December 2, 2013

VIA E-MAIL

Ms. Elizabeth M. Murphy
Secretary
Securities and Exchange Commission
100 F. Street, NE
Washington, D.C. 20549-1090

Re: File Nos. S7-07-13
Comments to Release Nos. 33-9452; 34-70443
Pay Ratio Disclosure

Dear Ms. Murphy:

I am pleased to submit on behalf of Cummins Inc. this comment letter on the Securities and Exchange Commission's proposed amendments to Item 402 of Regulation S-K relating to pay ratio disclosure under Section 953(b) of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

1. Our Commitment to Responsible and Effective Pay Practices and Communication

Our company, a global power leader, is a corporation of complementary business units that design, manufacture, distribute and service diesel and natural gas engines and related technologies, including fuel systems, controls, air handling, filtration, emission solutions and electrical power generation systems. Headquartered in Columbus, Indiana, (USA) we currently employ approximately 46,000 people in 55 countries and territories and serve customers in approximately 190 countries and territories through a network of approximately 600 company-owned and independent distributor locations and approximately 6,500 dealer locations. We reported net income of \$1.65 billion on net sales of \$17.3 billion in 2012. Our stock is traded on the New York Stock Exchange under the ticker symbol 'CMI.' As of December 31, 2012, there were approximately 3,977 holders of record of our common stock.

The topic of executive compensation and its disclosure is important to us and, we believe, to our shareholders. Since 2011, we have held annual advisory shareholder votes to approve the compensation of our Named Executive Officers as required by Section 14A of the Securities Exchange Act of 1934, and each year our executive compensation programs have received overwhelming support from our shareholders. Most recently, at our 2013 annual meeting, our executive compensation program received over 97% shareholder support.

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As described in greater detail in the Compensation Discussion and Analysis section of our proxy statement for our 2013 annual shareholders meeting, the primary focus of our executive compensation program is the principle of pay for performance. We believe the level of compensation received by executives should be closely tied to our corporate financial performance and the returns earned by our shareholders. Our compensation programs for all employees are designed to attract, motivate, focus and retain employees with the skill required to achieve our performance goals in a competitive global business environment. Our compensation is generally aligned, by job type, to the market median of the local market in each country.

2. Comments on the Proposed Pay Ratio Disclosure Rules

We acknowledge and appreciate the Commission's efforts to draft a rule that provides some flexibility in the calculation of median compensation. We also believe that more can be done to reduce the proposed rule's compliance burdens while ensuring that investors receive accurate and useful information. Therefore, in light of our commitment to responsible executive compensation practices and our interest in effective communication on the topic of executive compensation, we submit the following comments on the proposed pay ratio disclosure rules.

A. Pay Ratio Disclosure Should Be Limited to U.S.-Based Employees

Under the proposed rules, the median of the annual total compensation of the registrant's employees would be determined by including in the calculation the compensation of workers based outside the United States. We respectfully request that the final rules include in the calculation only workers based in the United States.

To include our workers based outside of the United States in the calculation of median pay, we would have to contend with numerous factors that would increase compliance costs. These factors include disparate global payroll systems, data privacy, the varying pension rights and severance benefits received by workers based outside of the United States and currency exchange fluctuations.

We currently have one global Human Resource Information System from which we can gather base pay and some guaranteed cash allowances that are more common in countries outside the U.S. However, we do not have a single system from which we can derive total global compensation, as required by the proposed rules, or any of the examples of other consistently applied compensation measures provided in the proposing release, such as salary and wages as reported in a Form W-2. We have approximately 30 payroll systems that do not interface with one another from which we would have to derive information regarding total compensation information to determine median compensation if the calculation were to include our workers based outside of the United States. To produce the information necessary to determine median compensation, we expect that data from these un-integrated systems would need to be collected, modified to conform to a uniform standard, adjusted for currency fluctuations and then synthesized in a series of manual steps involving employees in each country in which we have employees. These structural impediments cannot easily be overcome by using statistical sampling or "reasonable" estimates, as the rulemaking release would suggest. Statistical sampling and estimates also will not address the potentially conflicting requirements imposed by privacy laws to which we are subject on a global basis. For example, in Russia, where we have more than 100 employees, applicable law would not allow us to use the individual payroll information of employees for purposes of the analysis required by the proposed rules without first obtaining the consent of the affected employees. Evolving data privacy regulations in other countries also could affect our ability to access the information that would be required to comply with the proposed rules. While we appreciate the Commission's intent in allowing for sampling, such an approach will not reduce our compliance burden so long as non-U.S. employees are included in the pay ratio calculation because individual data would still need to be gathered and integrated from non-U.S. systems and jurisdictions to enable sampling to occur. While we cannot predict precisely the costs associated with gathering and integrating these data across the world, we know the process would be labor intensive and manual, resulting in a significant cost impact each time the disclosure is required.

Aside from the challenges and costs associated with obtaining data for our workers outside of the United States, compensation paid to these workers generally reflects conditions in the local economy, the local costs of living, currency exchange rates, varying pension rights and severance benefits. Because these elements vary widely among countries and localities in which we operate, a comparison of compensation amounts from outside of the United States to compensation levels in the United States would not accurately reflect the relative value of compensation to individuals in different localities thus reducing the utility of the pay ratio disclosure.

B. <u>Compensation of Employees of Controlled Subsidiaries of the Issuer Should be Included Only to the Extent the Issuer has Actual Control Over Compensation Levels and Decisions Regarding those Employees</u>

The proposed rule as currently written would include the compensation of employees of subsidiaries in the median compensation calculation based solely on whether the subsidiary is under common control with the issuer. While we appreciate the clarification provided in the proposed rule that the covered subsidiaries are limited to those captured by the definition of "subsidiary" in Rule 405 under the Securities Act of 1933 and Rule 12b-2 under the Securities Exchange Act of 1934, we believe that the determination whether the compensation of employees of a particular subsidiary should be included in the median compensation calculation also should be based on whether the issuer has actual control over the compensation decisions made at the subsidiary level. Often, we enter into joint ventures with established entities in markets where we are looking for a certain market expertise and a track record of success and where we do not already have an established presence. In some cases we might own more than 50% of the equity in the joint venture, but leave compensation decisions for employees (other than the most senior managers) solely in the hands of the joint venture's management team.

While joint ventures of the type described in the preceding paragraph may be our "subsidiaries" as that term is contemplated by the proposed rules, we do not set compensation levels for employees (other than the most senior managers) at such joint ventures. Compensation decisions at these joint ventures are made based on the compensation policies or practices determined by the joint venture's management team and not based on Cummins' compensation policies or practices. Therefore, the compensation levels of the majority of the employees at these joint ventures is no more connected to the compensation of our chief executive officer than the compensation levels of employees at a wholly unrelated corporation anywhere in the world. Because we do not set compensation levels for employees (other than the most senior managers) at these joint ventures, including their employees' compensation in the calculation of the median would detract from the ability of the pay ratio disclosure to reflect accurately our pay practices, our pay policies and the pay disparity or equity that results from these elements.

In addition, if compensation information for employees of these joint ventures is required to be included in the median compensation calculation in the final rules, we would face practical difficulties in accessing the data required to meet the rules' requirements. Under some of our existing joint venture arrangements, we do not have centralized access to payroll systems or individual compensation data for joint venture employees and we would have to manually compile the information.

In light of these considerations, we respectfully request that the final rules include compensation of subsidiary employees in the calculation of median compensation only to the extent the issuer exercises actual control over the compensation decisions at the subsidiary level. Actual control over compensation decisions would be present where an issuer owns, directly or indirectly, substantially all of the outstanding voting securities of the subsidiary entity, as contemplated by the definition of "wholly-owned subsidiary" in Rule 12b-2 under the Securities Exchange Act of 1934, or, in the case of joint ventures, where the joint venture agreements expressly provide that the issuer, as a joint venture partner, has responsibility for compensation decisions at the joint venture.

C. The Rules Should Include a 3-Year Transition Period for Including the Compensation of Employees of Newly Acquired Subsidiaries

Under the proposed rules, employees of newly acquired subsidiaries would be required to be included in the calculation of median compensation if they were employed on the last day of the most recently completed fiscal year, regardless of whether there had been sufficient time to integrate the systems of the acquired subsidiaries and regardless of whether the acquirer had exercised any influence over compensation at the subsidiary at that time. We respectfully request that the final rule include a three-year transition period for newly acquired subsidiaries.

We have in the past engaged in corporate acquisitions that required the integration of employees, processes and systems. For businesses as large and complex as ours and the companies we might acquire, this integration can take years rather than months. In particular, the compensation processes and systems from which the employee compensation data to comply with the proposed rules would be derived are not necessarily the first things that are integrated in an acquisition. In addition, even if such integration begins shortly after acquisition, it still may take up to two years, in the case of routine acquisitions, or three or more years, in the case of more significant transactions, to properly integrate and ensure compatibility with the different systems. Prior to and during the integration of compensation processes and systems in the acquisition context it can be difficult and may be expensive to obtain accurate information from the acquired entity's payroll system and blend it with our corporate system.

In addition to these practical difficulties of gathering compensation data from an acquired organization before its systems have been integrated, the compensation levels at the acquired entity may or may not be aligned with our existing pay policies and principles. If the existing policies and principles at the acquired organization are not aligned with our own, then it may take additional time to integrate them, making a ratio calculated including such unaligned compensation levels a poor reflection of our pay practices and policies and the resulting pay disparity or equity. In light of these considerations, we respectfully request that the final pay ratio disclosure rules include a three-year transition period for inclusion of an acquired company's compensation information in the median compensation calculation.

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We appreciate the opportunity to comment on the proposed rules and respectfully request that the Commission consider incorporating the elements discussed above in the final version of the rules.

I would be happy to discuss any questions that the staff may have regarding the above comments. Please feel free to contact me at (812) 377-5000 if you have any questions.

Sincerely,

Jill E Cook

Jill E. Cook
Vice President – Human Resources