

**TITLE:** How Essential Is Essential Air Service? The Value of Airport Access for Remote Communities

**ABSTRACT:** Essential Air Service is a federal government program that provides subsidies to airlines that provide commercial service to and from remote communities. Despite claims that Essential Air Service is an essential program for connecting remote communities to the national air transportation system, there has been little work studying the economic benefits of Essential Air Service from a public finance perspective. This paper is the first to formally quantify the economic value that residents derive from Essential Air Service using a revealed-preferences approach. I formulate and estimate a model of air travel demand that incorporates travelers' preferences for products from nearby airports using proprietary data containing millions of domestic airline passengers' residential ZIP Codes coupled with their choice of airline product. Simple tabulations of the data reveal novel insights about travelers' choice sets and preferences, namely, that most travelers living in regions receiving subsidized service prefer to drive to larger airports and that nonresidents, who have considerably higher incomes than residents, are the primary users of the subsidized service. I perform a counterfactual policy analysis to estimate the value residents derive from having access to subsidized service and find that, in aggregate, Essential Air Service provided about \$16 million in economic value to local communities in 2019 at a cost of about \$290 million. The findings suggest that eliminating all Essential Air Service subsidies would have a negligible or potentially modestly positive effect on the welfare of the community members who are meant to benefit from them, as commercial service would likely cease at undesirable airports and competition would likely increase at desirable airports.