

News

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Report on Quality Changes for 2005 Model Vehicles

Passenger cars

The value of quality changes for a sample of thirteen 2005 model-year domestic passenger cars included in the Producer Price Index (PPI) for October averaged \$283.12, according to estimates by the Bureau of Labor Statistics (BLS) of the U.S. Department of Labor. This change represents 73.8 percent of the average \$383.86 increase in manufacturers' invoice prices for this year's models as compared with last year's models.

The retail equivalent value of these quality changes averaged \$310.50, representing 74.3 percent of the average \$417.81 over-the-year increase in manufacturers' suggested list prices.

The \$310.50 estimated retail value of quality change breaks down as follows:

- \$193.11 for federally mandated and non-mandated safety improvements, such as changes to brake and airbag systems
- \$117.39 for other quality changes, such as emission improvements, changes in audio systems, and changes in levels of standard or optional equipment

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Light trucks

The value of quality changes for a sample of eighteen 2005 model-year domestic light trucks included in the PPI for October averaged \$306.26. This change represents 75.7 percent of the average \$404.35 increase in manufacturers' invoice prices for this year's models as compared with last year's models.

The retail equivalent value of quality changes for domestic light trucks averaged \$345.38, representing 75.2 percent of the average \$459.28 over-the-year increase in manufacturers' suggested list prices.

The \$345.38 estimated retail value of quality change breaks down as follows:

- \$18.30 for federally mandated safety improvements, such as changes to head impact protection, child seat systems, and airbag systems
- \$120.43 for non-mandated safety improvements, such as changes to seatbelts, brakes, and non-mandated changes to airbag systems
- \$206.65 for other quality changes, such as powertrain improvements, theft protection, changes in audio systems and changes in levels of standard or optional equipment

Estimates of the value of quality change are based on a review by the BLS of data supplied by producers for similarly equipped 2004 and 2005 domestic models priced for the PPI. Most of the estimates of quality changes in this release are derived from information supplied to the PPI for October. New vehicle quality adjustments for the Consumer Price Index (CPI) also are based on these data. However, it should be noted that, effective with the release of data for January 1999, changes made solely for the purpose of meeting air pollution standards are no longer considered quality improvements for CPI calculation purposes.