

News

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REPORT ON QUALITY CHANGES FOR 2003 MODEL VEHICLES

Passenger Cars

The value of quality changes for a sample of 15 2003-model-year domestic passenger cars included in the Producer Price Index (PPI) for October averaged \$23.07, according to estimates by the Bureau of Labor Statistics (BLS) of the U.S. Department of Labor. This change represents 5.6 percent of the average \$414.61 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 \$25.08, representing 5.4 percent of the average \$465.63 over-the-year increase in manufacturer's suggested list prices.

The \$25.08 estimated retail value of quality change includes such quality changes as powertrain improvements, mandated and non-mandated safety improvements, and changes in levels of standard or optional equipment.

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Light Trucks

The value of quality changes for a sample of 17 2003-model-year domestic light trucks included in the PPI for October averaged \$207.16. This change represents 43.9 percent of the average \$472.33 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 \$232.65, representing 39.9 percent of the average \$583.03 over-the-year increase in manufacturer's suggested list prices.

The \$232.65 estimated retail value of quality change breaks down as follows:

*\$126.80 for federally mandated and non-mandated safety improvements such as child seat tethers, head impact protection, brake improvements, and airbag changes;

*\$105.85 for non-mandated quality changes such as powertrain improvements, theft protection, 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 2002 and 2003 domestic models priced for the Producer Price Index. Most of the estimates of quality changes in this release are derived from information supplied for the Producer Price Index 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.