those sectors specifically. The revenue decline was also impacted by the non-renewal of certain customer contracts and the currency devaluation and economic downturn in Argentina. These revenue decreases were partially offset by new and expanded business in the automotive sector in our U.S. and European operations.

SCS NBT improved 8% to a deficit of $6 million in 2002 from a deficit of $7 million in 2001. SCS NBT was negatively impacted by facility lease termination charges of $3 million recorded in 2002, reduced revenue and higher overhead spending. The increased overhead spending was due to increased costs associated with profit improvement initiatives and higher employee benefit costs. These decreases were partially offset by new and expanded profitable business in the automotive and electronics, high-tech and telecommunications operating units, improvement in SCS European operations and continued benefits from margin improvement initiatives, including the elimination of certain unprofitable business and the implementation of cost containment controls.

Dedicated Contract Carriage

	Years ended December 31		
	2003	2002	2001
		(In thousands)	
Operating revenue (1)	**$510,353**	514,119	530,080
Freight under management (FUM) expense	**4,378**	3,842	4,882
Total revenue	**$514,731**	517,961	534,962
Segment NBT	**$ 33,516**	31,157	34,755
Segment NBT as a % of total revenue	**6.5%**	6.0%	6.5%
Segment NBT as a % of operating revenue (1)	**6.6%**	6.1%	6.6%

(1) We use operating revenue, a non-GAAP financial measure, to evaluate the operating performance of our DCC business segment and as a measure of sales activity. FUM expense is deducted from total revenue to arrive at our operating revenue computation as FUM expense is largely a pass through to customers. Ryder realizes minimal changes in profitability as a result of fluctuations in FUM expense.

2003 versus 2002

DCC total revenue in 2003 decreased 1% to $515 million compared with 2002. DCC operating revenue in 2003 decreased 1% to $510 million compared with 2002. Reduced volumes associated with customer contracts not renewed were partially offset by higher average fuel prices in 2003. NBT increased 8% to $34 million in 2003 compared with 2002. The increase in NBT for 2003 reflects decreased overhead spending and improved operating performance. These improvements were partially offset by the impact of customer contracts not renewed. Lower salaries and employee-related costs, sales and marketing costs and insurance costs contributed to the lower overhead spending.

2002 versus 2001

DCC total revenue in 2002 decreased 3% to $518 million compared with 2001. DCC operating revenue in 2002 decreased 3% to $514 million compared with 2001. The decrease in revenue was due primarily to the non-renewal of unprofitable business partially offset by new business in 2002. NBT decreased 10% to $31 million in 2002 compared with 2001. The decrease in NBT for 2002 reflects increased overhead spending partially offset by the non-renewal of unprofitable business and margin improvements in other operational areas.

Central Support Services

CSS expenses were as follows:

	Years ended December 31		
	2003	2002	2001
	(In thousands)		
Sales and marketing	**$ 8,964**	12,636	15,045
Human resources	**18,000**	21,151	21,911
Finance	**55,180**	58,498	55,411
Corporate services/public affairs	**7,314**	7,672	8,023
Information technology	**78,084**	89,092	111,240
Health and safety	**8,199**	9,192	9,046
Other	**37,275**	35,191	24,548
Total CSS	**213,016**	233,432	245,224
Allocation of CSS to business segments	**(188,584)**	(208,847)	(219,828)
Unallocated CSS	**$ 24,432**	24,585	25,396

2003 versus 2002

CSS decreased 9% to $213 million in 2003 compared with 2002. The decrease in total CSS expense was due to cost reductions across substantially all functional areas as a result of our continued cost management and process improvement actions, most notably in information technology (IT). Technology costs were lower in 2003 as a result of reduced pricing on purchased IT services and the impact of in-sourcing certain IT services during the first quarter of 2002. We have achieved reductions in CSS costs year-over-year for twelve consecutive quarters as a result of our continued focus on cost management controls. This focus not only improves Ryder's profitability but also helps improve our competitiveness in the market place. We expect continued reductions in CSS spending levels to continue over the near term.

2002 versus 2001

CSS decreased 5% to $233 million in 2002 compared with 2001. The decrease in total CSS expense was due primarily to reductions in several elements of CSS expense as a result of our continued cost management actions. Most notably, technology costs were reduced in 2002 resulting from the in-sourcing of certain IT services combined with decreased development and support costs as a result of the cancellation of an FMS IT project in 2001. These cost reductions were partially offset by higher incentive compensation due to improved overall performance.

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FINANCIAL RESOURCES AND LIQUIDITY

Cash Flows

The following is a summary of our cash flows from operating, financing and investing activities:

	Years ended December 31		
	2003	2002	2001
	(In thousands)		
Net cash provided by (used in):			
Operating activities	**$ 802,855**	632,787	308,702
Financing activities	**(232,796)**	(269,508)	(319,699)
Investing activities	**(533,669)**	(376,908)	6,893
Net cash flows from operations	**$ 36,390**	(13,629)	(4,104)

A detail of the individual items contributing to the cash flow changes is included in the Consolidated Statements of Cash Flows.

Cash provided by operating activities increased to $803 million in 2003 compared with 2002 due to changes in the aggregate balance of trade receivables sold, improved operating performance and reduced working capital needs. This increase was partially offset by cash contributions totaling $68 million to our defined benefit pension plans. The reduced working capital needs related primarily to an increase in accounts payable and lower cash payments for accrued expenses (equipment rental obligations). As a result of adopting FIN 46 effective July 1, 2003, 15,800 vehicles were converted from leased to owned status and produced approximately $40 million of depreciation expense add-backs to cash provided by operating activities. The increase in cash from operating activities to $633 million in 2002 compared with 2001 was attributable to a reduction in overall working capital needs, changes in the aggregate balance of trade receivables sold and improved operating performance. The lower working capital needs in 2002 related primarily to lower levels of business activity as reflected in decreased revenue compared with 2001.

During 2003, cash of $233 million was used in financing activities, primarily to reduce debt. Cash used in financing activities decreased in 2003 compared to 2002 due to lower debt payments and increased proceeds from stock option exercises. Debt levels in 2003 compared with 2002 were also impacted by the conversion of off-balance sheet obligations to debt attributed to VIEs consolidated effective July 1, 2003. Principal payments on consolidated VIE debt totaled $119 million in 2003. The decrease in cash used in financing activities to $270 million in 2002 compared with the prior year reflects increased proceeds from stock option exercises and lower debt repayments.

Cash used in investing activities grew to $534 million in 2003 compared with 2002. The increase in cash used in investing activities was due to higher capital spending, primarily to refresh our commercial rental fleet. Additionally, 2003 investing activities reflect payments of $97 million associated with two FMS acquisitions closed during the year. The increase in cash used in investing activities to $377 million in 2002 as compared with 2001 reflects proceeds of $411 million from a vehicle securitization in 2001 partially offset with a reduction of capital expenditures in 2002.

We manage our business to maximize operating cash flows and proceeds from the sale of revenue earning equipment as the principal sources of liquidity. We refer to the net amount of cash generated from operating activities (excluding changes in the aggregate balance of trade receivables sold), collections on direct finance leases, proceeds from sale of assets, capital expenditures and acquisitions as “free cash flow.” Although free cash flow is a non-GAAP financial measure, we consider it to be an important measure of comparative operating performance. We believe free cash flow provides investors with an important perspective on the cash available for debt service and for shareholders after making capital investments required to support ongoing business operations. Our calculation of free cash flow may be different from the calculation used by other companies and therefore comparability may be limited.

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The following table shows the sources of our free cash flow computation:

	Years ended December 31		
	2003	2002	2001
	(In thousands)		
Net cash provided by operating activities	**$ 802,855**	632,787	308,702
Changes in the aggregate balance of trade receivables sold	**—**	110,000	235,000
Collections on direct finance leases	**61,368**	66,489	66,204
Sales of property and revenue earning equipment	**222,888**	152,685	175,134
Purchases of property and revenue earning equipment	**(725,130)**	(600,301)	(656,597)
Acquisitions	**(96,518)**	—	—
Other, net	**3,723**	4,219	(2,700)
Free cash flow	**$ 269,186**	365,879	125,743

The decrease in free cash flow to $269 million in 2003 compared with 2002 was due to higher capital spending levels which was partially offset by higher sales proceeds. The increase in capital spending levels and sales proceeds reflects the impact of higher vehicle replacements to refresh an aging FMS commercial rental fleet and payments associated with two FMS acquisitions completed during the year. The increase in free cash flow to $366 million in 2002 compared with 2001 was primarily attributable to a reduction in overall working capital needs and improved operating performance. The decrease in working capital was attributable in part to lower levels of business activity in 2002 as compared with 2001. We expect free cash flow levels to decline in 2004 as a result of the increased capital spending requirements discussed below.

Our FMS operations are capital intensive, characterized by significant investments primarily in vehicles (revenue earning equipment). Operating property and equipment expenditures primarily relate to FMS and SCS spending on items such as vehicle maintenance facilities and equipment, computer and telecommunications equipment, warehouse facilities and equipment. The following is a summary of capital expenditures:

	Years ended December 31		
	2003	2002	2001
	(In thousands)		
Revenue earning equipment: (1)			
Full service lease	**$459,239**	536,151	448,760
Commercial rental	**219,880**	20,177	130,560
	679,119	556,328	579,320
Operating property and equipment	**46,011**	43,973	77,277
Total	**$725,130**	600,301	656,597

(1) Capital expenditures exclude non-cash additions of $67 million for both 2003 and 2002 in assets held under capital leases, resulting from the extension of existing operating leases and other additions.

The increase in capital expenditures to $725 million in 2003 compared with 2002 was due to planned higher levels of vehicle replacements, primarily for the commercial rental fleet. The decrease in capital expenditures to $600 million in 2002 compared with 2001 was due primarily to reduced U.S. leasing demand, improved controls over capital expenditures and a reduction in the volume of early replacements of full service leases. Capital expenditure levels have been relatively low each of the last three years as we have focused efforts on extending leases with existing customers, redeploying surplus assets and right-sizing our fleet. As a result of our fleet age and anticipated higher levels of new sales activity, total capital expenditures are anticipated to increase to approximately $1.2 billion in 2004, including vehicle replacements of approximately $900 million and vehicle spending for anticipated incremental growth of approximately $155 million. We expect to fund 2004 capital expenditures with both internally generated funds and additional financing.

During 2003, Ryder completed two acquisitions related to the FMS segment. Total consideration paid for these acquisitions was $97 million in 2003. Approximately $11 million is due to the sellers at December 31, 2003 and will be paid, subject to holdback provisions, in 2004 and 2005. No acquisitions were completed in 2002 or 2001. Currently, we are in the process of negotiating the acquisition of a fleet of approximately 6,800 vehicles which is expected to be closed by the end of the first quarter of 2004. We will continue to evaluate selective acquisition opportunities in our FMS, SCS and DCC business segments in 2004.

Financing and Other Funding Transactions

We utilize external capital to support growth in our asset-based product lines. The variety of financing alternatives available to fund our capital needs include long-term and medium-term public and private debt, asset-backed securities, bank term loans, leasing arrangements, bank credit facilities, commercial paper and a sale of receivables program.

Debt totaled $1.8 billion at the end of 2003 compared with $1.6 billion at the end of 2002. The increase in debt in 2003 reflects the impact of consolidating debt attributed to VIEs, which was previously reflected as off-balance sheet obligations and funding requirements to finance the acquisitions completed during the fourth quarter. VIE-related debt at December 31, 2003 totaled $295 million. In 2003, we issued $80 million of medium-term notes and retired $76 million of medium-term notes. Our outstanding U.S. commercial paper borrowings used to manage our daily cash position decreased to $115 million at December 31, 2003 compared with $118 million at December 31, 2002. During 2003, we added capital lease obligations of $67 million primarily in connection with the extension of existing operating leases of revenue earning equipment. Ryder’s foreign debt was $205 million at December 31, 2003, a decrease of approximately $33 million from December 31, 2002. The percentage of variable rate financing obligations (including notional value of swap agreements) was 32% at December 31, 2003, compared with 37% at December 31, 2002. We generally target a variable rate exposure of 25% to 45% of total obligations.

Total debt was $1.6 billion at December 31, 2002, a decrease of 9% from December 31, 2001. In 2002, we issued $150 million of medium-term notes and retired $166 million of medium-term notes. U.S. commercial paper outstanding at December 31, 2002 decreased to $118 million, compared with $210 million at December 31, 2001. During 2002, we added capital lease obligations of $67 million primarily in connection with the extension of existing operating leases of revenue earning equipment. Ryder’s foreign debt was $238 million at December 31, 2002, a decrease of approximately $104 million from December 31, 2001.

Our debt to equity and related ratios were as follows:

	December 31, 2003	**% to Equity**	December 31, 2002	% to Equity
	(Dollars in thousands)			
On-balance sheet debt	**$1,815,900**	**135%**	$1,551,468	140%
PV of minimum lease payments and guaranteed residual values under operating leases for vehicles (1),(2)	**153,222**		370,437	
PV of contingent rentals under securitizations (2),(3)	**—**		310,955	
Total obligations	**$1,969,122**	**146%**	$2,232,860	201%

(1) Discounted at the interest rate implicit in the lease.

(2) Present value does not reflect early termination penalties, which Ryder would be subject to if it terminated the related leases prior to the scheduled expiration dates.

(3) Discounted at the average interest rate paid to investors in the securitization trusts. Assumes customers make all lease payments on securitized vehicles when contractually due.

Effective July 1, 2003, Ryder consolidated three VIEs in connection with the adoption of FIN 46. As a result, Ryder's leverage ratios as of December 31, 2003 have changed to reflect the impact of debt attributed to the VIEs totaling $295 million that would have previously been disclosed as off-balance sheet debt (See "Off-Balance Sheet Arrangements" discussion for additional information on these transactions). Although total obligations is a non-GAAP financial measure, we believe that total obligations is useful as it is a more complete measure of our existing financial obligations and helps better assess Ryder's overall leverage position.

Debt to equity consists of on-balance sheet debt for the period divided by total equity. Total obligations to equity represents debt plus the following off-balance sheet funding, all divided by total equity: (1) receivables sold, and (2) the present value of minimum lease payments and guaranteed residual values under operating leases for vehicles, discounted at the interest rate implicit in the lease. Prior to July 1, 2003, total obligations to equity consisted of total obligations, described above, plus the present value of contingent rentals under securitizations (assuming customers make all lease payments on securitized vehicles when contractually due), discounted at the average interest rate paid to investors in the trust, all divided by total equity.

The decrease in total obligations to equity ratio in 2003 was driven by reduced funding needs as a result of strong free cash flow levels. Leverage ratios in 2003 were also impacted by the reduction of accumulated other comprehensive loss as well as common stock issuances. These items increased net shareholders' equity by approximately $140 million in 2003. Despite the expected increase in capital expenditures in 2004, we anticipate these ratios to remain flat as a result of planned operating performance improvements.

Ryder participates in an agreement, as amended from time to time, to sell with limited recourse, trade receivables on a revolving and uncommitted basis. This agreement expires in July 2004. In June 2002, we reduced the amount available for sale under our trade receivable facility from $375 million to $275 million as a result of a reduction in overall working capital needs. Ryder sells receivables in order to fund operations, particularly when the cost of such sales is cost effective compared with other means of funding, notably, commercial paper. Ryder is responsible for servicing receivables sold, but has no retained interests. At December 31, 2003 and 2002, there were no receivables outstanding under the program. Losses on receivable sales and related costs associated with this program were $0.5 million in 2003, $2 million in 2002 and $9 million in 2001 and are included in miscellaneous income, net. Estimates of losses under the recourse provision are included in accrued liabilities. Since no receivables were sold at the end of 2003 or 2002, no amount of available recourse or recognized recourse obligation existed as of December 31, 2003 and 2002.

Our ability to access unsecured debt in the capital markets is linked to both our short and long-term debt ratings. These ratings are intended to provide guidance to investors in determining the credit risk associated with particular Ryder securities based on current information obtained by the rating agencies from us or from other sources that such agencies consider to be reliable. Lower ratings generally result in higher borrowing costs as well as reduced access to capital markets. A downgrade of Ryder's debt rating below investment grade level would limit our ability to issue commercial paper and would result in no longer having the ability to sell trade receivables under the agreement described above. As a result, we would have to rely on other established funding sources described below.

Our debt ratings as of December 31, 2003 were as follows:

	Short-term	Long-term	Outlook
Moody's Investors Service	P2	Baa1	Negative (December 2001)
Standard & Poor's Ratings Services	A2	BBB	Positive (July 2003)
Fitch Ratings	F2	BBB+	Stable

On January 21, 2004, Fitch Ratings affirmed Ryder's ratings and revised our rating outlook to Positive from Stable.

We have established an $860 million global revolving credit facility. The facility is composed of a $300 million tranche, which matures in May 2004 and is renewable annually, and a $560 million tranche, which matures in May 2006. The primary purposes of the credit facility are to finance working capital and provide support for the issuance of commercial paper. At Ryder's option, the interest rate on borrowings under the credit facility is based on LIBOR, prime, federal funds or local equivalent rates. The credit facility's annual facility fee ranges from 12.5 to 15.0 basis points applied to the total facility of $860 million based on Ryder's current credit ratings. At December 31, 2003, $701 million was available under this global credit facility. Of this amount, $300 million was available at a maturity of less than one year. Foreign borrowings of $44 million were outstanding under the facility at December 31, 2003. In order to maintain availability of funding, the global revolving credit facility requires Ryder to maintain a ratio of debt to consolidated tangible net worth, as defined, of less than or equal to 300%. The ratio at December 31, 2003 was 120%.

During 2003, Ryder filed a universal shelf registration statement with the Securities and Exchange Commission to issue up to $800 million of securities, including $107 million of available securities that were carried forward from an existing shelf registration statement. In October 2003, the universal shelf registration statement became effective and Ryder established an $800 million program for the issuance of debt securities. Proceeds from debt issuances under the universal shelf registration statement are expected to be used for capital expenditures, acquisitions, debt refinancings and general corporate purposes.

As of December 31, 2003 Ryder had the following amounts available to fund operations under the aforementioned facilities:

	(In millions)	
Global revolving credit facility	$701	($300 limited to less than one year)
Shelf registration statement	800	
Trade receivables facility	275	(uncommitted basis)

We believe such facilities, along with other funding sources, will be sufficient to fund operations in 2004.

Off-balance Sheet Arrangements

We periodically enter into sale and leaseback agreements in order to lower the total cost of funding our operations, to diversify our funding among different classes of investors (e.g. regional banks, pension plans, insurance companies, etc.) and to diversify our funding among different types of funding instruments. These sale-leaseback transactions are often executed with third-party financial institutions that are not deemed to be VIEs. In general, these sale-leaseback transactions result in a reduction in revenue earning equipment and debt on the balance sheet, as proceeds from the sale of revenue earning equipment are primarily used to repay debt. Accordingly, sale-leaseback transactions will result in reduced depreciation and interest expense and increased equipment rental expense.

We did not enter into any sale-leaseback or securitization transactions during the years ended December 31, 2003 and 2002. Proceeds from a sale-leaseback transaction were $411 million in 2001. The sale-leaseback transaction in 2001 was a vehicle securitization transaction in which Ryder sold a beneficial interest in certain vehicles subject to leases to a separately rated vehicle lease trust and subsequently entered into a lease with the trust. The activities of the trust and related debt were originally afforded off-balance sheet treatment under existing accounting rules. This trust was consolidated effective July 1, 2003 with the adoption of FIN 46.

The following table summarizes our undiscounted on and off-balance sheet contractual cash obligations at December 31, 2003:

	2004	2005-2006	2007-2008	Thereafter	Total
			(In thousands)		
Debt	$323,456	700,325	374,598	338,384	1,736,763
Capital leases	42,955	36,182	—	—	79,137
Total debt	366,411	736,507	374,598	338,384	1,815,900
Operating leases (1)	137,698	149,602	63,118	43,069	393,487
Purchase obligations (2)	209,597	71,528	58,420	40,014	379,559
Total contractual cash obligations	347,295	221,130	121,538	83,083	773,046
Other long-term liabilities (3),(4)	—	90,671	41,037	48,373	180,081
Total	$713,706	1,048,308	537,173	469,840	2,769,027

(1) *Represent future lease payments associated with vehicles, equipment and properties under operating leases. Amounts are based upon the assumption that the leased asset will remain on lease for the length of time specified by the respective lease agreements. No effect has been given to renewals, cancellations, contingent rentals or future rate changes.*

(2) *The majority of our purchase obligations are pay-as-you-go transactions made in the ordinary course of business. Purchase obligations include agreements to purchase goods or services that are legally binding and that specify all significant terms, including: fixed or minimum quantities to be purchased; fixed minimum or variable price provisions; and the approximate timing of the transaction. Purchase obligations exclude agreements that are cancelable without penalty. Significant items included in the above table reflect purchase obligations related to information technology services and vehicles. Purchase orders made in the ordinary course of business are excluded from the above table. Any amounts for which we are liable under purchase orders are reflected in our consolidated balance sheet as accounts payable and accrued liabilities.*

(3) *Represent other long-term liability amounts reflected in our consolidated balance sheets that have known payment streams. Significant items included in the above table reflect worker's compensation obligations, bodily injury and physical damage obligations, derivative contracts, deferred compensation obligations and legal contractual obligations.*

(4) *The amounts exclude our minimum funding requirements as set forth by ERISA and international regulatory bodies, which are $20 million in 2004. Our minimum funding requirements after 2004 are dependent on several factors. However, we estimate that the present value of required contributions over the next 5 years total $85 million for the U.S. plan and $150 million globally (assuming expected long-term rate of return realized and other assumptions remain unchanged). We also have payments due under our other post-retirement benefit (OPEB) plans. These plans are not required to be funded in advance, but are pay-as-you-go. See further discussion in Note 19 — "Employee Benefit Plans" in Notes to Consolidated Financial Statements.*

Guarantees

In the ordinary course of business, Ryder provides certain guarantees or indemnifications to third parties as part of certain lease, financing and sales agreements. Certain guarantees and indemnifications, whereby Ryder may be contingently required to make a payment to a third-party, are required to be disclosed even if the likelihood of payment is considered remote. As of December 31, 2003, our maximum exposure under these guarantees was $48 million of which $7 million was recognized as a liability. See Note 15 — "Guarantees" in Notes to Consolidated Financial Statements for additional information.

Pension Information

As of December 31, 2003, we have an accumulated net pension equity charge of $187 million (after-tax) in connection with the accrual of an additional minimum pension liability. This equity charge was reduced $41 million from the $229 million (after-tax) charge at December 31, 2002, reflecting the appreciation in value of pension plan assets during the year. Total asset returns for our U.S. qualified pension plan (our primary plan) were 24% in 2003.

The funded status of our pension plans is dependent upon many factors, including returns on invested assets and the level of certain market interest rates. While we are not legally required to make a contribution to fund our U.S. pension plan until September 2005, we review pension assumptions regularly and we may from time to time make voluntary contributions to our pension plans.

During 2003, we elected to make a $50 million voluntary contribution to fund our U.S. qualified plan. For 2003, including our international plans, pension contributions totaled $68 million. After considering the 2003 contributions, the projected present value of estimated contributions for all of our plans that would be required over the next 5 years totals approximately $150 million. Changes in interest rates and the market value of the securities held by the plans during 2004 could materially change, positively or negatively, the underfunded status of the plans and affect the level of pension expense and required contributions in 2005 and beyond.

Share Repurchases

In September 2003, Ryder's Board of Directors authorized a two-year share repurchase program intended to mitigate, in part, the dilutive impact of shares issued under our various employee stock option and employee stock purchase plans. Under the program, shares of common stock will be purchased in a dollar amount not to exceed the proceeds generated from the issuance of common stock to employees since January 1, 2003. As of December 31, 2003, the proceeds generated were $47 million. The program, which extends through September 30, 2005, limits aggregate share repurchases to no more than $90 million. Share repurchases are made periodically in open-market transactions using working capital, and are subject to market conditions, legal requirements and other factors. In 2003, we purchased 117,500 shares under the program totaling $3.5 million.

Market Risk

In the normal course of business, Ryder is exposed to fluctuations in interest rates, foreign exchange rates and fuel prices. We manage these exposures in several ways, including, in certain circumstances, the use of a variety of derivative financial instruments when deemed prudent. We do not enter into leveraged derivative financial transactions or use derivative financial instruments for trading purposes.

Exposure to market risk for changes in interest rates relates primarily to debt obligations. Our interest rate risk management program objective is to limit the impact of interest rate changes on earnings and cash flows and to lower overall borrowing costs. We manage our exposure to interest rate risk through the proportion of fixed rate and variable rate debt in the total debt portfolio. From time to time, we also use interest rate swap and cap agreements to manage our fixed rate and variable rate exposure and to better match the repricing of debt instruments to that of our portfolio of assets. See Note 14 — "Financial Instruments and Risk Management" in Notes to Consolidated Financial Statements for further discussion on outstanding interest rate swap and cap agreements at December 31, 2003.

At December 31, 2003, we had $1.1 billion of fixed rate debt (excluding capital leases) with a weighted-average interest rate of 6.6% and a fair value of $1.2 billion, including the effects of interest rate swaps. A hypothetical 10% decrease or increase in the December 31, 2003 market interest rates would impact the fair value of our fixed rate debt by approximately $48 million. At December 31, 2002, we had $878 million of fixed rate debt (excluding capital leases) with a weighted-average interest rate of 6.7% and a fair value of $964 million, including the effects of interest rate swaps. A hypothetical 10% decrease or increase in the December 31, 2002 market interest rates would impact the fair value of our fixed rate debt by approximately $18 million. We estimate the fair value of derivatives based on dealer quotations.

At December 31, 2003, we had $588 million of variable rate debt, including the effects of interest rate swaps, which effectively changed $322 million of fixed rate debt instruments with a weighted-average interest rate of 6.7% to LIBOR-based floating rate debt at a current weighted-average interest rate of 3.0%. Changes in the fair value of the interest rate swaps are offset by changes in the fair value of the debt instruments and no net gain or loss is recognized in earnings. The fair value of our interest rate swap agreements at December 31, 2003 totaled $14 million. As of December 31, 2002, we had $603 million of variable rate debt, including the effects of interest rate swaps, which effectively changed $322 million of fixed rate debt instruments with a weighted-average interest rate of 6.7% to LIBOR-based floating rate debt at a current weighted-average interest rate of 3.0%. The fair value of the interest rate swap agreements at December 31, 2002 totaled $24 million. We estimate a hypothetical 10% increase in market interest rates would have impacted pre-tax income by approximately $2 million in both 2003 and 2002.

Exposure to market risk for changes in foreign exchange rates relates primarily to foreign operations' buying, selling and financing in currencies other than local currencies and to the carrying value of net investments in foreign subsidiaries. We manage our exposure to foreign exchange rate risk related to our foreign operations' buying, selling and financing in currencies other than local currencies by naturally offsetting assets and liabilities not denominated in local currencies. We also use foreign currency option contracts and forward agreements from time to time to hedge foreign currency transactional exposure.

We do not generally hedge the translation exposure related to our net investment in foreign subsidiaries, since we generally have no near term intent to repatriate funds from such subsidiaries. Based on the overall level of transactions denominated in other than local currencies, the lack of transactions between Ryder and foreign subsidiaries and the level of net investment in foreign subsidiaries, the exposure to market risk for changes in foreign exchange rates is not considered material. At December 31, 2003, we had a $78 million cross-currency swap outstanding used to hedge our investment in a foreign subsidiary.

Exposure to market risk for fluctuations in fuel prices relates to a small portion of our service contracts for which the cost of fuel is integral to service delivery and the service contract does not have a mechanism to adjust for increases in fuel prices. As of December 31, 2003, we had various fuel purchase arrangements in place to ensure delivery of fuel at market rates in the event of fuel shortages. We are exposed to fluctuations in fuel prices in these arrangements since none of our current fuel purchase arrangements fix the price of fuel to be purchased. Increases and decreases in the price of fuel are generally passed on to our customers and have only a minor effect on profitability. We believe the exposure to fuel price fluctuations would not materially impact Ryder's results of operations, cash flows or financial position.

ENVIRONMENTAL MATTERS

Our operations involve storing and dispensing petroleum products, primarily diesel fuel, regulated under environmental protection laws. These laws require us to eliminate or mitigate the effect of such substances on the environment. In response to these requirements, we continually upgrade our operating facilities and implement various programs to prevent, detect and minimize contamination.

Capital expenditures related to these programs totaled approximately $1 million, $1 million and $2 million in 2003, 2002 and 2001, respectively. We incurred environmental expenses of $12 million, $10 million and $7 million in 2003, 2002 and 2001, respectively, which included remediation costs as well as normal recurring expenses, such as licensing, testing and waste disposal fees. Based on current circumstances and the present standards imposed by government regulations, environmental expenses should not increase materially from 2003 levels in the near term.

The ultimate cost of our environmental liabilities cannot presently be projected with certainty due to the presence of several unknown factors, primarily the level of contamination, the effectiveness of selected remediation methods, the stage of management's investigation at individual sites and the recoverability of such costs from third parties. Based upon information presently available, we believe that the ultimate disposition of these matters, although potentially material to the results of operations in any single year, will not have a material adverse effect on Ryder's financial condition or liquidity. See Note 20 — "Environmental Matters" in Notes to Consolidated Financial Statements for further discussion.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with U.S. GAAP requires us to make estimates and assumptions. Our significant accounting policies are described in the Notes to Consolidated Financial Statements. Certain of these policies require the application of subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain.

These estimates and assumptions are based on historical experience, changes in the business environment and other factors that we believe to be reasonable under the circumstances. Different estimates that could have been applied in the current period or changes in the accounting estimates that are reasonably likely, can result in a material impact on Ryder's financial condition and operating results in the current and future periods. We periodically review the development, selection and disclosure of these critical accounting estimates with the Ryder's Audit Committee.

The following discussion, which should be read in conjunction with the descriptions in the Notes to Consolidated Financial Statements, is furnished for additional insight into certain accounting estimates that we consider to be critical.

Depreciation and Residual Value Guarantees: We periodically review and adjust the residual values and useful lives of revenue earning equipment of our FMS business segment as described in Note 1 — "Summary of Significant Accounting Policies — Revenue Earning Equipment, Operating Property and Equipment and Depreciation" and "Residual Value Guarantees" in the Notes to Consolidated Financial Statements. Reductions in residual values — the price at which we ultimately expect to dispose of revenue earning equipment — or useful lives will result in an increase in depreciation expense over the life of the equipment. We review residual values and useful lives of revenue earning equipment on an annual basis or more often if deemed necessary for specific groups of our revenue earning equipment. Reviews are performed based on vehicle class, generally subcategories of trucks, tractors and trailers by weight and usage. We consider factors such as current and expected future market price trends on used vehicles, expected life of vehicles included in the fleet and extent of alternative uses for leased vehicles (e.g., rental fleet, SCS and DCC applications). In our estimates, we also make certain assumptions in establishing residual values with respect to future market price trends and the expected recovery of the existing weak used truck market. As a result, future depreciation expense rates are subject to change based upon changes in these factors. Based on the mix of revenue earning equipment at December 31, 2003, a 10% decrease in expected vehicle residual values would increase depreciation expense in 2004 by approximately $77 million.

Ryder also leases vehicles under operating lease agreements. Certain of these agreements contain limited guarantees for a portion of the residual values of the vehicles. Results of the reviews described above for owned vehicles are also applied to vehicles under operating lease. The amount of residual value guarantees expected to be paid is recognized as rent expense over the expected remaining term of the lease. At December 31, 2003, total liabilities for residual value guarantees of $11 million were included in accrued expenses (for those payable in less than one year) and in other non-current liabilities. While we believe that the amounts are adequate, changes to management's estimates of residual value guarantees may occur due to changes in the market for used vehicles, the condition of the vehicles at the end of the lease and inherent limitations in the estimation process. Based on the existing mix of vehicles under operating lease agreements at December 31, 2003, a 10% decrease in expected vehicle residual values would increase rent expense in 2004 by approximately $1 million.

Pension Plans: We apply actuarial methods to determine the annual net periodic pension expense and pension plan liabilities on an annual basis. Each December, we review actual experience compared with the more significant assumptions used and make adjustments to our assumptions, if warranted. In determining our annual estimate of periodic pension cost, we are required to make an evaluation of critical factors such as discount rate, expected long-term rate of return and expected increase in compensation levels. Discount rates are based upon a duration analysis of expected benefit payments and the equivalent average yield for high quality corporate fixed income investments. Long-term rate of return assumptions are based on actuarial review of our asset allocation strategy and long-term expected asset returns. The rate of increase in compensation levels is reviewed with the actuaries based upon actual experience.

Accounting guidance applicable to pension plans does not require immediate recognition of the effects of a deviation between actual and assumed experience or the revision of an estimate. This approach allows the favorable and unfavorable effects that fall within an acceptable range to be netted. Although this netting occurs outside the basic financial statements, disclosure of the net amount is presented as an unrecognized gain or loss in the Notes to Consolidated Financial Statements. We currently have an unrecognized loss of $369 million, of which a portion will be amortized into earnings in 2004. The effect on years beyond 2004 will depend substantially upon the actual experience of our plans.

Disclosure of the significant assumptions used in arriving at the 2003 pension expense is presented in Note 19 — "Employee Benefit Plans" in the Notes to Consolidated Financial Statements. A sensitivity analysis of projected 2004 pension expense to changes in key underlying assumptions for our primary plan, the U.S. pension plan, is presented below.

	Assumed Rate	Change	Impact on 2004 Pension Expense
Discount rate	6.50%	+/- 0.25%	-/+ $4 million
Expected long-term rate of return on assets	8.50%	+/- 0.25%	-/+ $2 million
Rate of increase in compensation levels	5.00%	+/- 0.50%	+/- $1 million

Self-Insurance Reserves: We use a variety of statistical and actuarial methods that are widely used and accepted in the insurance industry to estimate amounts for claims that have been reported but not paid and claims incurred but not reported. In applying these methods and assessing their results, we consider such factors as frequency and severity of claims, claim development and payment patterns and changes in the nature of our business, among other factors. Such factors are analyzed for each of our business segments. On an annual basis, third-party actuaries perform a separate analysis of our self-insurance reserves for reasonableness. Our estimates may be impacted by such factors as increases in the market price for medical services, unpredictability of the size of jury awards and limitations inherent in the estimation process. While we believe that self-insurance reserves are adequate, there can be no assurance that changes to our estimates may not occur. Based on self-insurance reserves at December 31, 2003, a 5% adverse change in actuarial claim loss estimates would increase operating expense in 2004 by approximately $12 million.

Goodwill Impairment: We assess goodwill for impairment, as described in Note 1 – "Summary of Significant Accounting Policies – Goodwill and Other Intangible Assets" in the Notes to Consolidated Financial Statements, at the beginning of the second fiscal quarter or sooner if events or changes in circumstances indicate an impairment may exist. Goodwill is reviewed for impairment at a reporting unit level. A reporting unit is a component of an operating segment for which discrete financial information is available and management regularly reviews its operating performance. To determine whether goodwill impairment indicators exist, we are required to assess the fair value of a reporting unit compared to its carrying value. Our valuation of fair value for each reporting unit is determined based on a discounted future cash flow model. Estimates of future cash flows are dependent on our knowledge and experience about past and current events and assumptions about conditions we expect to exist. These assumptions are based on a number of factors including future operating performance, economic conditions and actions we expect to take. In addition to these factors, our SCS reporting units are dependent on several key customers or industry sectors.

In late 2003, a key customer contract of our SCS-U.K. reporting unit was not renewed which caused us to assess whether this event resulted in an impairment indicator. Goodwill associated with the SCS-U.K. reporting unit totaled $13 million. In light of the profitability of the customer account relative to the entire reporting unit, we did not consider it more likely than not that this event would result in a reduction of our SCS-U.K. reporting unit fair value below its carrying amount. There can be no assurance that a further deterioration in the economic conditions, customer relationships or adverse changes to expectations of future performance of our SCS-U.K. reporting unit or any other of our reporting units will not result in a goodwill impairment loss. At December 31, 2003, goodwill totaled $156 million and represented 3% of our total assets.

Income Taxes: Ryder's overall tax position is complex and requires careful analysis by management to estimate the expected realization of income tax assets and liabilities.

We record a valuation allowance for deferred income tax assets to reduce such assets to amounts expected to be realized. At December 31, 2003, the deferred tax valuation allowance principally attributed to foreign tax loss carryforwards in the SCS business segment was $10 million. In determining the required level of valuation allowance, we consider whether it is more likely than not that all or some portion of deferred tax assets will not be realized. This assessment is based on management's expectations as to whether sufficient taxable income of an appropriate character will be realized within tax carryback and carryforward periods. Our assessment involves estimates and assumptions about matters that are inherently uncertain, and unanticipated events or circumstances could cause actual results to differ from these estimates.

Should we change our estimate of the amount of deferred tax assets that we would be able to realize, an adjustment to the valuation allowance would result in an increase or decrease to provision for income taxes in the period such a change in estimate was made.

We are subject to audit in numerous jurisdictions in the U.S. and around the world. Tax audits by their very nature are often complex and can require several years to complete. As part of our calculation of the provision for income taxes on earnings, we record the amount we expect to incur as a result of audits. Such accruals require management to make estimates and judgments with respect to the ultimate outcome of a tax audit. Actual results could vary materially from these estimates.

NON-GAAP FINANCIAL MEASURES

This Annual Report includes “non-GAAP financial measures” as defined by SEC rules. As required by SEC rules, we provide a reconciliation of each non-GAAP financial measure to the most comparable GAAP measure and an explanation why management believes that presentation of the non-GAAP financial measure provides useful information to investors. Non-GAAP financial measures should be considered in addition to, but not as a substitute for or superior to, other measures of financial performance prepared in accordance with GAAP.

FORWARD-LOOKING STATEMENTS

This Annual Report contains “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are based on our current plans and expectations and involve risks and uncertainties that may cause actual results to differ materially from the forward-looking statements. Generally, the words “believe,” “expect,” “intend,” “estimate,” “anticipate,” “will,” “may” and similar expressions identify forward-looking statements.

Important factors that could cause such differences include, among others: general economic conditions in the U.S. and worldwide; the market for used equipment; the highly competitive environment applicable to our operations (including competition in supply chain solutions from other logistics companies as well as from air cargo, shippers, railroads and motor carriers and competition in full service leasing and commercial rental from companies providing similar services as well as truck and trailer manufacturers that provide leasing, extended warranty maintenance, rental and other transportation services); greater than expected expenses associated with Ryder’s activities (including increased cost of fuel, freight and transportation) or personnel needs; availability of equipment; adverse changes in debt ratings; changes in accounting assumptions; Ryder’s ability to create operating synergies in connection with its recent FMS acquisitions; changes in customers’ business environments (or the loss of a significant customer) or changes in government regulations.

The risks included here are not exhaustive. New risk factors emerge from time to time and it is not possible for management to predict all such risk factors or to assess the impact of such risk factors on our business. Accordingly, we undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The information required by ITEM 7A is included in ITEM 7 (pages 39 through 40) of PART II of this report.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

FINANCIAL STATEMENTS

All other schedules are omitted because they are not applicable or the required information is shown in the consolidated financial statements or notes thereto.

INDEPENDENT AUDITORS' REPORT

THE BOARD OF DIRECTORS AND SHAREHOLDERS OF
RYDER SYSTEM, INC.:

We have audited the consolidated financial statements of Ryder System, Inc. and subsidiaries as listed in the accompanying index. In connection with our audits of the consolidated financial statements, we also have audited the consolidated financial statement schedule listed in the accompanying index. These consolidated financial statements and the consolidated financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and the consolidated financial statement schedule based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Ryder System, Inc. and subsidiaries as of December 31, 2003 and 2002, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2003, in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the related consolidated financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

As discussed in the notes to the consolidated financial statements, the Company changed its method of accounting for variable interest entities and its method of accounting for asset retirement obligations in 2003 and its method of accounting for goodwill and other intangible assets in 2002.

/s/ KPMG LLP

Miami, Florida
February 4, 2004

Ryder System, Inc. and Subsidiaries
Consolidated Statements of Earnings

	Years ended December 31		
	2003	2002	2001
	(In thousands, except per share amounts)		
Revenue	**$4,802,294**	4,776,265	5,006,123
Operating expense	**2,039,156**	1,949,384	2,132,500
Salaries and employee-related costs	**1,242,930**	1,268,704	1,212,184
Freight under management expense	**414,284**	414,369	436,413
Depreciation expense	**624,580**	552,491	545,485
Gains on vehicle sales, net	**(15,780)**	(14,223)	(11,968)
Equipment rental	**200,868**	343,531	427,024
Interest expense	**96,169**	91,718	118,549
Miscellaneous income, net	**(12,158)**	(9,808)	(1,334)
Restructuring and other (recoveries) charges, net	**(230)**	4,216	116,564
	4,589,819	4,600,382	4,975,417
Earnings before income taxes and cumulative effect of changes in accounting principles	**212,475**	175,883	30,706
Provision for income taxes	**76,916**	63,318	12,028
Earnings before cumulative effect of changes in accounting principles	**135,559**	112,565	18,678
Cumulative effect of changes in accounting principles	**(4,123)**	(18,899)	—
Net earnings	**$ 131,436**	93,666	18,678
Earnings per common share — Basic:			
Earnings before cumulative effect of changes in accounting principles	**$ 2.15**	1.83	0.31
Cumulative effect of changes in accounting principles	**(0.06)**	(0.31)	—
Net earnings	**$ 2.09**	1.52	0.31
Earnings per common share — Diluted:			
Earnings before cumulative effect of changes in accounting principles	**$ 2.12**	1.80	0.31
Cumulative effect of changes in accounting principles	**(0.06)**	(0.30)	—
Net earnings	**$ 2.06**	1.50	0.31

See accompanying notes to consolidated financial statements.

Ryder System, Inc. and Subsidiaries
Consolidated Balance Sheets

	December 31	
	2003	2002
	(In thousands, except share amounts)	
Assets:		
Current assets:		
Cash and cash equivalents	**$ 140,627**	104,237
Receivables, net	**640,769**	640,309
Inventories	**54,806**	59,104
Tires in service	**160,020**	131,569
Prepaid expenses and other current assets	**110,878**	88,952
Total current assets	**1,107,100**	1,024,171
Revenue earning equipment, net	**3,046,040**	2,497,614
Operating property and equipment, net	**506,898**	530,877
Direct financing leases and other assets	**440,971**	541,008
Goodwill and other intangible assets	**177,594**	173,312
Total assets	**$5,278,603**	4,766,982
Liabilities and shareholders' equity:		
Current liabilities:		
Current portion of long-term debt	**$ 366,411**	162,369
Accounts payable	**299,725**	277,001
Accrued expenses	**407,941**	422,706
Total current liabilities	**1,074,077**	862,076
Long-term debt	**1,449,489**	1,389,099
Other non-current liabilities	**516,953**	587,585
Deferred income taxes	**893,699**	820,007
Total liabilities	**3,934,218**	3,658,767
Shareholders' equity:		
Preferred stock of no par value per share — authorized, 3,800,917; none outstanding December 31, 2003 or 2002	**—**	—
Common stock of $0.50 par value per share — authorized, 400,000,000; outstanding, 2003 — 64,487,486; 2002 — 62,440,937	**626,087**	575,503
Retained earnings	**897,841**	806,761
Deferred compensation	**(2,887)**	(3,423)
Accumulated other comprehensive loss	**(176,656)**	(270,626)
Total shareholders' equity	**1,344,385**	1,108,215
Total liabilities and shareholders' equity	**$5,278,603**	4,766,982

See accompanying notes to consolidated financial statements.

Ryder System, Inc. and Subsidiaries
Consolidated Statements of Cash Flows

	Years ended December 31		
	2003	2002	2001
		(In thousands)	
Cash flows from operating activities:			
Net earnings	**$ 131,436**	93,666	18,678
Cumulative effect of changes in accounting principles	**4,123**	18,899	—
Depreciation expense	**624,580**	552,491	545,485
Gains on vehicle sales, net	**(15,780)**	(14,223)	(11,968)
Amortization expense and other non-cash charges, net	**3,263**	8,713	90,913
Deferred income tax expense (benefit)	**51,467**	52,615	(1,889)
Changes in operating assets and liabilities, net of acquisitions and dispositions:			
Decrease in aggregate balance of trade receivables sold	**—**	(110,000)	(235,000)
Receivables	**(4,191)**	35,048	78,040
Inventories	**5,398**	6,262	12,444
Prepaid expenses and other assets	**6,029**	5,797	17,186
Accounts payable	**20,694**	22,788	(136,210)
Accrued expenses and other non-current liabilities	**(24,164)**	(39,269)	(68,977)
Net cash provided by operating activities	**802,855**	632,787	308,702
Cash flows from financing activities:			
Net change in commercial paper borrowings	**(2,500)**	(92,500)	(261,732)
Debt proceeds	**105,115**	185,316	381,901
Debt repaid, including capital lease obligations	**(340,433)**	(360,359)	(413,465)
Dividends on common stock	**(37,984)**	(37,137)	(36,248)
Common stock issued	**46,576**	37,083	9,845
Common stock repurchased	**(3,570)**	(1,911)	—
Net cash used in financing activities	**(232,796)**	(269,508)	(319,699)
Cash flows from investing activities:			
Purchases of property and revenue earning equipment	**(725,130)**	(600,301)	(656,597)
Sales of property and revenue earning equipment	**222,888**	152,685	175,134
Sale and leaseback of revenue earning equipment	**—**	—	410,739
Acquisitions	**(96,518)**	—	—
Collections on direct finance leases	**61,368**	66,489	66,204
Proceeds from sale of business	**—**	—	14,113
Other, net	**3,723**	4,219	(2,700)
Net cash (used in) provided by investing activities	**(533,669)**	(376,908)	6,893
Increase (decrease) in cash and cash equivalents	**36,390**	(13,629)	(4,104)
Cash and cash equivalents at January 1	**104,237**	117,866	121,970
Cash and cash equivalents at December 31	**$ 140,627**	104,237	117,866

See accompanying notes to consolidated financial statements.

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Ryder System, Inc. and Subsidiaries
Consolidated Statements of Shareholders' Equity

	Preferred Stock	Common Stock				Accumulated Other Comprehensive Loss			
	Amount	Shares	Amount	Retained Earnings	Deferred Compensation	Currency Translation Adjustments	Minimum Pension Liability	Unrealized Loss on Derivatives	Total
	(Dollars in thousands, except per share amounts)								
Balance at January 1, 2001	$ —	60,044,479	$524,432	767,802	(3,818)	(35,708)	—	—	1,252,708
Components of comprehensive income:									
Net earnings	—	—	—	18,678	—	—	—	—	18,678
Foreign currency translation adjustments	—	—	—	—	—	(14,862)	—	—	(14,862)
Additional minimum pension liability adjustment, net of tax	—	—	—	—	—	—	(1,245)	—	(1,245)
Total comprehensive income									2,571
Common stock dividends declared — $0.60 per share	—	—	—	(36,248)	—	—	—	—	(36,248)
Common stock issued under employee stock option and stock purchase plans [1]	—	800,621	13,281	—	(3,436)	—	—	—	9,845
Tax benefit from employee stock options	—	—	680	—	—	—	—	—	680
Amortization and forfeiture of restricted stock	—	(35,472)	(837)	—	1,950	—	—	—	1,113
Balance at December 31, 2001	—	60,809,628	537,556	750,232	(5,304)	(50,570)	(1,245)	—	1,230,669
Components of comprehensive loss:									
Net earnings	—	—	—	93,666	—	—	—	—	93,666
Foreign currency translation adjustments	—	—	—	—	—	9,255	—	—	9,255
Additional minimum pension liability adjustment, net of tax	—	—	—	—	—	—	(227,573)	—	(227,573)
Unrealized loss related to derivatives accounted for as hedges	—	—	—	—	—	—	—	(493)	(493)
Total comprehensive loss									(125,145)
Common stock dividends declared — $0.60 per share	—	—	—	(37,137)	—	—	—	—	(37,137)
Common stock issued under employee stock option and stock purchase plans [1]	—	1,761,289	37,276	—	(193)	—	—	—	37,083
Benefit plan stock purchases [2]	—	(73,992)	(1,911)	—	—	—	—	—	(1,911)
Tax benefit from employee stock options	—	—	3,272	—	—	—	—	—	3,272
Amortization and forfeiture of restricted stock	—	(55,988)	(690)	—	2,074	—	—	—	1,384
Balance at December 31, 2002	—	62,440,937	575,503	806,761	(3,423)	(41,315)	(228,818)	(493)	1,108,215
Components of comprehensive income:									
Net earnings	**—**	**—**	**—**	**131,436**	**—**	**—**	**—**	**—**	**131,436**
Foreign currency translation adjustments	**—**	**—**	**—**	**—**	**—**	**52,308**	**—**	**—**	**52,308**
Additional minimum pension liability adjustment, net of tax	**—**	**—**	**—**	**—**	**—**	**—**	**41,376**	**—**	**41,376**
Unrealized gain related to derivatives accounted for as hedges	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**286**	**286**
Total comprehensive income									**225,406**
Common stock dividends declared — $0.60 per share	**—**	**—**	**—**	**(37,984)**	**—**	**—**	**—**	**—**	**(37,984)**
Common stock issued under employee stock option and stock purchase plans [1]	**—**	**2,233,900**	**48,360**	**—**	**(1,784)**	**—**	**—**	**—**	**46,576**
Benefit plan stock purchases [2]	**—**	**(2,953)**	**(75)**	**—**	**—**	**—**	**—**	**—**	**(75)**
Common stock repurchases	**—**	**(117,500)**	**(1,123)**	**(2,372)**	**—**	**—**	**—**	**—**	**(3,495)**
Tax benefit from employee stock options	**—**	**—**	**4,852**	**—**	**—**	**—**	**—**	**—**	**4,852**
Amortization and forfeiture of restricted stock	**—**	**(66,898)**	**(1,430)**	**—**	**2,320**	**—**	**—**	**—**	**890**
Balance at December 31, 2003	**$ —**	**64,487,486**	**$626,087**	**897,841**	**(2,887)**	**10,993**	**(187,442)**	**(207)**	**1,344,385**

(1) Net of common stock purchased from employees exercising stock options.

(2) Represents purchase of common shares by Rabbi Trusts.

See accompanying notes to consolidated financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Consolidation

The consolidated financial statements include the accounts of Ryder System, Inc. and subsidiaries. All significant intercompany accounts and transactions have been eliminated.

Consolidation of Variable Interest Entities

In January 2003, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. (FIN) 46, “Consolidation of Variable Interest Entities,” that establishes accounting guidance for identifying variable interest entities (VIEs), including special-purpose entities, and when to include the assets, liabilities, noncontrolling interests and results of activities of VIEs in an enterprise’s consolidated financial statements. Prior to FIN 46, which clarifies the application of Accounting Research Bulletin No. 51, “Consolidated Financial Statements,” a partially owned entity was only consolidated if we controlled it through ownership of a majority voting interest in the entity. FIN 46 requires consolidation of VIEs if the primary beneficiary has a variable interest (or combination of variable interests) that will absorb a majority of the entity’s expected losses if they occur, receive a majority of the entity’s expected residual returns if they occur, or both. The enterprise consolidating a VIE is the primary beneficiary of that entity. FIN 46 applied immediately to VIEs created after January 31, 2003. For VIEs in existence before February 1, 2003, FIN 46 as amended, applied to the first fiscal period ended after December 15, 2003, although the FASB encouraged earlier application.

Effective July 1, 2003, we adopted FIN 46 and, as a consequence, consolidated three VIEs that were established prior to February 1, 2003. These VIEs were established in connection with sale-leaseback transactions of revenue earning equipment in which we sold revenue earning equipment to a special-purpose entity and then leased the revenue earning equipment back as lessee under operating lease arrangements. In connection with these transactions, we provided credit enhancements and residual value guarantees that obligate us to absorb the majority of the expected losses from such entities, if any are realized. Therefore, FIN 46 required that these entities be consolidated. The credit enhancements, in the form of cash reserve deposits (included in “Direct financing leases and other assets”), as well as the revenue earning equipment under lease serve as collateral for the VIEs’ long-term borrowings. The creditors of the VIEs do not have recourse to the general assets of Ryder.

The assets and liabilities of consolidated VIEs are measured in the amounts at which they would have been recorded in the consolidated financial statements if FIN 46 had been effective at the inception of the transactions. Accordingly, effective July 1, 2003, we recorded additional revenue earning equipment of $421 million and additional debt of $414 million, in addition to recognizing a non-cash cumulative effect charge of $3 million on an after-tax basis, or $0.05 per diluted share. Concurrent with the consolidation of the VIEs, we began recognizing depreciation expense attributed to the revenue earning equipment of the VIEs and interest expense on the additional debt of the VIEs in lieu of rent expense. The cumulative effect charge primarily represented depreciation and interest expense of the VIEs that would have been recorded had FIN 46 been in effect since lease inception, in excess of rent expense recorded under operating leases. The charge is expected to reverse in operating earnings over the next three years. The consolidation of the VIEs did not have a significant impact on our consolidated net earnings. Net earnings for 2002 and 2001 would not have been materially different if this standard had been adopted effective January 1, 2001. However, both net cash provided by operating activities and used in financing activities presented on our Consolidated Statements of Cash Flows increased due to the add-back of depreciation expense on the VIEs’ revenue earning equipment and principal payments on the VIEs’ debt, respectively.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Cash Equivalents

All investments in highly liquid debt instruments with maturities of three months or less at the date of purchase are classified as cash equivalents.

Revenue Recognition

We recognize revenue when persuasive evidence of an arrangement exists, delivery has occurred, the revenue amount is fixed or determinable and collectibility is probable. Operating lease and rental revenue is recognized on a straight-line basis as vehicles are used over the terms of the related agreements. Lease and rental agreements do not provide for scheduled rent increases or escalations over the lease term. However, these lease agreements allow for rate changes based upon changes in the Consumer Price Index (CPI). Lease and rental agreements also provide for a fixed time charge plus a fixed per-mile charge. The fixed time charge, the fixed per-mile charge and the changes in rates attributed to changes in the CPI are considered contingent rentals and recognized in earnings as accruable. Direct financing lease revenue is recognized using the interest method over the terms of the lease agreements. Fuel services revenue is recognized when fuel is delivered to customers. Revenue from Supply Chain Solutions (SCS) and Dedicated Contract Carriage (DCC) contracts is recognized as services are provided at billing rates specified in the underlying contracts.

Allowance for Doubtful Accounts

Provisions for losses on customer receivables are generally determined according to the age of the receivables. The allowance is maintained at a level deemed appropriate based on loss experience and other factors affecting collectibility. Accounts are charged against the allowance for doubtful accounts when determined to be uncollectible.

Inventories

Inventories, which consist primarily of fuel, tires and vehicle parts, are valued using the lower of cost (specific identification or average cost) or market.

Tires in Service

We allocate a portion of the acquisition costs of revenue earning equipment to tires in service and amortize tire costs to expense over the lives of the vehicles and equipment. The cost of replacement tires and tire repairs are expensed as incurred.

Revenue Earning Equipment, Operating Property and Equipment and Depreciation

Revenue earning equipment, principally vehicles, and operating property and equipment are stated at cost. Revenue earning equipment and operating property and equipment under capital lease are stated at the lower of the present value of minimum lease payments or fair value. Vehicle repairs and maintenance that extend the life or increase the value of a vehicle are capitalized, whereas ordinary maintenance and repairs are expensed as incurred. Direct costs incurred in connection with developing or obtaining internal use software is capitalized. Costs incurred during the preliminary project stage, as well as maintenance and training costs are expensed as incurred.

Provision for depreciation is computed using the straight-line method on all depreciable assets. Annual straight-line depreciation rates range from 8% to 33% for revenue earning equipment, 2.5% to 8% for buildings and improvements and 10% to 33% for machinery and equipment. Ryder periodically reviews and adjusts the residual values and useful lives of revenue earning equipment based on current and expected operating trends and projected realizable values. Gains on operating property and equipment sales are reflected in “Miscellaneous income, net.”

We routinely dispose of revenue earning equipment as part of our business. Revenue earning equipment held for sale is stated at the lower of carrying amount or fair value less costs to sell. Adjustments to the carrying value of assets held for sale are reported as depreciation expense. We stratify our revenue earning equipment to be disposed of by vehicle type (tractors, trucks, trailers), weight class, age and other characteristics, as relevant, and create classes of similar assets for analysis purposes. Fair value is determined based upon recent market prices for sales of each class of similar assets and vehicle condition. The net carrying value for revenue earning equipment held for sale attributed to the Fleet Management Solutions (FMS) business segment was $56 million and $31 million at December 31, 2003 and 2002, respectively.

Goodwill and Other Intangible Assets

In June 2001, the FASB issued Statement of Financial Accounting Standards (SFAS) No. 142, "Goodwill and Other Intangible Assets," which requires that goodwill and intangible assets with indefinite useful lives no longer be amortized, but rather, be tested for impairment at least annually. SFAS No. 142 also requires that intangible assets with definite useful lives be amortized over their respective estimated useful lives to their estimated residual values. As of December 31, 2003, we had $2 million of amortizable intangible assets, presented in Note 9 — "Goodwill and Other Intangible Assets," which are being amortized over their estimated useful lives of 10 years.

We adopted the provisions of SFAS No. 142 effective January 1, 2002, and discontinued the amortization of goodwill and intangible assets with indefinite useful lives. Actual results of operations for 2003 and 2002 and restated results of operations for 2001, had we applied the non-amortization provisions of SFAS No. 142, were as follows:

	Years ended December 31		
	2003	2002	2001
	(In thousands, except per share)		
Net earnings, as reported	**$131,436**	93,666	18,678
Add: Goodwill and intangible amortization, net of tax	**—**	—	11,618
Adjusted net earnings	**$131,436**	93,666	30,296
Basic earnings per common share:			
Net earnings, as reported	**$ 2.09**	1.52	0.31
Add: Goodwill and intangible amortization, net of tax	**—**	—	0.19
Adjusted net earnings	**$ 2.09**	1.52	0.50
Diluted earnings per common share:			
Net earnings, as reported	**$ 2.06**	1.50	0.31
Add: Goodwill and intangible amortization, net of tax	**—**	—	0.19
Adjusted net earnings	**$ 2.06**	1.50	0.50

SFAS No. 142 also required that we perform an assessment of whether there was an indication that the remaining recorded goodwill was impaired as of January 1, 2002. This involved a two-step transitional impairment test. The first step of the transitional impairment test required that we determine, within the first six months of 2002, the fair value of each reporting unit, as defined, and compare it to our reporting unit's carrying amount. We estimated the fair value of our reporting units using discounted cash flows. To the extent that a reporting unit's carrying amount exceeded its fair value, this indicated that the reporting unit's goodwill could be impaired and we would be required to perform the second step of the transitional impairment test.

The second step of the transitional impairment test required a comparison of the implied fair value of the reporting unit's goodwill, determined by allocating the reporting unit's fair value to all of its recognized and unrecognized assets and liabilities in a manner similar to a purchase price allocation consistent with SFAS No. 141, "Business Combinations," to its carrying amount, both of which would be measured as of January 1, 2002. The residual fair value after this allocation was the implicit fair value of the reporting unit's goodwill.

In June 2002, we completed our assessment of all existing goodwill totaling $168 million as of January 1, 2002. As a result of this review, we recorded a non-cash charge of $19 million on a before and after-tax basis, or $0.30 per diluted share, associated with the Asian operations of our SCS business segment. The transitional impairment charge resulted from the application of the new impairment methodology introduced by SFAS No. 142. Prior to the adoption of SFAS No. 142, we assessed the recoverability of goodwill based upon management's best estimate of the undiscounted future operating cash flows (excluding interest charges) related to the asset. Under previous requirements, no goodwill impairment would have been recorded on January 1, 2002. In accordance with SFAS No. 142, the transitional impairment was recognized as the cumulative effect of a change in accounting principle in Ryder's Consolidated Statements of Earnings effective January 1, 2002. The impact of this accounting change had no effect on Ryder's operating earnings.

Each year as of April 1, we complete our impairment test for goodwill and indefinite-lived intangible assets as required by SFAS No. 142. We completed our annual impairment test during 2003 and determined that there was no additional impairment. Impairment adjustments recognized after adoption are recognized as operating expenses.

Prior to the adoption of SFAS No. 142, goodwill and other intangibles were amortized on a straight-line basis over appropriate periods ranging from 10 to 40 years. Intangible assets were reviewed for impairment when circumstances indicated the carrying amount of assets may not have been recoverable. The amount of goodwill and other intangible asset impairment, if any, was measured based on projected future operating cash flows, discounted using a rate that reflects Ryder's average cost of funds.

Impairment of Long-Lived Assets

In August 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." SFAS No. 144 provides a single accounting model for long-lived assets to be disposed of. SFAS No. 144 also changes the criteria for classifying an asset held for sale, broadens the scope of businesses to be disposed of that qualify for reporting as discontinued operations and changes the timing of recognizing losses on such operations. Ryder adopted the provisions of SFAS No. 144 effective January 1, 2002. Adoption of SFAS No. 144 did not have any impact on Ryder's financial position, cash flows or results of operations.

We review long-lived assets held and used, excluding indefinite-lived intangible assets (see "Goodwill and Other Intangible Assets"), for impairment when circumstances indicate that the carrying amount of assets may not be recoverable. In accordance with SFAS No. 144, we assess the recoverability of long-lived assets by determining whether the depreciation or amortization of an asset or group of assets over its remaining life can be recovered based upon management's best estimate of the undiscounted future operating cash flows (excluding interest charges) attributed to the long-lived asset (group) and related liabilities. If the sum of such undiscounted cash flows is less than the carrying value of the asset (group), there is an indicator of impairment. The amount of impairment, if any, represents the excess of the carrying value of the asset (group) over fair value. Fair value is determined by quoted market price, if available, or an estimate of projected future operating cash flows, discounted using a rate that reflects the related operating segment's average cost of funds. Long-lived assets, including indefinite-lived intangible assets, to be disposed of are reported at the lower of carrying amount or fair value less costs to sell.

Self-Insurance Reserves

Ryder retains a portion of the accident risk under vehicle liability, workers' compensation and other insurance programs. Under our insurance programs, we retain the risk of loss in various amounts up to $1 million on a per occurrence basis. We also maintain additional insurance at certain amounts in excess of our respective underlying retention.

Reserves have been recorded which reflect the undiscounted estimated liabilities, including claims incurred but not reported. Such liabilities are based on estimates. While we believe that the amounts are adequate, there can be no assurance that changes to our estimates may not occur due to limitations inherent in the estimation process. Changes in the estimates of these reserves are charged or credited to earnings in the period determined. Amounts estimated to be paid within one year have been classified as accrued expenses with the remainder included in other non-current liabilities.

Residual Value Guarantees

Ryder periodically enters into agreements for the sale and operating leaseback of revenue earning equipment. These leases contain purchase and/or renewal options as well as limited guarantees of the lessor's residual value (residual value guarantees). We periodically review the residual values of revenue earning equipment that we lease from third parties and our exposures under residual value guarantees. The review is conducted in a manner similar to that used to analyze residual values and fair values of owned revenue earning equipment. The amount of residual value guarantees expected to be paid is recognized as rent expense over the expected remaining term of the lease. Adjustments in the estimate of residual value guarantees are recognized prospectively over the expected remaining lease term. While we believe that the amounts are adequate, changes to our estimates of residual value guarantees may occur due to changes in the market for used vehicles, the condition of the vehicles at the end of the lease and inherent limitations in the estimation process.

Income Taxes

Deferred taxes are recognized for the future tax effects of temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases using tax rates in effect for the years in which the differences are expected to reverse.

Environmental Expenditures

We record liabilities for environmental assessments and/or cleanup when it is probable a loss has been incurred and the costs can be reasonably estimated. This liability may include costs such as anticipated site testing, consulting, remediation, disposal, post-remediation monitoring and legal fees, as appropriate. Estimates are not discounted. The liability does not reflect possible recoveries from insurance companies or reimbursement of remediation costs by state agencies, but does include estimates of cost-sharing with other potentially responsible parties. Claims for reimbursement of remediation costs are recorded when recovery is deemed probable.

Derivative Instruments and Hedging Activities

We use financial instruments, including forward exchange contracts, futures, swaps and cap agreements to manage our exposures to movements in interest rates and foreign exchange rates. The use of these financial instruments modifies the exposure of these risks with the intent to reduce the risk or cost to Ryder. We do not enter into derivative financial instruments for trading purposes. On the date a derivative contract is entered into, we formally document, among other items, the intended hedging designation and relationship, along with the risk management objectives and strategies for entering into the derivative contract. We also formally assess, both at the hedge's inception and on an ongoing basis, whether the derivatives we used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. When it is determined that a derivative is not highly effective as a hedge or that it has ceased to be a highly effective hedge, we discontinue hedge accounting prospectively.

The hedging designation may be classified as follows:

No Hedging Designation: The gain or loss on a derivative instrument not designated as an accounting hedging instrument is recognized currently in earnings.

Fair Value Hedge: A hedge of a recognized asset or liability or an unrecognized firm commitment is considered as a fair value hedge. For fair value hedges, both the effective and ineffective portions of the changes in the fair value of the derivative, along with the gain or loss on the hedged item that is attributable to the hedged risk are recorded in earnings and reported in the Consolidated Statements of Earnings on the same line as the hedged item.

Cash Flow Hedge: A hedge of a forecasted transaction or of the variability of cash flows to be received or paid related to a recognized asset or liability is considered as a cash flow hedge. The effective portion of the change in the fair value of a derivative that is declared as a cash flow hedge is recorded in accumulated other comprehensive loss until earnings are affected by the variability in cash flows of the designated hedged item.

Net Investment Hedge: A hedge of a net investment in a foreign operation is considered as a net investment hedge. The effective portion of the change in the fair value of the derivative used as a net investment hedge of a foreign operation is recorded in the cumulative translation adjustment account within accumulated other comprehensive loss. The ineffective portion on the hedged item that is attributable to the hedged risk is recorded in earnings and reported in the Consolidated Statements of Earnings as “Miscellaneous income, net.”

Foreign Currency Translation

Our foreign operations generally use the local currency as their functional currency. Assets and liabilities of these operations are translated at the exchange rates in effect on the balance sheet date. If exchangeability between the functional currency and the U.S. Dollar is temporarily lacking at the balance sheet date, the first subsequent rate at which exchanges can be made is used to translate assets and liabilities. Income statement items are translated at the average exchange rates for the year. The impact of currency fluctuations is included in “Accumulated other comprehensive loss” as a currency translation adjustment.

Stock-based Compensation

At December 31, 2003, Ryder had various stock-based employee compensation plans, which are described more fully in Note 17 — “Employee Stock Option and Stock Purchase Plans.” We recognize stock-based compensation using the intrinsic value method. Under this method, we recognize compensation cost based on the excess, if any, of the quoted market price of the stock at the date of grant (or other measurement date) and the amount an employee must pay to acquire the stock. We record compensation expense for the amortization of restricted stock issued to employees and directors.

The following table illustrates the effect on net earnings and earnings per share if we had applied the fair value method of accounting to stock-based employee compensation.

	Years ended December 31		
	2003	2002	2001
	(In thousands, except per share amounts)		
Net earnings, as reported	**$131,436**	93,666	18,678
Add: Stock-based employee compensation expense included in reported net earnings, net of tax	**523**	886	847
Deduct: Total stock-based employee compensation expense determined under fair value method for all awards, net of tax	**(5,694)**	(8,201)	(8,568)
Pro forma net earnings	**$126,265**	86,351	10,957
Earnings per share:			
Basic:			
As reported	**$ 2.09**	1.52	0.31
Pro forma	**$ 2.01**	1.40	0.18
Diluted:			
As reported	**$ 2.06**	1.50	0.31
Pro forma	**$ 1.98**	1.38	0.18

The fair values of options granted were estimated as of the dates of grant using the Black-Scholes option pricing model. See Note 17 — “Employee Stock Options and Stock Purchase Plans” for a description of option pricing assumptions.

Earnings Per Share

Basic earnings per share is computed by dividing net earnings by the weighted-average number of common shares outstanding. Restricted stock granted to our employees and directors are not included in the computation of earnings per share until the securities vest. Diluted earnings per share reflect the dilutive effect of potential common shares from securities such as stock options and unvested restricted stock. The dilutive effect of stock options and unvested restricted stock is computed using the treasury stock method, which assumes the repurchase of common shares and unvested restricted stock at the average market price for the period.

Comprehensive Income (Loss)

Comprehensive income (loss) presents a measure of all changes in shareholders’ equity except for changes resulting from transactions with shareholders in their capacity as shareholders. Ryder’s total comprehensive income (loss) presently consists of net earnings, currency translation adjustments associated with foreign operations that use the local currency as their functional currency, minimum pension liability adjustments and adjustments for derivative instruments accounted for as cash flow hedges.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation.

2. ACCOUNTING CHANGES

The following table summarizes the after-tax non-cash charges recorded in connection with recently adopted accounting standards:

	Years ended December 31	
	2003	2002
	(In thousands)	
SFAS No. 143 — Asset retirement obligations	**$(1,169)**	—
FIN 46 — Variable interest entities (See Note 1)	**(2,954)**	—
SFAS No. 142 — Goodwill and other intangible assets (See Note 1)	**—**	(18,899)
Cumulative effect of changes in accounting principles	**$(4,123)**	(18,899)

SFAS No. 143, “Accounting for Asset Retirement Obligations,” which addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs, was adopted by Ryder on January 1, 2003. SFAS No. 143 requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made and that the associated asset retirement costs be capitalized as part of the carrying amount of the long-lived asset. The cumulative effect adjustment recognized upon adoption of this standard was $1 million on an after-tax basis, or $0.02 per diluted share, consisting primarily of costs associated with the retirement of certain components of revenue earning equipment. Adoption of this standard would not have had a material impact on our results of operations or financial condition for each of the earlier periods presented.

During 2001, Ryder did not record any cumulative effect charge in connection with the adoption of accounting standards.

3. ACQUISITIONS

On December 31, 2003, Ryder completed an asset purchase agreement with General Car and Truck Leasing System, Inc. (General) under which we acquired General’s fleet of over 4,200 vehicles, 15 service locations and more than 700 customers. The combined Ryder/General network will operate under Ryder’s name and will allow us to leverage our existing U.S. infrastructure in key markets while adding new infrastructure to strengthen our presence in targeted areas of the Midwest and Southeast. The purchase price, which is subject to post closing adjustments, was allocated to the net assets acquired based on their fair values. As of December 31, 2003, approximately $95 million of the purchase price had been paid with the remaining amount expected to be paid in 2004 and 2005, subject to holdback provisions set forth in the agreement.

The initial recording of the transaction was based on preliminary valuation assessments and is subject to change. The estimated fair value of assets acquired, net was as follows:

	December 31, 2003
	(In thousands)
Assets:	
Revenue earning equipment	**$ 98,236**
Operating property and equipment	**6,646**
Customer relationship intangibles	**2,330**
Other assets	**1,709**
Total assets	**108,921**
Liabilities:	
Asset retirement obligations	**(133)**
Purchase price	**$108,788**

During November 2003, Ryder also acquired substantially all of the assets of Vertex Services, LLC (Vertex), an environmental services firm providing fuel storage tank management services for approximately $2 million in cash. Vertex's operating results from November 15, 2003 (the closing date) to December 31, 2003 have been included in our consolidated results. Pro forma results of operations have not been presented because the effects of these acquisitions were not significant. No acquisitions were completed in 2002 and 2001.

4. RESTRUCTURING AND OTHER (RECOVERIES) CHARGES, NET

The components of restructuring and other (recoveries) charges, net in 2003, 2002 and 2001 were as follows:

	Years ended December 31		
	2003	2002	2001
	(In thousands)		
Restructuring charges (recoveries), net:			
Severance and employee-related costs	**$ 4,902**	5,198	30,438
Facilities and related costs	**(8)**	106	6,261
	4,894	5,304	36,699
Other (recoveries) charges:			
Asset write-downs	**(1,182)**	(285)	40,046
Goodwill impairment	**—**	—	24,425
Strategic consulting fees	**—**	(64)	8,586
Loss on sale of business	**—**	—	3,512
Contract termination costs	**—**	(219)	8,345
Insurance reserves — sold business	**(42)**	(520)	(2,920)
Gain on sale of corporate aircraft	**—**	—	(2,129)
Settlement of commercial dispute	**(3,900)**	—	—
Total	**$ (230)**	4,216	116,564

Allocation of restructuring and other (recoveries) charges, net across business segments in 2003, 2002 and 2001 is as follows:

	Years ended December 31		
	2003	2002	2001
	(In thousands)		
Fleet Management Solutions	**$ (961)**	(177)	48,930
Supply Chain Solutions	**536**	5,137	61,246
Dedicated Contract Carriage	**(311)**	243	1,370
Central Support Services	**506**	(987)	5,018
Total	**$ (230)**	4,216	116,564

2003 Activity

During 2003, Ryder approved a plan to eliminate approximately 140 positions as a result of on-going cost management and process improvement actions in Ryder's FMS and SCS business segments and Central Support Services. The charge related to these actions included severance and employee-related costs totaling $6 million. While many of these employees had not been terminated as of December 31, 2003, such actions will be finalized by March 31, 2004. We expect pre-tax cost savings of approximately $11 million annually in salaries and employee-related costs as a result of these cost management activities. Also during 2003, we reversed severance and employee-related costs totaling $1 million that had been recorded in prior restructurings due to refinements in estimates.

Other recoveries during 2003 principally include a settlement of a commercial dispute pertaining to prior billings with an information technology vendor and gains on sales of owned facilities identified for closure in prior restructuring charges.

2002 Activity

During the fourth quarter of 2002, Ryder approved a plan to eliminate approximately 140 positions as a result of cost management actions principally in our SCS business segment and Central Support Services, which were substantially finalized as of December 31, 2002. The charge related to these actions included severance and employee-related costs totaling $7 million. Our estimate of pre-tax cost savings in salaries and employee-related costs as a result of these cost management activities totaled approximately $14 million. During 2002, we reversed severance and employee-related costs totaling $2 million that had been recorded in prior restructuring charges due to refinements in the estimates.

Other recoveries during 2002 include net gains (recoveries) on sale of owned facilities identified for closure in prior restructuring charges, the reversal of contract termination costs recognized in 2001 resulting from refinements in estimates and the final settlement of insurance reserves attributed to a previously sold business.

2001 Activity

In late 2000, we communicated to our employees planned strategic initiatives designed to reduce costs, improve the earnings power of our business and streamline our structure. As part of these initiatives, we reviewed employee functions and staffing levels to eliminate redundant work or otherwise restructure work in a manner that led to a workforce reduction. The process resulted in terminations of over 1,400 employees during 2001, which were substantially finalized as of December 31, 2002. Severance and employee-related costs of $30 million, net of $2 million in recoveries of prior year charges, in 2001 included termination benefits to employees whose jobs were eliminated as part of this review. During the third quarter of 2001, we initiated the shutdown of Systemcare, Ryder's shared user home delivery network in the U.K. The shutdown was initiated as a result of our review of future prospects for the operation in light of historical and anticipated operating losses. The shutdown was completed after meeting contractual obligations to current customers, which extended to December 31, 2002. The severance and employee-related charge included $3 million incurred as part of the Systemcare shutdown.

During 2001, we identified 55 facilities in the U.S. and in other countries to be closed in order to improve profitability. Facilities and related costs of $6 million in 2001 represent contractual lease obligations for closed facilities.

Additionally, during 2001 we recorded various other charges which are summarized as follows:

Asset write-downs: Asset write-downs of $40 million were recorded during 2001 and are described below:

- In 2001, Ryder cancelled an information technology project in the FMS business segment. In connection with the cancellation, we recorded a non-cash charge of $22 million for the write-down of software licenses acquired for the project that could not be resold or redeployed and software development costs and assets related to the project that had no future economic benefit.

- In 1997, Ryder entered into an Information Technology Services Agreement (ITSA) with Accenture LLP (Accenture) under which we outsourced many of our information technology needs that were previously provided by Ryder employees. Under the terms of the ITSA, Ryder prepaid for a number of services to be provided over the 10-year term of the agreement expiring in 2007. Under the terms of the agreement, Ryder was also obligated to pay certain termination costs to Accenture in the event the ITSA was terminated by Ryder prior to the expiration date.

  As part of restructuring initiatives in 2001, we approved and committed Ryder to in-source services provided by Accenture under the ITSA. In December 2001, Ryder and Accenture entered into a written agreement to transition certain IT services previously delivered by Accenture under contract to Ryder. Under this agreement, Ryder agreed to waive any right to reimbursement of approximately $3 million in unamortized prepaid expenses related to the ITSA.

- Strategic initiatives during 2001 also resulted in asset write-downs to fair value less cost to sell of approximately $4 million for facilities that were identified for closure and held for sale pursuant to the initiatives. At such time, Ryder had the ability to remove the facilities from operations upon identification of a buyer or receipt of an acceptable bid. Fair value was determined based on appraisals of these properties. Also, as part of the strategic initiatives, we wrote down investments in e-commerce assets of $3 million, including specialized property and equipment and software, that were terminated or abandoned during 2001 and for which the fair value of such investments was zero.

- Additionally, during 2001, an investment of $6 million in certain license agreements for supply chain management software was written down. The write-down consisted of the unamortized cost of licenses and related software development costs previously capitalized for which development was abandoned as a result of restructuring initiatives. Since the software licenses would no longer be used in the business nor could the licenses be resold, such licenses were valued at zero.

- Due to the decision to shut down the aforementioned Systemcare operations, we assessed the recoverability of Systemcare's long-lived assets held for use as described in Note 1 — "Summary of Significant Accounting Policies — Impairment of Long-Lived Assets." Assets of $2 million, consisting primarily of specialized vehicles to be disposed of after the shutdown of Systemcare's operations, were considered impaired and written down because estimated fair values were less than the carrying values of the assets. Fair values were determined based on internal valuations of similar assets.

Goodwill Impairment: We also identified certain operating units for which current circumstances indicated that the carrying amount of long-lived assets, in particular, goodwill, may not be recoverable. We assessed the recoverability of these long-lived assets and determined that the goodwill related to these operating units was not recoverable. See Note 1 — "Summary of Significant Accounting Policies — Goodwill and Other Intangible Assets" for Ryder's policy on impairment of goodwill and other intangible assets.

Impairment charges in 2001, all of which related to SCS operating units, are summarized as follows:

	(In thousands)
Systemcare - U.K. home delivery network	$10,602
Ryder Argentina	9,130
Ryder Brazil	3,706
Other	987
Total	$24,425

As part of the decision to shut down the aforementioned Systemcare operations, goodwill of $11 million was considered impaired and written down during 2001.

Goodwill impairment in Ryder Argentina was triggered by the significant adverse change in the business climate in Argentina in the fourth quarter of 2001 that led to a devaluation of the Argentine Peso, breakdowns in the Argentine banking system and repeated turnover in the country's leadership. These factors, combined with a history of operating losses and anticipated future operating losses, led to goodwill impairment. Goodwill of $9 million was considered impaired and was written down in December 2001.

During the fourth quarter of 2001, we reviewed goodwill associated with our remaining investment in Ryder Brazil for impairment. Subsequent to the sale of the contracts and related net assets associated with the disposal of our outbound auto-carriage business (Vehiculos) in Ryder Brazil discussed below, we made a significant effort to restructure the operations of Ryder Brazil. However, such restructuring was not sufficient to offset the impact of lost business, the impact of the Argentine economic crisis and the marginal historical and anticipated cash flows related to the remaining business. As a result of this analysis, goodwill of $4 million was considered impaired and was written down in December 2001.

Strategic consulting fees: Strategic consulting fees of $9 million were incurred during 2001 in relation to the aforementioned strategic initiatives. These consulting fees represented one-time costs of engaging consultants to assist with restructuring initiatives in 2001.

Loss on sale of business: During March 2001, Ryder sold Vehiculos in Ryder Brazil for $14 million and incurred a loss of $4 million on the sale of the business.

Contract termination costs: In connection with the agreement to in-source information technology services provided by Accenture, Ryder agreed to pay termination fees and certain demobilization costs of approximately $8 million. Also during 2001, we made a decision to terminate a long-term marketing arrangement to reduce marketing costs.

Insurance reserves — sold business: During 2001, we recognized $3 million in recoveries from an insurance settlement attributed to a business sold in 1989. The insurance recovery represents an adjustment to our indemnification reserve for favorable actuarial developments since the time of the sale.

Gain on sale of corporate aircraft: As a direct result of the 2001 restructuring and cost reduction initiatives, we decided to sell our corporate aircraft. Ryder sold the aircraft during the first quarter of 2001 and recorded a $2 million gain on the sale.

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The following tables present a roll-forward of the activity and balances of our restructuring reserve account for the years ended December 31, 2003 and 2002:

	December 31, 2002	2003		December 31, 2003
	Balance	Additions	Deductions	Balance
	(In thousands)			
Employee severance and benefits	$ 9,369	**5,832**	**8,536**	**6,665**
Facilities and related costs	3,275	**367**	**2,320**	**1,322**
Total	$12,644	**6,199**	**10,856**	**7,987**

	December 31, 2001	2002		December 31, 2002
	Balance	Additions	Deductions	Balance
	(In thousands)			
Employee severance and benefits	$14,050	7,198	11,879	9,369
Facilities and related costs	5,767	336	2,828	3,275
Total	$19,817	7,534	14,707	12,644

Additions in 2003 relate to liabilities for employee severance and benefits, as a result of the elimination of approximately 140 positions. While the majority of these employees had not been terminated as of December 31, 2003, such actions will be finalized by March 31, 2004. Additions in 2002 relate to liabilities for employee severance and benefits, all incurred in 2002. Deductions include cash payments of $10 million and $13 million and prior year charge reversals of $1 million and $2 million in 2003 and 2002, respectively. At December 31, 2003, outstanding restructuring obligations are generally required to be paid over the next year.

5. RECEIVABLES

	December 31	
	2003	2002
	(In thousands)	
Trade receivables	**$588,218**	586,803
Financing lease	**61,791**	61,459
Other	**121**	50
	650,130	648,312
Allowance	**(9,361)**	(8,003)
Total	**$640,769**	640,309

Ryder is a party to a trade receivables agreement pursuant to which Ryder Receivables Funding LLC (RRF LLC), a bankruptcy-remote special-purpose entity, can sell receivables to unrelated commercial entities with limited recourse on a revolving and uncommitted basis. This agreement expires in July 2004. Ryder sells certain trade receivables (the “Receivables”) in order to fund Ryder’s operations, particularly when the cost of such sales is cost effective compared with other means of funding, notably, commercial paper. RRF LLC, a consolidated subsidiary of Ryder, is a single-member limited liability corporation established in the state of Florida and represents a separate corporate entity whose separate existence is relied upon by third parties choosing to enter into transactions with RRF LLC.

Under the terms of a trade receivables agreement entered into between RRF LLC and certain unrelated commercial entities, RRF LLC may sell up to a maximum of $275 million of the Receivables, on a revolving basis, to these entities (the “Purchasers”). In June 2002, Ryder reduced the amount available for sale under the trade receivables facility from $375 million to $275 million as a result of decreased overall capital needs. Upon a sale, the Purchasers receive undivided percentage ownership interests in the Receivables sold. The Receivables

are sold at a loss, which approximates the Purchaser's financing cost of issuing its own commercial paper. Losses on Receivable sales and related program costs were $0.5 million in 2003, $2 million in 2002, and $9 million in 2001 and are included in "Miscellaneous income, net." The Purchaser's commercial paper is backed by its collective investment in pooled receivables purchased from multiple entities, including RRF LLC. Ryder is responsible for servicing the Receivables but has no retained interests in the Receivables.

The trade receivables agreement contains certain defined events, including a specified downgrade in any of Ryder's unsecured long-term public senior debt securities, which in the event of occurrence, would terminate any future sales under the trade receivables agreement. The Receivables are sold to the Purchasers with limited recourse for uncollectible receivables. RRF LLC records estimates of losses under the recourse provision, the amount of which is included in accrued expenses. At December 31, 2003 and 2002, no receivables were outstanding pursuant to this agreement and no amount of available recourse or recognized recourse obligation existed.

6. REVENUE EARNING EQUIPMENT

	December 31	
	2003	2002
	(In thousands)	
Full service lease	**$ 4,186,497**	3,111,870
Commercial rental	**1,333,525**	1,153,173
	5,520,022	4,265,043
Accumulated depreciation	**(2,473,982)**	(1,767,429)
Total (1)	**$ 3,046,040**	2,497,614

(1) Revenue earning equipment, net attributed to VIEs consolidated effective July 1, 2003 totaled approximately $344 million at December 31, 2003.

Revenue earning equipment leased under "full service lease" and "commercial rental" is differentiated exclusively by the service line in which the equipment is employed. Two core service offerings of Ryder's Fleet Management Solutions business segment are full service leasing and short-term commercial rental. Under a full service lease, Ryder provides customers with vehicles, maintenance, supplies (including fuel), ancillary services and related equipment necessary for operation, while our customers exercise control of the related vehicles over the lease term (generally three to ten years depending upon the nature of the equipment). We also provide short-term rentals (generally daily or weekly), which tend to be seasonal, to commercial customers to supplement their fleets during peak business periods. Approximately 45% of commercial rentals are to existing full service lease customers to supplement their fleets during peak periods or to substitute full service lease units not yet delivered or temporarily out of service.

7. OPERATING PROPERTY AND EQUIPMENT

	December 31	
	2003	2002
	(In thousands)	
Land	**$ 107,770**	106,367
Buildings and improvements	**603,610**	588,283
Machinery and equipment	**477,145**	498,308
Other	**56,800**	65,094
	1,245,325	1,258,052
Accumulated depreciation	**(738,427)**	(727,175)
Total	**$ 506,898**	530,877

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8. DIRECT FINANCING LEASES AND OTHER ASSETS

	December 31	
	2003	2002
	(In thousands)	
Direct financing leases, net	**$344,091**	373,252
Cash reserve deposit/vehicle securitization credit enhancement	**24,267**	59,938
Investments held in Rabbi Trust	**18,239**	29,816
Swap and cap agreements	**14,431**	24,789
Deferred charges	**8,182**	9,248
Other	**31,761**	43,965
Total	**$440,971**	541,008

9. GOODWILL AND OTHER INTANGIBLE ASSETS

	December 31	
	2003	2002
	(In thousands)	
Unamortizable intangible assets:		
Goodwill	**$155,628**	151,470
Trade name	**8,686**	8,686
Pension intangible	**10,950**	13,156
	175,264	173,312
Amortizable intangible assets:		
Customer relationships	**2,330**	—
Total	**$177,594**	173,312

The Ryder trade name has been identified as having an indefinite useful life. In 2003, we completed our annual impairment test of goodwill and indefinite-lived intangibles and determined that there was no impairment.

The carrying amount of goodwill attributable to each reportable business segment with changes therein was as follows:

	Fleet Management Solutions	Supply Chain Solutions	Dedicated Contract Carriage	Total
	(In thousands)			
Balance as of December 31, 2002	$123,570	23,000	4,900	151,470
Acquisitions	**1,550**	—	—	**1,550**
Currency translation adjustment	**1,198**	**1,410**	—	**2,608**
Balance as of December 31, 2003	**$126,318**	**24,410**	**4,900**	**155,628**

10. ACCRUED EXPENSES AND OTHER NON-CURRENT LIABILITIES

	December 31	
	2003	2002
	(In thousands)	
Salaries and wages	**$ 60,869**	68,446
Pension benefits	**159,442**	217,942
Deferred compensation	**23,230**	19,166
Postretirement benefits other than pensions	**36,115**	36,672
Employee benefits	**17,229**	15,845
Self-insurance reserves	**258,299**	241,350
Reserve for residual value guarantees	**10,534**	27,770
Vehicle rent and related accruals	**14,845**	56,853
Environmental liabilities	**15,379**	12,439
Operating taxes	**83,315**	73,461
Income taxes	**122,698**	120,408
Restructuring	**7,987**	12,644
Interest	**18,480**	15,329
Cross-currency swap	**8,614**	2,340
Other	**87,858**	89,626
	924,894	1,010,291
Non-current portion	**(516,953)**	(587,585)
Accrued expenses	**$ 407,941**	422,706

11. LEASES

Operating Leases as Lessor

One of Ryder's major product lines is full service leasing of commercial trucks, tractors and trailers. These lease agreements provide for a fixed time charge plus a fixed per-mile charge. A portion of these charges is often adjusted in accordance with changes in the Consumer Price Index.

Direct Financing Leases

Ryder leases revenue earning equipment to customers as direct financing leases. The net investment in direct financing leases consisted of:

	December 31	
	2003	2002
	(In thousands)	
Minimum lease payments receivable	**$ 687,587**	745,327
Executory costs and unearned income	**(360,547)**	(392,975)
Unguaranteed residuals	**78,842**	82,359
Net investment in direct financing leases	**405,882**	434,711
Current portion	**(61,791)**	(61,459)
Non-current portion	**$ 344,091**	373,252

Operating Leases as Lessee

Ryder leases vehicles, facilities and office equipment under operating lease agreements. The majority of these agreements are vehicle leases which specify that rental payments be adjusted periodically based on changes in interest rates and provide for early termination at stipulated values.

We did not enter into any sale-leaseback or securitization transactions during the years ended December 31, 2003 and 2002. Proceeds from a sale-leaseback transaction were $411 million in 2001. The sale-leaseback transaction in 2001 was a vehicle securitization transaction in which Ryder sold a beneficial interest in certain vehicles subject to leases to a separately rated vehicle lease trust and subsequently entered into a lease ("program lease") with the trust. The activities of the trust and related debt were originally afforded off-balance sheet treatment under existing accounting rules. This trust was consolidated effective July 1, 2003 with the adoption of FIN 46. A prospectus for the transaction is on file with the SEC. As part of the transaction, Ryder retained an interest in the vehicle lease trust in the form of subordinated notes issued at the date of the sale. Ryder has provided credit enhancement for the sale in the form of a one-time up front cash reserve deposit and a pledge of the subordinated notes, including interest thereon, as additional security for the vehicle securitization trusts to the extent that delinquencies and losses on the truck leases and related vehicle sales are incurred. The trust relies on collections from the program lease, sales proceeds from the disposition of such vehicles and credit enhancements to make payments to investors. The trust is solely liable for such payments to investors, who are all independent of Ryder. Other than the credit enhancement noted above, Ryder does not guarantee investors' interests in the securitization trust. Ryder has executed other similar vehicle securitization transactions in previous years.

Certain leases contain purchase and/or renewal options, as well as limited guarantees for a portion of the lessor's residual value. The amount of residual value guarantees expected to be paid is recognized as rent expense over the expected remaining term of the lease. Facts and circumstances that impact management's estimates of residual value guarantees include the market for used equipment, the condition of the equipment at the end of the lease and inherent limitations in the estimation process. See Note 15 — "Guarantees" for additional information.

The following table presents the activity of the reserve for residual value guarantees for the years ended December 31, 2003, 2002 and 2001:

	Beginning Balance	Additions	Deductions	Ending Balance
	(In thousands)			
2003	**$27,770**	**10,532**	**27,768**	**10,534**
2002	$44,095	22,060	38,385	27,770
2001	$55,098	41,415	52,418	44,095

2003 Activity:

The overall decline in the reserve activity reflects the decrease in the number of vehicles held under operating leases during 2003 as compared with earlier years. Additionally, improved vehicle market prices in 2003 resulted in higher estimates of vehicle residual values than previously anticipated. During 2003, the number of vehicles held under lease declined 72% in comparison to 2002.

2002 Activity:

The overall decline in the reserve activity reflects the decrease in the number of vehicles held under operating leases during 2002 as compared with 2001. Additionally, improved vehicle market prices in 2002 resulted in higher estimates of vehicle residual values than previously anticipated. During 2002, the number of vehicles held under lease declined 30% in comparison to 2001.

2001 Activity:

Vehicle market prices declined further in 2001, which resulted in additional reductions to Ryder's estimates of residual values. The significant amount of reserve deductions was directly attributed to the increased activity of vehicle sales and lease terminations during the year as a result of the increase in the number of vehicles held under operating leases in 2000.

During 2003, 2002 and 2001, rent expense (including rent of facilities included in operating expense, but excluding contingent rentals) was $194 million, $235 million and $304 million, respectively. Contingent rentals on securitized vehicles were $52 million in 2003, $114 million in 2002 and $124 million in 2001. Contingent rentals on all other leased vehicles were $3 million in 2003, $22 million in 2002 and $41 million in 2001.

Lease Payments

Future minimum payments for leases in effect at December 31, 2003 were as follows:

	As Lessor (1)		As Lessee
	Operating Leases	Direct Financing Leases	Operating Leases
	(In thousands)		
2004	$ 979,685	143,957	137,698
2005	769,601	130,466	90,416
2006	506,341	113,374	59,186
2007	300,694	97,287	43,178
2008	173,191	78,030	19,940
Thereafter	114,380	124,473	43,069
Total	$2,843,892	687,587	393,487

(1) Amounts do not include contingent rentals, which may be received under certain leases on the basis of miles of use or changes in the Consumer Price Index. Contingent rentals from operating leases included in income during 2003, 2002 and 2001 were $264 million, $267 million and $259 million, respectively. Contingent rentals from direct financing leases included in income during 2003, 2002 and 2001 were $30 million, $30 million and $29 million, respectively.

The amounts in the previous table are based upon the assumption that revenue earning equipment will remain on lease for the length of time specified by the respective lease agreements. The future minimum payments presented above are not a projection of future lease revenue or expense; no effect has been given to renewals, new business, cancellations, contingent rentals or future rate changes. Sublease rentals from equipment under operating leases as lessee, are included within rental payments for operating leases as lessor.

12. INCOME TAXES

The components of earnings before income taxes and the provision for income taxes were as follows:

	Years ended December 31		
	2003	2002	2001
	(In thousands)		
Earnings before income taxes:			
United States	**$155,376**	125,616	27,332
Foreign	**57,099**	50,267	3,374
Total	**$212,475**	175,883	30,706

	Years ended December 31		
	2003	2002	2001
	(In thousands)		
Current tax expense (benefit):			
Federal	**$ —**	(2,614)	—
State	**4,039**	321	132
Foreign	**21,410**	12,996	13,785
	25,449	10,703	13,917
Deferred tax expense (benefit):			
Federal	**45,230**	37,017	3,737
State	**6,564**	13,796	5,849
Foreign	**(327)**	1,802	(11,475)
	51,467	52,615	(1,889)
Provision for income taxes	**$76,916**	63,318	12,028

A reconciliation of the Federal statutory tax rate with the effective tax rate follows:

	Years ended December 31		
	2003	2002	2001
	(Percentage of pre-tax income)		
Federal statutory tax rate	**35.0**	35.0	35.0
Impact on deferred taxes for changes in tax rates	**0.7**	—	(34.8)
State income taxes, net of federal income tax benefit	**3.2**	5.2	12.7
Amortization of goodwill	**—**	—	10.6
Restructuring and other charges, net	**—**	(0.1)	28.1
Miscellaneous items, net	**(2.7)**	(4.1)	(12.4)
Effective tax rate	**36.2**	36.0	39.2

The higher 2001 effective tax rate and magnitude of reconciling items is primarily due to the effects of changes in foreign tax rates, non-deductible foreign charges included in “Restructuring and other (recoveries) charges, net” and the relatively low level of income before income taxes compared with such items. In June 2001, legislation was enacted in Canada that prospectively reduced income tax rates applicable to Ryder’s Canadian operations. This resulted in a one-time reduction in Ryder’s related deferred taxes of $7 million, which partially offset the increase in the effective tax rate in 2001.

The components of the net deferred income tax liability were as follows:

	December 31	
	2003	2002
	(In thousands)	
Deferred income tax assets:		
Self-insurance reserves	**$ 72,565**	72,575
Net operating loss carryforwards	**177,289**	208,251
Alternative minimum taxes	**30,905**	30,905
Accrued compensation and benefits	**31,603**	30,110
Lease accruals and reserves	**12,428**	18,342
Pension benefits	**58,897**	79,589
Miscellaneous other accruals	**45,992**	46,340
	429,679	486,112
Valuation allowance	**(10,331)**	(14,392)
	419,348	471,720
Deferred income tax liabilities:		
Property and equipment bases difference	**(1,280,002)**	(1,250,669)
Other items	**(31,640)**	(30,214)
	(1,311,642)	(1,280,883)
Net deferred income tax liability [(1)]	**$ (892,294)**	(809,163)

(1) Deferred tax assets of $1 million and $11 million have been included in "Prepaid expenses and other current assets" at December 31, 2003 and 2002, respectively.

Deferred taxes have not been provided on temporary differences related to our investments in foreign subsidiaries that are considered permanent in duration. These temporary differences consist primarily of undistributed foreign earnings of $226 million at December 31, 2003. A full foreign tax provision has been made on these undistributed foreign earnings. Determination of the amount of deferred taxes on these temporary differences is not practicable due to foreign tax credits and exclusions.

Ryder had net operating loss carryforwards (tax effected) for federal and state income tax purposes of $177 million at December 31, 2003, expiring through 2023. We expect to utilize these carryforwards before their expiration dates. Ryder had unused alternative minimum tax credits, for tax purposes, of $31 million at December 31, 2003 available to reduce future income tax liabilities. The alternative minimum tax credits may be carried forward indefinitely. A valuation allowance has been established to reduce deferred income tax assets, principally foreign tax loss carryforwards to amounts expected to be realized.

Income taxes paid (refunded) totaled $27 million in 2003, $15 million in 2002 and $(12) million in 2001, including amounts related to both continuing and discontinued operations.

The Internal Revenue Service (IRS) has closed audits of our federal income tax returns through fiscal year 1994. The audit of our federal income tax returns for 1995 through 1997 is currently in the appeals process with the IRS. Management believes that the ultimate outcome of the audit will not result in a material impact on our consolidated results of operations or financial position. In 2003, the IRS began auditing our federal income tax returns for 1998 through 2000. In the normal course of business, we are subject to challenges from the IRS and other tax authorities regarding amounts of taxes due. These challenges may alter the timing or amount of taxable income or deductions, or the allocation of income among tax jurisdictions. The amount ultimately paid upon resolution of issues raised may differ materially from the amount accrued. Management believes that taxes accrued on the consolidated balance sheet fairly represent the amount of future tax liability due by Ryder.

13. DEBT

	December 31	
	2003	2002
	(In thousands)	
U.S. commercial paper	**$ 115,000**	117,500
Unsecured U.S. notes:		
Debentures, 6.50% to 9.88%, due 2005 to 2017	**325,810**	325,749
Medium-term notes, 4.00% to 8.10%, due 2004 to 2025	**732,034**	727,000
Unsecured foreign obligations (principally pound sterling), 1.38% to 15.50%, due 2004 to 2007	**197,594**	229,032
Asset-backed securities, 5.81% to 7.70%, due 2005 to 2012 [(1)]	**294,991**	—
Other debt, including capital leases	**136,180**	127,898
Total debt before interest rate swaps	**1,801,609**	1,527,179
Fair market value adjustment on notes subject to hedging [(2)]	**14,291**	24,289
Total debt	**1,815,900**	1,551,468
Current portion	**(366,411)**	(162,369)
Long-term debt	**$1,449,489**	1,389,099

(1) The asset-backed securities represent outstanding debt of consolidated securitization trusts deemed VIEs. The asset-backed securities are collateralized by cash reserve deposits (included in "Direct financing leases and other assets") and revenue earning equipment of the securitization trusts totaling $350 million as of December 31, 2003.

(2) Fair market value of executed interest rate swaps totaling $322 million designated as fair value hedges.

Debt maturities (including sinking fund requirements) during the five years subsequent to December 31, 2003 are as follows:

	Debt Maturities
	(In thousands)
2004	$366,411
2005	327,407
2006	409,100
2007	257,372
2008	117,226

Ryder can borrow up to $860 million through a global revolving credit facility with a syndicate of lenders. The facility is composed of $300 million, which matures in May 2004 and is renewable annually and $560 million, which matures in May 2006. The primary purposes of the credit facility are to finance working capital and provide support for the issuance of commercial paper. At Ryder's option, the interest rate on borrowings under the credit facility is based on LIBOR, prime, federal funds or local equivalent rates. The credit facility's annual facility fee ranges from 12.5 to 15.0 basis points applied to the total facility of $860 million based on Ryder's current credit ratings. At December 31, 2003, $701 million was available under this global revolving credit facility. Of this amount, $300 million was available at a maturity of less than one year. Foreign borrowings of $44 million were outstanding under the facility at December 31, 2003. In order to maintain availability of funding, the global revolving credit facility requires Ryder to maintain a ratio of debt to consolidated tangible net worth, as defined, of less than or equal to 300%. The ratio at December 31, 2003 was 120%.

The weighted-average interest rates for outstanding U.S. commercial paper at December 31, 2003 and 2002 were 1.22% and 1.69%, respectively. U.S. commercial paper is classified as long-term debt since it is backed by the long-term revolving credit facility previously discussed.

During both 2003 and 2002, Ryder added capital lease obligations of $67 million in connection with the extension of existing operating leases of revenue earning equipment and other additions.

During 2003, Ryder filed a universal shelf registration statement with the Securities and Exchange Commission to issue up to $800 million of securities, including $107 million of available securities that were carried forward from an existing shelf registration statement. In October 2003, the universal shelf registration statement became effective and Ryder established an $800 million program for the issuance of debt securities. Proceeds from debt issuances under the universal shelf registration statement are expected to be used for capital expenditures, acquisitions, debt refinancings and general corporate purposes. As of December 31, 2003, Ryder had $800 million of debt securities available for issuance under the latest registration statement. Ryder had unamortized original issue discounts of $15 million and $16 million for the medium-term notes and debentures at December 31, 2003 and 2002, respectively.

At December 31, 2003 and 2002, Ryder had letters of credit outstanding totaling $162 million and $152 million, respectively, which primarily guarantee various insurance activities. See Note 15 — “Guarantees” for further discussion on outstanding letters of credit.

Interest paid totaled $94 million in 2003, $94 million in 2002 and $121 million in 2001.

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Interest Rate Risk

From time to time, we enter into interest rate swap and cap agreements to manage our fixed and variable interest rate exposure and to better match the repricing of debt instruments to that of our portfolio of assets. We assess the risk that changes in interest rates will have either on the fair value of debt obligations or on the amount of future interest payments by monitoring changes in interest rate exposures and by evaluating hedging opportunities. Ryder regularly monitors interest rate risk attributable to both Ryder’s outstanding or forecasted debt obligations as well as Ryder’s offsetting hedge positions. This risk management process involves the use of analytical techniques, including cash flow sensitivity analysis, to estimate the expected impact of changes in interest rates on Ryder’s future cash flows.

During 2002, Ryder entered into interest rate swap agreements designated as fair value hedges whereby we receive fixed interest rate payments in exchange for making variable interest rate payments. The differential to be paid or received is accrued and recognized as interest expense. At December 31, 2003, these interest rate swap agreements effectively changed $322 million of fixed rate debt instruments with a weighted-average fixed interest rate of 6.7% to LIBOR-based floating rate debt at a current weighted-average rate of 3.0%. The fair value of the interest rate swap agreements was classified in “Direct financing leases and other assets.” Changes in the fair value of the interest rate swaps are offset by changes in the fair value of the debt instruments and no net gain or loss is recognized in earnings. During 2003 and 2002, the (decrease) increase in the fair value of interest rate swaps totaled $(10) million and $24 million, respectively. These contracts mature from July 2004 to October 2007.

During 2002, Ryder also entered into two interest rate cap agreements covering a total notional amount of $160 million. These cap agreements mature in October and November of 2005. The interest rate cap agreements serve as an economic hedge against increases in interest rates and have not been designated as hedges for accounting purposes. The fair value of the interest rate cap agreements was classified in “Direct financing leases and other assets”. During 2003 and 2002, the decrease in the fair value of interest rate caps totaled approximately $0.4 million and $2 million, respectively and was reflected as interest expense.

During 2001, Ryder entered into an interest rate swap with a notional value of $22 million. The swap was accounted for as a cash flow hedge whereby we receive foreign variable interest payments in exchange for making fixed interest payments. The swap agreement matures in 2004. The fair value of the swap is recognized as an adjustment to accumulated other comprehensive loss. We expect that any amounts that will be reclassified to earnings from accumulated other comprehensive loss will be immaterial.

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We estimate the fair value of derivatives based on dealer quotations. For the years ended December 31, 2003 and 2002, there was no measured ineffectiveness in Ryder's designated hedging transactions.

Currency Risk

From time to time, we use forward exchange contracts and cross-currency swaps to manage our exposure to movements in foreign exchange rates. In November 2002, Ryder entered into a five-year $78 million cross-currency swap to hedge our investment in a foreign subsidiary. The hedge is effective in eliminating the risk of foreign currency movements on the investment and as such, it is accounted for under the net investment hedging rules. For the years ended December 31, 2003 and 2002, losses of $6 million and $2 million, respectively, attributed to the cross-currency swaps have been reflected in the currency translation adjustment account within "Accumulated other comprehensive loss."

Fair Value

The following table represents the carrying amounts and estimated fair values of certain of Ryder's financial instruments at December 31, 2003 and 2002. The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties (fair values were based on dealer quotations that represent the discounted future cash flows through maturity or expiration using current rates):

	December 31			
	2003		2002	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
	(In thousands)			
Assets:				
Interest rate swaps	**$ 14,291**	**14,291**	24,289	24,289
Interest rate caps	**140**	**140**	500	500
Liabilities:				
Total debt [1]	**1,736,763**	**1,834,820**	1,480,703	1,565,663
Cross-currency swap	**8,614**	**8,614**	2,340	2,340

(1) The carrying amount of total debt excludes capital leases of $79 million and $71 million as of December 31, 2003 and 2002, respectively.

The carrying amounts of all other instruments approximated fair value as of December 31, 2003 and 2002.

15. GUARANTEES

In the ordinary course of business, Ryder provides certain guarantees or indemnifications to third parties as part of certain lease, financing and sales agreements. Certain guarantees and indemnifications, whereby Ryder may be contingently required to make a payment to a third-party, are required to be disclosed even if the likelihood of payment is considered remote. Ryder's financial guarantees as of December 31, 2003 consisted of the following:

Guarantee	Maximum Exposure of Guarantee	Carrying Amount of Liability
	(In thousands)	
Vehicle residual value guarantees:		
Sale and leaseback arrangements - end of term guarantees [1]	$25,283	3,433
Finance lease program	3,797	1,294
Used vehicle financing	4,780	1,892
Standby letters of credit	14,335	—
Total	$48,195	6,619

(1) Amounts exclude contingent rentals associated with residual value guarantees on certain vehicles held under operating leases for which the guarantees are conditional upon early termination of the lease agreement as a result of a vehicle disposal. Ryder's maximum exposure for early lease termination guarantees was approximately $203 million, with $7 million recorded as a liability at December 31, 2003.

As more fully described in Note 11 – “Leases,” Ryder has entered into transactions for the sale and operating leaseback of revenue earning equipment. The transactions resulted in Ryder providing the lessors with residual value guarantees at the end of the lease term. Therefore, to the extent that the sales proceeds from the final disposition of the vehicles are lower than the residual value guarantees, Ryder is required to make payment for the remaining amount. Ryder’s maximum exposure for such guarantees was approximately $25 million, with $3 million recorded as a liability at December 31, 2003.

Ryder provides vehicle residual value guarantees to an independent third-party relating to a now-terminated customer finance lease program. To the extent that the sales proceeds from the final disposition of the assets are lower than the residual value guarantee, Ryder is required to make payment for the remaining amount. At December 31, 2003, our maximum exposure under this program was approximately $4 million, of which $1 million was recorded. This finance lease program was replaced with a new program in 2003, where we no longer provide any form of residual value guarantee.

Ryder maintains agreements with independent third-parties for the financing of used vehicle purchases by customers. The agreements require that Ryder provide financial guarantees on defaulted customer contracts up to a maximum exposure amount. At December 31, 2003, our maximum exposure to loss under these programs was approximately $5 million, of which $2 million was recorded.

At December 31, 2003, Ryder had outstanding letters of credit that primarily guarantee various insurance activities. Certain of these letters of credit guarantee insurance activities associated with insurance claim liabilities transferred in conjunction with the sale of certain businesses reported as discontinued operations in previous years. To date, the insurance claims, representing per claim deductibles payable under third-party insurance policies, have been paid by the companies that assumed such liabilities. However, if all or a portion of the assumed claims of approximately $14 million are unable to be paid, the third-party insurers may have recourse against certain of the outstanding letters of credit provided to us in order to satisfy the unpaid claim deductibles. In 2003, Ryder resolved several long-standing matters with the purchaser of the businesses referred to above, which did not impact the 2003 results. Under the terms of the settlement agreement, we obtained letters of credit in our favor for the assumed claims of $4 million, thus reducing our potential exposure to these claims. We will receive an additional letter of credit in the amount of $1 million each quarter through the third quarter of 2005. At such time, and periodically thereafter, an actuarial valuation will be made to determine the remaining amount of the insurance claim liabilities and the letters of credit issued in our favor will be adjusted accordingly.

16. SHAREHOLDERS’ EQUITY

In March 1996, Ryder granted its shareholders Preferred Stock Purchase Rights (Rights), which were to expire on March 18, 2006. The Rights contained provisions to protect shareholders from an unsolicited attempt to acquire Ryder that the Board of Directors did not believe to be in the best interest of Ryder’s shareholders. The Rights were subject to anti-dilution provisions and were not exercisable, transferable or exchangeable apart from the common stock until the occurrence of certain events. The Rights entitled the holder to purchase common stock of Ryder (or the surviving corporation) at a discount from market price. The Rights had no voting rights and were redeemable, at Ryder’s option, at a price of $0.01 per Right.

On December 26, 2003, Ryder’s Board of Directors approved and adopted an amendment to its shareholder rights plan. Under the terms of the amendment, the Rights expired at the close of business on December 31, 2003, rather than on March 18, 2006, effectively terminating the shareholder rights plan.

17. EMPLOYEE STOCK OPTION AND STOCK PURCHASE PLANS

Option Plans

Ryder sponsors various stock option and incentive plans which provide for the granting of options to employees and directors for purchase of common stock at prices equal to fair market value at the time of grant. Options granted under all plans are for terms not exceeding 10 years and are exercisable cumulatively 20% to 50% each year based on the terms of the grant.

Key employee plans also provide for the issuance of stock appreciation rights, limited stock appreciation rights, restricted stock or stock units at no cost to the employee. The value of restricted stock, equal to the fair market value at the time of grant, is recorded in shareholders' equity as deferred compensation and recognized as compensation expense as the restricted stock vests over the periods established for each grant. In 2003, 2002 and 2001, Ryder granted 72,350, 7,000 and 167,575 shares of restricted stock at a weighted-average grant date fair value of $23.69, $26.83 and $20.62, respectively. Amortization of restricted stock totaled approximately $1 million in 2003, 2002 and 2001. Awards under a non-employee director plan may also be granted in tandem with restricted stock units at no cost to the grantee; 6,297, 4,491 and 3,502 restricted stock units were granted under the non-employee director plan in 2003, 2002 and 2001, respectively. This compensation expense was not significant in 2003, 2002 or 2001. Outstanding restricted stock and the weighted-average grant date fair value of outstanding restricted stock as of December 31, 2003 was 276,924 shares and $21.14 per share, respectively.

The following table summarizes the status of our stock option plans:

	2003		2002		2001	
	Shares	**Weighted-Average Exercise Price**	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price
			(Shares in thousands)			
Beginning of year	**8,619**	**$25.18**	8,914	$24.43	8,772	$24.76
Granted	**1,150**	**22.39**	1,292	26.91	849	20.45
Exercised	**(1,700)**	**22.25**	(1,342)	21.92	(233)	17.32
Forfeited	**(1,264)**	**25.07**	(245)	24.88	(474)	26.80
End of year	**6,805**	**$25.46**	8,619	$25.18	8,914	$24.43
Exercisable at end of year	**4,576**	**$26.40**	5,576	$26.55	5,007	$27.01
Available for future grant	**4,481**	**N/A**	4,160	N/A	5,151	N/A

Information about options in various price ranges at December 31, 2003 follows:

	Options Outstanding			**Options Exercisable**	
Price Ranges	Shares	Remaining Life (in years)	Weighted-Average Price	Shares	Weighted-Average Price
			(Shares in thousands)		
$10.00-20.00	845	6.4	$17.78	818	$17.73
20.00-25.00	1,975	5.8	21.80	518	21.68
25.00-30.00	3,102	4.0	27.12	2,357	27.16
30.00-38.00	883	3.5	35.19	883	35.19
Total	6,805	4.8	$25.46	4,576	$26.40

Purchase Plans

The Employee Stock Purchase Plan provides for periodic offerings to substantially all U.S. and Canadian employees to subscribe to purchase shares of Ryder's common stock at 85% of the fair market value of the stock on either the date of offering or the last day of the purchase period, whichever is less. The stock purchase plan currently in effect provides for quarterly purchase periods. The U.K. Share Investment Plan provides for periodic offerings to substantially all U.K. employees to subscribe to shares of Ryder's common stock at the fair market value on the date of the offering.

The following table summarizes the status of Ryder's stock purchase plans:

	2003		2002		2001	
	Shares	**Weighted-Average Exercise Price**	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price
	(Shares in thousands)					
Beginning of year	**—**	**$ —**	40	$30.28	63	$26.81
Granted	**547**	**19.90**	436	20.53	413	15.44
Exercised	**(547)**	**19.90**	(436)	20.53	(413)	15.44
Forfeited	**—**	**—**	(40)	30.28	(23)	20.66
End of year	**—**	**$ —**	—	$ —	40	$30.28
Exercisable at end of year	**—**	**N/A**	—	N/A	—	N/A
Available for future grant	**733**	**N/A**	1,280	N/A	1,676	N/A

The following table sets forth the assumptions used in Ryder's valuation of stock option grants for pro forma disclosures of stock-based compensation determined under the fair value method of accounting:

	Years ended December 31		
	2003	2002	2001
Dividend yield	**1.7%**	2.7%	2.7%
Expected volatility	**29.7%**	29.6%	27.0%
Option plans:			
Risk-free interest rate	**3.3%**	4.7%	4.9%
Weighted-average expected life	**6 years**	6 years	7 years
Weighted-average grant-date fair value per option	**$ 5.74**	$ 7.52	$ 5.69
Purchase plans:			
Risk-free interest rate	**1.2%**	2.0%	3.3%
Weighted-average expected life	**.25 year**	.25 year	.25 year
Weighted-average grant-date fair value per option	**$ 4.75**	$ 5.09	$ 3.65

18. EARNINGS PER SHARE INFORMATION

A reconciliation of the number of shares used in computing basic and diluted EPS follows:

	Years ended December 31		
	2003	2002	2001
	(In thousands)		
Weighted-average shares outstanding — Basic	**62,954**	61,571	60,083
Effect of dilutive options and unvested restricted stock	**917**	1,016	582
Weighted-average shares outstanding — Diluted	**63,871**	62,587	60,665
Anti-dilutive options not included above	**3,231**	4,368	6,793

19. EMPLOYEE BENEFIT PLANS

Pension Plans

Ryder sponsors several defined benefit pension plans covering most employees not covered by union-administered plans, including certain employees in foreign countries. These plans generally provide participants with benefits based on years of service and career-average compensation levels. The funding policy for these plans is to make contributions based on annual service costs plus amortization of unfunded past service liability but not greater than the maximum allowable contribution deductible for Federal income tax purposes. The majority of the plans' assets are invested in a master trust which, in turn, is primarily invested in listed stocks and bonds. Ryder also contributed to various defined benefit, union-administered and multi-employer plans for employees under collective bargaining agreements.

Pension expense (income) was as follows:

	Years ended December 31		
	2003	2002	2001
	(In thousands)		
Company-administered plans:			
Service cost	**$ 34,141**	29,196	26,248
Interest cost	**66,687**	60,330	58,306
Expected return on plan assets	**(64,250)**	(75,731)	(91,248)
Amortization of transition asset	**(26)**	(24)	(23)
Recognized net actuarial loss	**39,943**	9,508	514
Amortization of prior service cost	**2,276**	2,276	2,508
	78,771	25,555	(3,695)
Union-administered plans	**3,677**	3,384	2,912
Net pension expense (income)	**$ 82,448**	28,939	(783)
Company-administered plans:			
U.S.	**$ 61,941**	13,447	(11,750)
Non-U.S.	**16,830**	12,108	8,055
	78,771	25,555	(3,695)
Union-administered plans	**3,677**	3,384	2,912
	$ 82,448	28,939	(783)

The following table sets forth the weighted-average actuarial assumptions used for Ryder's pension plans in determining annual pension expense:

	U.S. Plans January 1			Non-U.S. Plans January 1		
	2003	2002	2001	**2003**	2002	2001
Discount rate	**6.50%**	7.00%	7.50%	**5.68%**	5.64%	5.69%
Rate of increase in compensation levels	**5.00%**	5.00%	5.00%	**3.50%**	3.50%	3.50%
Expected long-term rate of return on plan assets	**8.50%**	8.75%	9.25%	**8.40%**	8.40%	8.40%
Transition amortization in years	**9**	6	6	**8**	9	10
Gain and loss amortization in years	**9**	6	6	**8**	8	8

The return on plan assets reflects the weighted-average of the expected long-term rates of return for the broad categories of investments held in the plans. The expected long-term rate of return is adjusted when there are fundamental changes in expected returns in the plan assets.

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The following table sets forth the balance sheet impact, as well as the benefit obligations, assets and funded status associated with Ryder's pension plans:

	December 31	
	2003	2002
	(In thousands)	
Change in benefit obligations:		
Benefit obligations at January 1,	**$1,023,582**	922,010
Service cost	**34,141**	29,196
Interest cost	**66,687**	60,330
Actuarial loss	**99,793**	38,551
Benefits paid	**(41,956)**	(39,450)
Foreign currency exchange rate changes	**20,705**	12,945
Benefit obligations at December 31,	**1,202,952**	1,023,582
Change in plan assets:		
Fair value of plan assets at January 1,	**756,464**	881,803
Actual return on plan assets	**164,551**	(124,560)
Employer contribution	**67,768**	26,471
Plan participants' contributions	**2,685**	2,889
Benefits paid	**(41,956)**	(39,450)
Foreign currency exchange rate changes	**15,378**	9,311
Fair value of plan assets at December 31,	**964,890**	756,464
Funded status	**(238,062)**	(267,118)
Unrecognized transition asset	**(234)**	(237)
Unrecognized prior service cost	**10,950**	13,156
Unrecognized net actuarial loss	**369,226**	403,750
Net amount recognized	**$ 141,880**	149,551

Amounts recognized in the balance sheet consist of:

	December 31	
	2003	2002
	(In thousands)	
Accrued benefit liability (accrued expenses)	**$(159,442)**	(217,942)
Intangible assets	**10,950**	13,156
Accumulated other comprehensive loss (pre-tax)	**290,372**	354,337
Net amount recognized	**$ 141,880**	149,551

Information related to Ryder's pension plans with accumulated benefit obligations in excess of the fair value of plan assets is as follows:

	U.S. Plans December 31		Non-U.S. Plans December 31		Total December 31	
	2003	2002	**2003**	2002	**2003**	2002
	(In thousands)					
Projected benefit obligation	**$1,004,520**	866,233	**198,432**	157,349	**1,202,952**	1,023,582
Fair value of plan assets	**812,654**	651,538	**152,236**	104,926	**964,890**	756,464
Funded status	**$ (191,866)**	(214,695)	**(46,196)**	(52,423)	**(238,062)**	(267,118)
Accumulated benefit obligation	**$ 932,759**	824,735	**191,573**	149,261	**1,124,332**	973,996

Our annual measurement dates are December 31 for both U.S. and Non-U.S. pension plans. The following table sets forth the weighted-average actuarial assumptions used for Ryder's pension plans in determining funded status:

	U.S. Plans December 31		Non-U.S. Plans December 31	
	2003	2002	**2003**	2002
Discount rate	**6.00%**	6.50%	**5.61%**	5.68%
Rate of increase in compensation levels	**5.00%**	5.00%	**3.50%**	3.50%

The percentage of fair value of total assets by asset category and target allocations is as follows:

	U.S. Plans				Non-U.S. Plans			
	Actual December 31		Target		Actual December 31		Target	
	2003	2002	**2003**	2002	**2003**	2002	**2003**	2002
Asset category:								
Equity securities	**75%**	74%	**70%**	70%	**76%**	73%	**77%**	77%
Debt securities	**23%**	24%	**26%**	26%	**22%**	25%	**23%**	23%
Other	**2%**	2%	**4%**	4%	**2%**	2%	**0%**	0%
	100%	100%	**100%**	100%	**100%**	100%	**100%**	100%

Ryder's investment strategy for the pension plans is to maximize the long-term rate of return on plan assets within an acceptable level of risk in order to minimize the cost of providing pension benefits. The plans utilize several investment strategies, including actively managed equity and fixed income strategies and index funds. The investment policy establishes a target allocation for each asset class. Deviations between actual pension plan asset allocations and targeted asset allocations may occur as a result of investment performance during a month. Rebalancing of our pension plan asset portfolios occurs each month based on the prior month's ending balances.

Pension contributions for 2004 for Ryder's U.S. pension plans and non-U.S. pension plans are estimated to be $27 million and $14 million, respectively.

Savings Plans

Ryder also has defined contribution savings plans that are available to substantially all U.S. employees. Ryder's contributions to the plans, which are based on employee contributions and the level of Ryder performance, totaled $15 million in 2003, $13 million in 2002 and $14 million in 2001.

Supplemental Pension and Deferred Compensation Plans

Ryder has a non-qualified supplemental pension plan covering certain U.S. employees, which provides for incremental pension payments from Ryder’s funds so that total pension payments equal amounts that would have been payable from Ryder’s principal pension plans if it were not for limitations imposed by income tax regulations. The accrued pension expense liability related to this plan was $23 million and $19 million at December 31, 2003 and 2002, respectively.

Ryder also has deferred compensation plans that permit eligible U.S. employees, officers and directors to defer a portion of their compensation. The deferred compensation liability, including Ryder matching amounts and accumulated earnings, totaled $23 million and $19 million at December 31, 2003 and 2002, respectively.

Ryder has established grantor trusts (Rabbi Trusts) to provide funding for benefits payable under the supplemental pension plan, deferred compensation plans and long-term incentive plans. The assets held in the trusts at December 31, 2003 and 2002 amounted to $21 million and $32 million, respectively. The Rabbi Trusts’ assets consist of short-term cash investments and a managed portfolio of equity securities, including Ryder’s common stock. These assets, except for the investment in Ryder’s common stock, are included in “Direct financing leases and other assets” in the accompanying balance sheets because they are available to the general creditors of Ryder in the event of Ryder’s insolvency. The equity securities are classified as trading assets and stated at fair value. Both realized and unrealized gains and losses are included in “Miscellaneous income, net.” The fair value of the Rabbi Trusts’ investment in Ryder’s common stock as of December 31, 2003 and 2002, was $3 million and $2 million, respectively. The investment in Ryder’s common stock is reflected at historical cost and included in shareholders’ equity in the accompanying balance sheet.

Postretirement Benefits Other than Pensions

Ryder sponsors plans that provide retired employees with certain healthcare and life insurance benefits. Substantially all employees not covered by union-administered health and welfare plans are eligible for the healthcare benefits. Healthcare benefits for Ryder’s principal plans are generally provided to qualified retirees under age 65 and eligible dependents. Generally these plans require employee contributions which vary based on years of service and include provisions which limit Ryder contributions.

Total periodic postretirement benefit expense was as follows:

	Years ended December 31		
	2003	2002	2001
	(In thousands)		
Service cost	**$ 957**	911	999
Interest cost	**2,546**	2,564	2,247
Recognized net actuarial loss (gain)	**564**	(68)	2,007
Amortization of prior service credit	**(1,157)**	(1,157)	(1,157)
Postretirement benefit expense	**$ 2,910**	2,250	4,096
Company-administered plans:			
U.S.	**$ 2,708**	2,085	3,177
Non-U.S.	**202**	165	919
	$ 2,910	2,250	4,096

Assumptions used in determining periodic postretirement benefit expenses were as follows:

	U.S. Plans January 1			Non-U.S. Plans January 1		
	2003	2002	2001	**2003**	2002	2001
Discount rate	**6.50%**	7.00%	7.50%	**6.75%**	6.75%	7.00%

Ryder's postretirement benefit plans are not funded. The following table sets forth the balance sheet impact, as well as the benefit obligations and rate assumptions associated with Ryder's postretirement benefit plans:

	December 31	
	2003	2002
	(In thousands)	
Benefit obligations at January 1,	**$ 39,883**	32,234
Service cost	**957**	911
Interest	**2,546**	2,564
Actuarial loss	**3,107**	8,098
Benefits paid	**(3,697)**	(3,934)
Curtailment	**(571)**	—
Foreign currency exchange rate changes	**243**	10
Benefit obligations at December 31,	**42,468**	39,883
Unrecognized prior service credit	**5,238**	6,394
Unrecognized net actuarial loss	**(11,591)**	(9,605)
Accrued postretirement benefit obligation	**$ 36,115**	36,672

Our annual measurement dates are December 31 for both U.S. and Non-U.S. postretirement benefit plans. Assumptions used in determining accrued postretirement benefit obligations are as follows:

	U.S. Plan December 31		Non-U.S. Plan December 31	
	2003	2002	**2003**	2002
Discount rate	**6.00%**	6.50%	**6.25%**	6.75%
Rate of increase in compensation levels	**5.00%**	5.00%	**3.50%**	3.50%
Health care cost trend rate assumed for next year	**11.00%**	13.00%	**9.00%**	9.50%
Rate to which the cost trend rate is assumed to decline (ultimate trend rate)	**6.00%**	6.00%	**5.00%**	5.00%
Year that the rate reaches the ultimate trend rate	**2010**	2010	**2011**	2011

Changing the assumed healthcare cost trend rates by 1% in each year would not have a material effect on the accumulated postretirement benefit obligation as of December 31, 2003 or postretirement benefit expense for 2003.

20. ENVIRONMENTAL MATTERS

Our operations involve storing and dispensing petroleum products, primarily diesel fuel. In 1988, the U.S. Environmental Protection Agency (EPA) issued regulations that established requirements for testing and replacing underground storage tanks. During 1998, we completed our tank replacement program to comply with the regulations. In addition, Ryder has received notices from the EPA and others that it has been identified as a potentially responsible party under the Comprehensive Environmental Response, Compensation and Liability Act, the Superfund Amendments and Reauthorization Act and similar state statutes and may be required to share in the cost of cleanup of 28 identified disposal sites.

Ryder's environmental expenses, which included remediation costs as well as normal recurring expenses such as licensing, testing and waste disposal fees were $12 million, $10 million and $7 million in 2003, 2002 and 2001, respectively. The carrying amount of Ryder's environmental liabilities was $15 million at December 31, 2003 and $12 million at December 31, 2002.

The ultimate cost of Ryder's environmental liabilities cannot presently be projected with certainty due to the presence of several unknown factors, primarily the level of contamination, the effectiveness of selected remediation methods, the stage of investigation at individual sites, the determination of Ryder's liability in proportion to other responsible parties and the recoverability of such costs from third parties.

Based on information presently available, management believes that the ultimate disposition of these matters, although potentially material to the results of operations in any one year, will not have a material adverse effect on Ryder's financial condition or liquidity.

21. OTHER MATTERS

Ryder is a party to various other claims, legal actions and complaints arising in the ordinary course of business. While any proceeding or litigation has an element of uncertainty, management believes that the disposition of these matters will not have a material impact on the consolidated financial position, liquidity or results of operations of Ryder.

22. SEGMENT REPORTING

Ryder's operating segments are aggregated into reportable business segments based primarily upon similar economic characteristics, products, services and delivery methods. Ryder operates in three reportable business segments: (1) FMS, which provides full service leasing, commercial rental and programmed maintenance of trucks, tractors and trailers to customers, principally in the U.S., Canada and the U.K.; (2) SCS, which provides comprehensive supply chain consulting and lead logistics management solutions that support customers' entire supply chains, from inbound raw materials through distribution of finished goods throughout North America, in Latin America, Europe and Asia; and (3) DCC, which provides vehicles and drivers as part of a dedicated transportation solution, principally in North America.

The primary measurement of segment financial performance, defined as "Net Before Taxes" (NBT), includes an allocation of Central Support Services (CSS) and excludes goodwill impairment, goodwill amortization and restructuring and other recoveries (charges), net. CSS represents those costs incurred to support all business segments, including sales and marketing, human resources, finance, corporate services, information technology, health and safety, legal and communications. The objective of the NBT measurement is to provide clarity on the profitability of each business segment and, ultimately, to hold leadership of each business segment and each operating segment within each business segment accountable for their allocated share of CSS costs. Certain costs are considered to be overhead not attributable to any segment and as such, remain unallocated in CSS. Included among the unallocated overhead remaining within CSS are the costs for investor relations, corporate communications, public affairs and certain executive compensation. CSS costs attributable to the business segments are generally allocated to FMS, SCS and DCC as follows:

- *Sales and marketing, finance, corporate services and health and safety* — allocated based upon estimated and planned resource utilization.
- *Human resources* — individual costs within this category are allocated in several ways, including allocation based on estimated utilization and number of personnel supported.
- *Information Technology* — allocated principally based upon utilization-related metrics such as number of users or minutes of CPU time. Customer-related project costs are allocated to the business segment responsible for the project.
- *Other* — represents purchasing, legal, and other centralized costs and expenses including certain incentive compensation costs. Expenses, where allocated, are based primarily on the number of personnel supported.

Each business segment follows the same accounting policies as described in Note 1 — "Summary of Significant Accounting Policies." These results are not necessarily indicative of the results of operations that would have occurred had each segment been an independent, stand-alone entity during the periods presented.

Business segment revenue and NBT is presented below:

	Years ended December 31		
	2003	2002	2001
	(In thousands)		
Revenue from external customers:			
Fleet Management Solutions	**$2,925,135**	2,870,005	3,017,280
Supply Chain Solutions	**1,362,428**	1,388,299	1,453,881
Dedicated Contract Carriage	**514,731**	517,961	534,962
	4,802,294	4,776,265	5,006,123
Inter-segment revenue:			
Fleet Management Solutions	**306,540**	313,017	335,260
Eliminations	**(306,540)**	(313,017)	(335,260)
Total revenue	**$4,802,294**	4,776,265	5,006,123
NBT:			
Fleet Management Solutions	**$ 195,493**	214,384	194,398
Supply Chain Solutions	**41,254**	(6,221)	(6,760)
Dedicated Contract Carriage	**33,516**	31,157	34,755
Eliminations	**(33,586)**	(34,636)	(36,989)
	236,677	204,684	185,404
Unallocated Central Support Services	**(24,432)**	(24,585)	(25,396)
Goodwill amortization	**—**	—	(12,738)
Restructuring and other recoveries (charges), net	**230**	(4,216)	(116,564)
Earnings before income taxes and cumulative effect of changes in accounting principles	**$ 212,475**	175,883	30,706

The FMS segment leases revenue earning equipment and provides fuel, maintenance and other ancillary services to the SCS and DCC segments. Inter-segment revenues and NBT are accounted for at approximate fair value as if the transactions were made with independent third parties. NBT related to inter-segment equipment and services billed to customers (equipment contribution) is included in both FMS and the business segment which served the customer, then eliminated (presented as “Eliminations”). Equipment contribution included in SCS NBT was $15 million in 2003, $15 million in 2002 and $17 million in 2001. Equipment contribution included in DCC NBT was $18 million in 2003, $19 million in 2002 and $20 million in 2001.

	Years ended December 31		
	2003	2002	2001
	(In thousands)		
Depreciation expense (1):			
Fleet Management Solutions	**$ 594,950**	517,302	509,652
Supply Chain Solutions	**27,102**	32,623	32,373
Dedicated Contract Carriage	**1,970**	2,067	2,744
Central Support Services	**558**	499	716
Total	**$ 624,580**	552,491	545,485

(1) Depreciation expense associated with CSS assets are allocated to business segments based upon estimated and planned asset utilization. Depreciation expense totaling $16 million, $19 million and $18 million during 2003, 2002 and 2001, respectively, associated with CSS assets was allocated to other business segments.

Gains on sales of revenue earning equipment, net of selling and equipment preparation cost reflected in FMS, totaled $16 million, $14 million and $12 million in 2003, 2002 and 2001, respectively.

	Years ended December 31		
	2003	2002	2001
	(In thousands)		
Amortization expense and other non-cash charges (credits), net:			
Fleet Management Solutions	**$ (693)**	4,884	35,653
Supply Chain Solutions	**(853)**	482	47,543
Dedicated Contract Carriage	**(30)**	(7)	431
Central Support Services	**4,839**	3,354	7,286
Total	**$3,263**	8,713	90,913

Interest expense is primarily allocated to the FMS segment since such borrowings are used principally to fund the purchase of revenue earning equipment used in FMS; however, with the availability of segment balance sheet information since 2002 (including targeted segment leverage ratios), interest expense (income) is also reflected in SCS and DCC. Interest expense (income) for the business segments is presented below:

	Years ended December 31		
	2003	2002	2001
	(In thousands)		
Interest expense:			
Fleet Management Solutions	**$94,600**	88,185	111,032
Supply Chain Solutions	**3,696**	6,416	5,321
Dedicated Contract Carriage	**(2,579)**	(3,087)	19
Central Support Services	**452**	204	2,177
Total	**$96,169**	91,718	118,549

The following table sets forth total assets as provided to the chief operating decision-maker for each of Ryder’s reportable business segments:

	December 31	
	2003	2002
	(In thousands)	
Assets:		
Fleet Management Solutions	**$4,777,691**	4,241,095
Supply Chain Solutions	**366,307**	366,954
Dedicated Contract Carriage	**110,311**	113,479
Central Support Services	**146,636**	185,773
Eliminations	**(122,342)**	(140,319)
Total	**$5,278,603**	4,766,982

The following table sets forth total capital expenditures for each of Ryder's reportable business segments:

	Years ended December 31		
	2003	2002	2001
	(In thousands)		
Capital expenditures:			
Fleet Management Solutions [1],[2]	**$704,419**	576,067	597,698
Supply Chain Solutions	**14,666**	17,625	35,684
Dedicated Contract Carriage	**732**	344	1,218
Central Support Services	**5,313**	6,265	21,997
Total	**$725,130**	600,301	656,597

(1) *Excludes non-cash additions of $67 million for both 2003 and 2002 in assets held under capital leases, resulting from the extension of existing operating leases and other additions.*

(2) *Excludes acquisitions of $97 million in 2003 primarily comprised of long-lived assets.*

Geographic Information

	Years ended December 31		
	2003	2002	2001
	(In thousands)		
Revenue:			
United States	**$3,933,283**	3,993,368	4,218,163
Foreign	**869,011**	782,897	787,960
Total	**$4,802,294**	4,776,265	5,006,123
Long-lived assets:			
United States	**$2,899,096**	2,439,436	2,489,338
Foreign	**653,842**	589,055	556,659
Total	**$3,552,938**	3,028,491	3,045,997

We believe that our diversified portfolio of customers across a full array of transportation and logistics solutions and across many industries will help to mitigate the impact of adverse downturns in specific sectors of the economy in the near to medium-term. Our portfolio of full service lease and commercial rental customers is not concentrated in any one particular industry or geographic region; however, the largest concentration is in non-cyclical industries such as food, groceries and beverages. While Ryder derives a significant portion of its SCS revenue (approximately 55% in 2003) from the automotive industry, the business is derived from numerous manufacturers and suppliers of original equipment parts. None of our customers constitute more than 10% of total revenue.

SUPPLEMENTARY DATA
(Unaudited)

	Revenue	Earnings Before Cumulative Effect of Changes in Accounting Principles	Net Earnings/ (Loss)	Earnings per Common Share Before Cumulative Effect of Changes in Accounting Principles		Net Earnings/ (Loss) per Common Share	
				Basic	Diluted	Basic	Diluted
	(In thousands, except per share data)						
2003							
First quarter	**$1,194,375**	**20,940**	**19,771**	**0.34**	**0.33**	**0.32**	**0.31**
Second quarter	**1,197,400**	**34,682**	**34,682**	**0.55**	**0.55**	**0.55**	**0.55**
Third quarter	**1,193,603**	**40,507**	**37,553**	**0.64**	**0.63**	**0.59**	**0.58**
Fourth quarter	**1,216,916**	**39,430**	**39,430**	**0.62**	**0.61**	**0.62**	**0.61**
Total	**$4,802,294**	**135,559**	**131,436**	**2.15**	**2.12**	**2.09**	**2.06**
2002							
First quarter	$1,149,917	16,853	(2,046)	0.28	0.27	(0.03)	(0.03)
Second quarter	1,209,318	29,512	29,512	0.48	0.47	0.48	0.47
Third quarter	1,212,363	33,784	33,784	0.55	0.54	0.55	0.54
Fourth quarter	1,204,667	32,416	32,416	0.52	0.52	0.52	0.52
Total	$4,776,265	112,565	93,666	1.83	1.80	1.52	1.50

Quarterly and year-to-date computations of per share amounts are made independently; therefore, the sum of per share amounts for the quarters may not equal per share amounts for the year.

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Ryder System, Inc. and Subsidiaries
Schedule II — Valuation and Qualifying Accounts

Column A	Column B	Column C		Column D	Column E
		Additions			
Description	Balance at Beginning of Period	Charged to Costs & Expenses	Transferred to Other Accounts (1)	Deductions (2)	Balance at End of Period
		(In thousands)			
2003					
Allowance for doubtful accounts	**$ 8,003**	**8,461**	**—**	**7,103**	**9,361**
Reserve for residual value lease agreements	**$ 27,770**	**10,532**	**—**	**27,768**	**10,534**
Self-insurance reserves	**$241,350**	**147,045**	**—**	**130,096**	**258,299**
Valuation allowance on deferred tax assets	**$ 14,392**	**(305)**	**3,756**	**—**	**10,331**
2002					
Allowance for doubtful accounts	$ 8,864	8,457	—	9,318	8,003
Allowance for recourse provision	$ 1,422	(1,422)	—	—	—
Reserve for residual value lease agreements	$ 44,095	22,060	—	38,385	27,770
Self-insurance reserves	$218,786	143,858	14,198	107,096	241,350
Valuation allowance on deferred tax assets	$ 16,092	(1,700)	—	—	14,392
2001					
Allowance for doubtful accounts	$ 5,409	18,121	—	14,666	8,864
Allowance for recourse provision	$ 3,827	(2,405)	—	—	1,422
Reserve for residual value lease agreements	$ 55,098	41,415	—	52,418	44,095
Self-insurance reserves	$228,452	126,206	—	135,872	218,786
Valuation allowance on deferred tax assets	$ 12,815	3,277	—	—	16,092

(1) Transferred to other accounts includes reclassification of reinsurance amounts to other assets and adjustments to the deferred tax valuation allowance for the effect of foreign currency translation, which is recorded in equity through accumulated other comprehensive loss.

(2) Deductions represent receivables written-off, lease termination payments and insurance claim payments during the period.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

ITEM 9A. CONTROLS AND PROCEDURES

Within the 90 days prior to the filing date of this Annual Report, Ryder carried out an evaluation, under the supervision and with the participation of Ryder's management, including Ryder's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of Ryder's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934). Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that as of December 31, 2003 Ryder's disclosure controls and procedures were effective in ensuring that information required to be disclosed in the reports Ryder files and submits under the Exchange Act are recorded, processed, summarized and reported as and when required.

During the quarter ended December 31, 2003, there were no significant changes in Ryder's internal controls over financial reporting or in other factors that could significantly affect such internal controls, including any corrective actions with regard to significant deficiencies and material weaknesses.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information required by Item 10 regarding executive officers is set out in Item 1 of Part I of this report on Form 10-K.

Other information required by Item 10 is incorporated herein by reference to Ryder's definitive proxy statement, which will be filed with the Commission within 120 days after the close of the fiscal year.

Ryder has adopted a Code of Ethics applicable to its Chief Executive Officer, Chief Financial Officer, controller and senior financial management. The Code of Ethics is filed as Exhibit 14 to this report on Form 10-K. Any changes to this document and any waivers granted by Ryder with respect to its Code of Ethics will be posted on Ryder's website at *www.ryder.com* .

ITEM 11. EXECUTIVE COMPENSATION

Information required by Item 11 is incorporated herein by reference to Ryder's definitive proxy statement, which will be filed with the Commission within 120 days after the close of the fiscal year.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by Item 12 is incorporated herein by reference to Ryder's definitive proxy statement, which will be filed with the Commission within 120 days after the close of the fiscal year.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Information required by Item 13 is incorporated herein by reference to Ryder's definitive proxy statement, which will be filed with the Commission within 120 days after the close of the fiscal year.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Information required by Item 14 is incorporated herein by reference to Ryder's definitive proxy statement, which will be filed with the Commission within 120 days after the close of the fiscal year.

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PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a) Items A through F and Schedule II are presented on the following pages of this report on Form 10-K:

1. Financial Statements for Ryder System, Inc. and Consolidated Subsidiaries:

2. Consolidated Financial Statement Schedules for years ended December 31, 2003, 2002 and 2001:

All other schedules are omitted because they are not applicable or the required information is shown in the consolidated financial statements or notes thereto.

Supplementary Financial Information consisting of selected quarterly financial data is included in Item 8 of this report.

3. Exhibits:

The following exhibits are filed with this report or, where indicated, incorporated by reference (Forms 10-K, 10-Q and 8-K referenced herein have been filed under the Commission's file No. 1-4364). Ryder will provide a copy of the exhibits filed with this report at a nominal charge to those parties requesting them.

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EXHIBIT INDEX

Exhibit Number	Description
3.1(a)	The Ryder System, Inc. Restated Articles of Incorporation, dated November 8, 1985, as amended through May 18, 1990, previously filed with the Commission as an exhibit to Ryder's Annual Report on Form 10-K for the year ended December 31, 1990, are incorporated by reference into this report.
3.1(b)	Articles of Amendment to Ryder System, Inc. Restated Articles of Incorporation, dated November 8, 1985, as amended, previously filed with the Commission on April 3,1996, an exhibit to Ryder's Form 8-A are incorporated by reference into this report.
3.2	The Ryder System, Inc. By-Laws, as amended through February 16, 2001, previously filed with the Commission as an exhibit to Ryder's Annual Report on Form 10-K for the year ended December 31, 2000, are incorporated by reference into this report.
4.1	Ryder hereby agrees, pursuant to paragraph (b)(4)(iii) of Item 601 of Regulation S-K, to furnish the Commission with a copy of any instrument defining the rights of holders of long-term debt of Ryder, where such instrument has not been filed as an exhibit hereto and the total amount of securities authorized thereunder does not exceed 10% of the total assets of Ryder and its subsidiaries on a consolidated basis.
4.2(a)	The Form of Indenture between Ryder System, Inc. and The Chase Manhattan Bank (National Association) dated as of June 1, 1984, filed with the Commission on November 19, 1985 as an exhibit to Ryder's Registration Statement on Form S-3 (No. 33-1632), is incorporated by reference into this report.
4.2(b)	The First Supplemental Indenture between Ryder System, Inc. and The Chase Manhattan Bank (National Association) dated October 1, 1987, previously filed with the Commission as an exhibit to Ryder's Annual Report on Form 10-K for the year ended December 31, 1994, is incorporated by reference into this report.
4.3	The Form of Indenture between Ryder System, Inc. and The Chase Manhattan Bank (National Association) dated as of May 1, 1987, and supplemented as of November 15, 1990 and June 24, 1992, filed with the Commission on July 30, 1992 as an exhibit to Ryder's Registration Statement on Form S-3 (No. 33-50232), is incorporated by reference into this report.
4.4	The Form of Indenture between Ryder System, Inc. and J.P. Morgan Trust Company, National Association dated as of October 3, 2003 filed with the Commission on August 29, 2003 as an exhibit to Ryder's Registration Statement on Form S–3 (No. 333-108391), is incorporated by reference into this report.
10.1	The form of change of control severance agreement for executive officers effective as of January 1, 2000.
10.2	The form of severance agreement for executive officers effective as of January 1, 2000.
10.3(e)	The Ryder System, Inc. 2003 Incentive Compensation Plan for Headquarters Executive Management Levels MS 11 and Higher.
10.4(a)	The Ryder System, Inc. 1980 Stock Incentive Plan, as amended and restated as of August 15, 1996, previously filed with the Commission as an exhibit to Ryder's Annual Report on Form 10-K for the year ended December 31, 1997, is incorporated by reference into this report.

Exhibit Number	Description
10.4(b)	The form of Ryder System, Inc. 1980 Stock Incentive Plan, United Kingdom Section, dated May 4, 1995, previously filed with the Commission as an exhibit to Ryder's Annual Report on Form 10-K for the year ended December 31, 1995, is incorporated by reference into this report.
10.4(c)	The form of Ryder System, Inc. 1980 Stock Incentive Plan, United Kingdom Section, dated October 3, 1995, previously filed with the Commission as an exhibit to Ryder's Annual Report on Form 10-K for the year ended December 31, 1995, is incorporated by reference into this report.
10.4(f)	The Ryder System, Inc. 1995 Stock Incentive Plan, as amended and restated at May 4, 2001, previously filed with the Commission as an exhibit to Ryder's report on Form 10-Q for the quarter ended September 30, 2001, is incorporated by reference into this report.
10.4(g)	The Ryder System, Inc. 1995 Stock Incentive Plan, as amended and restated as of July 25, 2002.
10.5(b)	The Ryder System, Inc. Directors Stock Award Plan, as amended and restated at May 2, 2003, previously filed with the Commission as an exhibit to Ryder's Registration Statement on Form S-8 (No. 333-108364), is incorporated by reference into this report.
10.5(c)	The Ryder System, Inc. Directors Stock Plan, as amended and restated at May 4, 2001, previously filed with the Commission as an Exhibit to Ryder's Report on Form 10-Q for the quarter ended September 30, 2001, is incorporated by reference into this report.
10.6(a)	The Ryder System Benefit Restoration Plan, effective January 1, 1985, previously filed with the Commission as an exhibit to Ryder's Annual Report on Form 10-K for the year ended December 31, 1992, is incorporated by reference into this report.
10.6(b)	The First Amendment to the Ryder System Benefit Restoration Plan, effective as of December 16, 1988, previously filed with the Commission as an exhibit to Ryder's Annual Report on Form 10-K for the year ended December 31, 1994, is incorporated by reference into this report.
10.9(a)	The Ryder System, Inc. Stock for Merit Increase Replacement Plan, as amended and restated as of August 15, 1996, previously filed with the commission as an exhibit to Ryder's Annual Report on Form 10-K for the year ended December 31, 1997, is incorporated by reference into this report.
10.9(b)	The form of Ryder System, Inc. Non-Qualified Stock Option Agreement, dated as of February 21, 1998, previously filed with the Commission as an exhibit to Ryder's Annual Report on Form 10-K for the year ended December 31, 1995, is incorporated by reference into this report.
10.9(c)	The form of Combined Non-Qualified Stock Option and Limited Stock Appreciation Right Agreement, dated October 1, 1997, previously filed with the Commission as an exhibit to Ryder's Annual Report on Form 10-K for the year ended December 31, 1997, is incorporated by reference into this report.
10.10	The Ryder System, Inc. Deferred Compensation Plan, as amended and restated at January 1, 2003.
10.12	The Asset and Stock Purchase Agreement by and between Ryder System, Inc. and First Group Plc. dated as of July 21, 1999, filed with the Commission on September 24, 1999 as an exhibit to Ryder's report on Form 8-K, is incorporated by reference into this report.
10.13	The Ryder System, Inc. Long-Term Incentive Plan, effective as of January 1, 2002.
14.1	Code of Ethics applicable to Ryder System, Inc.'s Chief Executive Officer, Chief Financial Officer, controller and senior financial management.
21.1	List of subsidiaries of the registrant, with the state or other jurisdiction of incorporation or organization of each, and the name under which each subsidiary does business.

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Exhibit Number	Description
23.1	Auditors’ consent to incorporation by reference in certain Registration Statements on Forms S-3 and S-8 of their reports on consolidated financial statements and schedules of Ryder System, Inc. and its subsidiaries.
24.1	Manually executed powers of attorney for each of: John M. Berra Joseph L. Dionne David I. Fuente Lynn M. Martin Daniel H. Mudd Eugene A. Renna Abbie J. Smith Hansel E. Tookes II Christine A. Varney
31.1	Certification of Gregory T. Swienton pursuant to Rule 13a-15(e) or Rule 15d-15(e).
31.2	Certification of Tracy A. Leinbach pursuant to Rule 13a-15(e) or Rule 15d-15(e).
32.1	Certification of Gregory T. Swienton pursuant to Rule 13a-14(b) or Rule 15d-14(b) and 18 U.S.C. Section 1350.
32.2	Certification of Tracy A. Leinbach pursuant to Rule 13a-14(b) or Rule 15d-14(b) and 18 U.S.C. Section 1350.

(b) Reports on Form 8-K:

(i) On October 2, 2003, Ryder filed a Current Report on Form 8-K under Items 5 and 7(c) to report our announcement of the adoption of a two-year share repurchase program.

(ii) On October 22, 2003, Ryder filed a Current Report on Form 8-K under Items 7(c) and 12 to report our financial results for the quarterly period ended September 30, 2003.

(iii) On December 19, 2003, Ryder filed a Current Report on Form 8-K under Items 7(c) and 9 to report our 2004 earnings forecast.

(iv) On December 23, 2003, Ryder filed a Current Report on Form 8-K under Items 5 and 7 to report our announcement that we entered into a definitive agreement to purchase substantially all of the operating assets of General Car and Truck Leasing System, Inc. and into a non-binding letter of intent with Ruan Leasing Company to purchase substantially all of Ruan’s operating assets.

(c) Executive Compensation Plans and Arrangements:

Please refer to the description of Exhibits 10.1 through 10.13 set forth under Item 15(a)3 of this report for a listing of all management contracts and compensation plans and arrangements filed with this report pursuant to Item 601(b)(10) of Regulation S-K.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

Date: February 26, 2004	RYDER SYSTEM, INC.
	By: /s/ GREGORY T. SWIENTON
	Gregory T. Swienton Chairman, President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Date: February 26, 2004	By: /s/ GREGORY T. SWIENTON
	Gregory T. Swienton Chairman, President and Chief Executive Officer (Principal Executive Officer)
Date: February 26, 2004	By: /s/ TRACY A. LEINBACH
	Tracy A. Leinbach Executive Vice President and Chief Financial Officer (Principal Financial Officer)
Date: February 26, 2004	By: /s/ ART A. GARCIA
	Art A. Garcia Vice President and Controller (Principal Accounting Officer)
Date: February 26, 2004	By: /s/ JOHN M. BERRA*
	John M. Berra Director
Date: February 26, 2004	By: /s/ JOSEPH L. DIONNE*
	Joseph L. Dionne Director
Date: February 26, 2004	By: /s/ DAVID I. FUENTE*
	David I. Fuente Director
Date: February 26, 2004	By: /s/ LYNN M. MARTIN*
	Lynn M. Martin Director
Date: February 26, 2004	By: /s/ DANIEL H. MUDD*
	Daniel H. Mudd Director

Date: February 26, 2004	By: /s/ EUGENE A. RENNA*
	Eugene A. Renna Director
Date: February 26, 2004	By: /s/ ABBIE J. SMITH*
	Abbie J. Smith Director
Date: February 26, 2004	By: /s/ HANSEL E. TOOKES II*
	Hansel E. Tookes II Director
Date: February 26, 2004	By: /s/ CHRISTINE A. VARNEY*
	Christine A. Varney Director
Date: February 26, 2004	*By: /s/ RICHARD H. SIEGEL
	Richard H. Siegel Attorney-in-Fact

EXHIBIT 10.1

Change of Control
Severance Agreement

THIS AGREEMENT between RYDER SYSTEM, INC., a Florida corporation (the “Corporation”), and name (the “Executive”), dated as of the first day of November, 2000.

WITNESSETH:

WHEREAS, the Executive is an officer and/or key employee of the Corporation and/or its subsidiaries or affiliates and an integral part of its management; and

WHEREAS, in order to retain the Executive and to assure both the Executive and the Corporation of the continuity of management in the event of any actual or threatened Change of Control (as defined in Section 2) of the Corporation, the Corporation desires to provide severance benefits to the Executive if the Executive’s employment with the Corporation and/or its subsidiaries or affiliates terminates as provided herein concurrent with or subsequent to a Change of Control;

NOW, THEREFORE, in consideration of the premises and mutual covenants herein contained, it is hereby agreed by and between the Corporation and the Executive as follows:

l. Term of Agreement. This Agreement shall become effective as of the date hereof and shall terminate upon the occurrence of the earliest of the events specified below; provided, however, that Section 5, including the release referenced therein, shall survive termination of this Agreement:

(a) the last day of the Severance Period (as defined in Section 3(f));

(b) the termination of the Executive’s employment by the Corporation or its subsidiaries or affiliates for Death, Disability or Cause, or by the Executive other than for Good Reason (as defined in Section 3(b), (a), and (c) respectively);

(c) one (1) year following the date of receipt of a mailing (by overnight express mail or registered or certified mail, return receipt requested) or hand delivery to the Executive by the Corporation of written notice of its intent to terminate this Agreement; provided, however, that such written notice shall have been received by the Executive prior to the date of a Change of Control (as defined in Section 2);

(d) three (3) years following the date of a Change of Control (as defined in Section 2) if the Executive’s employment with the Corporation or its subsidiaries or affiliates has not been terminated as of such time; or

(e) the material breach by the Executive of the provisions of Section 5, including the release referenced therein.

Additionally, notwithstanding anything in this Agreement to the contrary, if the Executive should die while receiving severance pay or benefits pursuant to Section 4 as a result of the termination of the Executive's employment by the Corporation or its subsidiaries or affiliates other than for Death, Disability or Cause, or by the Executive for Good Reason (as defined in Sections 3(b), (a), and (c) respectively), this Agreement shall terminate immediately upon the Executive's death and both parties shall be released from all obligations under this Agreement other than those under the release referenced in Section 5(b)(II) and those relating to amounts or benefits which are payable under this Agreement within five (5) business days after the Executive's Date of Termination (if not already paid), are vested under any plan, program, policy or practice, or the Executive is otherwise entitled to receive upon his death, including, but not limited to, life insurance. Any payment due pursuant to the preceding sentence upon the Executive's death shall be made to the estate of the deceased Executive, unless the plan, program, policy, practice or law provides otherwise.

2. Change of Control. For the purpose of this Agreement, a "Change of Control" shall be deemed to have occurred if:

(a) any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "1934 Act")) (a "Person") becomes the beneficial owner, directly or indirectly, of twenty percent (20%) or more of the combined voting power of the Corporation's outstanding voting securities ordinarily having the right to vote for the election of directors of the Corporation; provided, however, that for purposes of this subparagraph (a), the following acquisitions shall not constitute a Change of Control: (i) any acquisition by any employee benefit plan or plans (or related trust) of the Corporation and its subsidiaries and affiliates or (ii) any acquisition by any corporation pursuant to a transaction which complies with clauses (i), (ii) and (iii) of subparagraph (c) of this Section 2; or

(b) the individuals who, as of August 18, 1995, constituted the Board of Directors of the Corporation (the "Board" generally and as of August 18, 1995 the "Incumbent Board") cease for any reason to constitute at least two-thirds (2/3) of the Board, provided that any person becoming a director subsequent to August 18, 1995 whose election, or nomination for election, was approved by a vote of the persons comprising at least two-thirds (2/3) of the Incumbent Board (other than an election or nomination of an individual whose initial assumption of office is in connection with an actual or threatened election contest, as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the 1934 Act) shall be, for purposes of this Agreement, considered as though such person were a member of the Incumbent Board; or

(c) there is a reorganization, merger or consolidation of the Corporation (a "Business Combination"), in each case, unless, following such Business Combination, (i) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Corporation's outstanding common stock and outstanding voting securities ordinarily having the right to vote for the election of directors of the Corporation immediately prior to such Business Combination beneficially own, directly or indirectly, more than fifty percent (50%) of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities ordinarily having the right to vote for the election of directors, as the case may be, of the corporation resulting from such Business Combination (including, without limitation, a corporation which as a result of such transaction owns the Corporation or all or substantially all of the Corporation’s assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Business Combination, of the Corporation’s outstanding common stock and outstanding voting securities ordinarily having the right to vote for the election of directors of the Corporation, as the case may be, (ii) no Person (excluding any corporation resulting from such Business Combination or any employee benefit plan or plans (or related trust) of the Corporation or such corporation resulting from such Business Combination and their subsidiaries and affiliates) beneficially owns, directly or indirectly, 20% or more of the combined voting power of the then outstanding voting securities of the corporation resulting from such Business Combination and (iii) at least two-thirds (2/3) of the members of the board of directors of the corporation resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board, providing for such Business Combination; or

(d) there is a liquidation or dissolution of the Corporation approved by the shareholders; or

(e) there is a sale of all or substantially all of the assets of the Corporation.

If a Change of Control occurs and if the Executive’s employment is terminated prior to the date on which the Change of Control occurs, and if it is reasonably demonstrated by the Executive that such termination of employment (A) was at the request of a third party who has taken steps reasonably calculated to effect a Change of Control or (B) otherwise arose in connection with or in anticipation of a Change of Control, a Change of Control shall be deemed to have retroactively occurred on the date immediately prior to the date of such termination of employment.

3. Certain Definitions.

(a) Cause. The Executive’s employment may be terminated for Cause only if a majority of the Incumbent Board determines that Cause (as defined below) exists. For purposes of this Agreement, “Cause” means (i) an act or acts of fraud, misappropriation, or embezzlement on the Executive’s part which result in or are intended to result in his or another’s personal enrichment at the expense of the Corporation or its subsidiaries or affiliates, (ii) conviction of a felony, (iii) conviction of a misdemeanor involving moral turpitude, or (iv) willful failure to report to work for more than thirty (30) continuous days not attributable to eligible vacation or supported by a licensed physician’s statement.

(b) Death or Disability.

(i) The Executive’s employment will be terminated by the Corporation or its subsidiaries or affiliates automatically upon the Executive’s death (“Death”).

(ii) After having established the Executive’s Disability (as defined below), the Corporation may give to the Executive written notice of the Corporation’s and/or its subsidiaries’ or affiliates’ intention to terminate the Executive’s employment for Disability. The Executive’s employment will terminate for Disability effective on the thirtieth (30th) day after the Executive’s receipt of such notice (the “Disability Effective Date”) if within such thirty (30) day period after such receipt the Executive shall fail to return to full-time performance of his duties.

For purposes of this Agreement, “Disability” means disability which after the expiration of more than five (5) months after its commencement is determined to be total and permanent by an independent licensed physician mutually agreeable to the parties.

In the event of the Executive’s termination for Death or Disability, the Executive and, to the extent applicable, his legal representatives, executors, heirs, legatees and beneficiaries, shall have no rights under this Agreement and their sole recourse, if any, shall be under the death or disability provisions of the plans, programs, policies and practices of the Corporation and/or its subsidiaries and affiliates, as appropriate.

(c) Good Reason. For purposes of this Agreement, “Good Reason” means:

(i) any failure by the Corporation and/or its subsidiaries or affiliates to furnish the Executive and/or where applicable, his family, with (A) total annual cash compensation (including annual incentive compensation), (B) total aggregate value of perquisites, (C) total aggregate value of benefits, or (D) total aggregate value of long term compensation, including but not limited to, stock options, in each case at least equal to or otherwise comparable to in the aggregate or exceeding the highest level received by the Executive from the Corporation and/or its subsidiaries or affiliates during the six (6) month period (or the one (1) year period for compensation, perquisites and benefits which are paid less frequently than every six (6) months) immediately preceding the Change of Control, other than an inadvertent failure remedied by the Corporation within five (5) business days after receipt of notice thereof given by the Executive;

(ii) the Corporation’s and/or its subsidiaries’ or affiliates’ requiring the Executive to be based or to perform services at any site or location more than fifteen (15) miles from the site or location at which the Executive is based at the time of the Change of Control, except for travel reasonably required in the performance of the Executive’s responsibilities (which does not materially exceed the level of travel required of the Executive in the six (6) month period immediately preceding the Change of Control);

(iii) any failure by the Corporation to obtain the assumption and agreement to perform this Agreement by a successor as contemplated by Section 8(b);

(iv) any failure by the Corporation to pay into the Trust(s) (as defined in Section 4(c)) the amounts and at the time or times as are required pursuant to the terms of such Trust(s);

(v) any purported termination by the Corporation or its subsidiaries or affiliates of the Executive’s employment that is not effected pursuant to a Notice of Termination satisfying the requirements of Section 3(d), which purported termination shall not be effective for purposes of this Agreement; or

(vi) if the Executive is in management level 14 or above immediately prior to the Change of Control, (A) any assignment to the Executive of duties inconsistent in any material respect with the highest level of the Executive’s position (including titles and reporting relationships), authority, responsibilities or status as in effect at any time during the six (6) month period immediately preceding the Change of Control without the express prior written consent of the Executive (which consent the Executive has the absolute right to withhold), or (B) any other material adverse change in such position, authority, responsibilities or status without the express prior written consent of the Executive (which consent the Executive has the absolute right to withhold).

For the purposes of this Section 3(c), any good faith interpretation by the Executive of the foregoing definitions of “Good Reason” shall be conclusive on the Corporation. Additionally, the Executive’s continued employment shall not constitute consent to, or a waiver of rights with respect to, any circumstance constituting Good Reason hereunder.

(d) Notice of Termination. Any termination of the Executive’s employment by the Executive for Good Reason or by the Corporation or its subsidiaries or affiliates for any reason other than Death shall be communicated by a Notice of Termination to the other party, with a copy to the Trustee (as defined in Section 4(c)) hereto given in accordance with Section 9(b). For purposes of this Agreement, a “Notice of Termination” means a written notice which (i) indicates the specific termination provision in this Agreement relied upon, (ii) sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive’s employment under the provision so indicated, and (iii) if the Date of Termination (as defined below) is other than the date of receipt of such notice, specifies the termination date (which date shall be not more than fifteen (15) days after the giving of such notice or, in the event of Disability, the Disability Effective Date).

(e) Date of Termination. Date of Termination means the date of receipt by the Executive or the Corporation or its subsidiaries or affiliates of the Notice of Termination or any later date specified therein, as the case may be; provided, however, that if the Executive’s employment is terminated by reason of Death or Disability, the Date of Termination shall be the date of Death of the Executive or the Disability Effective Date, as the case may be.

(f) Severance Period. Unless terminated sooner pursuant to Section 1, the Severance Period means the period set forth below depending on the Executive’s management level immediately preceding either the Notice of Termination or, if greater, the Change of Control, which period shall begin on the day following the Executive’s Date of Termination:

Chief Executive Officer	Three (3) years
Mgmt. Level 19 or above	Three (3) years
Mgmt. Level 15-18	Two (2) years
Mgmt. Level 14	One (1) year and six (6) months
Mgmt. Level 13	One (1) year
Mgmt. Level 12	Nine (9) months
Mgmt. Level 11	Six (6) months

4. Obligations of the Corporation.

(a) Circumstances of Termination.

(i) If, within the three (3) year period commencing on a Change of Control of the Corporation, (A) the Corporation or its subsidiaries or affiliates shall terminate the Executive's employment for any reason other than for Death, Disability or Cause, or (B) the Executive shall terminate his employment with the Corporation or its subsidiaries or affiliates for Good Reason, the Corporation agrees to provide the Executive with compensation, benefits and perquisites in accordance with the terms and provisions set forth in Subsection (iii) below and the other provisions of this Agreement, and the Executive agrees that he shall be subject to such terms and provisions. The Executive shall not be deemed to have terminated his employment with the Corporation or any of its subsidiaries or affiliates if he leaves the employ of the Corporation or any of its subsidiaries or affiliates for immediate reemployment with the Corporation or any of its subsidiaries or affiliates.

(ii) If during the term of this Agreement, (A) the Corporation or its subsidiaries or affiliates shall terminate the Executive's employment for Death, Disability or Cause or (B) the Executive shall terminate his employment with the Corporation or its subsidiaries or affiliates other than for Good Reason, then the Executive shall not be entitled to any of the benefits set forth in Subsection (iii) below or in any other section of this Agreement, except to the extent of the amounts which represent vested benefits or which the Executive is otherwise entitled to receive under any plan, program, policy or practice of the Corporation or any of its subsidiaries or affiliates at or subsequent to the Executive's Date of Termination.

(iii) If the Executive is entitled to receive severance pay and benefits under Subsection (i) above, the Corporation agrees to provide the Executive with the following compensation, benefits and perquisites, subject to Section 5(b):

(I) Cash Entitlement. The Corporation and/or the Trustee (as defined in Section 4(c)) shall pay to the Executive the aggregate of the amounts determined pursuant to clauses a through f below:

a. Unpaid Salary and Vacation. If not already paid, the Executive's base salary and unused vacation entitlement through the Executive's Date of Termination at the rate in effect at the time the Notice of Termination was given, or if greater, at the highest rate in effect during the six (6) month period immediately preceding the Change of Control.

b. Salary Multiple. The Executive's annual base salary at the rate in effect at the time the Notice of Termination was given, or if greater, at the highest rate in effect during the six (6) month period immediately preceding the Change of Control ("Annual Base Salary"), multiplied by the following salary multiple depending on the Executive's management level immediately preceding either the Notice of Termination or, if greater, the Change of Control:

Chief Executive Officer	3
Mgmt. Level 19 or above	3
Mgmt. Level 15-18	2
Mgmt. Level 14	1.5
Mgmt. Level 13	1

Mgmt. Level 12	.75
Mgmt. Level 11	.5

c. Tenure - Related Bonus. An amount equal to the product of (i) the Executive's Annual Base Salary multiplied by (ii) the stated target bonus opportunity percentage available to the Executive under the respective incentive compensation plan immediately preceding either the Notice of Termination or, if greater, the Change of Control multiplied by (iii) the "Executive's Three Year Average Bonus Percentage" (as defined below) (the product of (i), (ii) and (iii) hereinafter referred to as the "Bonus Average") multiplied by the number of the Executive's full and prorated partial years of service with the Corporation and/or its subsidiaries or affiliates, subject to a maximum of twelve (12) years, divided by twelve (12).

The "Executive's Three Year Average Bonus Percentage" is the sum of the Bonus Percentages Paid to the Executive divided by the stated target bonus opportunity percentages available to the Executive rounded to one decimal place (e.g., 86.3%) for each of the three (3) fiscal years immediately preceding either the Notice of Termination or, if greater, the Change of Control divided by three (3). Bonus Percentage Paid constitutes the actual bonus paid to the Executive in the related fiscal year expressed as a percentage of annual base salary.

If the Executive has been employed by the Corporation and/or its subsidiaries or affiliates for less than three (3) fiscal years prior to the Change of Control, or if the Executive was not eligible to receive an incentive compensation award pursuant to an incentive compensation plan of the Corporation and/or its subsidiaries or affiliates for one (1) or more of the three (3) fiscal years immediately preceding either the Change of Control or the Notice of Termination, the bonus percentage to be applied in the "Executive's Three Year Bonus Percentage" calculation for any year in which the Executive was not employed or eligible to receive an incentive award will be the average bonus percentage paid for such year to all executives in the Corporation or the Executive's respective level or division, as appropriate.

CALCULATION EXAMPLE OF EXECUTIVE'S THREE YEAR AVERAGE
BONUS PERCENTAGE

Year	(1) Bonus Percentage Paid	(2) Stated Target Bonus Opportunity	(1)/(2) Bonus Opportunity Percent
1	55.1%	70.0%	78.7%
2	57.9%	70.0%	82.7%
3	55.0%	70.0%	78.6%
Sum			240.0%
Executive's Three Year Average Bonus Percentage (Sum divided by 3)			80.0%

d. Bonus Multiple. For the Chief Executive Officer and executives in management level 17 and above only, an amount equal to the product of the Bonus Opportunity determined in clause c above multiplied by the following multiple depending on the Executive's management level immediately preceding either the Notice of Termination or, if greater, the Change of Control:

Chief Executive Officer	2
Mgmt. Level 17 or above	1

e. Change of Control Year Bonus. If the Executive has not yet been paid an incentive compensation award for the calendar year in which the Change of Control occurred in accordance with the terms of the incentive compensation plan in effect immediately preceding the Change of Control, the Executive shall receive an amount equal to the product of (i) the actual salary earned by the Executive during the calendar year in which the Change of Control occurred multiplied by (ii) the greater of bonus percentage based on actual company performance or one hundred twenty percent (120%) of stated target bonus opportunity for such calendar year under the incentive compensation plan as in effect immediately preceding the Change of Control; provided, however, if a "Big Five" accounting firm chosen by the Corporation does not verify the actual company performance in accordance with the terms of the incentive compensation plan in effect immediately preceding the Change of Control, the Executive shall receive an amount equal to the product of (i) above multiplied by one hundred percent (100%) of stated target bonus opportunity for such calendar year under the incentive compensation plan as in effect immediately preceding the Change of Control.

f. Prior Year Bonus. If bonuses for the calendar year prior to the Executive's Date of Termination (other than those payable pursuant to clause e above) have been distributed and the Executive is entitled to and has not yet been paid his incentive compensation award for such calendar year, and his Date of Termination is subsequent to the incentive compensation award payment date for such calendar year, then the Executive shall receive an additional amount equal to the product of the actual salary earned by the Executive during the prior calendar year multiplied by the actual bonus percentage approved for the Executive for such calendar year under the respective incentive compensation plan.

The Corporation and/or the Trustee (as defined in Section 4(c)) shall pay to the Executive the aggregate of the amounts determined pursuant to clauses a through d and clause f above in a lump sum by cashier's check within five (5) business days after the later of the Executive's Date of Termination or the date of receipt by the Corporation and the Trustee (as defined in Section 4(c)) of the Executive's written demand for payment accompanied by notarized copies of the Notice of Termination, release and, to the extent applicable, letter of resignation (as described in Section 5(b)(II)). The Corporation and/or the Trustee (as defined in Section 4(c)) shall pay to the Executive the amount determined pursuant to clause e above by cashier's check no later than (i) the first March 15th following the calendar year in which the Change of Control occurred or (ii) five (5) business days after the later of the Executive's Date of Termination or the date of receipt by the Corporation and the Trustee (as defined in Section 4(c)) of the Executive's written demand for payment accompanied by notarized copies of the Notice of Termination, release and, to the extent applicable, letter of resignation (as described in Section 5(b)(II)), whichever is the last to occur.

(II) Medical, Dental, Disability, Life Insurance and Other Similar Plans and Programs. Until the earliest to occur of (i) the last day of the Severance Period, (ii) the date on which the Executive becomes eligible for the designated or comparable coverage as an employee of another employer which provides or offers such coverage to its employees, or (iii) in the case of benefits requiring employee contributions, the date the Executive fails to make such contributions pursuant to the Corporation's or the plan's instructions (which instructions shall be reasonable and given to the Executive by the Corporation within five (5) business days following the Executive's Date of Termination) or otherwise cancels his coverage in accordance with plan provisions (the "Benefits Continuation Period"), the Corporation shall continue to provide all benefits which the Executive and/or his family is or would have been entitled to receive under all medical, dental, disability, supplemental life, group life, and accidental death and dismemberment insurance plans and programs, and other similar plans and programs of the Corporation and/or its subsidiaries or affiliates not otherwise provided for in this Agreement, in each case on a basis providing the Executive and/or his family with the opportunity to receive benefits at least equal to the greatest level of benefits provided by the Corporation and/or its subsidiaries or affiliates for the Executive under such plans and programs if and as in effect at any time during the six (6) month period immediately preceding either the Notice of Termination or, if greater, the Change of Control whether or not such plans or programs were in effect at the time of the execution of this Agreement. The non-contributory benefits will be paid for by the Corporation. The medical and dental plan benefits, to the extent applicable, will be provided in accordance with the provisions of the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended ("COBRA"), except that the Corporation shall pay the COBRA premiums for the standard medical and dental plan benefits during the Benefits Continuation Period minus the Executive's contributory obligation determined as if the Executive were still an executive employee of the Corporation. If the Executive's participation in any such plan or program is barred by COBRA or for any other reason, the Corporation shall pay or provide for payment of such benefits or substantially similar benefits to the Executive and/or his family. Upon termination of his coverage under this paragraph, the Executive may be eligible under COBRA to continue some of his benefits for an additional period of time. If such is the case, the Executive will be responsible for the entire COBRA premium. Additionally, the Executive has thirty-one (31) days from last day of coverage in which to convert his group life insurance, dependent group life insurance and/or long-term disability to an individual policy ("Insurance Conversion Period"). For the purposes of short-term disability, coverage will terminate on the Executive's Date of Termination unless the Executive has an established disability. The Executive shall not be eligible to receive both severance payments and short term disability. For the purposes of long-term disability, the last day of coverage is defined as the last day of the month in which occurred the Executive's Date of Termination. The Executive must arrange for conversion to an individual policy during the Insurance Conversion Period through the Benefits Service Center, or such other company as is then providing coverage.

(III) Car Allowance. Notwithstanding the Executive's management level, if the Executive was receiving a car allowance at the time the Notice of Termination was given, the Corporation shall pay to the Executive, in a lump sum within five (5) business days after the Executive's Date of Termination, an amount equal to the product of the Executive's monthly car allowance in effect at the time the Notice of Termination was given multiplied by 12, multiplied by the following multiple depending on the Executive's management level at the time the Notice of Termination was given:

Chief Executive Officer	3
Mgmt. Level 19 or above	3
Mgmt. Level 15-18	2
Mgmt. Level 14	1.5
Mgmt. Level 13	1
Mgmt. Level 12	.75
Mgmt. Level 11	.5

(IV) Outplacement. The Corporation and/or the Trustee (as defined in Section 4(c)) shall pay to the Executive, in a lump sum by cashier's check within five (5) business days after the later of the Executive's Date of Termination or the date of receipt by the Corporation and the Trustee (as defined in Section 4(c)) of the Executive's written demand for payment accompanied by notarized copies of the Notice of Termination, release and, to the extent applicable, letter of resignation (as described in Section 5(b)(II)), an amount equal to twenty percent (20%) of the aggregate of the Executive's Annual Base Salary and Bonus Opportunity (as defined in clauses (I)b and (I)c above respectively), subject to a maximum cost of $50,000 if the Executive was in management level 11-19 immediately prior to either the Notice of Termination, or if greater, the Change of Control and a maximum cost of $75,000 if the Executive was above management level 19 or Chief Executive Officer immediately prior to either the Notice of Termination, or if greater, the Change of Control, which amount may be used by the Executive as he sees fit and, at his sole discretion, in seeking new employment, including outplacement services.

(V) Perquisite, Country Club, and Financial Planning/Tax Preparation Allowances. The Corporation and/or the Trustee (as defined in Section 4(c)) shall pay to the Executive, in a lump sum by cashier's check within five (5) business days after the later of the Executive's Date of Termination or the date of receipt by the Corporation and the Trustee (as defined in Section 4(c)) of the Executive's written demand for payment accompanied by notarized copies of the Notice of Termination, release and, to the extent applicable, letter of resignation (as described in Section 5(b)(II)), an amount equal to the perquisite, country club, and financial planning/tax preparation allowances, as appropriate, the Executive would have been entitled to receive under the plans, programs, policies and practices of the Corporation and/or its subsidiaries or affiliates for the twelve (12) month perquisite, country club, and financial planning/tax preparation payment period of the Corporation or the Executive's respective division, as appropriate (i.e., January - December or September - August), in which the Notice of Termination was given, if not yet paid, and one (1) additional twelve (12) month period thereafter, but in no event for longer than the Severance Period, in each case on a basis providing the Executive with benefits at least equal to the greatest level of benefits provided by the Corporation and/or its subsidiaries or affiliates for the Executive under such plans, programs, policies and practices if and as in effect at any time during the six (6) month period immediately preceding either the Notice of Termination, or if greater, the Change of Control.

(VI) Split-Dollar Life. If the Executive is covered by the Corporation's split-dollar life insurance policy as of the date of this Severance Agreement, the Corporation shall continue and pay for the Executive's coverage until the end of the Severance Period. At the end of the Severance Period, the Corporation will recover its collateral interest in the policy and the Executive shall have the option to (i) retain the policy and continue its life insurance death benefit or (ii) surrender the policy for its remaining cash surrender value, if any. If the Executive elects to continue the life insurance death benefit, the Executive may be required to make additional premium payments. The Executive should contact the Corporation's Vice President, Compensation and Benefits Administration, to ascertain whether any premiums may be required.

(VII) Supplemental Long Term Disability Insurance. If applicable, the cost of the Executive's Supplemental Long Term Disability insurance will continue to be paid by the Corporation through the last day of the Severance Period, provided the Executive remains enrolled in the underlying basic long term disability coverage with the Standard Insurance Company of Oregon or any successor carrier appointed by the Company or has other coverage with an equivalent benefit. If the Executive obtains other disability coverage during the Severance Period and/or no longer participates in the Corporation's basic long term disability program, the Executive must advise the Corporation of the amount of coverage the Executive has with the new carrier for purposes of adjusting the coverage provided under the Supplemental Long Term Disability insurance.

(b) Gross-Up for Excise Tax. In the event that it shall be determined that any payment or benefit by the Corporation to or for the benefit of the Executive pursuant to the terms of this Agreement or any other payments or benefits received or to be received by the Executive in connection with or as a result of the Change of Control or the Executive's termination of employment or any event which is deemed by the Internal Revenue Service or any other taxing authority to constitute a change in the ownership or effective control of the Corporation, or in the ownership of a substantial portion of the assets of the Corporation ("Change of Control Payments") shall be subject to the tax (the "Excise Tax") imposed by Section 4999 (or any successor section) of the Internal Revenue Code of 1986, as it may be amended from time to time (the "Code"), the Corporation and/or the Trustee (as defined in Paragraph 4(c)) shall pay to the Executive an additional amount (the "Gross-Up Payment") such that the net amount retained by the Executive, after (i) payment of any Excise Tax on the Change of Control Payments and (ii) payment of any federal and state and local income tax and Excise Tax upon the Gross-Up Payment, shall be equal to the Change of Control Payments. The determination of whether the Executive is subject to the Excise Tax and the amount of the Gross-Up Payment, if any, shall be made by a "Big Five" accounting firm chosen by the Trustee (as defined in Section 4(c)) and reasonably agreeable to the Executive, which determination shall be binding upon the Executive and the Corporation. For purposes of determining the amount of the Gross-Up Payment, the Executive shall be deemed to pay federal income taxes at the highest marginal rate of federal income taxation in the calendar year in which the Gross-Up Payment is to be made and state and local income taxes at the highest marginal rate of taxation in the calendar year in which the Gross-Up Payment is to be made in the state or locality of the Executive's residence on the Executive's Date of Termination. The Gross-Up Payment shall be paid to the Executive by cashier's check within five (5) business days following the receipt by the Trustee (as defined in Section 4(c)) of the Gross-Up Payment determination from the selected "Big Five" accounting firm.

(c) Trust(s).

(i) In order to ensure in the event of a Change of Control that timely payment will be made of certain obligations of the Corporation to the Executive provided for under this Agreement, the Corporation shall pay into one or more trust(s) (the "Trust(s)") established between the Corporation and any financial institution with assets in excess of $100 million selected by the Corporation prior to the Change of Control, as trustee (the "Trustee"), such amounts and at such time or times as are required in order to fully pay all amounts due the Executive pursuant to Section 4 that are payable in cash or by cashier's check, or as are otherwise required pursuant to the terms of the Trust(s). Thereafter, all such payments required to be paid hereunder shall be made out of the Trust(s); provided, however, that the Corporation shall retain liability for and pay the Executive any amounts or provide for such other benefits due the Executive under this Agreement for which there are insufficient funds in the Trust(s), for which no funding of the Trust(s) is required or in the event that the Trustee fails to make such payment to the Executive within the time frames set forth in this Agreement. Prior to the Change of Control, and to the extent necessary because of a change in the Trustee, after the Change of Control, the Corporation shall provide the Executive with the name and address of the Trustee.

(ii) For purposes of this Agreement, the term "the Corporation and/or the Trustee" shall mean the Trustee to the extent the Corporation has put funds in the Trust(s) and the Corporation to the extent the Corporation has not funded or fully funded the Trust(s);

provided, however, that in accordance with Subsection (i) above, the Corporation shall retain liability for and pay the Executive any amounts or provide for such other benefits due the Executive under this Agreement for which the Trustee fails to make adequate payment to the Executive within the time frames set forth in this Agreement.

5. Obligations of the Executive.

(a) Covenant of Confidentiality. All documents, records, techniques, business secrets and other information, including this Agreement, of the Corporation, its subsidiaries and affiliates, which have or will come into the Executive’s possession from time to time during the Executive’s affiliation with the Corporation and/or any of its subsidiaries or affiliates and which the Corporation treats as confidential and proprietary to the Corporation and/or any of its subsidiaries or affiliates shall be deemed as such by the Executive and shall be the sole and exclusive property of the Corporation, its subsidiaries and affiliates. The Executive agrees that the Executive will keep confidential and not use or divulge to any other party any of the Corporation’s or its subsidiaries’ or affiliates’ confidential information and business secrets, including, but not limited to, such matters as costs, profits, markets, sales, products, product lines, key personnel, pricing policies, operational methods, customers, customer requirements, suppliers, plans for future developments, and other business affairs and methods and other information not readily available to the public. Additionally, the Executive agrees that upon his termination of employment, the Executive shall promptly return to the Corporation any and all confidential and proprietary information of the Corporation and/or its subsidiaries or affiliates that is in his possession.

Executive agrees that the terms and provisions of this Change of Control Severance Agreement, as well as any and all incidents leading to or resulting from this Change of Control Severance Agreement, are confidential and may not be discussed with anyone without the prior written consent of the Corporation’s President, except as required by law.

(b) If, within the three (3) year period commencing on a Change of Control of the Corporation, (i) the Corporation or its subsidiaries or affiliates shall terminate the Executive’s employment for any reason other than for Death, Disability or Cause, or (ii) the Executive shall terminate his employment with the Corporation or its subsidiaries or affiliates for Good Reason, and the Executive shall elect to receive severance pay and benefits in accordance with Section 4, the Executive shall be subject to the following additional provisions:

(I) Covenant Against Competition and Solicitation. During the Severance Period (without any reduction or modification) or the one (1) year period following the Executive’s Date of Termination, whichever is shorter, the Executive shall not, without the prior written consent of the Corporation’s Chief Executive Officer, directly or indirectly engage or become a partner, director, officer, principal, employee, consultant, investor, creditor or stockholder in/for any business, proprietorship, association, firm or corporation not owned or controlled by the Corporation or its subsidiaries or affiliates which is engaged or proposes to engage or hereafter engages in a business competitive directly or indirectly with the business conducted by the Corporation or any of its subsidiaries or affiliates immediately prior to the Change of Control in any geographic area where such business of the Corporation or its subsidiaries or affiliates is conducted;

provided, however, that the Executive is not prohibited from owning one percent (1%) or less of the outstanding capital stock of any corporation whose stock is listed on a national securities exchange.

During the Severance Period (without any reduction or modification) or the one (1) year period following the Executive's Date of Termination, whichever is shorter, the Executive shall not, either on the Executive's own account or for any person, firm or company, solicit, interfere with or induce, or attempt to induce, any employee of the Corporation or any of its subsidiaries or affiliates to leave his employment or to breach his employment agreement, if any.

(II) Release. Upon the Executive's termination of employment, the Executive and the Corporation shall execute a release agreement in the form attached as Exhibit A. The only condition to the Executive's receipt of any payments or benefits pursuant to this Agreement shall be his tender of such release, executed by him, to the Corporation, and the Executive's obligations and limitations under such release as executed by him shall be conditioned upon the execution of such release by the Corporation and delivery to the Executive within thirty (30) days of the Executive's tender thereof to the Corporation. In addition, to the extent applicable, upon the Executive's termination of employment, the Executive shall execute a resignation letter in the form attached as Exhibit B.

(III) Amendment. The Covenant Against Competition and Solicitation and Release may be amended from time to time solely to comply with any federal, state or local law in order to effectuate their intent.

(c) Specific Remedy. The Executive acknowledges and agrees that if the Executive commits a material breach of the Covenant of Confidentiality or, if applicable, the Covenant Against Competition and Solicitation (as provided in Subsections (a) and (b) above), the Corporation shall have the right to have the covenant specifically enforced by any court having appropriate jurisdiction on the grounds that any such breach will cause irreparable injury to the Corporation, and that money damages will not provide an adequate remedy to the Corporation. The Executive further acknowledges and agrees that the Covenant of Confidentiality and, if applicable, the Covenant Against Competition and Solicitation, contained in this Agreement are fair, do not unreasonably restrict the Executive's future employment and business opportunities, and are commensurate with the compensation arrangements set out in this Agreement. In addition, once the Executive makes an election to receive severance pay and benefits pursuant to Section 4 and is subject to Subsection (b) above, the Executive shall have no right to return any amounts or benefits that are already paid or to refuse to accept any amounts or benefits that are payable in the future in lieu of his specific performance of his obligations under Subsection (b) above.

6. Non-exclusivity of Rights. Nothing in this Agreement shall prevent or limit the Executive's continuing or future participation in any benefit, bonus, incentive or other plans, programs, policies or practices provided by the Corporation or any of its subsidiaries or affiliates and for which the Executive may qualify, nor shall anything herein limit or otherwise affect such rights as the Executive may have under such plans, programs, policies or practices or under any

stock option or other agreements with the Corporation or any of its subsidiaries or affiliates, specifically including but not limited to the Corporation's 1980 and 1995 Stock Incentive Plans, the deferred compensation agreements, the Stock for Merit Increase Replacement Plan, the Profit Incentive Stock Plan, the Corporation's and/or its subsidiaries' or affiliates' retirement, 401(k) and profit sharing plans, the Corporation's Benefit Restoration Plan, Deferred Compensation Plan, supplemental disability and retiree life insurance. In the event there are any amounts which represent vested benefits or which the Executive is otherwise entitled to receive under these or any other plans, programs, policies or practices, including any plan, program, policy or practice adopted after the execution of this Agreement, of the Corporation or any of its subsidiaries or affiliates at or subsequent to the Executive's Date of Termination, the Corporation shall pay or cause the relevant plan, program, policy or practice to pay such amounts, to the extent not already paid, in accordance with the provisions of such plan, program, policy or practice. The phrase "Termination Date" as used in the Corporation's 1980 and 1995 Stock Incentive Plans shall mean the end of the Severance Period with respect to Non-Qualified Stock Options granted to the Executive, if any, pursuant to such plan, and the Executive's Date of Termination with respect to Incentive Stock Options and Restricted Stock Rights granted to the Executive, if any, thereunder. The last day of the Severance Period will be considered to be the Executive's termination date for purposes of the Executive's deferred compensation agreement(s), if any.

7. Full Settlement. Except as specifically provided otherwise in this Agreement, the Corporation's obligation to make the payments provided for in this Agreement and otherwise to perform its obligations hereunder shall not be affected by any circumstances, including, without limitation, any setoff, counterclaim, recoupment, defense or other right which the Corporation may have against the Executive or others. The Executive shall not be obligated to seek other employment by way of mitigation of the amounts payable to the Executive under any of the provisions of this Agreement nor, except as specifically provided otherwise in this Agreement, shall the amount of any payment provided for under this Agreement be reduced by any compensation or benefits earned by the Executive as the result of employment by another employer after the Date of Termination, or otherwise. The Corporation agrees to pay all legal fees and expenses which the Executive may reasonably incur as a result of any contest (regardless of the outcome thereof) by the Corporation, the Executive or others of the validity or enforceability of, or liability under any provision of this Agreement or any guarantee of performance thereof, in each case plus interest, compounded daily, on the total unpaid amount determined to be payable under this Agreement, such interest to be calculated on the basis of the greater of (a) two percent (2%) over the base or prime commercial lending rate announced by the First National Bank of Boston in effect from time to time during the period of such nonpayment or (b) eighteen percent (18%), but in no event greater than the highest interest rate permitted by law for such payments.

8. Successors. (a) This Agreement is personal to the Executive and the Executive does not have the right to assign this Agreement or any interest herein.

(b) This Agreement shall inure to the benefit of and be binding upon the Corporation and its successors. The Corporation shall require any successor to all or substantially all of the business and/or assets of the Corporation, whether directly or indirectly, by purchase, merger, consolidation, acquisition of stock, or otherwise, expressly to assume and agree to perform this Agreement in the same manner and to the same extent as the Corporation would be required to perform if no such succession had taken place, by a written agreement in form and substance reasonably satisfactory to the Executive, delivered to the Executive within five (5) business days after such succession. As used in this Agreement, “Corporation” shall mean the Corporation as hereinbefore defined and any successor to its business and/or assets as aforesaid which assumes and agrees to perform this Agreement by operation of law, or otherwise.

9. Miscellaneous. (a) This Agreement shall be governed by and construed in accordance with the laws of the state of Florida, without reference to principles of conflict of laws. The parties agree to submit to the non-exclusive jurisdiction of the courts in the state of Florida. The captions of this Agreement are not part of the provisions hereof and shall have no force or effect. Except as provided in Section 5(b)(III), this Agreement may not be amended or modified otherwise than by a written agreement executed by the parties hereto or their respective successors and legal representatives.

(b) All notices and other communications hereunder shall be in writing and shall be given to the other party and/or the Trustee, as applicable, by hand delivery, by overnight express mail or by registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

If to the Executive: at the Executive’s last address appearing in the payroll/personnel records of the Corporation;

If to the Corporation:

Ryder System, Inc.
3600 N.W. 82nd Avenue
Miami, Florida 33166
Attention: General Counsel

If to the Trustee: at the address provided pursuant to Section 4(c);

or to such other address as either party or the Trustee shall have furnished to the other in writing in accordance herewith. Notice and communications shall be effective when actually received by the addressee.

(c) The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement. The Executive’s failure to insist upon strict compliance with any provision hereof shall not be deemed to be a waiver of such provision or any other provision thereof.

(d) The Executive understands and acknowledges that the payment and benefits provided to the Executive pursuant to this Agreement may be unsecured obligations of the Corporation. The Executive further understands and acknowledges that the payments and benefits under this Agreement may be compensation and as such may be included in either the Executive’s W-2 earnings statements or 1099 statements. The Corporation may withhold from any amounts payable under this Agreement such federal, state or local taxes as shall be required to be withheld pursuant to any applicable law or regulation, as well as any other deductions consented to in writing by the Executive.

(e) This Agreement, including its attached Exhibits, contains the entire understanding of the Corporation and the Executive with respect to the subject matter hereof. No agreements or representations, oral or written, express or implied, with respect to the subject matter hereof have been made by either party which are not set forth expressly in this Agreement and its attached Exhibits.

(f) The employment of the Executive by the Corporation or its subsidiaries or affiliates may be terminated by either the Executive or the Corporation or its subsidiaries or affiliates at any time and for any reason, with or without cause. Nothing contained in this Agreement shall affect such rights to terminate; provided, however, that nothing in this Section 9(f) shall prevent the terms and provisions of this Agreement from being enforced in the event of a termination described in Section 4(a).

(g) Whenever used in this Agreement, the masculine gender shall include the feminine or neuter wherever necessary or appropriate and vice versa and the singular shall include the plural and vice versa.

(h) This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same instrument.

IN WITNESS WHEREOF, the Executive has hereunto set his hand and the Corporation has caused these presents to be executed in its name on its behalf, and its corporate seal to be hereunto affixed and attested by its assistant secretary, all as of the day and year first above written.

Witness	Executive
Witness	Social Security Number
ATTEST:	RYDER SYSTEM, INC. (the “Corporation”)
	By:
Asst. Secretary (Seal)	Vice President

EXHIBIT A

MUTUAL RELEASE AGREEMENT

FOR AND IN CONSIDERATION OF (A) THE PAYMENT TO (Executive's Name) OF THE SEVERANCE BENEFITS PURSUANT TO THE CHANGE OF CONTROL SEVERANCE AGREEMENT BETWEEN RYDER SYSTEM, INC. ("THE CORPORATION") AND (Executive's Name) DATED , 19 (THE "CHANGE OF CONTROL SEVERANCE AGREEMENT") AND (B) THE EXECUTION OF THIS MUTUAL RELEASE AGREEMENT (THE "RELEASE AGREEMENT") BY BOTH THE CORPORATION AND (Executive's Name), WITH THE EXECUTION OF THIS RELEASE AGREEMENT BY THE CORPORATION AND THE DELIVERY THEREOF TO (Executive's Name) OCCURRING WITHIN THIRTY (30) DAYS OF (Executive's Name)'S TENDER OF THIS RELEASE AGREEMENT TO THE CORPORATION, (Executive's Name), ON BEHALF OF HIMSELF/HERSELF, HIS/HER HEIRS, SUCCESSORS AND ASSIGNS (COLLECTIVELY THE "EXECUTIVE"), AND THE CORPORATION, ON BEHALF OF ITSELF, AND AS AGENT FOR ALL OF ITS SUBSIDIARIES AND AFFILIATES, THEIR CURRENT AND FORMER AGENTS, EMPLOYEES, OFFICERS, DIRECTORS, SUCCESSORS AND ASSIGNS (COLLECTIVELY "RYDER"), HEREBY RELEASE AND FOREVER DISCHARGE EACH OTHER AND RYDER FROM ANY AND ALL CLAIMS, DEMANDS, ACTIONS, AND CAUSES OF ACTION, AND ALL LIABILITY WHATSOEVER, WHETHER KNOWN OR UNKNOWN, FIXED OR CONTINGENT, WHICH THEY HAVE OR MAY HAVE AGAINST EACH OTHER AND RYDER AS A RESULT OF THE EXECUTIVE'S EMPLOYMENT BY AND SUBSEQUENT TERMINATION AS AN EMPLOYEE OF RYDER, UP TO THE DATE OF THE EXECUTION OF THIS RELEASE AGREEMENT. THIS INCLUDES BUT IS NOT LIMITED TO CLAIMS AT LAW OR EQUITY OR SOUNDING IN CONTRACT (EXPRESS OR IMPLIED) OR TORT ARISING UNDER FEDERAL, STATE, OR LOCAL LAWS PROHIBITING AGE, SEX, RACE, DISABILITY, VETERAN OR ANY OTHER FORMS OF DISCRIMINATION. THIS FURTHER INCLUDES ANY AND ALL CLAIMS ARISING UNDER THE AGE DISCRIMINATION IN EMPLOYMENT ACT, THE AMERICANS WITH DISABILITIES ACT OF 1990, TITLE VII OF THE CIVIL RIGHTS ACT OF 1964, OR THE EMPLOYEE RETIREMENT INCOME SECURITY ACT (ERISA), AS AMENDED, OR CLAIMS GROWING OUT OF ANY LEGAL RESTRICTIONS ON RYDER'S RIGHT TO TERMINATE ITS EMPLOYEES.

This Release Agreement does not release Ryder or the Executive from any of their current, future or ongoing obligations under the Change of Control Severance Agreement, specifically including but not limited to cash payments and benefits due the Executive in the case of the Corporation, and the Covenant of Confidentiality and, to the extent applicable, the Covenant Against Competition and Solicitation, in the case of the Executive.

The Executive and the Corporation understand and agree that this Release Agreement and the Change of Control Severance Agreement shall not in any way be construed as an admission by Ryder or the Executive of any unlawful or wrongful acts whatsoever against each other or any other person, and both Ryder and the Executive specifically disclaim any liability to or wrongful acts against each other or any other person.

The Corporation and the Executive agree that the terms and provisions of this Release Agreement and the Change of Control Severance Agreement, as well as any and all incidents leading to or resulting from this Release Agreement and the Change of Control Severance Agreement, are confidential and may not be discussed with anyone without the prior written consent of the other party, except as required by law; provided, however, that the Executive and the Corporation or its successor agree to immediately give the other party notice of any request to discuss this Release Agreement or the Change of Control Severance Agreement and to provide the other party with the opportunity to contest such request prior to their response.

This Release Agreement shall be governed by and construed in accordance with the laws of the State of Florida, without reference to principles of conflict of laws. Except as provided in Section 5(b)(III) of the Change of Control Severance Agreement, this Release Agreement may not be amended or modified otherwise than by a written agreement executed by the parties hereto or their respective successors and legal representatives.

The invalidity or unenforceability of any provision of this Release Agreement shall not affect the validity or enforceability of any other provision of this Release Agreement.

WE CERTIFY THAT WE HAVE FULLY READ, HAVE RECEIVED AN EXPLANATION OF, HAVE NEGOTIATED AND COMPLETELY UNDERSTAND THE PROVISIONS OF THIS RELEASE AGREEMENT, THAT WE HAVE HAD ADEQUATE TIME TO REVIEW AND CONSIDER THE PROVISIONS OF THIS RELEASE AGREEMENT, AND THAT WE ARE SIGNING THIS RELEASE AGREEMENT FREELY AND VOLUNTARILY, WITHOUT DURESS, COERCION OR UNDUE INFLUENCE. IN ADDITION, THE EXECUTIVE FURTHER CERTIFIES THAT THE EXECUTIVE HAS BEEN ADVISED BY THE CORPORATION THAT THE EXECUTIVE SHOULD CONSULT WITH AN ATTORNEY BEFORE SIGNING THIS RELEASE AGREEMENT.

Executive’s Date of Termination: ________________________

Dated this ______ day of _________, 19_____.

Witness	Executive
Witness	Social Security Number
ATTEST:	RYDER SYSTEM, INC., on behalf of itself and as agent for the Corporation
	By: ________________
Secretary (Seal)	Its: ________________

STATE OF __________)
) ss:
COUNTY OF ________)

Before me personally appeared , to me well known and known to me to be the person described in and who executed the foregoing instrument, and acknowledged to and before me that he/she executed said instrument for the purposes therein expressed.

WITNESS my hand and official seal this ______ day of _________, 19____.

____
Notary Public

My Commission Expires:

______________________ (Seal)

STATE OF __________)
) ss:
COUNTY OF ________)

Before me personally appeared and , to me well known and known to me to be the and of Ryder System, Inc. who executed the foregoing instrument, and acknowledged to and before me that they executed said instrument for the purposes therein expressed.

WITNESS my hand and official seal this ________ day of _________, 19_________.

____
Notary Public

My Commission Expires:

______________________ (Seal)

Change of Control
Severance Agreement

EXHIBIT B

Resignation Letter

TO THE BOARD OF DIRECTORS
OF RYDER SYSTEM, INC.

Ladies and Gentlemen:

Effective immediately, I hereby resign as an officer and/or director of Ryder System, Inc. and/or its subsidiaries and affiliates and, to the extent applicable, from all committees of which I am a member.

Sincerely,

____

Executive’s Name

____

Date

EXHIBIT 10.2

Severance Agreement

THIS AGREEMENT between RYDER SYSTEM, INC., a Florida corporation (the “Corporation”), and name (the “Executive”), dated as of the XXX day of XXXX, 2001.

WITNESSETH:

WHEREAS, the Executive is an officer and/or key employee of the Corporation and/or its subsidiaries or affiliates and an integral part of its management; and

WHEREAS, in order to retain the Executive, the Corporation desires to provide severance benefits to the Executive if the Executive’s employment with the Corporation or its subsidiaries or affiliates terminates as provided herein prior to a Change of Control (as defined in Section 2);

NOW, THEREFORE, in consideration of the premises and mutual covenants herein contained, it is hereby agreed by and between the Corporation and the Executive as follows:

1. Term of Agreement. This Agreement shall become effective as of the date hereof and shall terminate upon the occurrence of the earliest of the events specified below; provided, however, that Section 5 shall survive termination:

(a) the last day of the Severance Period (as defined in Section 3(e));

(b) the termination of the Executive’s employment by the Executive for any reason or by the Corporation or its subsidiaries or affiliates for Death, Disability or Cause (as defined in Sections 3(b) and (a) respectively);

(c) one (1) year following the date of receipt of a mailing (by overnight express mail or registered or certified mail, return receipt requested) or hand delivery to the Executive by the Corporation of written notice of its intent to terminate this Agreement, provided that the Executive is not then receiving severance pay and benefits pursuant to Section 4 as a result of his termination by the Corporation or its subsidiaries or affiliates other than for Death, Disability or Cause (as defined in Sections 3(b) and (a) respectively) prior to the end of the one (1) year period;

(d) a Change of Control of the Corporation (as defined in Section 2), provided that the Executive is not then receiving severance pay and benefits pursuant to Section 4 as a result of his termination by the Corporation or its subsidiaries or affiliates other than for Death, Disability or Cause (as defined in Sections 3(b) and (a) respectively) prior to the Change of Control;

(e) the material breach by the Executive of the provisions of Section 5; or

(f) the termination of this Agreement pursuant to Section 4(a)(i) or Section 4(a)(iii)(II).

Additionally, notwithstanding anything in this Agreement to the contrary, if the Executive should die while receiving severance pay or benefits pursuant to Section 4 as a result of his termination by the Corporation or its subsidiaries or affiliates other than for Death, Disability or Cause (as defined in Sections 3(b) and (a) respectively), this Agreement shall terminate immediately upon the Executive's death and both parties shall be released from all obligations under this Agreement other than those under the release referenced in Section 5(b)(IV) and those relating to amounts or benefits which are payable under this Agreement within five (5) business days after the Executive's Date of Termination (if not yet paid), are vested under any plan, program, policy or practice or which the Executive is otherwise entitled to receive upon his death, including, but not limited to, life insurance. Any payment due pursuant to the preceding sentence upon the Executive's death shall be made to the estate of the deceased Executive, unless the plan, program, policy, practice or law provides otherwise.

2. Change of Control. For the purpose of this Agreement, a "Change of Control" shall be deemed to have occurred if:

(a) any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "1934 Act")) (a "Person") becomes the beneficial owner, directly or indirectly, of twenty percent (20%) or more of the combined voting power of the Corporation's outstanding voting securities ordinarily having the right to vote for the election of directors of the Corporation; provided, however, that for purposes of this subparagraph (a), the following acquisitions shall not constitute a Change of Control: (i) any acquisition by any employee benefit plan or plans (or related trust) of the Corporation and its subsidiaries and affiliates or (ii) any acquisition by any corporation pursuant to a transaction which complies with clauses (i), (ii) and (iii) of subparagraph (c) of this Section 2; or

(b) the individuals who, as of August 18, 1995 **,** constituted the Board of Directors of the Corporation (the "Board" generally and as of August 18, 1995 the "Incumbent Board") cease for any reason to constitute at least two-thirds (2/3) of the Board, provided that any person becoming a director subsequent to August 18, 1995 whose election, or nomination for election, was approved by a vote of the persons comprising at least two-thirds (2/3) of the Incumbent Board (other than an election or nomination of an individual whose initial assumption of office is in connection with an actual or threatened election contest, as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the 1934 Act) shall be, for purposes of this Agreement, considered as though such person were a member of the Incumbent Board; or

(c) there is a reorganization, merger or consolidation of the Corporation (a "Business Combination"), in each case, unless, following such Business Combination, (i) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Corporation's outstanding common stock and outstanding voting securities ordinarily having the right to vote for the election of directors of the Corporation immediately prior to such Business Combination beneficially own, directly or indirectly, more than fifty percent (50%) of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities ordinarily having the right to vote for the election of directors, as the case may be, of the corporation resulting from such Business Combination (including, without limitation, a corporation which as a result of such transaction owns the Corporation or all or substantially all of the Corporation's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Business Combination, of the Corporation's outstanding common stock and outstanding voting securities ordinarily having the right to vote for the election of directors of the Corporation, as the case may be, (ii) no Person (excluding any corporation resulting from such Business Combination or any employee benefit plan or plans (or related trust) of the Corporation or such corporation resulting from such Business Combination and their subsidiaries and affiliates) beneficially owns, directly or indirectly, 20% or more of the combined voting power of the then outstanding voting securities of the corporation resulting from such Business Combination and (iii) at least two-thirds (2/3) of the members of the board of directors of the corporation resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board, providing for such Business Combination; or

(d) there is a liquidation or dissolution of the Corporation approved by the shareholders; or

(e) there is a sale of all or substantially all of the assets of the Corporation.

If a Change of Control occurs and if the Executive's employment is terminated prior to the date on which the Change of Control occurs, and if it is reasonably demonstrated by the Executive that such termination of employment (A) was at the request of a third party who has taken steps reasonably calculated to effect a Change of Control or (B) otherwise arose in connection with or in anticipation of a Change of Control, a Change of Control shall be deemed to have retroactively occurred on the date immediately prior to the date of such termination of employment.

3. Certain Definitions.

(a) Cause. The Executive's employment may be terminated for Cause only if the Corporation's Chief Executive Officer determines that Cause (as defined below) exists. For purposes of this Agreement, "Cause" means (i) an act or acts of fraud, misappropriation, or embezzlement on the Executive's part which result in or are intended to result in his or another's personal enrichment at the expense of the Corporation or its subsidiaries or affiliates, (ii) conviction of a felony, (iii) conviction of a misdemeanor involving moral turpitude, (iv) willful failure to report to work for more than thirty (30) continuous days not attributable to eligible vacation or supported by a licensed physician's statement, or (v) any other activity which would constitute grounds for termination for cause by the Corporation or its subsidiaries or affiliates. For the purposes of this Section 3(a), any good faith interpretation by the Corporation of the foregoing definition of "Cause" shall be conclusive on the Executive.

(b) Death or Disability.

(i) The Executive's employment will be terminated by the Corporation or its subsidiaries or affiliates automatically upon the Executive's death ("Death").

(ii) After having established the Executive's Disability (as defined below), the Corporation may give to the Executive written notice of the Corporation's and/or its subsidiaries' or affiliates' intention to terminate the Executive's employment for Disability. The

Executive's employment will terminate for Disability effective on the thirtieth (30th) day after the Executive's receipt of such notice (the "Disability Effective Date") if within such thirty (30) day period after such receipt the Executive shall fail to return to full-time performance of his duties. For purposes of this Agreement, "Disability" means disability which after the expiration of more than five (5) months after its commencement is determined to be total and permanent by a licensed physician selected by the Corporation or its insurers and reasonably acceptable to the Executive or his legal representative.

In the event of the Executive's termination for Death or Disability, the Executive and, to the extent applicable, his legal representatives, executors, heirs, legatees and beneficiaries shall have no rights under this Agreement and their sole recourse, if any, shall be under the death or disability provisions of the plans, programs, policies and practices of the Corporation and/or its subsidiaries and affiliates, as appropriate.

(c) Notice of Termination. Any termination by the Corporation or its subsidiaries or affiliates other than for Death shall be communicated by notice to the Executive setting forth the basis for termination of the Executive's employment and, if the Date of Termination (as defined below) is other than the date of receipt of such notice, specifying the termination date (the "Notice of Termination").

(d) Date of Termination. Date of Termination means the date of receipt of the Notice of Termination or any later date specified therein, as the case may be; provided, however, that if the Executive's employment is terminated by reason of Death or Disability, the Date of Termination shall be the date of Death of the Executive or the Disability Effective Date, as the case may be.

(e) Severance Period. Unless terminated sooner pursuant to Section 1, the Severance Period means the period set forth below depending on the Executive's management level at the time the Notice of Termination was given, which period shall begin on the day following the Executive's Date of Termination:

Chief Executive Officer	Three (3) years
Mgmt. Level 19 or above	Three (3) years
Mgmt. Level 15-18	Two (2) years
Mgmt. Level 14	One (1) year and six (6) months

4. Obligations of the Corporation.

(a) Circumstances of Termination.

(i) If, during the term of this Agreement prior to a Change of Control, the Corporation or its subsidiaries or affiliates shall terminate the Executive's employment for any reason other than for Death, Disability or Cause, the Corporation agrees to provide the Executive with compensation, benefits and perquisites in accordance with the terms and provisions set forth in Subsection (iii) below and the other provisions of this Agreement, and the Executive agrees that he shall be subject to such terms and provisions. The Executive shall not be deemed to have terminated his employment with the Corporation or any of its subsidiaries or affiliates, and thus shall not be entitled to any amounts or benefits pursuant to this Agreement, if he leaves the employ of the Corporation or any of its subsidiaries or affiliates for immediate reemployment with the Corporation or any of its subsidiaries or affiliates. Additionally, notwithstanding anything in this Agreement to the contrary, the Executive shall not be entitled to any amounts or benefits pursuant to this Agreement if, as a result of the sale of all or substantially all of the stock or assets of one or more of the Corporation's subsidiaries or affiliates not constituting a Change of Control, the Executive continues as an employee of any of the companies whose stock or assets were sold or the Executive leaves the employ of the Corporation or any of its subsidiaries or affiliates and the Executive (A) is offered employment with the purchasing company or any of its subsidiaries or affiliates, or (B) is offered continuing employment with the Corporation or any of its remaining subsidiaries or affiliates. In the event of the occurrence of any of the events set forth in the preceding sentence, this Agreement shall terminate immediately and the Executive shall not be entitled to any amounts or benefits hereunder; provided, however, that this Agreement shall continue in effect if the Executive accepts the offer of continuing employment with the Corporation or any of its remaining subsidiaries or affiliates.

(ii) If during the term of this Agreement, the Executive shall terminate his employment with the Corporation or its subsidiaries or affiliates for any reason, or the Corporation or its subsidiaries or affiliates shall terminate the Executive's employment for Death, Disability or Cause, then the Executive shall not be entitled to any of the benefits set forth in Subsection (iii) below or in any other provision of this Agreement, except to the extent of the amounts which represent vested benefits or which the Executive is otherwise entitled to receive under any plan, program, policy or practice of the Corporation or any of its subsidiaries or affiliates at or subsequent to the Executive's Date of Termination.

(iii) If the Executive is entitled to receive severance pay and benefits under Subsection (i) above, the Corporation agrees to provide the Executive with the following compensation, benefits and perquisites, subject to Section 5(b):

(I) Cash Entitlement. The Corporation shall pay to the Executive the aggregate of the amounts determined pursuant to clauses a through e below:

a. Unpaid Salary and Vacation. If not already paid, the Executive's base salary and unused vacation entitlement through the Executive's Date of Termination at the rate in effect at the time the Notice of Termination was given.

b. Salary Multiple. A continuation of the Executive’s annual base salary at the rate in effect at the time the Notice of Termination was given (“Annual Base Salary”) for the Executive’s applicable Severance Period (as defined in Section 3(e)).

c. Tenure - Related Bonus. An amount equal to the product of (i) the Executive’s Annual Base Salary multiplied by (ii) the stated target bonus opportunity percentage available to the Executive under the respective incentive compensation plan immediately preceding the Notice of Termination multiplied by (iii) the “Executive’s Three Year Average Bonus Percentage” (as defined below) (the product of (i), (ii) and (iii) hereinafter referred to as the “Bonus Average”) multiplied by the number of the Executive’s full and prorated partial years of service with the Corporation and/or its subsidiaries or affiliates, subject to a maximum of twelve (12) years, divided by twelve (12).

The “Executive’s Three Year Average Bonus Percentage” is the sum of the Bonus Percentages Paid to the Executive divided by the stated target bonus opportunity percentages available to the Executive rounded to one decimal place (e.g., 86.3%) for each of the three (3) fiscal years immediately preceding the date the Notice of Termination was given divided by three (3). Bonus Percentage Paid constitutes the actual bonus paid to the Executive in the related fiscal year expressed as a percentage of annual base salary.

If the Executive has been employed by the Corporation and/or its subsidiaries or affiliates for less than three (3) fiscal years at the time the Notice of Termination was given, or if the Executive was not eligible to receive an incentive compensation award pursuant to an incentive compensation plan of the Corporation and/or its subsidiaries or affiliates for one (1) or more of the three (3) fiscal years immediately preceding the date the Notice of Termination was given, the bonus percentage to be applied in the “Executive’s Three Year Bonus Percentage” calculation for any year in which the Executive was not employed or eligible to receive an incentive award will be the average bonus percentage paid for such year to all executives in the Corporation or the Executive’s respective level or division, as appropriate.

CALCULATION EXAMPLE OF EXECUTIVE’S THREE YEAR AVERAGE BONUS PERCENTAGE

Year	(1) Bonus Percentage Paid	(2) Stated Target Bonus Opportunity	(1)/(2) Bonus Opportunity Percent
1	55.1%	70.0%	78.7%
2	57.9%	70.0%	82.7%
3	55.0%	70.0%	78.6%
Sum			240.0%
Executive’s Three Year Average Bonus Percentage (Sum divided by 3)			80.0%

d. Bonus Multiple. For the Chief Executive Officer and executives in management level 17 and above at the time the Notice of Termination was given only, an amount equal to the product of the Bonus Opportunity determined in clause c above multiplied by the following multiple depending on the Executive’s management level at the time the Notice of Termination was given:

Chief Executive Officer	2
Mgmt. Level 17 or above	1

e. Prior Year Bonus. If bonuses for the calendar year prior to the Executive’s Date of Termination have been distributed and the Executive has not yet been paid his incentive compensation award for such calendar year, and his Date of Termination is subsequent to the incentive compensation award payment date for such calendar year, then the Executive shall receive an additional amount equal to the product of the actual salary earned by the Executive during the prior calendar year multiplied by the actual bonus percentage approved for the Executive for such calendar year under the respective incentive compensation plan.

The Executive agrees that he shall not be eligible for or entitled to any other incentive compensation award, including any pro rata incentive compensation award, pursuant to the Corporation’s and/or its subsidiaries’ or affiliates’ incentive compensation plans. The Executive’s agreement to this provision is a material consideration for the Corporation’s executing this Agreement.

The Corporation shall pay to the Executive the amounts determined in clauses a through e above as follows:

Clause a: In a lump sum no later than the next normal pay period for the Executive, unless otherwise required by law.

Clause b: In equal semi-monthly installments on the fifteenth and last day of each month during the Severance Period.

Clause d: No later than the first March 1st following the Executive's Date of Termination.

Clauses c and e: In a lump sum within five (5) business days after the Executive's Date of Termination.

(II) Medical, Dental, Disability, Life Insurance and Other Similar Plans and Programs. Until the earliest to occur of (i) the last day of the Severance Period, (ii) the date on which the Executive becomes eligible for the designated coverage as an employee of another employer which provides or offers such coverage to its employees, or (iii) in the case of benefits requiring employee contributions, the date the Executive fails to make such contributions pursuant to the Corporation's or the plan's instructions or otherwise cancels his coverage in accordance with plan provisions (the "Benefits Continuation Period"), the Corporation shall continue to provide the benefits which the Executive and/or his family is or would have been entitled to receive under all medical, dental, disability, supplemental life, group life, and accidental death and dismemberment insurance plans and programs, and other similar plans and programs of the Corporation and/or its subsidiaries or affiliates not otherwise provided for in this Agreement, in each case on a basis providing the Executive and/or his family with the opportunity to receive benefits at least equal to those benefits provided by the Corporation and/or its subsidiaries or affiliates to their comparably situated active executives during the Benefits Continuation Period. The non-contributory benefits will be paid for by the Corporation. The medical and dental plan benefits, to the extent applicable, will be provided in accordance with the provisions of the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended ("COBRA"), except that the Corporation shall pay the COBRA premiums for the standard medical and dental plan benefits during the Benefits Continuation Period minus the Executive's contributory obligation determined as if the Executive were still an executive employee of the Corporation. If the Executive's participation in any such plan or program is barred by COBRA or for any other reason, the Corporation shall pay or provide for payment of such benefits or substantially similar benefits to the Executive and/or his family. Failure of the Executive to accept available coverage from another employer or to notify the Corporation, in writing, within thirty (30) days of the Executive's eligibility for coverage under another employer's plan shall terminate the Severance Period and this Agreement immediately, and the Corporation shall have no further obligations to the Executive under this Agreement; provided, however, that the Executive will, if applicable, continue to be subject to the provisions of Section 5 of this Agreement. Upon termination of his coverage under this paragraph, the Executive may be eligible under COBRA to continue some of his benefits for an additional period of time. If such is the case, the Executive will be responsible for the entire COBRA premium. Additionally, the Executive has thirty-one (31) days from the last day of coverage in which to convert his group life insurance, dependent group life insurance and/or long-term disability to an individual policy ("Insurance Conversion Period"). For the purposes of short-term disability, coverage will terminate on the Executive's Date of Termination unless the Executive has an established disability. The

Executive shall not be eligible to receive both severance payments and short term disability. For the purposes of long-term disability, the last day of coverage is defined as the last day of the month in which occurred the Executive's Date of Termination. The Executive must arrange for conversion to an individual policy during the Insurance Conversion Period described above through the Benefits Service Center, or such other company as is then providing coverage.

(III) Car. Notwithstanding the Executive's management level, if the Executive was receiving a car allowance at the time the Notice of Termination was given, the Corporation shall pay to the Executive, in a lump sum within five (5) business days after the Executive's Date of Termination, an amount equal to the product of the Executive's monthly car allowance in effect at the time the Notice of Termination was given multiplied by 12 multiplied by the following multiple depending on the Executive's management level at the time the Notice of Termination was given:

Chief Executive Officer	3
Mgmt. Level 19 or above	3
Mgmt. Level 15-18	2
Mgmt. Level 14	1.5

(IV) Outplacement. Until the end of the Severance Period or until the Executive obtains another full-time job or becomes self-employed, whichever occurs first, the Corporation shall provide the Executive with professional outplacement services of the Corporation's choice and shall reimburse the Executive for documented incidental outplacement expenses directly related to job search such as resume mailing, interviewing trips, and clerical support, subject to a maximum cost of the lesser of (i) ten percent (10%) of the Executive's Annual Base Salary (as defined in clause (I)b above), or (ii) $20,000 if the Executive was in management level 11-19 at the time the Notice of Termination was given or $30,000 if the Executive was above management level 19 or Chief Executive Officer at the time the Notice of Termination was given. The Executive shall not be entitled to receive cash in lieu of the professional outplacement services or reimbursed incidental outplacement expenses provided by the Corporation.

(V) Perquisite, Country Club, and Financial Planning/Tax Preparation Allowances. For the twelve (12) month perquisite, country club, and financial planning/tax preparation payment period of the Corporation or the Executive's respective division, as appropriate (i.e., January - December or September - August), in which the Notice of Termination was given, if not yet paid, and one (1) additional twelve (12) month period thereafter, but in no event for longer than the Severance Period, the Corporation shall continue to provide the Executive with the perquisite, country club, and financial planning/tax preparation, as appropriate, the Executive would have been entitled to receive under the plans, programs, policies and practices of the Corporation and/or its subsidiaries or affiliates (subject to the Corporation's receipt of appropriate documented evidence of such expenses), in each case on a basis providing the Executive with an opportunity to receive benefits at least equal to those provided by the Corporation and/or its subsidiaries or affiliates to their comparably situated active executives during the applicable period.

(VI) Split-Dollar Life Insurance. If the Executive is covered by the Corporation's split-dollar life insurance policy as of the date of this Severance Agreement, the Corporation shall continue and pay for the Executive's coverage until the end of the Severance Period. At the end of the Severance Period, the Corporation will recover its collateral interest in the policy and the Executive shall have the option to (i) retain the policy and continue its life insurance death benefit or (ii) surrender the policy for its remaining cash surrender value, if any. If the Executive elects to continue the life insurance death benefit, the Executive may be required to make additional premium payments. The Executive should contact the Corporation's Vice President, Compensation and Benefits Administration, to ascertain whether any premiums may be required.

(VII) Supplemental Long Term Disability Insurance. If applicable, the cost of the Executive's Supplemental Long Term Disability insurance will continue to be paid by the Corporation through the last day of the Severance Period, provided the Executive remains enrolled in the underlying basic long term disability coverage with the Standard Insurance Company of Oregon or any successor carrier appointed by the Company or has other coverage with an equivalent benefit. If the Executive obtains other disability coverage during the Severance Period and/or no longer participates in the Corporation's basic long term disability program, the Executive must advise the Corporation of the amount of coverage the Executive has with the new carrier for purposes of adjusting the coverage provided under the Supplemental Long Term Disability insurance.

(b) If a Change of Control occurs and the Executive is then receiving severance pay and benefits pursuant to Section 4(a) as a result of his termination by the Corporation or its subsidiaries or affiliates other than for Death, Disability or Cause prior to the Change of Control, the Corporation shall pay to the Executive in a lump sum, within five (5) business days after the Change of Control, an amount (in lieu of future periodic payments) equal to the present value of all future cash payments due to the Executive under this Agreement (including the maximum outplacement and perquisite, country club, and financial planning/tax preparation allowances, as appropriate) using the First National Bank of Boston's base or prime commercial lending rate then in effect for such computation. The Corporation and the Executive shall continue to be liable to each other for all of their other respective obligations under this Agreement.

(c) Notwithstanding anything in this Agreement to the contrary, no amount shall be paid or payable under this Agreement unless the Executive has been employed by the Corporation and/or its subsidiaries or affiliates for at least twelve (12) consecutive months at the time of his termination. In the event the Executive is employed for less than twelve (12) consecutive months, the Executive hereby agrees that he shall not receive or be entitled to anything under this Agreement.

5. Obligations of the Executive.

(a) Covenant of Confidentiality. All documents, records, techniques, business secrets and other information, including this Agreement, of the Corporation, its subsidiaries and affiliates which have or will come into the Executive's possession from time to time during the Executive's affiliation with the Corporation and/or any of its subsidiaries or affiliates and which the Corporation treats as confidential and proprietary to the Corporation and/or any of its subsidiaries or affiliates shall be deemed as such by the Executive and shall be the sole and exclusive property of the Corporation, its subsidiaries and affiliates. The Executive agrees that the Executive will keep confidential and not use or divulge to any other party any of the Corporation's or its subsidiaries' or affiliates' confidential information and business secrets, including, but not limited to, such matters as costs, profits, markets, sales, products, product lines, key personnel, pricing policies, operational methods, customers, customer requirements, suppliers, plans for future developments, and other business affairs and methods and other information not readily available to the public. Additionally, the Executive agrees that upon his termination of employment, the Executive shall promptly return to the Corporation any and all confidential and proprietary information of the Corporation and/or its subsidiaries or affiliates that is in his possession.

Executive agrees that the terms and provisions of this Severance Agreement, as well as any and all incidents leading to or resulting from this Severance Agreement, are confidential and may not be discussed with anyone without the prior written consent of the Corporation's President, except as required by law.

(b) If, at any time during the term of this Agreement, the Corporation or its subsidiaries or affiliates shall terminate the Executive's employment for any reason other than for Death, Disability or Cause, and the Executive shall elect to receive severance pay and benefits in accordance with Section 4, the Executive shall be subject to the following additional provisions:

(I) Covenant Against Competition. During the Severance Period (without any reduction or modification), the Executive shall not, without the prior written consent of the Corporation's Chief Executive Officer, directly or indirectly engage or become a partner, director, officer, principal, employee, consultant, investor, creditor or stockholder in/for any business, proprietorship, association, firm or corporation not owned or controlled by the Corporation or its subsidiaries or affiliates which is engaged or proposes to engage or hereafter engages in a business competitive directly or indirectly with the business conducted by the Corporation or any of its subsidiaries or affiliates in any geographic area where such business of the Corporation or its subsidiaries or affiliates is conducted; provided, however, that the Executive is not prohibited from owning one percent (1%) or less of the outstanding capital stock of any corporation whose stock is listed on a national securities exchange.

(II) Covenant of Non-Solicitation. During the Severance Period (without any reduction or modification), the Executive shall not, either on the Executive's own account or for any person, firm or company, solicit, interfere with or induce, or attempt to induce, any employee of the Corporation or any of its subsidiaries or affiliates to leave his employment or to breach his employment agreement, if any.

(III) Covenant of Non-Disparagement and Cooperation. The Executive agrees not to make any remarks disparaging the conduct or character of the Corporation or any of its subsidiaries or affiliates, their current or former agents, employees, officers, directors, successors or assigns (“Ryder”). In addition, the Executive agrees to cooperate with Ryder, at no extra cost, in any litigation or administrative proceedings (e.g., EEOC charges) involving any matters with which the Executive was involved during the Executive’s employment with the Corporation. The Corporation shall reimburse the Executive for travel expenses approved by the Corporation or its subsidiaries or affiliates incurred in providing such assistance.

(IV) Release. Upon his termination of employment, the Executive shall execute and agree to be bound by a release agreement substantially in the form attached as Exhibit A and, to the extent applicable, a resignation letter substantially in the form attached as Exhibit B, prior to and as a condition to receiving any payments or benefits pursuant to this Agreement. If applicable, the release agreement may contain provisions required by federal, state or local law (e.g., the Older Worker’s Benefit Protection Act) to effectuate a general release of all claims.

(c) Specific Remedy. The Executive acknowledges and agrees that if the Executive commits a material breach of the Covenant of Confidentiality or, if applicable, the Covenant Against Competition, the Covenant of Non-Solicitation, or the Covenant of Non-Disparagement and Cooperation (as provided in Subsections (a) and (b) above, the Corporation shall have the right to have the covenant specifically enforced by any court having appropriate jurisdiction on the grounds that any such breach will cause irreparable injury to the Corporation, and that money damages will not provide an adequate remedy to the Corporation. The Executive further acknowledges and agrees that the Covenant of Confidentiality and, if applicable, the Covenant Against Competition, the Covenant of Non-Solicitation, and the Covenant of Non-Disparagement and Cooperation contained in this Agreement are fair, do not unreasonably restrict the Executive’s future employment and business opportunities, and are commensurate with the compensation arrangements set out in this Agreement. In addition, once the Executive makes an election to receive severance pay and benefits pursuant to Section 4 and is subject to Subsection (b) above, the Executive shall have no right to return any amounts or benefits that are already paid or to refuse to accept any amounts or benefits that are payable in the future in lieu of his specific performance of his obligations under Subsection (b) above.

6. Non-exclusivity of Rights. Nothing in this Agreement shall prevent or limit the Executive’s continuing or future participation in any benefit, bonus, incentive or other plans, programs, policies or practices provided by the Corporation or any of its subsidiaries or affiliates and for which the Executive may qualify, nor shall anything herein limit or otherwise affect such rights as the Executive may have under such plans, programs, policies or practices or under any stock option or other agreements with the Corporation or any of its subsidiaries or affiliates, specifically including but not limited to the Corporation’s 1980 and 1995 Stock Incentive Plans, the deferred compensation agreements, the Stock for Merit Increase Replacement Plan, the Profit Incentive Stock Plan, the Corporation’s and/or its subsidiaries’ or affiliates’ retirement, 401(k) and profit sharing plans, the Corporation’s Benefit Restoration Plan, Deferred Compensation Plan, supplemental disability and retiree life insurance. In the event there are any amounts which

represent vested benefits or which the Executive is otherwise entitled to receive under these or any other plans, programs, policies or practices, including any plan, program, policy or practice adopted after the execution of this Agreement, of the Corporation or any of its subsidiaries or affiliates at or subsequent to the Executive's Date of Termination, the Corporation shall cause the relevant plan, program, policy or practice to pay such amount, to the extent not already paid, in accordance with the provisions of such plan, program, policy or practice. The phrase "Termination Date" as used in the Corporation's 1980 and 1995 Stock Incentive Plans shall mean the end of the Severance Period with respect to Non-Qualified Stock Options granted to the Executive, if any, pursuant to such plan, and the Executive's Date of Termination with respect to Incentive Stock Options and Restricted Stock Rights granted to the Executive, if any, thereunder. The last day of the Severance Period will be considered to be the Executive's termination date for purposes of the Executive's deferred compensation agreement(s), if any.

7. No Mitigation. In no event shall the Executive be obligated to seek other employment by way of mitigation of the amounts payable to the Executive under any of the provisions of this Agreement nor, except as specifically provided otherwise in this Agreement, shall the amount of any payment provided for under this Agreement be reduced by any compensation or benefits earned by the Executive as the result of employment by another employer after the Date of Termination, or otherwise.

8. Assignment. This Agreement is personal to the Executive and the Executive does not have the right to assign this Agreement or any interest herein. This Agreement shall inure to the benefit of and be binding upon the Corporation and its successors.

9. Miscellaneous. (a) This Agreement shall be governed by and construed in accordance with the laws of the State of Florida, without reference to principles of conflict of laws. The parties hereto agree that the appropriate forum for any action brought hereunder shall be Miami, Florida. The captions of this Agreement are not part of the provisions hereof and shall have no force or effect. The Executive acknowledges and agrees that the Corporation may amend this Agreement at any time to comply with any federal, state or local law or regulation or as necessary to enforce the intent of Section 5. Otherwise, this Agreement may not be amended or modified other than by a written agreement executed by the parties hereto or their respective successors and legal representatives.

(b) All notices and other communications hereunder, other than those under Section 3(c), shall be in writing and shall be given to the other party by hand delivery, by overnight express mail, or by registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

If to the Executive: at the Executive's last address appearing in the payroll/personnel records of the Corporation.

If to the Corporation:

Ryder System, Inc.
3600 N.W. 82nd Avenue
Miami, Florida 33166

Attention: General Counsel

or to such other address as either party shall have furnished to the other in writing in accordance herewith. Notice and communications shall be effective when actually received by the addressee.

(c) The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement.

(d) The Executive understands and acknowledges that the payments and benefits provided to the Executive pursuant to this Agreement may be unsecured, unfunded obligations of the Corporation. The Executive further understands and acknowledges that the payments and benefits under this Agreement may be compensation and as such may be included in either the Executive’s W-2 earnings statements or 1099 statements. The Corporation may withhold from any amounts payable under this Agreement such federal, state or local taxes as shall be required to be withheld pursuant to any applicable law or regulation, as well as any other deductions consented to in writing by the Executive.

(e) This Agreement, including its attached Exhibits, contains the entire understanding of the Corporation and the Executive with respect to the subject matter hereof. No agreements or representations, oral or written, express or implied, with respect to the subject matter hereof have been made by either party which are not set forth expressly in this Agreement and its attached Exhibits.

(f) The employment of the Executive by the Corporation or its subsidiaries or affiliates may be terminated by either the Executive or the Corporation or its subsidiaries or affiliates at any time and for any reason, with or without cause. Nothing contained in this Agreement shall affect such rights to terminate; provided, however, that nothing in this Section 9(f) shall prevent the terms and provisions of this Agreement from being enforced in the event of a termination described in Section 4(a).

(g) Whenever used in this Agreement, the masculine gender shall include the feminine or neuter wherever necessary or appropriate and vice versa and the singular shall include the plural and vice versa.

(h) This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same instrument.

IN WITNESS WHEREOF, the Executive has hereunto set his hand and the Corporation has caused these presents to be executed in its name on its behalf, and its corporate seal to be hereunto affixed and attested by its assistant secretary, all as of the day and year first above written.

Witness	Executive

Witness	Social Security Number
ATTEST:	RYDER SYSTEM, INC. (the “Corporation”)
	By:
Secretary	Vice President
(Seal)	

EXHIBIT A

RELEASE AGREEMENT

FOR AND IN CONSIDERATION OF THE PAYMENT TO ME OF THE SEVERANCE BENEFITS PURSUANT TO THE SEVERANCE AGREEMENT BETWEEN RYDER SYSTEM, INC. ("THE CORPORATION") AND ME DATED , 19 (THE "SEVERANCE AGREEMENT"), I, (Executive's Name), ON BEHALF OF MYSELF, MY HEIRS, SUCCESSORS AND ASSIGNS (COLLECTIVELY "I" OR "ME"), HEREBY RELEASE AND FOREVER DISCHARGE THE CORPORATION AND ALL OF ITS SUBSIDIARIES AND AFFILIATES, THEIR CURRENT AND FORMER AGENTS, EMPLOYEES, OFFICERS, DIRECTORS, SUCCESSORS AND ASSIGNS (COLLECTIVELY "RYDER"), FROM ANY AND ALL CLAIMS, DEMANDS, ACTIONS, AND CAUSES OF ACTION, AND ALL LIABILITY WHATSOEVER, WHETHER KNOWN OR UNKNOWN, SUSPECTED OR UNSUSPECTED, FIXED OR CONTINGENT, WHICH I HAVE OR MAY HAVE AGAINST RYDER AS A RESULT OF MY EMPLOYMENT BY AND SUBSEQUENT TERMINATION AS AN EMPLOYEE OF RYDER, UP TO THE DATE OF THE EXECUTION OF THIS RELEASE AGREEMENT. THIS INCLUDES BUT IS NOT LIMITED TO CLAIMS AT LAW OR EQUITY OR SOUNDING IN CONTRACT (EXPRESS OR IMPLIED) OR TORT ARISING UNDER FEDERAL, STATE, OR LOCAL LAWS PROHIBITING AGE, SEX, RACE, DISABILITY, VETERAN OR ANY OTHER FORMS OF DISCRIMINATION. THIS FURTHER INCLUDES ANY AND ALL CLAIMS ARISING UNDER THE AGE DISCRIMINATION IN EMPLOYMENT ACT, THE AMERICANS WITH DISABILITIES ACT OF 1990, TITLE VII OF THE CIVIL RIGHTS ACT OF 1964, OR THE EMPLOYEE RETIREMENT INCOME SECURITY ACT ("ERISA"), AS AMENDED, OR CLAIMS GROWING OUT OF ANY LEGAL RESTRICTIONS ON RYDER'S RIGHT TO TERMINATE ITS EMPLOYEES. I COVENANT AND AGREE THAT I WILL NOT SUE OR FILE ANY LAWSUIT OR ACTION AGAINST RYDER IN THE FUTURE WITH RESPECT TO ANY CLAIM OR CAUSE OF ACTION RELEASED AS PART OF THIS RELEASE AGREEMENT. I FURTHER AGREE THAT IF I VIOLATE THIS COVENANT OR ANY OTHER PROVISION OF THIS RELEASE AGREEMENT OR THE SEVERANCE AGREEMENT, I SHALL INDEMNIFY RYDER FOR ALL COSTS AND ATTORNEY'S FEES INCURRED BY RYDER IN ENFORCING THIS RELEASE AGREEMENT AND THE SEVERANCE AGREEMENT.

This Release Agreement does not release Ryder from any of its current, future or ongoing obligations under the Severance Agreement, specifically including but not limited to cash payments and benefits due me.

I understand and agree that this Release Agreement and the Severance Agreement shall not in any way be construed as an admission by Ryder of any unlawful or wrongful acts whatsoever against me or any other person, and Ryder specifically disclaims any liability to or wrongful acts against me or any other person.

I agree that the terms and provisions of this Release Agreement and the Severance Agreement, as well as any and all incidents leading to or resulting from this Release Agreement and the Severance Agreement, are confidential and that I may not discuss them with anyone without the prior written consent of the Corporation's or its successor's Chief Executive Officer, except as required by law; provided, however, that I agree to immediately give the Corporation or its successor notice of any request to discuss this Release Agreement or the Severance Agreement and to provide the Corporation or its successor with the opportunity to contest such request prior to my response.

This Release Agreement shall be governed by and construed in accordance with the laws of the state of Florida, without reference to principles of conflict of laws. Except as provided in Sections 5(b)(IV) and 9(a) of the Severance Agreement, this Release Agreement may not be amended or modified otherwise than by a written agreement executed by the Corporation and me or our respective successors and legal representatives.

The invalidity or unenforceability of any provision of this Release Agreement shall not affect the validity or enforceability of any other provision of this Release Agreement.

I CERTIFY THAT I HAVE FULLY READ, HAVE RECEIVED AN EXPLANATION OF, HAVE NEGOTIATED AND COMPLETELY UNDERSTAND THE PROVISIONS OF THIS RELEASE AGREEMENT, AND THAT I HAVE BEEN ADVISED BY THE CORPORATION THAT I SHOULD CONSULT WITH AN ATTORNEY BEFORE SIGNING THIS RELEASE AGREEMENT. I FURTHER CERTIFY THAT I HAVE HAD ADEQUATE TIME TO REVIEW AND CONSIDER THE PROVISIONS OF THIS RELEASE AGREEMENT AND THAT I AM SIGNING THIS RELEASE AGREEMENT FREELY AND VOLUNTARILY, WITHOUT DURESS, COERCION OR UNDUE INFLUENCE.

Executive's Date of Termination:___________________

Dated this day of , 19 .

Witness	Executive
Witness	Social Security Number

STATE OF _____________)
)ss:
COUNTY OF ___________)

Before me personally appeared , to me well known and known to me to be the person described in and who executed the foregoing instrument, and acknowledged to and before me that he/she executed said instrument for the purposes therein expressed.

WITNESS my hand and official seal this day of , 19 .

Notary Public

My Commission Expires:

(Seal)

EXHIBIT B

Resignation Letter

TO THE BOARD OF DIRECTORS
OF RYDER SYSTEM, INC.

Ladies and Gentlemen:

Effective immediately, I hereby resign as an officer and/or director of Ryder System, Inc. and/or its subsidiaries and affiliates and, to the extent applicable, from all committees of which I am a member.

Sincerely,

____

Executive's Name

____

Date

EXHIBIT 10.3(e)

2003 MANAGEMENT INCENTIVE COMPENSATION PLAN

PLAN DESCRIPTION

This document is divided in three sections: (1) Plan Description, (2) Plan Administration, and (3) Eligible Positions. The first two sections contain highlights of the Management Incentive ("Incentive") of the Current Year Management Incentive Compensation Plan ("Plan"). Participants must read all sections of this Plan document to fully comprehend their purpose and structure.

This Plan document supersedes any and all prior Ryder Management Incentive Compensation Plans and any and all oral representations, promises, or guarantees. No exceptions to this Plan will be honored without written approval of the Compensation Committee of the Ryder System, Inc. ("RSI" or "the Company") Board of Directors. Any manager or officer who authorizes such an exception without prior approval of the Compensation Committee will be subject to disciplinary action up to and including forfeiture of an incentive award and/or termination.

The following material explains the rules, terms, and administration of the Current Year Plan for Ryder System, Inc. eligible positions evaluated at the Management Levels listed below ("Participants"). The Plan is intended to serve as a single source of information about the Incentive.

TARGET INCENTIVE AWARD

Target Incentive Award is expressed as a percentage of eligible base salary for each Participant. The following table summarizes the Target Incentive Award for each participating management level:

Management Level	Target Incentive Award
Management Level 22	100%
Management Level 20	85%
Management Level 17-19	75%
Management Level 14-16	70%

PLAN DESCRIPTION (continued)

INCENTIVE PAYOUT CALCULATION – PART I

Part I of the Incentive Payout Calculation is based on 70% RSI EVA and 30% RSI Dry Operating Revenue Attainment, focusing at the Senior Management level on total company objectives. The Plan is intended to provide Participants with competitive compensation for achieving and exceeding targeted performance levels. Incentive Payout(s) will be calculated when performance is at or above Threshold. The following table highlights target and payout multiples for the RSI EVA and Dry Operating Revenue Attainment component used in the Incentive Payout calculation.

Weight	Incentive Payout Component	Threshold (Payout = 25%)	Target (Payout = 100%)	2 Times (Payout = 200%)
70%	RSI EVA ($MM)	($ 66.2)	($ 37.6)	$ 15.4
30%	RSI Dry Operating Revenue Attainment ($MM)	$3,678.67	$3,811.93	$4,002.52
	Dry Operating Revenue is defined as RSI Gross Revenue *minus* RSI FUM *minus* FMS fuel revenue			

THRESHOLD, TARGET, AND TWO TIMES PERFORMANCE

If RSI does not attain the ($66.2) MM EVA threshold for the Current Year performance, all incentive payments are forfeited for all Plan Participants.

The following table highlights incentive multiples for Threshold, Target and Two times Performance.

Threshold (Payout = 25%)	Target (Payout = 100%)	2 Times (Payout = 200%)

PLAN DESCRIPTION (continued)

EXAMPLE:

A Participant whose annual rate of pay (as defined in the "Eligible Base Salary Calculation" section) is $154,500, qualifies for a target incentive payout of 70% or $108,150 (based on Level 14).

Eligible Base Salary	Target Incentive Payout(%)	Target Incentive Payout
$154,500	70%	$108,150

Assume that, during the plan year, the Incentive Multiple is 105.00% for RSI EVA and 90.00% for RSI Dry Operating Revenue. The Participant would be eligible for a total incentive payout calculated as follows:

Components	Eligible Base Salary		Target Incentive Payout (%)		Weight		Incentive Multiple Percentage		Payout
RSI EVA	$154,500	x	70%	x	70%	x	105.00%	=	$ 79,490
RSI Dry Rev	$154,500	x	70%	x	30%	x	90.00%	=	$ 29,201
Total Calculated Incentive								=	$108,691

INCENTIVE PAYOUT CALCULATION – PART II

Part II of the Incentive Payout Calculation focuses on a behavioral performance modifier, consisting of seven behavioral components. The goal of the Plan is not only to achieve the targeted financial results but also to reach them utilizing the right behaviors. Participants will be rated on how well the Plan objectives are achieved, while demonstrating the appropriate behaviors. The behavioral performance modifier rating may result in an incentive payment up to 25% above or up to 50% below the calculated payout, given company performance for the Current Year.

The following are the components of the behavioral performance modifier:

Behavioral Components*

1. **Impact:** Thought leader and change agent
2. **Diversity:** Respects differences and promotes diversity
3. **Teamwork:** Fosters teamwork
4. **Customer Focus:** Customer and externally focused
5. **Ownership:** Takes ownership
6. **Leadership 1:** Ethics and integrity
7. **Leadership 2:** Vision and purpose

* Additional information on how the behavioral components may impact your incentive will be distributed to you at a later date.

PLAN ADMINISTRATION

The following rules apply to all Plan Participants. The Company reserves the right to alter, modify, change or terminate any of the provisions described below at any time, with or without notice at its sole discretion.

- **Base Salary Calculation**

For the purpose of incentive calculations, Eligible Base Salary is defined as the annual rate of pay for the calendar year, excluding all other compensation paid to the Participant during the year, including but not limited to bonus, incentives, commissions, employee benefits, relocation expenses, and any imputed income for which the Participant may be eligible.

Employees who are newly hired, promoted or transferred into or out of eligible positions, and those who move from one eligibility level to another will receive pro-rata incentive based on the annual rate of pay and Target Incentive Award in eligible positions, provided they are employed in good standing without any performance issues (see Exclusion Criteria) at the time incentives are distributed.

The annual rate of pay for a Participant whose base salary changes within the calendar year is calculated below. Salaried employees are paid semi-monthly, each check representing 1/24 of the annual base salary. Daily pay for a salaried employee is calculated by dividing the annual salary by 365 days per year.

Eligible Base Salary Calculation Example

Annual rate of pay would be calculated as follows for a Participant who begins a calendar year with a base salary of $150,000, then effective April 1, receives an increase to a base salary of $156,000:

January 1 through March 31:

$$\frac{\text{Total \# of days in period}}{\text{Total \# of days in Year}} = \frac{90}{365} = 0.247 \times \$150{,}000 = \$\ 37{,}050$$

April 1 through December 31:

$$\frac{365 - 90}{\text{Total \# of days in year}} = \frac{275}{365} = 0.753 \times \$156{,}000 = \$\ 117{,}468$$

Annual Rate of Pay for Calendar Year **= $154,500***

*Rounded to nearest hundred for ease of computation in Example

PLAN ADMINISTRATION (continued)

- **Change of Control**

  Notwithstanding anything in this Plan to the contrary, in the event of a Change of Control of the Company (as defined and adopted by the Board of Directors on August 18, 1995 and which definition may be changed from time to time), the funds necessary to pay the incentive for Participants, will be placed in a trust administered by an outside financial institution. The amount of each Participant's incentive will be determined in accordance with the provisions of the Plan by an accounting firm chosen by the Company. Should a Change of Control occur during the current plan year, Participants will receive instructions regarding the collection of incentive awards.

- **Currency**

  Each incentive component's multiple will be calculated based on the in-country currency, as shown on the unit's business plan. The Participant's incentive payout will be calculated based on the currency the eligible base salary is expressed in.

- **Disability, Permanent Disability Retirement, or Death**

  Participants who leave the Company during the calendar year via disability or permanent disability retirement may be eligible, subject to the Exclusion Criteria, for pro-rata incentive. The spouse or legal representative of a deceased Participant may be eligible, subject to the Exclusion Criteria, for a pro rata incentive as well.

- **Eligibility**

  Employees whose positions are designated in the Eligible Position table and who are employed in good standing, without any performance issues (see Exclusion Criteria) at the time of payout are eligible to participate in this Plan. Individuals who have written agreements which specifically provide for incentive compensation other than that which is provided in this Plan or who are Participants in any other short-term incentive compensation plan of RSI, its subsidiaries or affiliates are not eligible to participate in this Plan.

  Employees who are newly hired, promoted or transferred into or out of eligible positions, and those who move from one eligibility level to another will receive pro-rata incentive based on the annual rate of pay and Target Incentive Award in eligible positions, provided they are employed in good standing without any performance issues (see Exclusion Criteria) at the time incentives are distributed.

PLAN ADMINISTRATION (continued)

- **Exclusion Criteria**

  Participation in the Plan is not a right, but a privilege subject to annual review by the Company. The Company retains the right, at its sole and absolute discretion, to withhold payment from any Participant who violates or who has violated any Company principle or policy, or the rules contained in this Plan, even if there are no documented performance issues in the Participant's personnel file.

- **Maximum Incentive Award Opportunity**

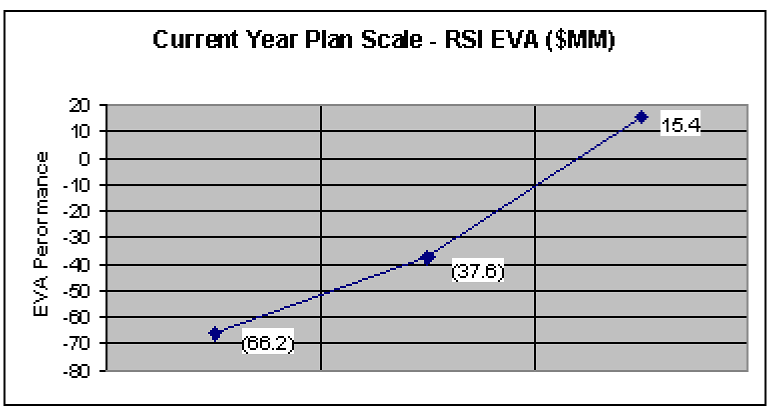
  The maximum incentive opportunity will be two times Payout. The Participant may exceed the two times cap only through the Behavioral Performance Modifier.

- **No Guarantee**

  Eligible employees who participate in this Plan, by virtue of participation, are not assured that they will receive any incentive. The achievement of the Plan components and the Behavioral Performance Modifier, will determine the extent to which Participants will be entitled to receive a payout. If RSI does not attain the ($66.2) MM EVA threshold for the Current Year performance, all incentive payments are forfeited for all Plan Participants. All incentive payouts are subject to the sole discretion of the Board of Directors of the Company.

- **Plan Scale for Current Plan Year – RSI EVA**

  The following scale illustrates how the Plan Scale works for the RSI EVA portion of the Incentive Payout Calculation. Noted are the points where Threshold, Target and Two Times are achieved. Incentive amounts are dependent on the multiple declared, based solely on RSI EVA. Earnings Per Share or "EPS" is shown only as a frame of reference.



	Threshold	Target	Two Times
EVA ($MM)	$(66.2)	$(37.6)	$15.4
EPS	$ 1.57	$ 2.05	$2.95
Payout	25%	100%	200%

PLAN ADMINISTRATION (continued)

- **Promotion**

  A Participant who is promoted during the calendar year will receive a pro-rata incentive based on the annual rate of pay and the Target Incentive Award in the eligible positions. The Participant will receive a pro-rata incentive based on the appropriate Plan for his/her management level, position and the portion of time spent in each position during the year.

- **Retirement**

  Only Participants who retire on or after December 31st of the calendar year (under the provisions of one of the Company's retirement plans) are eligible for full payouts of incentive. No pro-rata incentives will be paid upon retirement except as noted under the *Disability, Permanent Disability Retirement, or Death* section.

- **Sale of Business**

  If a business is sold, the Participants of the sold business will receive a pro-rata incentive for the year in which the business is sold. Such payment will be made in a lump sum or over time at the Company's discretion. The Participants need to be employed in good standing, without any performance issues (see Exclusion Criteria), at the time incentives are distributed.

- **Termination**

  Participants leaving the Company under any conditions other than those outlined in the *Change of Control , Disability, Permanent Disability Retirement, or Death* or *Eligibility* sections of this Plan are not eligible for the incentive for the year in which they leave, nor are they eligible for the preceding year, if such incentives have not yet been distributed, unless otherwise required by law.

- **Workers' Compensation or Leave of Absence ("LOA")**

  A Participant who leaves the payroll due to a workers' compensation leave or LOA will be eligible to receive a pro-rata incentive for the year in which they leave the payroll, provided the employee worked for at least six months of the calendar year, unless otherwise required by law.

DEFINITIONS

Definitions are for informational and explanatory purposes only. The Company can change and interpret the defined terms below at its sole discretion.

- **Dry Operating Revenue**

  RSI Gross Revenue *minus* RSI Freight Under Management (FUM) *minus* Fleet Management Solutions (FMS) fuel revenue.

- **Eligible Base Salary**

  For the purpose of incentive calculations, the annual rate of pay for the calendar year, excluding all other compensation paid to the employee during the year, including but not limited to bonus, incentives, commissions, employee benefits, relocation expenses, and any imputed income for which the Participant may be eligible.

- **EVA**

  Economic Value Added. EVA is a measurement tool that determines whether a business is earning more than its true cost of capital by incorporating the cost of equity capital as well as debt capital. EVA can be expressed in the following formula: *EVA = Net Earnings After Tax (NAT) minus "an equity charge."*

- **Equity Charge**

  The Average Equity times the Cost of Equity as determined by the Chief Financial Officer.

- **Incentive Interval**

  The Incentive Interval ("Interval") is the (i) improvement needed, over and above Targeted performance, to declare a two times payout and (ii) the shortfall from Target that will cause a lower payout. The following chart illustrates the Interval concept for the RSI EVA component.

25% Payout (Threshold)

Component	Target	Interval Threshold to Target	Threshold Payout Calculation	Threshold Payout
RSI EVA ($MM)	($37.6)	$28.6	($37.6) - $28.6 = ($66.2)	($66.2)

2x Payout

Component	Target	Interval Target to 2x	2x Payout Calculation	2x Payout
RSI EVA ($MM)	($37.6)	$53.0	($37.6) + $53.0 = $15.4	$15.4

PLAN ADMINISTRATION (continued)

- **Incentive Multiple**

The Incentive Multiple for each component is the difference (positive or negative) between Actual and Target, divided by the Interval of that component adjusted for the slope of the payout percentage, plus or minus 100%. Assume RSI's Actual EVA for the Current Year is ($34.95) MM. The RSI Incentive Multiple would be calculated as illustrated in the following two steps:

STEP 1:
"Percent Above Target" Calculation

Actual RSI EVA		($34.95) MM
Target RSI EVA	–	($37.60) MM
Variance from Target RSI EVA	=	$ 2.65 MM
RSI Incentive Interval*	÷	$ 53.00 MM
Percent Above Target	=	5.00%

STEP 2:
"Incentive Multiple" Calculation

Target RSI EVA		100.00%
Percent Above Target	+	5.00%
Incentive Multiple	=	105.00%

*If Actual RSI EVA is below Target, the interval is $28.6 MM. If Actual RSI EVA is above Target, the interval is $53.0 MM.

For more information on the Incentive Multiple and its relationship to the various components of the Incentive Payout, please refer to the Incentive Payout Calculation example illustrated in the Plan Description.

- **Incentive Payout or Calculated Incentive**

The potential Incentive Payout determined by multiplying the Participant's Target Incentive Award, the Weight and the Incentive Multiple.

- **NAT**

The consolidated Net Earnings After Tax for the year, including appropriate accruals for all incentive estimated to be payable for that year.

- **Participant**

Any employee of the Company designated to be eligible to participate in this Management Incentive Plan.

- **Target Incentive Award**

The Target Incentive Award per Participant is the percentage of the Participant's Eligible Base Salary to which the Incentive Payout Calculation will be applied.

ELIGIBLE POSITIONS

2003 SENIOR MANAGEMENT ELIGIBLE POSITIONS

	Position Title	Position Number
1	Chairman, President and CEO	9349
2	SR EVP Finance & CFO	1069
3	EVP General Counsel and Secretary	1512
4	EVP HR, Public Affairs, and Corporate Communications	9296
5	EVP Domestic Supply Chain Solutions	9489
6	EVP Fleet Management Solutions	9201
7	EVP International SCS	9202
8	SVP & CIO	9224
9	SVP FMS Operations	9326
10	SVP Sales and Marketing	9220
11	SVP AAI Operations	9494
12	SVP Strategic Planning and Development	9520
13	SVP Field Finance	9217
14	SVP and Treasurer	9176
15	SVP High Tech and Consumer Industries	9492
16	SVP Business & Accounting Services	9328
17	SVP Asset Management	9463
18	VP/Managing Director Europe	N/A
19	VP/GM Canada	0002
20	VP Corporate Communications	9007
21	VP & Controller	9330
22	VP Compensation and Benefits	1265
23	VP Tax	9331
24	VP Public Affairs	1277
25	VP Dedicated Contract Carriage	9281
26	VP/MD Latin America	9284
27	VP Product and Technology Development	9154
28	VP Region	9034
29	VP Sales	9297
30	VP Automotive	9040
31	VP Strategic Sourcing	9346
32	VP Safety Health and Security	9046
33	VP Maintenance	1005

** Other positions may be added through the course of the year

EXHIBIT 10.4(g)

RYDER SYSTEM, INC.
1995 STOCK INCENTIVE PLAN
(as amended through July 25, 2002)

1. Purpose.

The purpose of this Plan is to enable the Company to recruit and retain those key executives most responsible for the Company's continued success and progress, and by offering comparable incentives, to compete with other organizations in attracting, motivating and retaining such executives, thereby furthering the interests of the Company and its shareholders by giving such executives a greater personal stake in and commitment to the Company and its future growth and prosperity.

2. Definitions.

For the purpose of this Plan:

(a) The term "Award" shall mean and include any Stock Option, SAR, Limited SAR, Performance Unit or Restricted Stock Right granted under this Plan.

(b) During the three (3) year period following a Change of Control, the term "cause" as used in Section 7 and Section 14(a) of this Plan with respect to any Stock Option shall mean (i) an act or acts of fraud, misappropriation or embezzlement on the Grantee's part which result in or are intended to result in his personal enrichment at the expense of the Company, (ii) conviction of a felony, (iii) conviction of a misdemeanor involving moral turpitude, or (iv) willful failure to report to work for more than thirty (30) continuous days not supported by a licensed physician's statement, all as determined only by a majority of the Incumbent Board or the Committee, as the case may be.

(c) A "Change of Control" shall be deemed to have occurred if:

(i) any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "1934 Act")) (a "Person") becomes the beneficial owner, directly or indirectly, of twenty percent (20%) or more of the combined voting power of RSI's outstanding voting securities ordinarily having the right to vote for the election of directors of RSI; provided, however, that for purposes of this subparagraph (i), the following acquisitions shall not constitute a Change of Control: (A) any acquisition by any employee benefit plan or plans (or related trust) of RSI and its subsidiaries and affiliates or (B) any acquisition by any corporation pursuant to a transaction which complies with clauses (A), (B) and (C) of subparagraph (iii) of this Section 2(c); or

(ii) the individuals who, as of August 18, 1995, constituted the Board of Directors of RSI (the "Board" generally and as of August 18, 1995 the "Incumbent Board") cease for any reason to constitute at least two-thirds (2/3) of the Board, provided that any person becoming a director subsequent to August 18, 1995 whose election, or nomination for election, was approved by a vote of the persons comprising at least two-thirds (2/3) of the Incumbent Board (other than an election or nomination of an individual whose initial assumption of office is in connection with an actual or threatened election contest, as such terms are used in Rule 14a-11 of

Regulation 14A promulgated under the 1934 Act) shall be, for purposes of this Plan, considered as though such person were a member of the Incumbent Board; or

(iii) there is a reorganization, merger or consolidation of RSI (a "Business Combination"), in each case, unless, following such Business Combination, (A) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of RSI's outstanding Common Stock and outstanding voting securities ordinarily having the right to vote for the election of directors of RSI immediately prior to such Business Combination beneficially own, directly or indirectly, more than fifty percent (50%) of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities ordinarily having the right to vote for the election of directors, as the case may be, of the corporation resulting from such Business Combination (including, without limitation, a corporation which as a result of such transaction owns RSI or all or substantially all of RSI's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Business Combination, of RSI's outstanding Common Stock and outstanding voting securities ordinarily having the right to vote for the election of directors of RSI, as the case may be, (B) no Person (excluding any corporation resulting from such Business Combination or any employee benefit plan or plans (or related trust) of RSI or such corporation resulting from such Business Combination and their subsidiaries and affiliates) beneficially owns, directly or indirectly, 20% or more of the combined voting power of the then outstanding voting securities of the corporation resulting from such Business Combination and (C) at least two-thirds (2/3) of the members of the board of directors of the corporation resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board, providing for such Business Combination; or

(iv) there is a liquidation or dissolution of RSI approved by the shareholders; or

(v) there is a sale of all or substantially all of the assets of RSI.

If a Change of Control occurs and if a Grantee's employment is terminated prior to the date on which the Change of Control occurs, and if it is reasonably demonstrated by the Grantee that such termination of employment (A) was at the request of a third party who has taken steps reasonably calculated to effect a Change of Control or (B) otherwise arose in connection with or in anticipation of a Change of Control, a Change of Control shall be deemed to have retroactively occurred on the date immediately prior to the date of such termination of employment.

(d) The term "Code" shall mean the Internal Revenue Code of 1986 as it may be amended from time to time.

(e) The term "Committee" shall mean the Compensation Committee of the Board of Directors of RSI constituted as provided in Section 5 of this Plan.

(f) The term "Common Stock" shall mean the common stock of RSI as from time to time constituted.

(g) The term "Company" shall mean RSI and its Subsidiaries.

(h) The term "Disability" shall mean total physical or mental disability of a Grantee as determined by the Committee upon the basis of such evidence as the Committee in its discretion deems necessary and appropriate.

(i) The term “Employee” shall mean a full-time salaried employee of RSI or any Subsidiary (which term shall include salaried officers).

(j) The term “Fair Market Value” shall mean, with respect to the Common Stock, the mean between the highest and lowest sale price for shares as reported by the composite transaction reporting system for securities listed on the New York Stock Exchange on the date as of which such determination is being made or on the most recently preceding date on which there was such a sale.

(k) The term “Grantee” shall mean an Employee who is selected by the Committee to receive an Award under this Plan and in the case of a deceased Employee shall mean the beneficiary of the Employee.

(l) The term “Incentive Stock Option” shall mean a Stock Option granted under this Plan or a previously granted Stock Option that is re-designated by the Committee as an Incentive Stock Option which is intended to constitute an incentive stock option within the meaning of Section 422(b) of the Code.

(m) The term “Limited SAR” shall mean a Limited Stock Appreciation Right granted by the Committee pursuant to Section 9 of this Plan.

(n) The term “Non-employee Director” shall mean any person who qualifies as a non-employee director as defined in Rule 16b-3, as promulgated under the 1934 Act, or any successor definition.

(o) The term “Non-qualified Stock Option” shall mean a Stock Option granted under this Plan which is not intended to qualify under Section 422(b) of the Code.

(p) The term “Offer” shall mean any tender offer or exchange offer for Shares, other than one made by the Company, including all amendments and extensions of any such Offer.

(q) The term “Option” shall mean any stock option granted under this Plan.

(r) The term “Performance Goals” shall have the meaning set forth in Section 10(c) of this Plan.

(s) The term “Performance Period” shall have the meaning set forth in Section 10(d) of this Plan.

(t) The term “Performance Units” shall mean Performance Units granted by the Committee pursuant to Section 10 of this Plan.

(u) The term “Plan” shall mean the Ryder System, Inc. 1995 Stock Incentive Plan as the same shall be amended.

(v) The term “Price” shall mean, upon the occurrence of a Change of Control, the excess of the highest of:

(i) the highest closing price of the Common Stock reported by the composite transaction reporting system for securities listed on the New York Stock Exchange within the sixty (60) days preceding the date of exercise;

(ii) the highest price per share of Common Stock included in a filing made by any Person on any Schedule 13D pursuant to Section 13(d) of the 1934 Act as paid within the sixty (60) days prior to the date of such report; and

(iii) the value of the consideration to be received by the holders of Common Stock, expressed on a per share basis, in any transaction referred to in subparagraph (iii), (iv) or (v) of Section 2(c), with all noncash consideration being valued in good faith by the Incumbent Board; over the purchase price per Share at which the related Option is exercisable as applicable, except that Incentive Stock Options and, if and to the extent required in order for the related Option to be treated as an Incentive Stock Option, SARs and Limited SARs granted with respect to Incentive Stock Options, are limited to the spread between the Fair Market Value of Common Stock on the date of exercise and the purchase price per Share at which the related Option is exercisable.

(w) The term "Restricted Period" shall have the meaning set forth in Section 11(a) of this Plan.

(x) The term "RSI" shall mean Ryder System, Inc.

(y) The term "Restricted Stock Rights" shall mean a Restricted Stock Right granted by the Committee pursuant to Section 11 of this Plan.

(z) The term "Retirement" shall mean retirement under the provisions of the various retirement plans of the Company (whichever is appropriate to a particular Grantee) as then in effect, or in the absence of any such retirement plan being applicable, as determined by the Committee.

(aa) The term "SAR" shall mean a Stock Appreciation Right granted by the Committee pursuant to the provisions of Section 8 of this Plan.

(bb) The term "Shares" shall mean shares of the Common Stock and any shares of stock or other securities received as a result of the adjustment provided for in Section 12 of this Plan.

(cc) The term "Spread" with respect to a SAR shall have the meaning set forth in Section 8(b) of this Plan, and with respect to a Limited SAR, the meanings set forth in Sections 9(c) and 9(d) of this Plan.

(dd) The term "Stock Option" shall mean any stock option granted under this Plan.

(ee) The term "Subsidiary" shall mean any corporation, other than RSI, or other form of business entity more than fifty percent (50%) of the voting interest of which is owned or controlled, directly or indirectly, by RSI and which the Committee designates for participation in this Plan.

(ff) The term "Termination Date" shall mean the date that a Grantee ceases to be employed by RSI or any Subsidiary for any reason; provided, however, it shall mean the end of any severance period applicable to a Grantee with respect to any Non-qualified Stock Options held by such Grantee.

(gg) The term "Year" shall mean a calendar year.

3. Shares of Stock Subject to this Plan.

(a) Subject to the provisions of Paragraph (b) of this Section 3, no more than 11,800,000 Shares shall be issuable pursuant to grants under this Plan. Shares issued pursuant to this Plan may be either authorized but unissued or reacquired Shares purchased on the open market or otherwise.

(b) In the event any Stock Option or Restricted Stock Right expires or terminates unexercised or any Restricted Stock Right is forfeited or cancelled, the number of Shares subject to such Stock Option or Restricted Stock Right shall again become available for issuance under this Plan, subject to the provisions of Sections 7(a), 8(a), 9(b) and 10(i) of this Plan.

(c) No Grantee shall be eligible to receive any Stock Option or series of Stock Options covering, in the aggregate, more than 500,000 Shares in any calendar year during the term of this Plan.

(d) The combined amount of Restricted Stock Rights and Performance Units granted by the Committee during the term of this Plan shall not exceed One Million Shares.

4. Participation.

Awards under this Plan shall be limited to key executive Employees selected from time to time by the Committee.

5. Administration.

This Plan shall be administered by the Compensation Committee of the Board of Directors of RSI which shall consist of two or more members of the Board of Directors, each of whom shall be a Non-employee Director. All members of the Committee shall be "outside directors" as defined or interpreted for purposes of Section 162(m) of the Code. The Committee shall have plenary authority, subject to the express provisions of this Plan, to (i) select Grantees; (ii) establish and adjust Performance Goals and Performance Periods for Performance Units; (iii) determine the nature, amount, time and manner of payment of Awards made under this Plan, and the terms and conditions applicable thereto; (iv) interpret this Plan; (v) prescribe, amend and rescind rules and regulations relating to this Plan; (vi) determine whether and to what extent Stock Options previously granted under this Plan shall be redesignated as Incentive Stock Options and, in this connection, amend any Stock Option Agreement or make or authorize any reports or elections or take any other action to the extent necessary to implement the redesignation of any Stock Option as an Incentive Stock Option, provided that any redesignation of a previously granted Stock Option as an Incentive Stock Option shall not be effective unless and until consented to by the Grantee; and (vii) make all other determinations deemed necessary or advisable for the administration of this Plan. The Committee's determination on the foregoing matters shall be conclusive. A majority of the Committee shall constitute a quorum, and the acts of a majority of the members present at any meeting at which a quorum is present, or acts approved in writing by all members of the Committee without a meeting, shall be the acts of the Committee. Notwithstanding anything to the contrary contained herein, neither the Board of Directors of RSI nor the Committee shall be permitted to re-price any Stock Options once they have been granted.

6. Awards.

Subject to the provisions of Section 3 of this Plan, the Committee shall determine Awards taking into consideration, as it deems appropriate, the responsibility level and performance of each Grantee. The Committee may grant the following types of Awards: Stock Options pursuant to Section 7 hereof, SARs pursuant to Section 8 hereof, Limited SARs pursuant to Section 9 hereof, Performance Units pursuant to Section 10 hereof and Restricted Stock Rights pursuant to Section 11 hereof. Unless otherwise determined by the Committee, a Grantee may not be granted in any Year both (i) a Restricted Stock Right and (ii) a Stock Option, SAR, Limited SAR or Performance Unit.

7. Stock Options.

(a) The Committee from time to time may grant Stock Options either alone or in conjunction with and related to SARs, Limited SARs and/or Performance Units to key executive Employees selected by the Committee as being eligible therefor. The Stock Options may be of two types, Incentive Stock Options and Non-qualified Stock Options. Each Stock Option shall cover such number of Shares and shall be on such other terms and conditions not inconsistent with this Plan as the Committee may determine and shall be evidenced by a Stock Option Agreement setting forth such terms and conditions executed by the Company and the Grantee. The Committee shall determine the number of Shares subject to each Stock Option. The number of Shares subject to an outstanding Stock Option shall be reduced on a one for one basis to the extent that any related SAR, Limited SAR or Performance Unit is exercised and such Shares shall not again become available for issuance pursuant to this Plan.

In the case of Stock Options, the aggregate Fair Market Value (determined as of the date of grant) of Common Stock with respect to which Incentive Stock Options are exercisable for the first time by an Employee during any Year under this Plan or any other plan of the Company shall not exceed $100,000. To the extent, if any, that the Fair Market Value of such Common Stock with respect to which Incentive Stock Options are exercisable exceeds $100,000, such Incentive Stock Options shall be treated as separate Non-qualified Stock Options. For purposes of the two immediately preceding sentences of this subparagraph (a), Stock Options shall be taken into account in the order in which they were granted.

(b) Unless the Committee shall determine otherwise, each Stock Option may be exercised only if the Grantee has been continuously employed by RSI or any Subsidiary for a period of at least one (1) year commencing on the date the Stock Option is granted; provided, however, that this provision shall not apply in the event of a Change of Control.

(c) Each Stock Option shall be for such term (but, in no event for greater than seven years) and shall be exercisable in such installments as shall be determined by the Committee at the time of grant of the Stock Option.

The Committee may, at any time, provide for the acceleration of installments or any part thereof.

(d) The price per Share at which Shares may be purchased upon the exercise of a Stock Option shall be determined by the Committee on the grant of the Stock Option, but such price shall not be less than one hundred percent (100%) of the Fair Market Value on the date of grant of the Stock Option. If a Grantee owns (or is deemed to own under applicable provisions of the Code and rules and regulations promulgated thereunder) more than ten percent (10%) of the combined voting power of all classes of the stock of the Company and a Stock Option granted to such Grantee is intended to qualify as an Incentive Stock Option, the Incentive Stock Option price shall be no less than one hundred and ten percent (110%) of the Fair Market Value of the Common Stock on the date the Incentive Stock Option is granted and the term of such Incentive Stock Option shall be no more than five years.

(e) Except as provided in Paragraphs (h) and (l) of this Section 7, no Stock Option may be exercised unless the Grantee, at the time of exercise, is an Employee and has continuously been an Employee of RSI or any Subsidiary since the grant of such Stock Option. A Grantee shall not be deemed to have terminated his period of continuous employ with RSI or any Subsidiary if he leaves the employ of RSI or any Subsidiary for immediate reemployment with RSI or any Subsidiary.

(f) To exercise a Stock Option, the Grantee shall (i) give written notice to the Company in form satisfactory to the Committee indicating the number of Shares which he elects to purchase, (ii) deliver to the Company payment of the full purchase price of the Shares being purchased (A) in cash or a certified or bank cashier's check payable to the order of the Company, or (B) with the approval of the Committee, in Shares of the Common Stock having a Fair Market Value on the date of exercise equal to the purchase price, or a combination of the foregoing having an aggregate Fair Market Value equal to such purchase price, and (iii) deliver to the Secretary of the Company such written representations, warranties and covenants as the Company may require under Section 16(a) of this Plan.

(g) A Grantee of any Stock Option shall not have any rights as a shareholder until the close of business on the date on which the Stock Option has been exercised.

(h) Notwithstanding any other provision of this Plan, unless otherwise determined by the Committee prior to a Change of Control, in the event of a Change of Control, each Stock Option not previously exercised or expired under the terms of this Plan shall become immediately exercisable in full and shall remain exercisable to the full extent of the Shares available thereunder, regardless of any installment provisions applicable thereto, for the remainder of its term, unless Section 14(a) of this Plan applies or the Grantee has been terminated for cause, in which case the Stock Options shall automatically terminate as of the Incumbent Board's determination pursuant to Section 14(a) or the Grantee's Termination Date, as appropriate.

(i) If the Committee so determines prior to or during the thirty (30) day period following the occurrence of a Change of Control, Grantees of Stock Options not otherwise exercised or expired under the terms of this Plan as to which no SARs or Limited SARs are then exercisable may, in lieu of exercising, require RSI to purchase for cash all such Stock Options or portions thereof for a period of sixty (60) days following the occurrence of a Change of Control at the Price specified in Section 2(v).

(j) Any determination made by the Committee pursuant to Section 7(h) or 7(i) may be made as to all eligible Stock Options or only as to certain of such Stock Options specified by the Committee. Once made, any determination by the Committee pursuant to Section 7(h) or 7(i) shall be irrevocable.

(k) The Company intends that this Section 7 shall comply with the requirements of Rule 16b-3 under the 1934 Act (the "Rule") during the term of this Plan. Should any provision of this Section 7 not be necessary to comply with the requirements of the Rule, or should any additional provisions be necessary for this Section 7 to comply with the requirements of the Rule, the Committee may amend this Plan or any Stock Option agreement to add to or modify the provisions thereof accordingly.

(l) Notwithstanding any of the provisions of this Section 7, a Stock Option shall in all cases terminate and not be exercisable after the expiration of the term of the Stock Option established by the Committee. Except as provided in Section 7(h), Stock Options shall be exercisable after the Grantee ceases to be employed by RSI or any Subsidiary as follows, unless otherwise determined by the Committee:

(i) In the event that a Grantee ceases to be employed by RSI or any Subsidiary by reason of Disability, (A) any Non-qualified Stock Option not previously exercised or expired shall continue to vest and be exercisable during the three (3) year period following the Grantee's Termination Date, and to the extent it is exercisable at the expiration of such three (3) year period, it shall continue to be exercisable by such Grantee or such Grantee's legal representatives, heirs or legatees for the term of such Non-qualified Stock Option, and (B) any Incentive Stock Option shall, to the extent it was exercisable on the Termination Date, continue to be exercisable by such Grantee or such Grantee's legal representatives, heirs or legatees for the term of such Incentive Stock Option; provided, however, that in order to qualify for the special tax treatment afforded by Section 421 of the Code, Incentive Stock Options must be exercised within the three (3) month period commencing on the Termination Date (the exercise period shall be one (1) year in the case of termination by reason of disability, within the meaning of Section 22(e)(3) of the Code). Incentive Stock Options not exercised within such three (3) month period shall be treated as Non-qualified Stock Options.

(ii) In the event that a Grantee ceases to be employed by RSI or any Subsidiary by reason of death, any Stock Option shall, to the extent it was exercisable on the Termination Date, continue to be exercisable by such Grantee's legal representatives, heirs or legatees for the term of such Stock Option.

(iii) Except as otherwise provided in subparagraph (i) or (ii) above, in the event that a Grantee ceases to be employed by RSI or any Subsidiary for any reason other than termination for cause, any Stock Option shall, to the extent it was exercisable on the Termination Date, continue to be exercisable for a period of three (3) months commencing on the Termination Date and shall terminate at the expiration of such period; provided, however, that in the event of the death of the Grantee during such three (3) month period, such Stock Option shall, to the extent it was exercisable on the Termination Date, be exercisable by the Grantee's personal representatives, heirs or legatees for a period of one (1) year commencing on the date of the Grantee's death and shall terminate at the expiration of such period. Notwithstanding the foregoing, with respect to Stock Options granted on or after July 25, 2002, in the event that a Grantee ceases to be employed by RSI or any Subsidiary on account of Retirement, such Stock Options shall, to the extent it was exercisable on the Termination Date, continue to be exercisable for the term of such Stock Option.

(m) Except as otherwise provided in Section 7, a Stock Option shall automatically terminate as of the Termination Date, provided that if a Grantee's employment is interrupted by reason of Disability or a leave of absence (as determined by the Committee) the Committee may permit the exercise of some or all of the Stock Options granted on such terms and for such period of time as it shall determine.

8. Stock Appreciation Rights.

(a) The Committee shall have authority in its discretion to grant a SAR to any Grantee of a Stock Option with respect to all or some of the Shares covered by such Stock Option. Each SAR shall be on such terms and conditions not inconsistent with this Plan as the Committee may determine and shall be evidenced by a SAR Agreement setting forth such terms and conditions executed by the Company and the holder of the SAR. A SAR may be granted either at the time of grant of a Stock Option or at any time thereafter during its term. A SAR may be granted to a Grantee irrespective of whether such Grantee has a Limited SAR. Each SAR shall be exercisable only if and to the extent that the related Stock Option is exercisable. Upon the exercise of a SAR, the related Stock Option shall cease to be exercisable to the extent of the Shares with respect to which such SAR is exercised and shall be considered to have been exercised to that extent for purposes of determining the number of Shares available for the grant of further Awards pursuant to this Plan. Upon the exercise or termination of a Stock Option, the SAR related to such Stock Option shall terminate to the extent of the Shares with respect to which such Stock Option was exercised or terminated.

(b) The term "Spread" as used in this Section 8 shall mean, with respect to the exercise of any SAR, an amount equal to the product computed by multiplying (i) the excess of (A) the Fair Market Value per Share on the date such SAR is exercised over (B) the purchase price per Share at which the related Stock Option is exercisable by (ii) the number of Shares with respect to which such SAR is being exercised, provided; however, that the Committee may at the grant of any SAR limit the maximum amount of the Spread to be paid upon the exercise thereof.

(c) Only if and to the extent required in order for the related Stock Option to be treated as an Incentive Stock Option, a SAR may be exercised only when there is a positive Spread, that is, when the Fair Market Value per Share exceeds the purchase price per Share at which the related Stock Option is exercisable. Upon the exercise of a SAR, the Committee shall pay to the Grantee exercising the SAR an amount equivalent to the Spread. The Committee shall have the sole and absolute discretion to determine whether payment for such SAR will be made in cash, Shares or a combination of cash and Shares, provided, that any Shares used for payment shall be valued at their Fair Market Value on the date of the exercise of the SAR.

(d) The Company intends that this Section 8 shall comply with the requirements of the Rule during the term of this Plan. Should any provision of this Section 8 not be necessary to comply with the requirements of the Rule or should any additional provisions be necessary for this Section 8 to comply with the requirements of the Rule, the Committee may amend this Plan or any Award agreement to add to or modify the provisions thereof accordingly.

(e) To exercise a SAR, the Grantee shall (i) give written notice to the Company in form satisfactory to the Committee specifying the number of Shares with respect to which such holder is exercising the SAR and (ii) deliver to the Company such written representations, warranties and covenants as the Company may require under Section 16(a) of this Plan.

(f) A person exercising a SAR shall not be treated as having become the registered owner of any Shares issued on such exercise until such Shares are issued.

(g) The exercise of a SAR shall reduce the number of Shares subject to the related Stock Option on a one for one basis.

9. Limited SARs.

(a) The Committee shall have authority in its discretion to grant a Limited SAR to the holder of any Stock Option with respect to all or some of the Shares covered by such Stock Option; provided, however, that in the case of Incentive Stock Options, the Committee may grant Limited SARs only if and to the extent that the grant of such Limited SARs is consistent with the treatment of the Stock Option as an Incentive Stock Option. Each Limited SAR shall be on such terms and conditions not inconsistent with this Plan as the Committee may determine and shall be evidenced by a Limited SAR Agreement setting forth such terms and conditions executed by the Company and the holder of the Limited SAR. A Limited SAR may be granted to a Grantee irrespective of whether such Grantee has a SAR.

(b) Limited SARs may be exercised only during the sixty (60) day period commencing after the occurrence of a Change of Control.

Each Limited SAR shall be exercisable only if and to the extent that the related Option is exercisable. Upon the exercise of a Limited SAR, the related Stock Option shall cease to be exercisable to the extent of the Shares with respect to which such Limited SAR is exercised, and the Stock Option shall be considered to have been exercised to that extent for purposes of determining the number of Shares available for the grant of further Awards pursuant to this Plan. Upon the exercise or termination of an Option, the Limited SAR with respect to such Option shall terminate to the extent of the Shares with respect to which the Option was exercised or terminated.

(c) For any Limited SAR, the term "Spread" as used in this Section 9 shall mean an amount equal to the product computed by multiplying (A) the Price specified in Section 2(v) by (B) the number of Shares with respect to which such Limited SAR is being exercised.

(d) Only if and to the extent required in order for the related Stock Option to be treated as an Incentive Stock Option, a Limited SAR may be exercised only when there is a positive Spread, that is, when the Fair Market Value per Share exceeds the purchase price per Share at which the related Stock Option is exercisable. Upon the exercise of a Limited SAR, the holder thereof shall receive an amount in cash equal to the Spread.

(e) Notwithstanding any other provision of this Plan, no SAR or Performance Unit may be exercised with respect to any Stock Option at a time when any Limited SAR with respect to such Stock Option held by the Grantee of such SAR or Performance Unit may be exercised.

(f) The Company intends that this Section 9 shall comply with the requirements of the Rule during the term of this Plan. Should any provision of this Section 9 not be necessary to comply with the requirements of the Rule, or should any additional provisions be necessary for this Section 9 to comply with the requirements of the Rule, the Committee may amend this Plan or any Award agreement to add to or modify the provisions thereof accordingly.

(g) To exercise a Limited SAR, the holder shall give written notice to the Company in form satisfactory to the Committee specifying the number of Shares with respect to which he is exercising the Limited SAR.

(h) The exercise of a Limited SAR shall reduce on a one for one basis the number of Shares subject to the related Stock Option.

10. Performance Units.

(a) In conjunction with the granting of Stock Options under this Plan, the Committee may grant Performance Units relating to such Stock Options; provided, however, that in the case of Incentive Stock Options, the Committee may grant Performance Units only if and to the extent that the grant of such Performance Units is consistent with the treatment of the Stock Option as an Incentive Stock Option. Each grant of Performance Units shall cover such number of Shares and shall be on such other terms and conditions not inconsistent with this Plan as the Committee may determine and shall be evidenced by a Performance Unit Agreement setting forth such terms and conditions executed by the Company and the Grantee of the Performance Units. The number of Performance Units granted shall be equal to a specified number of Shares subject to the related Stock Options. The Committee shall value such Units to the extent that Performance Goals are achieved; provided, however, that in no event shall the value per Performance Unit exceed one hundred and fifty percent (150%) of the purchase price per Share at which the related Stock Option is exercisable.

(b) The Committee shall have full and final authority to establish Performance Goals for each Performance Period on the basis of such criteria, and the attainment of such objectives, as the Committee may from time to time determine. In setting Performance Goals, the Committee may take into consideration such matters which it deems relevant and such financial and other criteria including but not limited to projected cumulative compounded rate of growth in earnings per Share and average return on equity. During any

Performance Period, the Committee shall have the authority to adjust Performance Goals for the Performance Period as it deems equitable in recognition of extraordinary or nonrecurring events experienced by the Company during the Performance Period including, but not limited to, changes in applicable accounting rules or principles or changes in the Company's methods of accounting during the Performance Period or significant changes in tax laws or regulations which affect the financial results of the Company.

(c) The term "Performance Goals" as used in this Section 10 shall mean the performance objectives established by the Committee for the Company for a Performance Period for the purpose of determining if, as well as the extent to which, a Performance Unit shall be earned.

(d) The term "Performance Period" as used in this Section 10 shall mean the period of time selected by the Committee (which period shall be not more than five nor less than three years) commencing on January 1 of the Year in which the grant of Performance Units is made, during which the performance of the Company is measured for the purpose of determining the extent to which Performance Units have been earned.

(e) Performance Units shall be earned to the extent that Performance Goals and other conditions established in accordance with Paragraph (b) of this Section 10 are met. The Company shall promptly notify each Grantee of the extent to which Performance Units have been earned by such Grantee. A Performance Unit may be exercised only during the period following such notice and prior to expiration of the related option. Performance Units which have been earned shall be paid after exercise by the Grantee pursuant to Paragraph (h) of this Section 10. The Committee shall have the sole and absolute discretion to determine whether payment for such Performance Unit will be made in cash, Shares or a combination of cash and Shares, provided that any Shares used for payment shall be valued at their Fair Market Value on the date of the exercise of the Performance Unit.

(f) Unless otherwise determined by the Committee, in the event that a Grantee of Performance Units ceases to be employed by RSI or any Subsidiary during the term of the related Stock Option, the Performance Units held by him shall be exercisable only to the extent the related Stock Option is exercisable and shall be forfeited to the extent that the related Stock Option was not exercisable on the Termination Date.

(g) The Company intends that this Section 10 shall comply with the requirements of Section 16(b) of the 1934 Act and the rules thereunder, as from time to time in effect, including the Rule. Should any provision of this Section 10 not be necessary to comply with the requirements of said Section 16(b) and the rules thereunder or should any additional provision be necessary for this Section 10 to comply with the requirements of Section 16(b) and the rules thereunder, the Committee may amend this Plan or any Award agreement to add to or modify the provisions thereof accordingly.

(h) To exercise Performance Units, the Grantee shall give written notice to the Company in form satisfactory to the Committee addressed to the Secretary of the Company specifying the number of Shares with respect to which he is exercising Performance Units.

(i) The exercise of Performance Units shall reduce on a one for one basis the number of Shares subject to the related Stock Option.

11. Restricted Stock Rights.

(a) The Committee from time to time may grant Restricted Stock Rights to key executive Employees selected by the Committee as being eligible therefor, which would entitle a Grantee to receive a stated number of Shares subject to forfeiture of such Rights if such Grantee failed to remain continuously in the employ of RSI or any Subsidiary for the period stipulated by the Committee (the "Restricted Period").

(b) Restricted Stock Rights shall be subject to the following restrictions and limitations:

(i) The Restricted Stock Rights may not be sold, assigned, transferred, pledged, hypothecated, or otherwise disposed of;

(ii) Except as otherwise provided in Paragraph (d) of this Section 11, the Restricted Stock Rights and the Shares subject to such Restricted Stock Rights shall be forfeited and all rights of a Grantee to such Restricted Stock Rights and Shares shall terminate without any payment of consideration by the Company if the Grantee fails to remain continuously as an Employee of RSI or any Subsidiary for the Restricted Period. A Grantee shall not be deemed to have terminated his period of continuous employment with RSI or any Subsidiary if he leaves the employ of RSI or any Subsidiary for immediate reemployment with RSI or any Subsidiary.

(c) The Grantee of Restricted Stock Rights shall not be entitled to any of the rights of a holder of the Common Stock with respect to the Shares subject to such Restricted Stock Rights prior to the issuance of such Shares pursuant to this Plan. During the Restricted Period, for each Share subject to a Restricted Stock Right, the Company will pay the holder an amount in cash equal to the cash dividend declared on a Share during the Restricted Period on or about the date the Company pays such dividend to the stockholders of record.

(d) In the event that the employment of a Grantee terminates by reason of death, Disability or Retirement, such Grantee shall be entitled to receive the number of Shares subject to the Restricted Stock Right multiplied by a fraction (x) the numerator of which shall be the number of days between the date of grant of such Restricted Stock Right and the date of such termination of employment, and (y) the denominator of which shall be the number of days in the Restricted Period, provided, however, that any fractional Share shall be cancelled. If a Grantee's employment is interrupted by reason of Disability or a leave of absence (as determined by the Committee), then the Committee may permit the delivery of the Shares subject to the Restricted Stock Right in such amounts as the Committee may determine.

(e) Notwithstanding Paragraphs (a) and (b) of this Section 11, unless otherwise determined by the Committee prior to the occurrence of a Change of Control, in the event of a Change of Control all restrictions on Restricted Stock shall expire and all Shares subject to Restricted Stock Rights shall be issued to the Grantees. Additionally, the Committee may, at any time, provide for the acceleration of the Restricted Period and of the issuance of all or part of the Shares subject to Restricted Stock Rights. Any determination made by the Committee pursuant to this Section 11(e) may be made as to all Restricted Stock Rights or only as to certain Restricted Stock Rights specified by the Committee. Once made, any determination by the Committee pursuant to this Section 11(e) shall be irrevocable.

(f) When a Grantee shall be entitled to receive Shares pursuant to a Restricted Stock Right, the Company shall issue the appropriate number of Shares registered in the name of the Grantee.

12. Dilution and Other Adjustments.

If there shall be any change in the Shares subject to this Plan or any Award granted under this Plan as a result of merger, consolidation, reorganization, recapitalization, stock dividend, stock split or other change in the corporate structure, adjustments may be made by the Committee, as it may deem appropriate, in the aggregate number and kind of Shares subject to this Plan or to any outstanding Award, and in the terms and provisions of this Plan and any Awards granted hereunder, in order to reflect, on an equitable basis, any such change in the Shares contemplated by this Section 12, provided however, that neither the Board of Directors of RSI nor the Committee shall be permitted to re-price any Stock Options once they have been granted. Any adjustment made by the Committee pursuant to this Section 12 shall be conclusive and binding upon the Grantee, the Company and any other related person.

13. Substitute Options.

Incentive and/or Non-qualified Stock Options may be granted under this Plan from time to time in substitution for either incentive or non-qualified stock options or both held by employees of other corporations who are about to become employees of the Company as the result of a merger, consolidation or reorganization of the employing corporation with the Company, or the acquisition by the Company of the assets of the employing corporation, or the acquisition by the Company of stock of the employing corporation as the result of which it becomes a Subsidiary of the Company. The terms and conditions of the Stock Options so granted may vary from the terms and conditions set forth in this Plan to such extent as the Committee at the time of grant may deem appropriate to conform, in whole or in part, to the provisions of the stock options in substitution for which they are granted, but, in the event that the option for which a substitute Stock Option is being granted is an incentive stock option, no variation shall adversely affect the status of any substitute Stock Option as an incentive stock option under the Code.

14. Miscellaneous Provisions.

(a) Notwithstanding any other provision of this Plan, no Stock Option, SAR, Limited SAR or Restricted Stock Right granted hereunder may be exercised nor shall any payment in respect of any Performance Unit granted hereunder be made and all rights of the Grantee thereof, or of the Grantee’s legal representatives, heirs or legatees, shall be forfeited if, prior to the time of such exercise or payment, the Committee (or in the event of a Change of Control, the Incumbent Board) determines that the Grantee has (i) used for profit or disclosed confidential information or trade secrets of the Company to unauthorized persons, or (ii) breached any contract with, or violated any legal obligation to, the Company, or (iii) engaged in any other activity which would constitute grounds for termination for cause of the Grantee by the Company. The Committee (or the Incumbent Board) shall give a Grantee written notice of such determination prior to making any such forfeiture. The Committee (or the Incumbent Board) may waive the conditions of this Paragraph in full or in part if, in its sole judgment, such waiver will have no substantial adverse effect upon the Company. The determination of the Committee (or the Incumbent Board) as to the occurrence of any of the events specified above and to the forfeiture, if any, shall be conclusive and binding upon the Grantee, the Company and any other related person.

(b) The Grantee of an Award shall have no rights as a stockholder with respect thereto, except as otherwise expressly provided in this Plan, unless and until certificates for Shares are issued.

(c) No Award or any rights or interests therein shall be assignable or transferable by the Grantee except by will or the laws of descent and distribution. During the lifetime of the Grantee, an Award shall be exercisable only by the Grantee or the Grantee’s guardian or legal representative.

(d) The Company shall have the right to deduct from all Awards granted hereunder to be distributed in cash any Federal, state, local or foreign taxes required by law to be withheld with respect to such cash payments. In the case of Awards to be distributed in Shares, the holder or other person receiving such Common Stock shall be required, as a condition of such distribution, either to pay to the Company at the time of distribution thereof the amount of any such taxes which the Company is required to withhold with respect to such Shares or to have the number of the Shares, valued at their Fair Market Value on the date of distribution, to be distributed reduced by an amount equal to the value of such taxes required to be withheld.

(e) No Employee shall have any claim or right to be granted an Award under this Plan, nor having been selected as a Grantee for one Year, any right to be a Grantee in any other Year. Neither this Plan nor any action taken hereunder shall be construed as giving any Grantee any right to be retained in the employ of RSI or any Subsidiary, and the Company expressly reserves its right at any time to dismiss any Grantee with or without cause.

(f) The costs and expense of administering this Plan shall be borne by the Company and not charged to any Award nor to any Grantee.

(g) This Plan shall be unfunded. The Company shall not be required to establish any special or separate fund or to make any other segregation of assets to assure the payment of any Award under this Plan, and payment of Awards shall be subordinate to the claims of the Company's general creditors.

(h) Whenever used in this Plan, the masculine gender shall include the feminine or neuter wherever necessary or appropriate and vice versa and the singular shall include the plural and vice versa.

(i) With respect to Grantees subject to Section 16 of the 1934 Act, transactions under this Plan are intended to comply with all applicable conditions of Rule 16b-3 or its successors under the 1934 Act. To the extent any provision of this Plan or action by the Committee fails to so comply, it shall be deemed null and void, to the extent permitted by law and deemed advisable by the Committee. Moreover, in the event this Plan does not include a provision required by Rule 16b-3 to be stated herein, such provision (other than one relating to eligibility requirements, or the price and amount of Awards) shall be deemed automatically to be incorporated by reference into this Plan insofar as Grantees subject to Section 16 are concerned.

(k) This Plan shall be governed and construed in accordance with the laws of the State of Florida (regardless of the law that might otherwise govern under applicable Florida principles of conflict of laws).

(l) No Award payment under this Plan shall be deemed compensation for purposes of computing benefits under any retirement plan of the Company or its subsidiaries nor affect any benefits under any other benefit plan now or subsequently in effect under which the availability or amount of benefits is related to the level of compensation.

(m) The Company shall bear all expenses included in administering this Plan, including expenses of issuing Common Stock pursuant to any Awards hereunder.

(n) The provisions of Awards need not be the same with respect to each Participant, and such Awards to individual Participants need not be the same in subsequent years.

(o) The Committee may in its discretion require the transferee of a Participant to supply it with written notice of the Participant's death or Disability and to supply it with a copy of the will (in the case of the Participant's death) or such other evidence as the Committee deems necessary to establish the validity of the transfer of an Award. The Committee may also require that the agreement of the transferee to be bound by all of the terms and conditions of this Plan.

(p) The headings and captions herein are provided for reference and convenience only, shall not be considered part of this Plan, and shall not be employed in the construction of this Plan.

15. Indemnification of the Committee.

Service on the Committee shall constitute service as a director of the Company and members of the Committee shall be entitled to indemnification, advancement of expenses and reimbursement as directors of the Company pursuant to its Restated Articles of Incorporation, By-Laws, resolutions of the Board of Directors of RSI or otherwise.

16. Compliance with Law.

(a) Each Grantee, to permit the Company to comply with the Securities Act of 1933, as amended (the "1933 Act"), and any applicable blue sky or state securities laws, shall represent in writing to the Company at the time of the grant of an Award and at the time of the issuance of any Shares thereunder that such Grantee does not contemplate and shall not make any transfer of any Shares to be acquired under an Award except in compliance with the 1933 Act and such Grantee shall enter into such agreements and make such other representations as, in the opinion of counsel to the Company, shall be sufficient to enable the Company legally to issue the Shares without registration thereof under the 1933 Act. Certificates representing Shares to be acquired under Awards shall bear legends as counsel for the Company may indicate are necessary or appropriate to accomplish the purposes of this Section 16.

(b) If at any time the Committee shall determine that the listing, registration or qualification of the Shares subject to any Award upon any securities exchange or under any state or federal law, or the consent or approval of any government regulatory body, is necessary or desirable as a condition of, or in connection with, the granting of or issuance of Shares under such Award, such Shares shall not be issued unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Committee.

17. Amendment of the Plan.

The Committee may at any time (i) terminate this Plan or (ii) modify or amend this Plan in any respect, except that, to the extent required to maintain the qualification of this Plan under Section 16 of the 1934 Act, or as otherwise required to comply with applicable law or the regulations of any stock exchange on which the Shares are listed, the Committee may not, without shareholder approval, (A) materially increase the benefits accruing to Grantees under this Plan, (B) materially increase the number of securities which may be issued under this Plan or (C) materially modify the requirements as to eligibility for participation in this Plan. Should this Plan require amendment to maintain full legal compliance because of rules, regulations, opinions or statutes issued by the SEC, the U.S. Department of the Treasury or any other governmental or governing body, then the Committee or the Board may take whatever action, including but not limited to amending or modifying this Plan, is necessary to maintain such compliance. The termination or any modification or amendment of this Plan shall not, without the consent of any Grantee involved, adversely affect his rights under an Award previously granted to him.

18. Effective Date and Term of the Plan.

(a) This Plan shall become effective on May 5, 1995, subject to the approval of the shareholders of RSI.

(b) Unless previously terminated in accordance with Section 17 of this Plan, this Plan shall terminate on the close of business on May 4, 2005, after which no Awards shall be granted under this Plan. Such termination shall not affect any Awards granted prior to such termination.

EXHIBIT 10.10

RYDER SYSTEM, INC.
DEFERRED COMPENSATION PLAN

This Ryder System, Inc. Deferred Compensation Plan (the “Plan”) is amended and restated as of January 1, 2003. Compensation deferred under the Plan for years prior to January 1, 2003 shall continue to be governed in accordance with the provisions of the Plan in effect for the year of deferral. The Plan is established and maintained by Ryder System, Inc. (“RSI”) solely for the purpose of providing specified benefits to the members of the Board of Directors of RSI and a select group of management and highly compensated Employees who contribute materially to the continued growth, development and future business success of RSI, and its subsidiaries, that elect to sponsor this Plan. This Plan shall be unfunded for tax purposes and for purposes of Title I of the Employee Retirement Income Security Act of 1974, as amended (“ERISA”).

ARTICLE I

DEFINITIONS

Wherever used herein the following terms shall have the meanings hereinafter set forth:

1.1 “Accounting Date” means each business day of the Plan Year on which the national stock exchanges and the Nasdaq system are open for trading.

1.2 “Accounting Period” means each period beginning on the day following an Accounting Date and ending on the following Accounting Date.

1.3 “Affiliate” means any Employer, and any member of a controlled group of corporations, a group of trades or businesses under common control, an affiliated service group of which any Employer is a member or any other entity required to be aggregated with the Employer pursuant to regulations under Section 414(o) of the Code. For purposes hereof: (i) a “controlled group of corporations” shall mean a controlled group of corporations as defined in Section 1563(a) of the Code, determined without regard to Sections 1563(a)(4) and (e)(3)(C) thereof, (ii) a “group of trades or businesses under common control” shall mean a group of trades or businesses under common control as defined in the regulations promulgated under Section 414(c) of the Code; and (iii) an “affiliated service group” shall mean an affiliated service group as defined in Section 414(m) of the Code.

1.4 “Beneficiary” means the person or persons designated by a Participant, upon such forms as shall be provided by the Committee, to receive payments of the vested portion of the Participant’s Account after the Participant’s death. If the Participant shall fail to designate a Beneficiary, or if for any reason such designation shall be ineffective, or if such Beneficiary shall predecease the Participant or die simultaneously with him, then the Beneficiary shall be, in the following order of preference:

(i) the Participant’s surviving spouse, or

(ii) the Participant’s estate.

1.5 “Board” means the Board of Directors of the Company.

1.6 “Change of Control” shall be deemed to have occurred if:

(i) any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the “1934 Act”)) (a “Person”) becomes the beneficial owner, directly or indirectly, of twenty percent (20%) or more of the combined voting power of RSI’s outstanding voting securities ordinarily having the right to vote for the election of directors of RSI; provided, however, that for purposes of this subparagraph (i), the following acquisitions shall not constitute a Change of Control: (A) any acquisition by any employee benefit plan or plans (or related trust) of RSI and its subsidiaries and affiliates or (B) any acquisition by any corporation pursuant to a transaction which complies with clauses (A), (B) and (C) of subparagraph (iii) of this Section 1.6; or

(ii) the individuals who, as of August 18, 1995 constituted the Board of Directors of RSI (the “Board” generally and as of August 18, 1995 the “Incumbent Board”) cease for any reason to constitute at least two-thirds (2/3) of the Board, provided that any person becoming a director subsequent to August 18, 1995 whose election, or nomination for election, was approved by a vote of the persons comprising at least two-thirds (2/3) of the Incumbent Board (other than an election or nomination of an individual whose initial assumption of office is in connection with an actual or threatened election contest, as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the 1934 Act) shall be, for purposes of this Plan, considered as though such person were a member of the Incumbent Board; or

(iii) there is a reorganization, merger or consolidation of RSI (a “Business Combination”), in each case, unless, following such Business Combination, (A) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of RSI’s outstanding Company Stock and outstanding voting securities ordinarily having the right to vote for the election of directors of RSI immediately prior to such Business Combination beneficially own, directly or indirectly, more than fifty percent (50%) of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities ordinarily having the right to vote for the election of directors, as the case may be, of the corporation resulting from such Business Combination (including, without limitation, a corporation which as a result of such transaction owns RSI or all or substantially all of RSI’s assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Business Combination, of RSI’s outstanding Company Stock and outstanding voting securities ordinarily having the right to vote for the election of directors of RSI, as the case may be, (B) no Person (excluding any corporation resulting from such Business Combination or any employee benefit plan or plans (or related trust) of RSI or such corporation resulting from such Business Combination and their subsidiaries and affiliates) beneficially owns, directly or indirectly, 20% or more of the combined voting power of the then outstanding voting securities of the corporation resulting from such Business Combination and (C) at least two-thirds (2/3) of the members of the board of directors of the corporation resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board, providing for such Business Combination; or

(iv) there is a liquidation or dissolution of RSI approved by the shareholders; or

(v) there is a sale of all or substantially all of the assets of RSI. If the sponsor enters into an agreement or series of agreements or the Board passes a resolution which will result in the occurrence of any of the matters described in subsections (i), (ii), (iii), (iv), or (v), and a Participant's employment is terminated subsequent to the date of execution of such agreement or series of agreements or the passage of such resolution, but prior to the occurrence of any of the matters described in subsections (i), (ii), (iii), (iv), or (v), a Change of Control shall be deemed to have retroactively occurred on the date of the execution of the earliest of such agreements(s), or the passage of such resolution.

If a Change of Control occurs and if a Participant's employment is terminated prior to the date on which the Change of Control occurs, and if it is reasonably demonstrated by the Participant that such termination of employment (A) was at the request of a third party who has taken steps reasonably calculated to effect a Change of Control or (B) otherwise arose in connection with or in anticipation of a Change of Control, a Change of Control shall be deemed to have retroactively occurred on the date immediately prior to the date of such termination of employment.

1.7 "Code" means the Internal Revenue Code of 1986, as amended from time to time, and any regulations relating thereto.

1.8 "Committee" means the Committee appointed by the Board to administer the Savings Plan in accordance with Article X of the Savings Plan or when applicable, the person to whom the Committee has delegated authority pursuant to Article X of the Savings Plan for the matter in question.

1.9 "Company" means Ryder System, Inc., a Florida corporation, or any successor corporation or other entity resulting from a merger or consolidation into or with the Company or a transfer or sale of substantially all of the assets of the Company.

1.10 "Company Stock" means the common stock of the Company, par value $.50, which is readily tradable on an established securities market.

1.11 "Compensation" means (i) in the case of an Employee, the sum of the total of all amounts paid to a Participant by an Employer as salary (including commissions) or bonuses for personal services and any Savings Plan Tax-Deferred Contributions or Tax-Deferred Contributions made by the Employer on behalf of a Participant for the Plan Year excluding any other amounts earned by the Participant for the Plan Year but that are deferred under any other plan or arrangement maintained by the Employer, or (ii) in the case of a Director, the Director's fees including the Director's annual cash retainer, committee retainer and per diem meeting fees earned by the Director.

1.12 "Director" means a member of the Board.

1.13 “Disability” means a Participant’s inability to engage in any substantial gainful activity by reason of any medically determined physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than 12 months, as determined in a uniform and non-discriminatory manner by the Committee after requiring any medical examinations by a physician or reviewing any medical evidence which the Committee considers necessary, and which results in the Participant’s Separation from Employment.

1.14 “Eligible Employee” means any Employee who is (i) employed by the Employer, (ii) designated by the Committee to be eligible to participate in the Plan, and (iii) is part of a select group of management or highly compensated employees within the meaning of Sections 201 (2), 301(a)(3)and 401(a)(l) of ERISA, and any regulations relating thereto.

1.15 “Employee” means any employee of (i) the Company or (ii) any other entity that is an Employer as defined in the Savings Plan.

1.16 “Employer” means (i) the Company and (ii) any other entity that is an Employer as defined in the Savings Plan.

1.17 “Investment Funds” means those investment options that shall from time to time be made available as investment options under the Plan, as determined by the Committee.

1.18 “Leave of Absence” means an Employee’s leave of absence from active employment with the Company or an Affiliate because of military service, illness which does not constitute a Disability, educational pursuits, services as a juror, or temporarily with a government agency, or any other leave of absence, if (i) such leave of absence is approved by the Company or an Affiliate that employs the Employee, and (ii) upon termination of any such leave of absence, such Employee promptly returns or has returned to the employ of the Company or an Affiliate, without employment (other than military service) elsewhere in the meantime except with the consent of the Company or an Affiliate. The Company or an Affiliate shall determine the first and last days of any Leave of Absence that it approves.

1.19 “Matching Contributions” means the matching contributions credited to the Participant’s Account in accordance with Section 3.2 of the Plan.

1.20 “Matching Contributions Account” means the account maintained by the Company under the Plan for a Participant that is credited with the Participant’s Matching Contributions, and any gains or losses allocable thereto.

1.21 “Participant” means a Director or an Eligible Employee of the Employer who elects to participate in the Plan.

1.22 “Participant’s Account” means the total amount credited to the account maintained in the Plan in accordance with the provisions of the Plan for each Participant, which represents his total proportionate interest of all accounts under the Plan as of any Accounting Date, and which consists of his Tax-Deferred Contributions Account and his Matching Contributions Account.

1.23 “Plan” means the Ryder System, Inc. Deferred Compensation Plan.

1.24 “Plan Year” means the calendar year.

1.25 “Retirement” means either (i) in the case of an Employee, termination of employment from an Employer at or after Retirement Age or (ii) in the case of a Director, retirement as a member of the Board.

1.26 “Retirement Age” means the earlier of (i) the date on which a Participant attains age 65, and (ii) the date on which a Participant has both (a) attained age 55 and (b) completed at least 10 years of service. For purposes of this provision, Service shall mean that period of an Employee’s continuous uninterrupted employment with an Employer and any Affiliate, and with any predecessor businesses of the Employer or an Affiliate, conducted as corporations, partnerships, or proprietorships, from the Employee’s last date of hire to the date of termination of his employment for any reason; provided however, that the employment of an Employee, who immediately before his current employment was employed by a predecessor or acquired business continuously up to the date of its merger with or acquisition by the Employer or an Affiliate, shall include only that part of his employment for said business which has occurred after the date fixed for this purpose by the Company and provided that the same date is uniformly fixed for this purpose as to all of the employees of a given predecessor or acquired business. An Employee may work simultaneously for more than one Employer and Affiliate, but the total period of his employment shall not be increased by reason of such simultaneous employment.

1.27 “Savings Plan” means the Ryder System, Inc. Employee Savings Plan A, established effective January 1, 1984, and as amended from time to time, and the Ryder System, Inc. Employee Savings Plan B, established effective January 1, 1993, and as amended from time to time, and each successor or replacement salaried employees cash or deferred arrangement.

1.28 “Savings Plan Matching Contributions” means the total of all Matching Contributions made by the Employer for the benefit of a Participant under and in accordance with the terms of the Savings Plan.

1.29 “Savings Plan Tax-Deferred Contributions” means the Tax Deferred Contributions made by the Employer for the benefit of a Participant under and in accordance with the terms of the Savings Plan.

1.30 “Separation from Employment” means a discontinuance of the Participant’s employment relationship with the Company and its Affiliates due to Retirement, Disability, death, or other termination of employment (voluntary or involuntary). For purposes of this provision, the employment relationship with the Company and its Affiliates of a Participant entitled to earned vacation time after he ceases to perform services for the Company and its Affiliates shall be deemed to terminate upon the date his earned vacation time, if any, expires. The fact that an Employee who is a Participant ceases to elect to have any Tax-Deferred Contributions credited to his Account under the Plan shall not constitute a Separation from Employment, and a Participant’s absence from active employment due to military service or Leave of Absence shall not constitute a Separation from Employment.

1.31 “Tax-Deferred Contributions” means the compensation reduction contributions credited to the Participant’s Account under Section 3.1 of the Plan.

1.32 “Tax-Deferred Contributions Account” means the account maintained by the Company under the Plan for a Participant that is credited with the Participant’s Tax-Deferred Contributions, and any gains or losses allocable thereto.

ARTICLE II

ELIGIBILITY

2.1 Eligibility. An Employee shall be eligible to participate each January 1 or July 1 coincident with or immediately following the date as of which he becomes an Eligible Employee. Each Director shall be eligible to participate in the Plan each January 1 or July 1 coincident with or immediately following election to the Board.

ARTICLE III

CONTRIBUTIONS AND VESTING

3.1 Tax-Deferred Contributions.

(i) Each Participant who is an Eligible Employee, so long as he remains a Participant, may elect (via on-line election) to reduce and defer receipt pursuant to this Plan of his Compensation by an amount equal to the excess of (a) a minimum of 1% and a maximum of 100% of his Compensation, over (b) the amount of his Savings Plan Tax-Deferred Contributions for the Plan Year, if any, after applicable taxes and deductions. The amount of deferral so elected shall be applied against and reduce the Participant’s (x) salary (including commissions), (y) bonuses, or (z) salary, (including commissions) and bonuses, earned during the Plan Year as elected by the Participant (via on-line election).

(ii) Each Participant who is a Director, so long as he remains a Participant, may elect (on a form furnished by the Committee and in accordance with Committee rules) to reduce and defer receipt pursuant to this Plan of his Compensation by an amount equal to a minimum of 1% and a maximum of 100% of his Compensation.

(iii) A Participant’s election to participate in the Plan shall be effective on a Plan Year basis, and must be made before the beginning of the Plan Year to which it relates. Notwithstanding the foregoing, a newly eligible participant may elect to participate in the Plan as of July 1 coincident with or immediately following the date as of which he become an Eligible Employee or Director. The election of an Eligible Employee to enroll in the Plan must be made via on-line election. The election of a Director to enroll in the Plan must be made on a Participant Election and Enrollment Form. In either case, an enrollment election may not be amended or revoked during the Plan Year to which it relates. The Employer shall withhold, by payroll deduction, the Compensation deferred pursuant to this Section 3.1 from the current Compensation payments of a Participant and credit such withheld amount to a Participant’s Tax-Deferred Contributions Account under the Plan.

3.2 Matching Contribution.

(i) For Participants who are Eligible Employees, and specifically excluding Participants who are Directors, the Employer shall credit to the Participant’s Matching Contributions Account of each such Participant who elects to make an eligible Tax-Deferred Contribution for the Plan Year an amount equal to the excess, if any, of:

(a) the amount of the Savings Plan Matching Contribution that would have been credited to such Participant’s Account under the Savings Plan if the Eligible Tax-Deferred Contributions had been made into the Savings Plan, over

(b) the Savings Plan Matching Contributions actually allocated to such Participant’s Account under the Savings Plan for the Plan Year.

For purposes of this provision, the term “Eligible Tax-Deferred Contribution” shall mean the Tax-Deferred Contributions made on behalf of the Participant for the Plan Year pursuant to Section 3.1(i).

(ii) Each Matching Contribution for each Participant shall be credited to the Participant’s Account as of the end of the Accounting Period for which the Tax-Deferred Contribution is withheld, or as soon as practicable thereafter. Each Matching Contribution shall be made in cash and shall be invested according to the investment options selected by the Participant. Matching Contributions prior to October 1, 2002 which were made in Company Stock may be exchanged in whole or in part beginning July 1, 2003.

(iii) Participants who are Directors shall not be credited with Matching Contributions under this Section 3.2.

3.3 Vesting.

(i) A Participant’s interest in his Tax-Deferred Contributions Account shall be 100% nonforfeitable at all times. A Participant’s interest in his Matching Contributions Account shall become nonforfeitable and vest in accordance with the following schedule, based upon the number of the Participant’s Years of Vesting Service as determined under the Savings Plan.

Number of Years of Vesting Service	**Vested Percentage of Participant’s Account**
Less than 2	0%
2	25%
3	50%
4	75%
5 or more	100%

Notwithstanding the foregoing, a Participant’s vested percentage shall be 100% (a) if the Participant’s employment with the Employer terminates due to Retirement, or by reason of the

Participant’s death or Disability, or (b) in the event that a Change of Control shall occur while the Participant is an Employee of the Employer or an Affiliate.

(ii) The nonvested portion of a Participant’s Account that is forfeited shall not be allocated to the Participant’s Account of any other Participant.

ARTICLE IV

INVESTMENT OF PARTICIPANT’S ACCOUNTS

4.1 Investment. Amounts credited to a Participant’s Account shall be treated as if they were actually invested in the Investment Funds selected by the Participant in accordance with the Plan, and shall be credited with gains and losses allocable thereto at such times and in such manner as shall be determined by the Committee. Each Director and Eligible Employee upon becoming a Participant shall elect, upon enrollment, the portion of the Participant’s Account, in any whole percentage multiples (or in such other proportions as the Committee may from time to time determine), that are to be treated as if invested in each of the Investment Funds. A Participant may, at such times and in such manner as shall be permitted by the Committee, change such election as to the investment of his Participant’s Account. Sales of Company Stock in the event that there is insufficient liquidity shall be governed by Schedule F of the Rabbi Trust Agreement dated as of October 1, 2002 as follows:

(i) Withdrawals and distributions will be aggregated and placed first in the hierarchy. If Available Liquidity is sufficient for the aggregate of such transactions, all such withdrawals and distributions will be honored. If Available Liquidity is not sufficient for the aggregate of such transactions, then such transactions will be suspended, and no transactions requiring a sale of Sponsor Stock Fund units shall be honored for that day.

(ii) If Available Liquidity has not been exhausted by the aggregate of withdrawals and distributions, then all remaining transactions involving a sale of units in the Sponsor Stock Fund (exchanges out) shall be grouped on the basis of when such requests were received, in accordance with standard procedures maintained by the Trustee for such grouping as they may be amended from time to time. To the extent of Available Liquidity, groups of exchanges out of the Sponsor Stock Fund shall be honored, by group, on a “first in, first out” basis. If Available Liquidity is insufficient to honor all exchanges out within a group, then none of the exchanges out in such group shall be honored, and no exchanges out in a later group shall be honored.

(iii) Transactions not honored on a particular day due to insufficient Available Liquidity shall be honored, using the hierarchy specified above, on the next business day on which there is Available Liquidity.

ARTICLE V

DISTRIBUTIONS

5.1 Fixed Date Distribution.

(i) Upon enrollment, a Participant may make an irrevocable election to receive a lump sum payment of all of the deferral amount. Provided, however, that each such Fixed Date Distribution shall be paid in a lump sum and shall be paid as soon as practicable following the July 1 of the Plan Year designated by the Participant that is at least two Plan Years after the Plan Year in which such deferral amount is actually deferred.

(ii) Should an event occur that triggers a benefit under Section 5.2, any deferral amounts that are subject to a Fixed Date Distribution election under this Section 5.1 shall not be paid in accordance with Section 5.1 but shall be paid in accordance with the other applicable Section. Except that while the Participant is receiving severance payments, Fixed Date Distributions that may come due shall be paid.

5.2 Distributions for Separation from Employment.

(i) Effective as of January 1, 2003, in the case of Disability, death or other termination of employment or Board service (voluntary or involuntary), a Participant shall receive a distribution from the Plan in a lump sum as soon as practicable following the January 1 immediately following such Participant's Separation from Employment or cessation of Board service. Notwithstanding the foregoing, effective as of January 1, 2003, each Participant shall elect a method of receipt for distributions from the Plan upon Retirement upon enrollment. The distribution upon Retirement shall be made in a lump sum or in accordance with the Participant's most recent election on file with the Committee which is effective at least one year prior to the date of the Participant's Retirement. Such election shall indicate that the Participant has chosen to receive either: (a) a lump sum as soon as practicable following the January 1 immediately following the Participant's Retirement, or (b) a minimum of 2, and a maximum of 15, annual installments beginning as soon as practicable following the January 1 immediately following the Participant's Retirement. Each annual installment shall be equal to the value of the vested portion of the Participant's Account multiplied by a fraction, the numerator of which is 1 and the denominator of which is the number of installments remaining to be paid less any applicable tax withholding. Distributions of amounts contributed to the Plan prior to January 1, 2003 shall be made in accordance with the Participant's most recent election on file with the Committee which is effective at least one year prior to the Participant's Separation from Employment or cessation of Board service.

(ii) If a Participant should die before distribution of the entire vested portion of the Participant's Account has been made to him, any remaining amounts, less applicable withholding taxes, shall be distributed to the Participant's Beneficiary in the same manner in which such amounts otherwise would have been distributed to the Participant.

(iii) Notwithstanding the foregoing provisions of this Section 5.2 or the provisions of Section 5.1, the remaining vested portion of a Participant's Account, less applicable withholding taxes, shall be distributed to the Participant or his Beneficiary, in a lump sum as soon as administratively practicable following a Change of Control.

(iv) The value of a Participant's Account, for purposes of determining the amount to be distributed to the Participant or his Beneficiary, shall be determined as of the Accounting Date immediately preceding the distribution or such other date as the Committee shall determine.

5.3 Method of Distribution. Distribution of the Participant's Account shall be made in cash.

5.4 Hardship Distributions. Upon the written request of a Participant and in the event the Committee determines that an "unforeseeable emergency" has occurred with respect to a Participant, the Participant may be allowed to (i) suspend any deferrals required to be made by the Participant and/or (ii) receive a partial or full payment from the Plan. The payout shall not exceed the lesser of (i) the amount the Committee deems to be necessary to meet the emergency or (ii) the Participant's Account. For this purpose, an "unforeseeable emergency" shall mean an unanticipated emergency, such as a sudden and unexpected illness or accident of the Participant or a dependent of the Participant or loss of the Participant's property due to casualty, that is caused by an event beyond the control of the Participant and that would result in severe financial hardship if the withdrawal were not permitted. The need to pay a Participant's child's tuition to college and the desire to purchase a home shall not be considered unforeseeable emergencies.

5.5 Withdrawal Election. A Participant (or, after a Participant's death, his or her Beneficiary) may elect, at any time, to withdraw all of the vested portion of the Participant's Account, calculated as if there had occurred a Separation from Employment as of the day of the election, less a withdrawal penalty equal to 10% of such amount. This election can be made at any time, before or after Participant's Separation from Employment, and whether or not the Participant (or Beneficiary) is in the process of being paid pursuant to an installment payment schedule. No partial withdrawals shall be allowed. The Participant (or his or her Beneficiary) shall make this election by giving the Committee advance written notice of the election in a form determined from time to time by the Committee, and such payments made hereunder shall be paid within 60 days of such election. Once payment is made under this Section 5.5, the Participant may participate on any January 1 following the withdrawal. Once the Participant has received his second withdrawal, the participant's participation in the Plan shall terminate and the Participant shall not be eligible to participate in the Plan in the future.

ARTICLE VI

ADMINISTRATION OF THE PLANS

6.1 Administration by the Committee. The Committee shall be responsible for the general operation and administration of the Plan and for carrying out the provisions thereof.

6.2 General Powers of Administration. All provisions set forth in the Savings Plan with respect to the administrative powers and duties of the Committee and procedures for filing claims shall also be applicable with respect to the Plan. The Committee shall be entitled to rely conclusively upon all tables, valuations, certificates, opinions and reports furnished by any actuary, accountant, controller, counsel or other person employed or engaged by the Committee with respect to the Plan. All expenses of administration relating to the Plan may be debited against the Participant's Account, in the same manner as expenses are charged to accounts under the Savings Plan.

ARTICLE VII

AMENDMENT OR TERMINATION

7.1 Amendment or Termination. The Company intends the Plan to be permanent but reserves the right, by resolution of the Board or by action of any committee thereof, to amend or terminate the Plan when, in the sole opinion of the Board or the committee, such amendment or termination is advisable. Any such amendment or termination shall be made pursuant to a resolution of the Board, or by action of a committee thereof, and shall be effective as of the date of such resolution or action unless specifically provided otherwise.

7.2 Effect of Amendment or Termination. No amendment or termination of the Plan shall directly or indirectly reduce the balance of any Participant's Account held hereunder as of the effective date of such amendment or termination. Upon termination of the Plan, distribution of amounts in the Participant's Account shall be made to the Participant or his Beneficiary in the manner and at the time described in Article V of the Plan. No additional credits of Tax Deferred Contributions or Matching Contributions shall be made to the Participant's Account for periods after termination of the Plan, but the Committee shall continue to credit gains and losses to the Participant's Account, until the balance of such Participant's Account has been fully distributed to the Participant or his Beneficiary.

ARTICLE VIII

GENERAL PROVISIONS

8.1 Participant's Rights Unsecured. The Plan shall be unfunded for tax purposes and for purposes of Title I of ERISA. However, the Company may transfer assets to cover all or a portion of the value of Participant Accounts in a trust for the benefit of the Participants which such trust shall be subject to the rights of creditors of the Company. Although the value of each Participant's Account will be measured as if such Accounts were invested in the Investment Funds selected by the Participant pursuant to the Plan, neither the Company nor any other Employer or the trust shall be required to invest any assets in any Investment Funds, and if the Company or any other Employer does in fact make any investments in any Investment Funds, the Participant or Beneficiary shall have no rights in or claims against any such investments. The right of a Participant or his designated Beneficiary to receive a distribution hereunder shall be an unsecured claim against the trust and against the general assets of his Employer and the Company, and neither the Participant nor a designated beneficiary shall have any rights in or against any specific assets of the Company or any other Employer.

8.2 No Guarantee of Benefits. Nothing contained in the Plan shall constitute a guaranty by the Company or any other Employer or any other person or entity that the assets of the Company or any other Employer will be sufficient to pay any benefit hereunder.

8.3 Spendthrift Provision. No interest of any person or entity in, or right to receive a distribution under, the Plan shall be subject in any manner to sale, transfer, assignment, pledge, attachment, garnishment, or other alienation or encumbrance of any kind; nor may such interest or right to receive a distribution be taken, either voluntarily or involuntarily for the satisfaction of the debts of, or other obligations or claims against, such person or entity, including claims in bankruptcy proceedings.

8.4 Applicable Law. Except to the extent preempted by ERISA or other Federal law, the Plan shall be construed and administered under the laws of the State of Florida.

8.5 Indirect Payment of Benefits. If any Participant or his Beneficiary is, in the judgment of the Committee, legally, physically or mentally incapable of personally receiving and receipting for any payment due hereunder, payment may be made to the guardian or other legal representative of such Participant or Beneficiary or, if none, to such person or institution who, in the opinion of the Committee, is then maintaining or has custody of such Participant or Beneficiary. Such payments shall constitute a full discharge with respect thereto.

8.6 Notice of Address. Each person entitled to a benefit under the Plan must file with the Employer or the Company, in writing, his post office address and each change of post office address which occurs between the date of his termination of service with the Employer or the Company and the date he ceases to be a Participant. Any communication, statement, or notice addressed to such a person at his latest reported post office address will be binding upon him for all purposes of the Plan and neither the Committee, the Company, nor the Employer shall be obliged to search for or ascertain his whereabouts.

8.7 Notices. Any notice required or permitted to be given hereunder to a Participant or Beneficiary will be properly given if delivered or mailed, postage prepaid, to the Participant or Beneficiary at his last post office address as shown on the Company's or the Employer's records. Any notice to the Committee, the Company or the Employer shall be properly given or filed upon receipt by the Committee, the Company or the Employer, as the case may be, at such address as may be specified from time to time by the Committee.

8.8 Waiver of Notice. Any notice required hereunder may be waived by the person entitled thereto.

8.9 Unclaimed Payments. If a Participant or his Beneficiary fails to apprise the Committee of changes in the address of the Participant or Beneficiary, and the Committee is unable to communicate with the Participant or Beneficiary at the address last recorded by the Committee within five years after any benefit becomes due and payable from the Plan to the Participant or Beneficiary, the Committee may mail a notice by registered mail to the last known address of such person outlining the following action to be taken unless such person makes written reply to the Committee within 60 days from the mailing of such notice: The Committee may direct that such benefit and all further benefits with respect to such person shall be discontinued and all liability for the payment thereof shall terminate.

8.10 Employer-Employee Relationship. The establishment of this Plan shall not be construed as conferring any legal or other rights upon any Employee or any person for a continuation of employment, nor shall it interfere with the rights of an Employer to discharge any Employee or otherwise act with relation to him. Each Employer may take any action (including discharge) with respect to any Employee or other person and may treat him without regard to the effect which such action or treatment might have upon him as a Participant of this Plan.

8.11 Receipt and Release. Any final payment or distribution to any Participant, his Beneficiary or his legal representative in accordance with this Plan shall be in full satisfaction of all claims against the Committee, the Company, and the Employer; the Employer, the Company, or the Committee may require a Participant, his Beneficiary or his legal representative to execute a receipt and release of all claims under this Plan upon a final payment or distribution or a receipt to the extent of any partial payment or distribution; and the form of any such receipt and release shall be determined by the Employer, the Company or the Committee.

8.12 Limitations on Liability. Notwithstanding any of the preceding provisions of the Plan, neither the Company, the Committee, nor any individual acting as employee or agent of the Company or the Committee shall be liable to any Participant, former Participant or other person for any claim, loss, liability or expense incurred in connection with the Plan.

8.13 Withholding of Taxes. The Employer shall have the right to make such provisions as it deems necessary or appropriate to satisfy any obligations it may have to withhold Federal, state or local income or other taxes incurred by reason of payments pursuant to the Plan. In lieu thereof, the Employer shall have the right to withhold the amount of such taxes from any other sums due or to become due from the Employer to the Participant upon such terms and conditions as the Committee may prescribe.

8.14 Severability of Provisions. If any provision of the Plan shall be held invalid or unenforceable, such invalidity or unenforceability shall not affect any other provisions hereof, and the Plan shall be construed and enforced as if such provisions had not been included.

8.15 Miscellaneous. Words in the masculine gender shall include the feminine and the singular shall include the plural, and vice versa, unless qualified by the context. Any headings used herein are included for ease of reference only, and are not to be construed so as to alter the terms hereof.

IN WITNESS WHEREOF , the Company has caused this instrument to be signed and its corporate seal to be hereunto affixed by its duly authorized officers on this day of 2002.

RYDER SYSTEM, INC.

By:

Challis M. Lowe
Executive Vice President - Human Resources

ATTEST:

By:

David Beilin

Assistant Secretary

EXHIBIT 10.13

Ryder System, Inc.
Long-Term Incentive Plan

Compensation and Benefits
January 1, 2002

MASTER

Introduction

The Board of Directors of Ryder System Inc. has approved a Long-Term Incentive Plan for designated executives as a component of Ryder's targeted total direct compensation package. The LTIP is designed to reward key executives with additional compensation contingent upon attainment of critical business objectives over a three-year period.

Definitions

For this Plan, the following terms will have these meanings:

Annual Base Pay means the participant's base salary on January 1, 2002, the beginning of the initial Plan Cycle. For subsequent Plan Cycles, annual base pay will mean bonusable base pay.

Change of Control means the definition set forth in each Participant's Change of Control Severance Agreement.

Company or Ryder means Ryder System, Inc.

Compensation Committee means the Committee appointed by the Board of Directors to administer all Compensation and Benefit Plans including the LTIP. May also be referred to as the "Committee".

Earned Cash means the cumulative total amount earned in each plan year during the three-year Plan Cycle. Earned cash is payable according to the Plan's schedule following the end of each Plan Cycle.

Eligible Employee or Participant means any Employee designated by the Compensation Committee to participate in this Plan.

Employee means any employee of the Company.

EVA means Economic Value Added and is the measurement tool that determines whether a business is earning more than its true cost of capital by incorporating the cost of equity capital as well as debt capital.

Investment options mean those investment funds made available under the LTIP.

LTIP or Plan means the Ryder System, Inc. Long-Term Incentive Plan.

LTIP Account means an account established for each Participant in the LTIP.

LTIP Balance means a Participant's balance in his or her LTIP Account.

LTIP Target means the percentage of annual base salary established for each participant for the purpose of the LTIP. This target percentage is distributed equally: 50% in cash and 50% in stock. The cash payout is governed by this Plan. The stock award is governed by the terms of the 1995 Incentive Stock Plan, or any successor stock plan. Each participant's target for the Plan Cycle is documented in the Plan Supplements.

Plan Cycle means the three-year period during which time a participant has the opportunity to earn cash compensation under the Plan.

Supplement means a supplement to the Plan for a particular Plan Cycle.

Trustee means the trustee of the Plan which shall initially be Merrill Lynch Trust Company and which can be changed by the Company at its discretion.

Vesting means the time at which the Participant gains ownership to a portion of such Participant's LTIP Balance.

Effective Date

The effective date of the Plan is January 1, 2002. The initial Plan Cycle commences on January 1, 2002 and ends on December 31, 2004. Subsequent Plan Cycles will begin on January 1 as approved by the Compensation Committee.

Eligibility

Executives will be designated each year to participate in this Plan. Eligibility is based on the decision of the Compensation Committee and is not tied to position, management level or past eligibility. Participation during one Plan Cycle is not a guarantee of future participation. The Supplement for each Plan Cycle will document those Eligible Employees.

How the Plan Works

Performance Criteria and Goal Setting

Each Plan Cycle is comprised of three consecutive years with a performance measure for each year. The Committee will determine and approve performance measurements and pay contingencies by March 15th of the first year of each Plan Cycle. These measurements and pay contingencies will also be documented in the Supplement for each Plan Cycle.

Performance will be measured each year of the Plan individually against an annual performance goal. Achievement of the performance target or failure to achieve the performance target in one plan year will not affect the target, performance goals or compensation for any other plan year.

Cash for Performance

Payment for the initial Plan Cycle is based on a performance spread from 80% to 120% of target for the performance criteria. For subsequent Plan Cycles, payment is based on a performance spread. Cash payouts for meeting a performance spread is 50% to 200% of target compensation. Incremental payouts will be made based on actual performance results.

For example:

Performance Spread	<80%	80%	100%	120%
Cash Payouts	0%	50%	100%	200%

Earned Cash Opportunity

Each Plan Cycle has an earned cash target opportunity equal to 50% of the total LITP cash target. (Participants' targets are documented in the Supplement for each Plan Cycle).

LTIP Target: 125%   Earned Cash Target: 62.5%

To determine the earned cash opportunity for the Plan Cycle, multiply your annual base pay by earned cash target percentage.

Salary		**Earned Cash Target**		**Earned Cash Opportunity @ Target**
$300,000	X	62.5%	=	$187,500

This is the earned cash target opportunity for the entire three-year Plan Cycle.

Each year of the Plan Cycle has performance measurements as detailed in the Supplement for each Plan Cycle. Cash payouts are based on performance results. The following example assumes that 80% of the performance spread is reached in the first year of the Plan Cycle, 100% in the second year of the Plan Cycle and 100% in third year of the Plan Cycle.

Plan Cycle	Performance Spread Achieved	Minimum	Target	Maximum	Earned Payment
1 st Year	80%	$31,250	$ 62,500	$125,000	$ 31,250
2 nd Year	100%	$31,250	$ 62,500	$125,000	$ 62,500
3 rd Year	100%	$31,250	$ 62,500	$125,000	$ 62,500
Earned Cash Target Opportunity			**$187,500**		**$156,250**

This example shows the participant had the opportunity to earn $187,500 upon achieving 100% of performance targets. Based on performance results, the participant earned $156,250.

Distribution of LTIP Awards

Each year during the Plan Cycle, the Compensation Committee will determine what, if any, cash payments are payable to each Participant in the Plan. Any awards payable with respect to such year will be deposited into each Participant's LITP Account with the Trustee.

Investment Elections

Each Participant has the right to allocate the funds in his or her LTIP Account to one or more of several investment options, including the purchase of Ryder stock, made available by the Trustee (as amended from time to time). Such investment elections are within the sole discretion of each Participant, who bears all the risk associated with such investments.

Making Investment Elections

Participants meet with a Merrill Lynch investment advisor to discuss investment choices and allocation of awards into the Participant's LTIP Account. The Participant submits a signed allocation form to the Compensation Department for processing with Merrill Lynch.

Ryder Stock

The purchase and sale of Ryder stock in the Participant's LTIP Account must be pr-approved by the Law Department.

Ryder Stock held in a Participant's LTIP Account will count toward such Participant's compliance with Ryder's Stock Ownership Guidelines.

Vesting and Forfeiture

The cumulative earnings (total of each of the three years of the Plan Cycle together will all gains and losses realized in a Participant's LTIP Account) become vested and non-forfeitable following the close of the three-year Plan Cycle according to the following schedule:

- Six (6) months after the end of the Plan Cycle
- Eighteen (18) months after the end of the Plan Cycle

To vest and be eligible for cash distributions, a Participant must be actively employed in good standing with the Company. Participants who are not actively employed in good standing with the Company at the time of distribution are not eligible for payment and forfeit any unvested award.

Cash Payments and Method of Distribution

Payment Distribution

All payments are subject to approval by the Compensation Committee.

Distribution of each Participant's earnings under the Plan will be paid, as soon as practicable, after each vesting date.

The following example shows both the vesting and distribution schedule for one plan cycle:

Plan Cycle	January 1, 2002 – December 31, 2004	
Plan Cycle Ends	December 31, 2004	
Vesting and Distribution	June 30, 2005 — 50% of a Participant's LTIP Balance on such vesting date	June 30, 2006 — The remainder of a Participant's LTIP Balance for such Plan Cycle

Date and Method of Payment

Prior to the beginning of each Plan Cycle, Participants must complete a payment distribution election form. The Participant elects both the date when payments are to begin and the method of payment. These elections are irrevocable.

Date

Participants may elect to receive account balances according to the set payment schedule (see above) or they may elect to defer payments beyond the set payment schedule to a future date.

Method of Payment

There are two methods of payment available: lump sum or annual installments that will pay in a minimum of two (2) years to a maximum of ten (10) years.

✓ Lump Sum Payment – the vested account balance will be paid in a lump sum on the pre-selected date on file with the Company.

✓ Annual Installment Payment – the vested account balance will be paid in annual installments beginning on the pre-selected date.

Change of Control

In the event of a Change of Control, each Participant’s LTIP Balance will vest and be distributed as soon as practicable following such Change of Control.

Each Participant should refer to his/her individual, signed Change of Control Agreement for full details.

Discretionary Distribution

The Compensation Committee may, in its sole and absolute discretion, accelerate vesting and approve a lump sum distribution of all or a portion of a Participant’s LTIP Balance in the event of:

- The employee’s death;
- Normal retirement, as defined in Ryder’s Retirement Plan, as may be amended from time to time;
- Permanent and total disability, as defined in Ryder’s Disability Plans, as may be amended from time to time;
- Involuntary termination, not for cause;
- Termination of the Plan

Participants who leave the Company under any condition other than those listed above are not eligible for a payout under the LTIP Plan, except at the discretion of the Compensation Committee.

Limitations

An Eligible Employee may participate in a maximum of three concurrent Plan Cycles at any given time.

Exclusion

Participation is the Plan is not a right but a privilege subject to annual review by the Committee. The Committee reserves the right, at its sole and absolute discretion, to withhold payment from any Participant who violates or who has violated any Company principle or policy, even if there are no documented performance issues in the Participant's personnel file.

Plan Administration

The Compensation Committee shall have full power and authority to construe, interpret and administer the Plan. All decisions, actions or interpretations related to the Plan are the responsibility of the Compensation Committee, subject to the Compensation Committee's sole and absolute discretion, and shall be final, conclusive and binding on all parties.

The Committee is responsible for designating Participants; setting goals; reviewing results and proposed payments and approving cash payouts.

In the event a Participant is not actively employed by the Company the Committee has the authority to accelerate vesting and to approve a lump sum distribution of all or a pro-rata portion of earned cash payouts.

The Compensation Committee has the right to amend or terminate the Plan, although it cannot rescind any payments already granted to a Participant so long as that person is employed by the Company, and is qualified under the terms of the Plan.

General Provisions

Non-Transferable - A participant's rights under this Plan may not be sold, pledged, assigned or transferred in any manner, except if required by the laws of descent and distribution (transfers of earned compensation at death through wills or intestate transfers).

No Right to Employment - Nothing in this Plan shall be construed as an agreement by Ryder to employ an employee for a specific period of time, or to change the at-will status of any employee.

Plan Funding & Security - Amounts allocated to the Plan are general liabilities of Ryder and will be funded in a Rabbi Trust, which is an irrevocable trust used to fund deferred compensation benefits for key employees. The primary purpose of a Rabbi Trust is to provide and protect nonqualified plan assets, guaranteeing that funds will be available when promised, except in the case of bankruptcy.

In the event of bankruptcy, the assets of the Trust are subject to the claims of general creditors, but are inaccessible to the Company for discretionary use. In the event that the Company becomes insolvent, each Participant will be an unsecured general creditor of the Company. Your claim against the assets of the Company will be considered in sequence with the claims of other general creditors of the Company.

SUPPLEMENT A

Plan Cycle January 1, 2002 through December 31, 2004

Plan Vesting Following the close of the Plan Cycle on December 31, 2004 in accordance with the terms of the Plan:

- 50% after six (6) months – June 30, 2005 and
- 50% after eighteen (18) months – June 30, 2006

Plan Payout In accordance with the terms of the Plan:

- 1 st installment during July 2005
- 2 nd installment during July 2006

Performance Measurement Attainment of EVA as follows:

Plan Year	Threshold	Target	2 Times
2002	(56.8)	(47.3)	(37.8)
2003	(51.1)	(42.6)	(34.0)
2004	(46.0)	(38.3)	(30.6)

Plan Participants and LTIP Targets*

Participants	Total LTIP Target	Earned Cash Target
Gregory T. Swienton	225%	112.5%
Corliss J. Nelson	165%	82.5%
Vicki A. O'Meara	125%	62.5%
Challis M. Lowe	125%	62.5%
Gene R. Tyndall	125%	62.5%
Tracy A. Leinbach	125%	62.5%
Bobby J. Griffin	125%	62.5%

* As may be modified from time to time by the Compensation Committee

SUPPLEMENT B

Plan Cycle January 1, 2003 through December 31, 2005

Plan Vesting Following the close of the Plan Cycle on December 31, 2005 in accordance with the terms of the Plan:

- 50% after six (6) months – June 30, 2006 and
- 50% after eighteen (18) months – June 30, 2007

Plan Payout In accordance with the terms of the Plan:

- 1 st installment during July 2006
- 2 nd installment during July 2007

Performance Measurement Attainment of EVA as follows:

Plan Year	Threshold	Target	2 Times
2003	$(45.1)	$(37.6)	$15.4
2004	$(39.7)	$(33.1)	$17.3
2005	$(33.8)	$(28.1)	$19.8

Plan Participants and LTIP Targets*

Participants	Total LTIP Target	Earned Cash Target
Gregory T. Swienton	300%	150%
Corliss J. Nelson	200%	100%
Vicki A. O’Meara	150%	75%
Challis M. Lowe	150%	75%
Tracy A. Leinbach	150%	75%
Bobby J. Griffin	150%	75%
Anthony G. Tegnelia	150%	75%
Robert E. Sanchez	100%	50%

* As may be modified from time to time by the Compensation Committee

Changes to LTIP Targets Long Term Incentive Plan Targets for 2003 were increased based on the recommendation of an independent compensation consultant

SUPPLEMENT C

Plan Cycle January 1, 2004 through December 31, 2006

Plan Vesting Following the close of the Plan Cycle on December 31, 2006 in accordance with the terms of the Plan:

- 50% after six (6) months – June 30, 2007 and
- 50% after eighteen (18) months – June 30, 2008

Plan Payout In accordance with the terms of the Plan:

- 1 st installment during July 2007
- 2 nd installment during July 2008

Performance Measurement Attainment of EVA as follows:

Plan Year	Threshold	Target	2 Times
2004	$(39.2)	$(21.1)	$3.7
2005	$(34.5)	$(18.5)	$5.7
2006	$(29.3)	$(15.7)	$7.7

Plan Participants and LTIP Targets*

Participants	Total LTIP Target	Earned Cash Target
Gregory T. Swienton	300%	150%
Tracy A. Leinbach	150%	75%
Vicki A. O’Meara	150%	75%
Challis M. Lowe	150%	75%
Bobby J. Griffin	150%	75%
Anthony G. Tegnelia	150%	75%
Robert E. Sanchez	100%	50%
Richard B. Carson	100%	50%
Thomas S. Renehan	100%	50%
Gregory F. Greene	100%	50%

* As may be modified from time to time by the Compensation Committee

EXHIBIT 14.1

RYDER SYSTEM, INC.

CODE OF ETHICS FOR CHIEF EXECUTIVE OFFICER, CHIEF FINANCIAL OFFICER, AND SENIOR FINANCIAL MANAGEMENT

Ryder System, Inc. (the "Company") has Principles of Business Conduct applicable to all employees of the Company. The Company's Chief Executive Officer (the "CEO"), Chief Financial Officer (the "CFO") and all senior financial management, including the principal accounting officer, are bound by the provisions set forth therein relating to ethical conduct, conflicts of interest, compliance with law and prompt reporting of violations. In addition to the Principles of Business Conduct, the CEO, the CFO and senior financial management are subject to the following additional specific policies:

1. The CEO, the CFO, and all senior financial management are responsible for full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the Company with the Securities and Exchange Commission (the "SEC"). Accordingly, it is the responsibility of the CEO and each senior financial manager promptly to bring to the attention of the CEO and/or the CFO, as appropriate, any material information of which he or she may becomes aware that affects the disclosures made by the Company in its public filings. In addition, the CEO, the CFO, and each senior financial manager will assist the Company's Disclosure Committee in fulfilling its responsibilities to assure the accuracy and completeness of the Company's periodic reports.

2. The CEO, the CFO, and each senior financial manager shall promptly bring to the attention of the Disclosure Committee and the Audit Committee any information he or she may have concerning (a) significant deficiencies in the design or operation of internal controls which could adversely affect the Company's ability to record, process, summarize and report financial data or (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's financial reporting, disclosures or internal controls.

3. The CEO, the CFO and each senior financial manager shall promptly bring to the attention of the General Counsel or the CEO and to the Audit Committee any information he or she may have concerning any violation of the Company's Principles of Business Conduct, including any actual or apparent conflicts of interest between personal and professional relationships, involving any management or other employees who have a significant role in the Company's financial reporting, disclosures or internal controls.

4. The CEO, the CFO, and each senior financial manager shall promptly bring to the attention of the General Counsel or the CEO and to the Audit Committee any information he or she may have concerning evidence of a material violation of the securities or other laws, rules or regulations applicable to the Company and the operation of its business, by the Company or any agent thereof.

5. The Board of Directors shall determine, or designate appropriate persons to determine, appropriate actions to be taken in the event of violations of the Principles of Business Conduct or of this supplemental Code of Ethics by the CEO, the CFO, and the Company's senior financial managers. Such actions shall be reasonably designed to deter wrongdoing and to promote accountability for adherence to the Principles of Business Conduct and to this supplemental Code of Ethics, and shall include written notices to the individual involved that the Board has determined that there has been a violation, censure by the Board, demotion or re-assignment of the individual involved, suspension, or when appropriate, termination of the individual's employment. In determining what action is appropriate in a particular case, the Board of Directors or such designee shall take into account all relevant information, including the nature and severity of the violation, whether the violation was a single occurrence or repeated occurrences, whether the violation appears to have been intentional or inadvertent, whether the individual in question had been advised prior to the violation as to the proper course of action and whether or not the individual in question had committed other violations in the past.

EXHIBIT 21.1

The following list sets forth (i) all subsidiaries of Ryder System, Inc. as of December 31, 2003, (ii) the state or country of incorporation or organization of each subsidiary, and (iii) the names under which certain subsidiaries do business.

Name of Subsidiary	State or Country of Incorporation or Organization
1318359 Ontario Limited (1)	Canada
Ascent Logistics (Taiwan) Company Ltd.	Taiwan
Associated Ryder Capital Services, Inc.	Florida
CRTS Logistica Automotiva S.A.	Brazil
Far East Freight, Inc.	Florida
Globe Master Insurance Company	Vermont
Logicair Limited	United Kingdom
Mitchell Self Drive Limited	England
Network Vehicle Central, Inc.	Florida
Phaseking Limited	England
Road Master, Limited	Bermuda
RSI Acquisition Corp.	Delaware
RSI Holding B.V.	Netherlands
RSI Purchase Corp.	Delaware
RTRC Finance LP	Canada
RTR Holdings (B.V.I.) Limited	British Virgin Islands
RTR Leasing I, Inc.	Delaware
RTR Leasing II, Inc.	Delaware
Ryder Airport Operations Corp.	Florida
Ryder Argentina S.A.	Argentina
Ryder-Ascent Logistics Pte Ltd.	Singapore
Ryder Asia Pacific Pte Ltd.	Singapore
Ryder Australia Pty Ltd.	Australia
Ryder Capital Ireland	England
Ryder Capital Ireland Holdings I LLC	Delaware
Ryder Capital Ireland Holdings II LLC	Delaware
Ryder Capital S.A. de C.V.	Mexico
Ryder Capital Services Corporation	Delaware
Ryder Consulting Services (Shanghai) Co., Ltd.	China
RYDERCORP	Florida
RYDERCORP, Inc.	Delaware
Ryder de Mexico S.A. de C.V.	Mexico
Ryder Dedicated Logistics, Inc.	Delaware
Ryder Deutschland GmbH	West Germany
Ryder Distribution Services Limited	England
Ryder do Brasil Ltda.	Brazil
Ryder Energy Distribution Corporation	Florida
Ryder Europe B.V.	Netherlands
Ryder FleetProducts.com, Inc.	Tennessee
Ryder Funding LP	Delaware
Ryder Funding II LP	Delaware
Ryder Holding, LLC	Delaware
Ryder Hungary Logistics LLC	Hungary
Ryder, Inc. of Florida	Florida
Ryder Integrated Logistics, Inc. (2) (3)	Delaware
Ryder International Acquisition Corp.	Florida
Ryder International, Inc.	Florida

Name of Subsidiary	State or Country of Incorporation or Organization
Ryder Logistica Ltda.	Brazil
Ryder Mexicana, S.A. de C.V.	Mexico
Ryder Offshore Holdings I LLC	Delaware
Ryder Offshore Holdings II LLC	Delaware
Ryder Offshore Holdings LP	Delaware
Ryder Pension Fund Limited	England
Ryder Polska Sp. z o.o.	Poland
Ryder Public Limited Company	England
Ryder Puerto Rico, Inc.	Delaware
Ryder Purchasing LLC	Delaware
Ryder Realty, Inc.	Delaware
Ryder Receivable Funding, L.L.C.	Florida
Ryder Services Corporation (4)	Florida
Ryder Servicios do Brasil Ltda.	Brazil
Ryder Servicios S.A. de C.V.	Mexico
Ryder Singapore Pte Ltd.	Singapore
Ryder Sistemas Integrados de Logistica Limitada(5)	Chile
Ryder St. Louis Redevelopment Corporation	Missouri
Ryder Sweden AB	Sweden
Ryder System B.V.	Netherlands
Ryder System Holdings (UK) Limited	England
Ryder System Ltd.	England
Ryder Truck Rental Holdings Canada Ltd.	Canada
Ryder Truck Rental, Inc. (6)	Florida
Ryder Truck Rental I LLC	Delaware
Ryder Truck Rental II LLC	Delaware
Ryder Truck Rental III LLC	Delaware
Ryder Truck Rental IV LLC	Delaware
Ryder Truck Rental I LP	Delaware
Ryder Truck Rental II LP	Delaware
Ryder Truck Rental Canada Ltd.(7)	Canada
Ryder Truck Rental LT	Delaware
Ryder Truckstops, Inc.	Florida
Ryder Vehicle Lease Trust 1999-A	Delaware
Ryder Vehicle Lease Trust 2001-A	Delaware
Sistemas Logisticos Sigma S.A.	Argentina
Spring Hill Integrated Logistics Management, Inc.	Delaware
Surplus Property Holding Corp.	Florida
Tandem Transport, L.P.	Georgia
Translados Americanos S De RL De CV	Mexico
TTR Logistics, LLC	Delaware
Truck Transerv, Inc.	Delaware
Unilink Contract Hire Limited	England
UniRyder Limited	England
Vertex Services, LLC	Delaware
Westside Corporate Center, Inc.	Florida

(1) Ontario, Canada: d/b/a Ryder Grocery Services

(2) California, Delaware, Iowa, North Dakota, North Carolina, Virginia, Texas, Utah: d/b/a Triangle Services Corporation

(3) Arizona, Arkansas, California, Colorado, Connecticut, Delaware, Florida, Georgia, Idaho, Indiana, Iowa, Kentucky, Louisiana, Maine, Maryland, Michigan, Missouri, Nebraska, Nevada, New Jersey, New York, North Carolina, Ohio,

Oklahoma, Oregon, Pennsylvania, Rhode Island, South Dakota, Tennessee, Texas, Virginia and Washington: d/b/a LogiCorp. Florida: d/b/a UniRyder

(4) Ohio and Texas: d/b/a Ryder Claims Services Corporation

(5) Chile: d/b/a Ryder Chile Limitada

(6) Alabama, Alaska, Arizona, Arkansas, California, Colorado, Connecticut, Delaware, District of Columbia, Florida, Georgia, Hawaii, Idaho, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maine, Maryland, Massachusetts, Michigan, Minnesota, Mississippi, Missouri, Montana, Nebraska, Nevada, New Hampshire, New Jersey, New Mexico, New York, North Carolina, North Dakota, Ohio, Oklahoma, Oregon, Pennsylvania, Rhode Island, South Carolina, South Dakota, Tennessee, Texas, Utah, Vermont, Virginia, Washington, West Virginia, Wisconsin and Wyoming: d/b/a Ryder Transportation Services Maryland and Virginia: d/b/a Ryder/Jacobs

Michigan: d/b/a Atlas Trucking, Inc.

Michigan: d/b/a Ryder Atlas of Western Michigan

(7) French Name: Location de Camions Ryder du Canada Ltee.

Canada: d/b/a	*Ryder Integrated Logistics* *Ryder Dedicated Logistics* *Ryder Canada*

EXHIBIT 23.1

The Board of Directors and Shareholders of
Ryder System, Inc.:

We consent to the incorporation by reference in the following Registration Statements on Forms S-3 and S-8 of Ryder System, Inc. of our report dated February 4, 2004, with respect to the consolidated balance sheets of Ryder System, Inc. and subsidiaries as of December 31, 2003 and 2002, and the related consolidated statements of earnings, shareholders' equity and cash flows for each of the years in the three-year period ended December 31, 2003, and the related consolidated financial statement schedule, which report appears in the December 31, 2003 annual report on Form 10-K of Ryder System, Inc.:

Form S-3:

- Registration Statement No. 33-1623 covering $500,000,000 aggregate principal amount of debt securities.
- Registration Statement No. 33-13962 covering $500,000,000 aggregate principal amount of debt securities.
- Registration Statement No. 33-20359 covering $1,000,000,000 aggregate principal amount of debt securities.
- Registration Statement No. 33-58667 covering $800,000,000 aggregate principal amount of debt securities.
- Registration Statement No. 333-63049 covering $800,000,000 aggregate principal amount of debt securities.
- Registration Statement No. 333-108391 covering $800,000,000 aggregate amount of securities.

Form S-8:

- Registration Statement No. 33-20608 covering the Ryder System Employee Stock Purchase Plan.
- Registration Statement No. 33-4333 covering the Ryder Employee Savings Plan.
- Registration Statement No. 1-4364 covering the Ryder System Profit Incentive Stock Plan.
- Registration Statement No. 33-69660 covering the Ryder System, Inc. 1980 Stock Incentive Plan.
- Registration Statement No. 33-63990 covering the Ryder System, Inc. Directors Stock Plan.
- Registration Statement No. 33-58001 covering the Ryder System, Inc. Employee Savings Plan A.
- Registration Statement No. 33-58003 covering the Ryder System, Inc. Employee Savings Plan B.
- Registration Statement No. 33-61509 covering the Ryder System, Inc. Stock for Merit Increase Replacement Plan.
- Registration Statement No. 33-62013 covering the Ryder System, Inc. 1995 Stock Incentive Plan.
- Registration Statement No. 333-19515 covering the Ryder System, Inc. 1997 Deferred Compensation Plan.
- Registration Statement No. 333-26653 covering the Ryder System, Inc. Board of Directors Stock Award Plan.
- Registration Statement No. 333-57593 covering the Ryder System, Inc. Stock Purchase Plan for Employees.
- Registration Statement No. 333-57595 covering the Ryder System, Inc. 1995 Stock Incentive Plan.
- Registration Statement No. 333-69626 covering the Ryder System, Inc. 1995 Stock Incentive Plan.
- Registration Statement No. 333-69628 covering the Ryder System, Inc. Directors Stock Plan.

- Registration Statement No. 333-108364 covering the Ryder System, Inc. Board of Directors Stock Award Plan.

/s/ KPMG LLP

Miami, Florida
February 26, 2004

EXHIBIT 24.1

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each of the undersigned, being directors of Ryder System, Inc., a Florida corporation, hereby constitutes and appoints Vicki A. O'Meara, Richard H. Siegel and Flora R. Perez, and each of them, his or her true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for the undersigned and in his or her name, place and stead, in any and all capacities, to sign the Ryder System, Inc. Form 10-K (Annual Report pursuant to the Securities Exchange Act of 1934) for the fiscal year ended December 31, 2003 (the "Form 10-K"), and any and all amendments thereto, and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission and with the New York Stock Exchange, Chicago Stock Exchange and Pacific Stock Exchange, granting unto each said attorney-in-fact and agent full power and authority to perform every act requisite and necessary to be done in connection with the execution and filing of the Form 10-K and any and all amendments thereto, as fully for all intents and purposes as he or she might or could do in person, hereby ratifying all that each said attorney-in-fact and agent, or his or her substitute or substitutes, may lawfully do or cause to be done by virtue thereof.

This Power of Attorney may be signed in any number of counterparts, each of which shall constitute an original and all of which, taken together, shall constitute one Power of Attorney.

IN WITNESS WHEREOF, each of the undersigned has hereunto set his or her hand effective the 12th day of February, 2004.

/s/ John M. Berra

John M. Berra

/s/ Joseph L. Dionne

Joseph L. Dionne

/s/ David I. Fuente

David I. Fuente

/s/ Lynn M. Martin

Lynn M. Martin

/s/ Daniel H. Mudd

Daniel H. Mudd

/s/ Eugene A. Renna

Eugene A. Renna

/s/ Abbie J. Smith

Abbie J. Smith

/s/ Hansel E. Tookes II

Hansel E. Tookes II

/s/ Christine A. Varney

Christine A. Varney

EXHIBIT 31.1

CERTIFICATION

I, Gregory T. Swienton, certify that:

1. I have reviewed this annual report on Form 10-K of Ryder System, Inc.;

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

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

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

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

    b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: February 26, 2004

/s/ Gregory T. Swienton

Gregory T. Swienton
Chairman, President and
Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION

I, Tracy A. Leinbach, certify that:

1. I have reviewed this annual report on Form 10-K of Ryder System, Inc.;

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

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

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

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

   b) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   c) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal controls over financial reporting.

Date: February 26, 2004

/s/ Tracy A. Leinbach

Tracy A. Leinbach
Executive Vice President and Chief Financial Officer

EXHIBIT 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Ryder System, Inc. (the “Company”) on Form 10-K for the period ended December 31, 2003, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Gregory T. Swienton, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Gregory T. Swienton

Gregory T. Swienton
Chairman, President
and Chief Executive Officer
February 26, 2004

EXHIBIT 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Ryder System, Inc. (the “Company”) on Form 10-K for the period ended December 31, 2003, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Tracy A. Leinbach, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Tracy A. Leinbach

Tracy A. Leinbach
Executive Vice President
and Chief Financial Officer
February 26, 2004