

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 11-K

ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Year Ended December 31, 1995

CUMMINS ENGINE COMPANY, INC.
(Name of issuer of the securities held pursuant to the plan)

Commission File Number 1-4949.

Incorporated in the State of Indiana I.R.S. Employer Identification
No. 35-0257090

500 Jackson Street, Box 3005, Columbus, Indiana 47202-3005
(Address of Principal Executive Office)

Telephone Number: (812) 377-5000

CUMMINS ENGINE COMPANY, INC. AND AFFILIATES
RETIREMENT AND SAVINGS PLANS
FINANCIAL STATEMENTS
AS OF DECEMBER 31, 1995 AND 1994
TOGETHER WITH AUDITORS' REPORT
(Full title of the plan)

CUMMINS ENGINE COMPANY, INC. AND AFFILIATES
RETIREMENT AND SAVINGS PLANS
INDEX TO FINANCIAL STATEMENTS

	Page
Report of Independent Public Accountants	3
Combining Statements of Net Assets by Plan	4-5
Combining Statements of Changes in Net Assets by Plan	6-7
Combining Statements of Net Assets by Fund	8-9
Combining Statements of Changes in Net Assets by Fund	10-11
Notes to Financial Statements	12-17
Signature	27

	Schedule
Assets Held for Investment Purposes	I
Reportable Transactions	II
Matching Contribution Formulas	III
Employing Locations by Plan	IV
Loans or Fixed Income Obligations	V

Exhibit

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Pension Policy Committee
of Cummins Engine Company, Inc.:

We have audited the accompanying combining statements of net assets by plan and by fund, of the CUMMINS ENGINE COMPANY, INC. AND AFFILIATES RETIREMENT AND SAVINGS PLANS as of December 31, 1995 and 1994, and the related statements of changes in net assets by plan and by fund, for the years ended December 31, 1995 and 1994. These financial statements and the schedules referred to below are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements and schedules based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. 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 financial statements referred to above present fairly, in all material respects, the net assets of the Plans as of December 31, 1995 and 1994, and the changes in the net assets for the years ended December 31, 1995 and 1994, in conformity with generally accepted accounting principles.

Our audits were performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedules of assets held for investment purposes, reportable transactions, matching contribution formulas, employee locations by plan, and loans or fixed income obligations are presented for the purpose of additional analysis and are not a required part of the basic financial statements but are supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. The Fund Information in the statement of net assets and the statement of changes in net assets is presented for purposes of additional analysis rather than to present the net assets and changes in net assets available for plan benefits of each fund. The supplemental schedules and Fund Information have been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

ARTHUR ANDERSEN LLP

Chicago, Illinois
June 11, 1996.

CUMMINS ENGINE COMPANY, INC. AND AFFILIATES
RETIREMENT AND SAVINGS PLANS
COMBINING STATEMENTS OF NET ASSETS BY PLAN
DECEMBER 31, 1995
(stated in 000's)

<TABLE>
<CAPTION>

	Salaried	Bargaining	Onan	Lubricon	CDC	TOTAL
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Assets						
Cash and investments:						
The Northern Trust Company						
Short-Term Investment Fund	\$ 1,156	\$ -	\$ -	\$ -	\$ -	\$ 1,156
Cummins Engine Company, Inc.						
Fixed Income Fund	89,546	110,828	19,251	82	5,104	224,811

Vanguard Wellington Fund	67,646	40,998	21,159	103	3,716	133,622
Vanguard U.S. Growth Fund	31,366	10,322	9,393	74	2,218	53,373
Vanguard Index Trust Fund	39,208	16,324	11,728	82	2,593	69,935
Vanguard Explorer Fund	5,911	1,727	1,238	19	271	9,166
Vanguard International Fund	5,396	1,221	1,098	46	178	7,939
Cummins Engine Company, Inc. Common Stock	94,522	7,356	2,480	14	1,193	105,565
Participant Loans	5,439	3,587	1,632	23	897	11,578
Total cash and investments	<u>340,190</u>	<u>192,363</u>	<u>67,979</u>	<u>443</u>	<u>16,170</u>	<u>617,145</u>
Receivables:						
Employer contributions	3,528	1,454	280	20	575	5,857
Employee contributions	1,758	1,485	631	4	248	4,126
Employee loan repayments	319	216	136	2	70	743
Accrued interest	4	-	-	-	-	4
Total receivables	<u>5,609</u>	<u>3,155</u>	<u>1,047</u>	<u>26</u>	<u>893</u>	<u>10,730</u>
Total assets	<u>345,799</u>	<u>195,518</u>	<u>69,026</u>	<u>469</u>	<u>17,063</u>	<u>627,875</u>
Liabilities						
Interest payable	2,953	-	-	-	-	2,953
Note payable - ESOP	68,050	-	-	-	-	68,050
Total liabilities	<u>71,003</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>71,003</u>
Net Assets	<u>\$274,796</u>	<u>\$195,518</u>	<u>\$69,026</u>	<u>\$469</u>	<u>\$17,063</u>	<u>\$556,872</u>

The accompanying notes and schedules are an integral part of these statements.

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CUMMINS ENGINE COMPANY, INC. AND AFFILIATES
RETIREMENT AND SAVINGS PLANS
COMBINING STATEMENTS OF NET ASSETS BY PLAN
DECEMBER 31, 1994
(stated in 000's)

<TABLE>

<CAPTION>

	Salaried	Bargaining	Onan	Lubricon	CDC	TOTAL
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Assets						
Cash and investments:						
The Northern Trust Company Short-Term Investment Fund Cummins Engine Company, Inc.	\$ 865	\$ -	\$ -	\$ -	\$ -	\$ 865
Fixed Income Fund	83,459	105,128	17,531	88	5,658	211,864
Vanguard Wellington Fund	49,907	29,286	15,811	68	2,653	97,725
Vanguard U.S. Growth Fund	18,624	5,620	5,915	30	1,114	31,303
Vanguard Index Trust Fund	24,003	9,949	7,764	45	1,518	43,279
Vanguard Explorer Fund	2,692	712	458	10	149	4,021
Vanguard International Fund	6,525	1,922	1,433	65	321	10,266
Cummins Engine Company, Inc. Common Stock	114,495	7,867	2,749	13	825	125,949
Participant Loans	5,130	3,773	1,583	24	859	11,369
Total cash and investments	<u>305,700</u>	<u>164,257</u>	<u>53,244</u>	<u>343</u>	<u>13,097</u>	<u>536,641</u>
Receivables:						
Employer contributions	3,644	1,487	294	20	517	5,962
Employee contributions	1,691	1,264	609	5	213	3,782
Employee loan repayments	245	213	115	1	65	639
Accrued interest	3	-	-	-	-	3
Total receivables	<u>5,583</u>	<u>2,964</u>	<u>1,018</u>	<u>26</u>	<u>795</u>	<u>10,386</u>
Total assets	<u>311,283</u>	<u>167,221</u>	<u>54,262</u>	<u>369</u>	<u>13,892</u>	<u>547,027</u>
Liabilities						

Interest payable	2,935	-	-	-	-	2,935
Note payable - ESOP	69,450	-	-	-	-	69,450
Total liabilities	<u>72,385</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>72,385</u>
Net Assets	<u>\$238,898</u>	<u>\$167,221</u>	<u>\$54,262</u>	<u>\$369</u>	<u>\$13,892</u>	<u>\$474,642</u>

The accompanying notes and schedules are an integral part of these statements.

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CUMMINS ENGINE COMPANY, INC. AND AFFILIATES
RETIREMENT AND SAVINGS PLANS
COMBINING STATEMENTS OF CHANGES IN NET ASSETS BY PLAN
DECEMBER 31, 1995
(stated in 000's)

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	Salaried	Bargaining	Onan	Lubricon	CDC	TOTAL
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Net Assets - beginning of year	<u>\$238,898</u>	<u>\$167,221</u>	<u>\$54,262</u>	<u>\$369</u>	<u>\$13,892</u>	<u>\$474,642</u>
Investment income:						
Fund investment income	39,792	22,889	11,797	79	2,290	76,847
Interest income	28	-	-	-	-	28
Dividend income	2,287	-	-	-	-	2,287
Net realized & unrealized depreciation in the value of investments	(18,865)	-	-	-	-	(18,865)
Total investment income	<u>23,242</u>	<u>22,889</u>	<u>11,797</u>	<u>79</u>	<u>2,290</u>	<u>60,297</u>
Less: investment advisory expense	70	25	4	-	2	101
interest expense	5,907	-	-	-	-	5,907
Net investment income	<u>17,265</u>	<u>22,864</u>	<u>11,793</u>	<u>79</u>	<u>2,288</u>	<u>54,289</u>
Contributions:						
Employer	5,390	1,462	286	20	592	7,750
Employee	21,602	13,946	5,903	59	2,213	43,723
Rollover	1,029	88	106	-	23	1,246
Total contributions	<u>28,021</u>	<u>15,496</u>	<u>6,295</u>	<u>79</u>	<u>2,828</u>	<u>52,719</u>
Participant withdrawals	9,896	10,006	3,265	57	1,554	24,778
Inter-plan transfers	508	(57)	(59)	(1)	(391)	-
Net assets - end of year	<u>\$274,796</u>	<u>\$195,518</u>	<u>\$69,026</u>	<u>\$469</u>	<u>\$17,063</u>	<u>\$556,872</u>

The accompanying notes and schedules are an integral part of these statements.

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CUMMINS ENGINE COMPANY, INC. AND AFFILIATES
RETIREMENT AND SAVINGS PLANS
COMBINING STATEMENTS OF CHANGES IN NET ASSETS BY PLAN
DECEMBER 31, 1994
(stated in 000's)

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	Salaried	Bargaining	Onan	Lubricon	CDC	TOTAL
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Net Assets - beginning of year	<u>\$238,911</u>	<u>\$154,167</u>	<u>\$47,882</u>	<u>\$394</u>	<u>\$12,491</u>	<u>\$453,845</u>

Total Cash and investments 617,145	224,811	133,622	53,373	69,935	9,166	7,939	21,368	85,353	11,578
<hr/>									
Receivables:									
Employer contributions 5,857	1,269	524	266	307	45	40	93	3,313	-
Employee contributions 4,126	1,473	1,033	554	677	126	109	154	-	-
Employee loan repayments 743	269	182	100	127	15	14	36	-	-
Accrued interest -	-	-	-	-	-	-	-	4	-
- 4									
<hr/>									
Total receivables 10,730	3,011	1,739	920	1,111	186	163	283	3,317	-
<hr/>									
Total assets 627,875	227,822	135,361	54,293	71,046	9,352	8,102	21,651	88,670	11,578
<hr/>									
Liabilities									
<hr/>									
Interest payable - 2,953	-	-	-	-	-	-	-	2,953	-
Note payable - ESOP - 68,050	-	-	-	-	-	-	-	68,050	-
<hr/>									
Total liabilities - 71,003	-	-	-	-	-	-	-	71,003	-
<hr/>									
Net Assets \$556,872	\$227,822	\$135,361	\$54,293	\$71,046	\$9,352	\$8,102	\$21,651	\$17,667	\$11,578
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The accompanying notes and schedules are an integral part of these statements.

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CUMMINS ENGINE COMPANY, INC. AND AFFILIATES
RETIREMENT AND SAVINGS PLANS
COMBINING STATEMENTS OF NET ASSETS BY FUND
DECEMBER 31, 1994
(stated in 000's)

<CAPTION>

	Fixed Income	Wellington	U.S. Growth	Index Fund	Explorer Fund	Intl.	Cummins Stock	ESOP	Loan Fund
Total									
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
<C>									
Assets									
<hr/>									
Cash and investments:									
The Northern Trust Company Short-Term Investment Fund - \$ 865	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 865	\$ -
Cummins Engine Company, Inc. Fixed Income Fund - 211,864	211,864	-	-	-	-	-	-	-	-
Vanguard Wellington Fund - 97,725	-	97,725	-	-	-	-	-	-	-
Vanguard U.S. Growth Fund - 31,303	-	-	31,303	-	-	-	-	-	-

Net Assets - beginning of year \$474,642	\$214,951	\$ 99,306	\$31,985	\$44,135	\$4,134	\$10,511	\$22,298	\$35,953	\$11,369
<hr/>									
Investment income:									
Fund investment income (loss)	15,416	31,854	13,383	17,250	1,429	770	(3,255)	-	
- 76,847									
Interest income	-	-	-	-	-	-	-	28	
- 28									
Dividend income	-	-	-	-	-	-	-	2,287	
- 2,287									
Net realized and unrealized depreciation in the value of investments	-	-	-	-	-	-	-	(18,865)	
- (18,865)									
<hr/>									
Total investment income (loss)	15,416	31,854	13,383	17,250	1,429	770	(3,255)	(16,550)	
- 60,297									
Less: investment advisory expense	51	-	-	-	-	-	-	50	
- 101									
interest expense	-	-	-	-	-	-	-	5,907	
- 5,907									
<hr/>									
Net investment income (loss)	15,365	31,854	13,383	17,250	1,429	770	(3,255)	(22,507)	
- 54,289									
<hr/>									
Contributions:									
Employer	1,309	526	268	309	45	40	96	5,157	
- 7,750									
Employee	16,125	10,654	5,579	6,694	1,175	1,489	2,007	-	
- 43,723									
Rollover	254	262	235	291	68	62	74	-	
- 1,246									
<hr/>									
Total contributions	17,688	11,442	6,082	7,294	1,288	1,591	2,177	5,157	
- 52,719									
<hr/>									
Participant loan repayments (7,727)	2,994	1,835	945	1,137	151	204	461	-	
-									
<hr/>									
Inter-fund transfers	(6,077)	(2,427)	4,462	4,288	2,792	(4,420)	1,382	-	
-									
<hr/>									
Payments:									
Participant withdrawals	13,912	4,811	1,651	1,922	298	361	887	936	
- 24,778									
Participant loan withdrawals (7,936)	3,187	1,838	913	1,136	144	193	525	-	
-									
<hr/>									
Total payments (7,936) 24,778	17,099	6,649	2,564	3,058	442	554	1,412	936	
<hr/>									
Net assets - end of year \$556,872	\$227,822	\$135,361	\$54,293	\$71,046	\$9,352	\$ 8,102	\$21,651	\$17,667	\$11,578
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The accompanying notes and schedules are an integral part of these statements.

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CUMMINS ENGINE COMPANY, INC. AND AFFILIATES
RETIREMENT AND SAVINGS PLANS
COMBINING STATEMENTS OF CHANGES IN NET ASSETS BY FUND
DECEMBER 31, 1994
(stated in 000's)

<CAPTION>

Total	Fixed Income	Wellington	U.S. Growth	Index	Explorer	Intl.	Cummins Stock	ESOP	Loan Fund
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
<C>									
Net Assets - beginning of year \$453,845	\$189,498	\$107,998	\$30,370	\$43,912	\$ 0	\$ 0	\$15,503	\$55,558	\$11,006
Investment income:									
Fund investment income (loss)	13,985	(644)	1,114	440	2	(60)	(2,171)	-	
- 12,666									
Interest income	-	-	-	-	-	-	-	13	
- 13									
Dividend income	-	-	-	-	-	-	-	1,440	
- 1,440									
Net realized and unrealized depreciation in the value of investments	-	-	-	-	-	-	-	(19,688)	
- (19,688)									
Total investment income (loss)	13,985	(644)	1,114	440	2	(60)	(2,171)	(18,235)	
- (5,569)									
Less: investment advisory expense	89	-	-	-	-	-	-	51	
- 140									
interest expense	-	-	-	-	-	-	-	5,969	
- 5,969									
Net investment income (loss)	13,896	(644)	1,114	440	2	(60)	(2,171)	(24,255)	
- (11,678)									
Contributions:									
Employer	1,552	548	213	272	29	66	134	5,951	
- 8,765									
Employee	15,224	11,563	4,976	6,388	647	1,616	2,132	-	
- 42,546									
Rollover	303	283	171	199	70	111	183	-	
- 1,320									
Total contributions	17,079	12,394	5,360	6,859	746	1,793	2,449	5,951	
- 52,631									
Participant loan repayments (6,521)	2,587	1,673	719	891	70	181	400	-	
-									
Inter-fund transfers	6,125	(16,307)	(3,841)	(5,691)	3,432	8,913	7,369	-	
-									
Payments:									
Participant withdrawals	11,348	4,002	1,084	1,386	52	159	824	1,301	
- 20,156									
Participant loan withdrawals (6,884)	2,886	1,806	653	890	64	157	428	-	
-									
Total payments (6,884) 20,156	14,234	5,808	1,737	2,276	116	316	1,252	1,301	
Net assets - end of year	\$214,951	\$ 99,306	\$31,985	\$44,135	\$4,134	\$10,511	\$22,298	\$35,953	\$11,369

\$474,642

The accompanying notes and schedules are an integral part of these statements.

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CUMMINS ENGINE COMPANY, INC. AND AFFILIATES
RETIREMENT AND SAVINGS PLANS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1995 AND 1994

1. SUMMARY OF THE PLAN

The Cummins Engine Company, Inc. and Affiliates Retirement and Savings Plans (the Plan or the Plans) are defined contribution plans that cover five employee groups (as described in Note 2). Participants have the opportunity to make pre-tax and after-tax contributions to the plan and can choose from seven different investment options (investment options and details of the plans are described in Note 2 and Note 3, respectively).

2. SUMMARY OF ACCOUNTING POLICIES

Basis of Combination

The Combining Statements of Net Assets and Changes in Net Assets reflect the financial activity of the Retirement and Savings Plans of Cummins Engine Company, Inc. (the Company) and certain subsidiary companies (the Companies). These Plans include:

- . Cummins Engine Company, Inc. and Affiliates Retirement and Savings Plan for Salaried and Non-Bargaining Hourly Employees (Salaried Plan)
- . Cummins Engine Company, Inc. and Affiliates Retirement and Savings Plan for Bargaining Unit Employees (Bargaining Plan)
- . Cummins Engine Company, Inc. Retirement and Savings Plan for Onan Corporation Employees (Onan Plan)
- . Cummins Engine Company, Inc. Retirement and Savings Plan for Lubricant Consultants, Inc. Employees (Lubricon Plan)
- . Cummins Engine Company, Inc. Retirement and Savings Plan for Consolidated Diesel Company Employees (CDC Plan)

Trust Arrangements

A single trust arrangement is maintained with the Trustee for the administration of the primary investments in the Plans; however, a separate trust arrangement is maintained with The Northern Trust Company for the Employee Stock Ownership ("ESOP") portion of the Plans (as described in Note 3).

Accounting Method

Accounting records are maintained by the Trustee on a modified cash basis. All material adjustments have been made to present the financial statements under the accrual basis of accounting as required by generally accepted accounting principles.

All investments included in the Combining Statements of Net Assets and Schedule I, and the investment related income included in the Combining Statements of Changes in Net Assets reflect amounts obtained from and certified by the respective trustees as being complete and accurate.

Investments

Investments held by the Trust are stated at market value except for its investment contracts which are stated at contract value and changes in

market value are reflected in Fund investment income (loss). Quoted market prices are used to value investments.

The Fixed Income Fund consists primarily of insurance contracts and bank investment contracts with various insurance companies. The insurance companies maintain investment accounts for each contract. The accounts are credited with earnings on the underlying investments at interest rates ranging from 4.95% to 9.27% and charged for withdrawals and administrative expenses by the insurance companies. The contracts are included in the financial statements at contract value, which approximates fair value as reported to the Plan by the investment administrator. Contract values represent contributions made under the contracts, plus earnings, less Plan withdrawals and administrative expenses.

Assets of the Trust are segregated into seven investment funds: the Fixed Income Fund, the Wellington Fund, the Vanguard U.S. Growth Fund, the Index 500 Trust Fund, the Explorer Fund, the International Fund, and the Cummins Common Stock Fund. Maintenance of separate funds provides investment alternatives to participants in the Plans; the allocation of investments between the funds is at the direction of participants.

The assets of the Fixed Income Fund consists primarily of insurance and bank investment contracts. The Wellington Fund consists primarily of equity, fixed income, and cash equivalent marketable securities. The Vanguard U.S. Growth Fund consists primarily of long-term domestic and foreign capital growth stock. The Vanguard Index 500 Trust Fund consists primarily of equity and cash equivalent marketable securities whose investment results should correspond to the performance of the Standard & Poor's 500 Composite Stock Price (S & P 500) Index. The Explorer Fund consists of common stocks of small companies with favorable prospects for above-average growth in market value. The International Fund consists of a broadly diversified portfolio of non-U.S. equity securities selected on the basis of relative value. The Cummins Common Stock Fund consists of investments in Company common stock. The ESOP Fund consists of matching contributions in the form of common stock for certain plans.

Effective January, 1996, the Vanguard Institutional Index Fund replaced Vanguard Index Trust-500 Fund. The Vanguard Institutional Index Fund attempts to provide investment results that correspond to the price and yield performance of publicly traded stocks, in the aggregate, as represented by the Standard & Poor's 500 Composite Stock Price Index.

Net investment income (loss) of each fund is allocated to each Plan based on the relationship of each Plan's investment in the fund to the total investment in the fund. Net investment income (loss) is likewise allocated to participants based on the relationship of participant account balances in each fund to the total balance in each fund.

Participant Loans

The Plans permit participants to borrow portions of their accounts subject to Department of Labor regulations. Participants may take out loans limited to the lesser of \$50,000 or 50 percent of the present value of their accounts (excluding ESOP accounts) over a period not to exceed 54 months. The annual interest rate is the Prime Rate, as quoted in the Wall Street Journal, plus 1 percent. The amount used to secure a loan is 50 percent of the participant's account balance.

Participant loan activity is reported in the Combining Statements of Net Assets and Changes in Net Assets by Fund in the Loan Fund.

Administrative Expenses and Investment Advisory Fees

Administrative expenses such as record keeping fees are paid by the Companies. Investment advisory fees for portfolio management of Vanguard Funds are paid directly from fund earnings. Investment advisory fees for the Fixed Income Fund are paid directly from the fund. The trust agreement entitles the Trustee to receive reasonable compensation for services rendered and expenses incurred in the administration and execution of the Plans.

3. DESCRIPTION OF THE PLANS

Participation

Substantially all full-time, domestic employees of the Company and designated subsidiaries are eligible to participate in one of the Plans no later than the first day of the month following the 60th day after date of employment. Nonresident aliens employed by the Company or a foreign subsidiary are eligible to participate if the Company owns at least 80 percent of the foreign subsidiary's common stock.

The Plans encourage voluntary savings through regular payroll deductions. Subject to limitations contained in the Internal Revenue Code and Regulations, participants may contribute up to 15 percent of gross pay (10 percent with respect to certain highly compensated participants) as pre-tax contributions, and 10 percent of gross pay as after-tax contributions (not to exceed 20% in total). In addition, participants are permitted to make voluntary additional after-tax contributions once each year.

At the end of each Plan year, the Companies make matching contributions for each participant's pre-tax and after-tax contributions that remain in the Plans at the end of the Plan year. The formulas for these matches, as set forth in the Plans, vary for each Company (see Schedule III). Certain groups of participants receive cash matches and other groups participate in the ESOP (as described below) and receive matching contributions in the form of Company common stock. All matching cash contributions, ESOP shares, and earnings thereon are immediately vested and nonforfeitable.

In July 1989, the Company established the ESOP Trust and sold 2,362,206 shares of its common stock at \$31.75 per share (amounts reflect two-for-one common stock split) to the ESOP Trust in exchange for a \$75 million promissory note (the Note) secured by the shares. In December 1990, the ESOP Trust prepaid its then-current indebtedness to the Company with proceeds from the issuance of \$72,750,000 of 8.76 percent ESOP Notes due 1998 and guaranteed by the Company (see Note 6). The arrangement requires the Companies to contribute an aggregate annual amount to the ESOP Trust equal to the annual principal and interest payable under the terms of the Note after application of dividends paid on shares held in the ESOP Trust. As the ESOP Trust's indebtedness is repaid from these sources of funds, shares are allocated to the accounts of participants in the ESOP in relative proportion to each participant's contributions to the Plans as well as dividends received on shares previously allocated to the participant's account in the ESOP Trust. For the 1995 plan year, 675,994 shares were allocated and 1,599,593 remain unallocated in the ESOP Trust.

Participant and Company cash matching contributions are deposited in the Trust and then invested in the seven investment funds in accordance with participant elections. Account balances and contributions can be invested in one or more of the seven investment funds in multiples of 1 percent. Investment direction can be changed daily. Common stock account balances in the ESOP account cannot be redirected. Investment experience is allocated to participant accounts on a daily basis.

Participant Withdrawals

Participants are permitted to withdraw their after-tax contributions, the Company cash matching contributions (after remaining in the account for two full plan years) and accumulated earnings thereon. Participants are also permitted to take out loans (see Note 2). In the event of financial hardship, participants are permitted to withdraw pre-tax contributions and accumulated earnings thereon. Each hardship withdrawal request, including proof of financial hardship, is reviewed individually by the Plans' Administrator. In-service withdrawals from the ESOP account are prohibited under any circumstance.

Plan Payouts

Upon termination of employment, immediate distribution is made to those participants with account balances less than or equal to \$3,500. Terminating participants with account balances greater than \$3,500 must consent to any payment prior to the attainment of age 70 1/2. Participants who do not consent to immediate distribution may subsequently elect in writing to begin receiving benefits as soon as is practical, provided that in any event the distribution commences no later than April 1 of the Plan year following the Plan year in which age 70 1/2 occurs. Account balances remaining in the Plans will continue to share in the earnings of the investments prior to distribution. Distributions from the ESOP portion of the Plans are in whole shares of stock allocated to participant accounts, with cash for partial shares unless participants elect to receive the entire distribution in cash at current market value.

4. PLAN AMENDMENTS

Effective January 1, 1995, the after-tax match for DWU-CMEP employees (Bargaining Plan) was replaced by a pre-tax match of \$1 for every \$1 contributed up to 2% of gross pay and \$.25 for every \$1 contributed up to the next 4% of gross pay.

Effective January 1, 1996, the after-tax match for OCU employees hired after June 19, 1990 and OCU-CMEP employees (Bargaining Plan) was

replaced by a pre-tax match of \$1 for every \$1 contributed up to 2% of gross pay and \$.25 for every \$1 contributed up to the next 4% of gross pay.

Effective January 1, 1996, the after-tax match for Atlas hourly employees (Bargaining Plan) was replaced by a pre-tax match of \$1 for every \$1 contributed up to 2% of gross pay.

5. TAX STATUS

The Company has filed a request for the Internal Revenue Service to issue favorable determination letters for the Cummins Engine Company, Inc. and Affiliates Retirement and Savings Plans. The Plans' Administrator and the Plans' Tax Counsel believe that the Plans are currently designed and being operated in compliance with applicable requirements of the Internal Revenue Code. Therefore they believe that the Plans are qualified and the related trusts are tax exempt.

6. LONG-TERM DEBT

The ESOP Trust has issued \$72,750,000 of ESOP Notes due in 1998 with an annual interest rate of 8.76 percent payable semi-annually to the Note holders (see Note 3). Effective January 1, 1993, the interest rate on the notes was reduced to 8.68 percent due to a tax law change. Principal payments of \$1.5 million, \$1.6 million and \$1.7 million are due in 1996, 1997, and 1998 respectively. The final principal payment, \$63.3 million, is due on July 15, 1998.

7. PARTIES-IN-INTEREST AND REPORTABLE TRANSACTIONS

Party-in-interest transactions during the plan year ended December 31, 1995 are included in Schedules I and II of these statements.

Reportable transactions during the plan year ended December 31, 1995 are included in Schedule II of these statements.

SCHEDULE I

CUMMINS ENGINE COMPANY, INC. AND AFFILIATES
RETIREMENT AND SAVINGS PLANS
EIN 35-0257090

ITEM 27 A: SCHEDULE OF ASSETS HELD FOR INVESTMENT PURPOSES
AS OF DECEMBER 31, 1995

(cost and market value amounts stated in 000's)

ISSUER/DESCRIPTION	SHARES	COST	MARKET VALUE
Salaried:			
The Northern Trust Company Short-Term Investment Fund Cummins Engine Company, Inc.		\$ 1,156	\$ 1,156
Fixed Income Fund		89,546	89,546
Vanguard Wellington Fund		55,592	67,646
Vanguard U.S. Growth Fund		25,260	31,366
Vanguard Index Trust Fund		30,936	39,208
Vanguard Explorer Fund		5,565	5,911
Vanguard International Fund		5,469	5,396
Cummins Engine Company, Inc. Common Stock***	3,705,752	86,625	94,522
Participant Loans (9.5%-10.0%)		5,439	5,439
		<u>3,705,752</u>	<u>\$305,588</u>
			<u>\$340,190</u>

Bargaining:

The Northern Trust Company Short-Term Investment Fund Cummins Engine Company, Inc.		\$ -	\$ -
Fixed Income Fund		110,828	110,828
Vanguard Wellington Fund		33,692	40,998
Vanguard U.S. Growth Fund		8,313	10,322
Vanguard Index Trust Fund		12,880	16,324
Vanguard Explorer Fund		1,626	1,727

Vanguard International Fund		1,238	1,221
Cummins Engine Company, Inc. Common Stock***	1,018,843	6,741	7,356
Participant Loans (9.5%-10.0%)		3,587	3,587
		<hr/>	<hr/>
	1,018,843	\$178,905	\$192,363
		<hr/>	<hr/>
Onan:			
The Northern Trust Company Short-Term Investment Fund		\$ -	\$ -
Cummins Engine Company, Inc. Fixed Income Fund		19,251	19,251
Vanguard Wellington Fund		17,388	21,159
Vanguard U.S. Growth Fund		7,565	9,393
Vanguard Index Trust Fund		9,254	11,728
Vanguard Explorer Fund		1,166	1,238
Vanguard International Fund		1,112	1,098
Cummins Engine Company, Inc. Common Stock***	343,406	2,273	2,480
Participant Loans (9.5%-10.0%)		1,632	1,632
		<hr/>	<hr/>
	343,406	\$ 59,641	\$ 67,979
		<hr/>	<hr/>
Lubricon:			
The Northern Trust Company Short-Term Investment Fund		\$ -	\$ -
Cummins Engine Company, Inc. Fixed Income Fund		81	82
Vanguard Wellington Fund		85	103
Vanguard U.S. Growth Fund		60	74
Vanguard Index Trust Fund		65	82
Vanguard Explorer Fund		18	19
Vanguard International Fund		48	46
Cummins Engine Company, Inc. Common Stock***	1,962	12	14
Participant Loans (9.5%-10.0%)		23	23
		<hr/>	<hr/>
	1,962	\$ 392	\$ 443
		<hr/>	<hr/>
CDC:			
The Northern Trust Company Short-Term Investment Fund		\$ -	\$ -
Cummins Engine Company, Inc. Fixed Income Fund		5,105	5,104
Vanguard Wellington Fund		3,054	3,716
Vanguard U.S. Growth Fund		1,786	2,218
Vanguard Index Trust Fund		2,046	2,593
Vanguard Explorer Fund		255	271
Vanguard International Fund		180	178
Cummins Engine Company, Inc. Common Stock***	165,200	1,093	1,193
Participant Loans (9.5%-10.0%)		897	897
		<hr/>	<hr/>
	165,200	\$ 14,416	\$ 16,170
		<hr/>	<hr/>
Total:			
The Northern Trust Company Short-Term Investment Fund		\$ 1,156	\$ 1,156
Cummins Engine Company, Inc. Fixed Income Fund		224,811	224,811
Vanguard Wellington Fund		109,811	133,622
Vanguard U.S. Growth Fund		42,984	53,373
Vanguard Index Trust Fund		55,181	69,935
Vanguard Explorer Fund		8,630	9,166
Vanguard International Fund		8,047	7,939
Cummins Engine Company, Inc. Common Stock***	5,235,163	96,744	105,565
Participant Loans (9.5%-10.0%)		11,578	11,578
		<hr/>	<hr/>
	5,235,163	\$558,942	\$617,145
		<hr/>	<hr/>

***Identifies known party-in-interest to the plan

</TABLE>
<TABLE>

Schedule II

CUMMINS ENGINE COMPANY, INC. AND AFFILIATES
RETIREMENT AND SAVINGS PLANS
SCHEDULE OF REPORTABLE TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 1995
(amounts stated in 000's)

<CAPTION>

Description of Issue	Number of Transactions	Par Value or Principal Amount	Purchased Cost	Sales Proceeds	Current Value	Gain or (Loss)
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Fixed Income Fund	158	N/A	\$57,725	\$ -	\$57,725	\$ -
Fixed Income Fund	167	N/A	44,739	44,739	-	-
Wellington Fund	151	N/A	27,315	-	27,315	-
Wellington Fund	159	N/A	15,111	16,731	-	1,620
U.S. Growth Fund	167	N/A	16,694	-	16,694	-
U.S. Growth Fund	135	N/A	4,924	5,822	-	898
Index Trust Fund	168	N/A	18,457	-	18,457	-
Index Trust Fund	138	N/A	6,665	7,442	-	777
Cummins Stock Fund***	159	N/A	20,460	-	20,460	-
Cummins Stock Fund***	148	N/A	15,083	17,270	-	2,187

***Identifies known party-in-interest to the plan
</TABLE>

Schedule III

CUMMINS ENGINE COMPANY, INC. AND AFFILIATES
RETIREMENT AND SAVINGS PLANS
SCHEDULE OF MATCHING CONTRIBUTION FORMULAS
AS OF DECEMBER 31, 1995

EMPLOYING COMPANY	LOC CODE	LOCATION NAME	CASH CONTRIBUTIONS	ESOP STOCK CONTRIBUTION
Cummins Engine Company	110	Columbus Exempt	No	Yes (1) (2)
"	120	Columbus DWU	Yes (3) (4)	No
"	121	Walesboro DWU	Yes (17)	No
"	130	Columbus OCU	Yes (3) (4)	No
"	131	OCU New Hires	Yes (5)	No
"	132	Walesboro OCU	Yes (5) (6)	No
"	133	OCU Levels 4 & 5	Yes (16)	No
"	135	Cols. Security	No	Yes (1) (2)
"	136	Cols Sec. New Hires	Yes (4) (5)	No
Cummins Electronics	150	CELCO Union	Yes (12) (6)	No
"	160	CELCO Exempt	No	Yes (1) (7)
CADEC	190	CADEC	Yes (12)	No
Cummins Engine Company	200	Chs Mgmt. Services	No	Yes (1) (2)
Combustion Technologies	210	CTI Georgia	No	Yes (1) (2)
"	220	CTI Charleston	No	Yes (1) (2)
Cummins Engine Company	240	Chs Cylinder Head	No	Yes (1) (2)
"	250	Chs Recon	No	Yes (1) (2)
"	260	Chs Engr Test Svcs.	No	Yes (1) (2)
Cummins Engine Company	280	Precision Gear Train	No	Yes (1) (2)
"	290	Fuel Systems	No	Yes (1) (2)
"	291	Cummins Marine	No	Yes (1) (2)
"	292	Quality Custom Comp	No	Yes (1) (2)

"	300	Jamestown	No	Yes (1) (2)
"	301	JEP New Hires	Yes (5) (6)	No
Cummins Natural Gas Engines	390	Cummins Natural Gas	Yes (14) (15)	No
Cummins Americas, Inc.	400	Miami PDC	No	Yes (1) (2)
Atlas Crankshaft	500	Atlas Salaried	No	Yes (1) (2)
"	510	Atlas Union	Yes (4)	No
Onan Corporation	550	Onan-Multiple Loc.	Yes (10)	Yes (9)
"	551	Onan Huntsville	Yes (10)	Yes (9)
"	552	Onan OPE St. Peter	Yes (10)	Yes (9)
Fleetguard, Inc.	600	Fleetguard TN Salaried	No	Yes (1) (2)
"	610	Fleetguard Lake Mills Salaried	No	Yes (1) (2)
"	620	Fleetguard Lake Mills Hourly	No	Yes (1) (2)
"	630	Fleetguard TN Hr	Yes (11)	No
Lubricant Consultants	640	Lubricon	Yes (13)	No
Kuss	650	Kuss Salaried	No	Yes (1) (2)
Kuss	651	Kuss Union	No	Yes (1) (2)
Fleetguard, Inc.	655	Separation Tech.	No	Yes (1) (2)
Cummins Engine Company	700	DRC Salaried	No	Yes (1) (2)
"	* 720	DRC TN Union	Yes (12)	No
"	* 730	DRC LA Union	Yes (14)	No
"	* 740	DRC LA Union	Yes (14)	No
Cummins Diesel Intl.	810	CDIL	No	Yes (1) (2)
Cummins Engine Company	815	CKEC	No	Yes (1) (2)
Consolidated Diesel Co.	900	Consol. Diesel Co.	Yes (12) (8)	No
Holset Engr. Company	950	Holset MI	No	Yes (1) (2)
"	951	Holset Chs	No	Yes (1) (2)

*Participants at locations 720, 730 and 740 are not eligible to make Basic Savings Contributions.

Matching Contribution Legend

- (1) ESOP Stock Contribution based on 50% of 1st 2% of pay contributed as a Pre-Tax Contribution.
- (2) ESOP Stock Contribution based on 50% of 1st \$900 of pay contributed as a Basic Savings Contribution.
- (3) Cash Contribution of 50% (up to a maximum of \$325) of 1st 2% of pay contributed as a Pre-tax Contribution.
- (4) Cash Contribution of 50% of the 1st \$900 of pay contributed as a Basic Savings Contribution.
- (5) Cash Contribution of \$325 per year to Pre-Tax Contribution account, regardless of % of pay contributed.
- (6) Cash Contribution of 100% on 1st \$450 of pay contributed as a Basic Savings Contribution.
- (7) ESOP Stock Contribution based on 100% of 1st \$900 of pay contributed as a Basic Savings Contribution.
- (8) Cash Contribution based on 50% (up to a maximum of \$900) on 1st \$1,800 of pay contributed as a Basic Savings Contribution.
- (9) ESOP Stock Contribution based on 100% of 1st \$250, 75% of next \$250, 50% of next \$1,000, and 25% of next \$1,000 (maximum stock match = \$1,187.50). NOTE: Applies to Pre-Tax Contributions.
- (10) Cash Contribution of 25% of the 1st \$1,000 of pay contributed as a Basic Savings Contribution.
- (11) Cash Contribution of 50% of the 1st 2% of pay contributed as a Pre-Tax Contribution with a minimum of \$200 if at least 2% is contributed.
- (12) Cash Contribution of 50% of 1st 2% of pay contributed as a Pre-Tax Contribution.
- (13) Cash Contribution of 100% of 1st 2.5% of pay contributed as a Pre-Tax Contribution.
- (14) Cash Contribution of 50% of 1st 4% of pay contributed as a Pre-Tax Contribution.

- (15) Discretionary Cash Contribution.
- (16) Cash Contribution of \$400 per year to Pre-Tax Contribution account, regardless of % of pay contributed.
- (17) Cash Contribution of \$1 for \$1 up to 2% of gross pay; \$.25 on dollar up to next 4% of gross pay for pretax.

Schedule IV

Cummins Engine Company, Inc. and Affiliates
Retirement and Savings Plans
Employing Locations by Plan

Cummins Engine Company, Inc. and Affiliates Retirement and Savings Plan for
Salaried and Non-Bargaining Hourly Employees
EIN # 35-0257090
Plan 020

110 Columbus Exempt	300 Jamestown
135 Columbus Security	301 Jamestown New Hires
136 Columbus Security New Hires	390 Cummins Natural Gas Engines
160 CELCO Exempt	400 Miami PDC
190 CADEC	500 Atlas Salaried
200 Charleston Management Svcs.	600 Fleetguard TN Salaried
210 CTI Georgia	610 Fleetguard Lake Mills Salaried
220 CTI Charleston	620 Fleetguard Lake Mills Hourly
240 Chs Headline	650 Kuss Salaried
250 Chs Recon	655 Separation Tech
260 Chs Engr. Test Services	700 DRC Salaried
280 Precision Gear	810 CDIL
290 FSB	815 Cummins Komatsu
291 Cummins Marine	950 Holset MI
292 Quality Custom Comp	951 Holset Chs

Cummins Engine Company, Inc. Retirement and Savings Plan for
Onan Corporation Employees
EIN # 41-0965373
Plan 025

550 Onan Multiple Locations	552 Onan OPE St. Peter
551 Onan Huntsville	

Cummins Engine Company, Inc. Retirement and Savings Plan for
Consolidated Diesel Company Employees
EIN # 56-1896727
Plan 020

900 Consolidated Diesel Company

Cummins Engine Company, Inc. Retirement and Savings Plan for
Lubricant Consultants, Inc. Employees
EIN # 22-2083361
Plan 020

640 Lubricon

Cummins Engine Company, Inc. and Affiliates Retirement and Savings Plan for
Bargaining Unit Employees
EIN # 35-0257090
Plan 030

120	Columbus DWU	510	Atlas Union
121	Walesboro DWU	630	Fleetguard TN Hour
130	Columbus OCU	651	Kuss Union
131	OCU New Hires	720	DRC TN Union
132	Walesboro OCU	730	DRC LA Union
133	OCU Levels 4 & 5	740	DRC LA Union
150	CELCO Union		

Schedule V

CUMMINS ENGINE COMPANY, INC. AND AFFILIATES
RETIREMENT AND SAVINGS PLANS
EIN 35-0257090

ITEM 27B: SCHEDULE OF LOANS OR FIXED INCOME OBLIGATIONS
AS OF DECEMBER 31, 1995
(amounts stated in 000's)

PLAN	ORIGINAL AMOUNT OF LOAN	PRINCIPAL RECEIVED DURING THE YEAR	UNPAID PRINCIPAL AT 12/31/95	AMOUNT OVERDUE
Salaried	\$77	\$2	\$68	\$10
Bargaining	34	4	12	3
Onan	65	9	43	9
CDC	7	1	5	1

Participants may borrow amounts contributed up to 50% of the participant's account balance, not to exceed \$50,000. Loans must be repaid at least quarterly over a period not to exceed five years. Interest rates vary depending upon the time the loans are requested. A collection policy has been implemented to tax all delinquent loans greater than 90 days past due as distributions to the participant

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees (or other persons who administer the employee benefit plan) have duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

CUMMINS ENGINE COMPANY, INC.

RETIREMENT AND SAVINGS PLAN

(Name of Plan)

By /s/ Carol K. Smalley

Carol K. Smalley
Secretary - Pension
Policy Committee

</TABLE>

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our report dated June 11, 1996, included in this Form 11-K, into the Company's previously filed Registration Statement File Nos. 2-32091, 2-53247, 2-58696, 33-2161, 33-8842, 33-31095, 33-37690, 33-46096, 33-46097, 33-46098, 33-50665, 33-56115 and 33-32165.

ARTHUR ANDERSEN LLP

Chicago, Illinois
June 11, 1996.