

News

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REPORT ON QUALITY CHANGES FOR 2004 MODEL VEHICLES

Passenger Cars

The value of quality changes for a sample of 15 2004-model-year domestic passenger cars included in the Producer Price Index (PPI) for October averaged \$75.86, according to estimates by the Bureau of Labor Statistics (BLS) of the U.S. Department of Labor. This change represents 18.7 percent of the average \$405.31 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 \$82.96, representing 17.8 percent of the average \$467.28 over-the-year increase in manufacturers' suggested list prices.

The \$82.96 estimated retail value of quality change breaks down as follows:

*\$24.00 for powertrain improvements;

*\$37.16 for federally mandated and non-mandated safety improvements such as changes to brake and airbags systems; and

*\$21.80 for other quality changes such as emission improvements, theft protection, 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 18 2004-model-year domestic light trucks included in the PPI for October averaged \$131.26. This change represents 25.4 percent of the average \$516.26 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 \$145.05, representing 24.8 percent of the average \$585.91 over-the-year increase in manufacturers' suggested list prices.

The \$145.05 estimated retail value of quality change breaks down as follows:

*\$90.17 for federally mandated and non-mandated safety improvements such as head impact protection, brake improvements, and airbag systems improvements;

*\$38.21 for emission improvements in accordance with the 1990 Clean Air Act Amendments; and

*\$16.67 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 2003 and 2004 domestic models priced for the PPI. Most of the estimates of quality changes in this release are derived from information supplied for the PPI for October. These data also form the basis of the new vehicle quality adjustment for the Consumer Price Index (CPI). 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.