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One System. The Size of the Prize

Why a country that governs its visitor economy as one system keeps more of what it pays for, and what that is worth

Mark Alexander, Founder | We Are Living Lab Ltd

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EXECUTIVE SUMMARY

The visitor economy is one system. Govern it as one.

Tourism is close to a tenth of the world's output and employment, and almost every government still plans it in pieces. Routes are approved in one ministry, events funded in another, hotels licensed by a third, and the workforce trained by a fourth. Each is measured on its own method, by its own consultant, usually after the money is committed. The connections between them, where most of the value is won or lost, are left to instinct.

This paper sets out the alternative. A visitor economy is one system: a supported route fills hotels, a hotel approval widens what a city can host, a stronger calendar creates the jobs a workforce programme should be sizing for, and a well-set licensing rule lifts the yield on all of it. Governed as one, those decisions can be sequenced so that each lifts the next and the country keeps more of what it pays for. The gains come from order and timing, not from spending more.

5	**1**	**5 pts**	**US$1bn**
levers a government holds over the visitor economy	method, so a route can be set beside an event beside a hotel	of retention, on an illustrative US$20bn economy	a year, illustrative, from the same visitors

- The problem is not effort or talent. It is that the parties to the visitor economy run to different targets with no common language, so nobody sees what one decision does to the rest.
- Measured on one method, the five levers become comparable, and comparability is what turns a set of departmental studies into a portfolio a government can improve.
- The largest gains are in sequencing: approving capacity in the order demand will fill it, releasing licences as hotels open, and pacing the calendar so the local supply chain grows into demand rather than losing it to imports.
- On an illustrative US$20bn visitor economy with 40% leakage, five points of retention is US$1bn a year. The arithmetic is shown; the reader's own figures fit the same shape.

PART I

The silo problem

Six studies that do not add up

A route-support agreement, a hosting bid, a hotel development approval, a short-term rental licensing regime, and a workforce programme are normally approved on arrival totals, comparator anecdotes, and the advocacy of whichever department owns them. Each arrives with a study. Each study takes a consultant about three months to produce, runs to 250 pages, and is measured on a method nobody else used. The report goes in a drawer the week after the decision it was meant to inform.

The official who inherits those studies is asked why they do not reconcile. They cannot, because they were never built to. A route case counts arrivals; an event case counts attendance; a hotel case counts keys; a workforce case counts jobs. None of them shows what it does to the others, and none of them can be set beside another without a footnote explaining why the numbers disagree.

> **An insight that changes nothing is merely a report, and the sector has plenty of those.**

Where the value goes

The OECD's own guidance names the consequence. Destination data is too coarse, too slow, and too fragmented to support the flow-management, local-benefit, and trade-off decisions governments are asked to make. The cost is not abstract. It is a route subsidised for demand the market would have flown anyway. It is a hotel approved for a peak the place remembers rather than the demand it can sustain. It is a calendar that fills August and empties May. It is a licensing rule that protects one sector by quietly taxing another. And it is the fleet of guest vehicles that arrives on foreign plates with foreign drivers, while the guests sleep in the next city, so that the town paying for the event captures a fraction of what it generated.

PART II

One system: the mechanism

How the levers connect

A visitor economy behaves as one economy whichever door the visitor came through. A passenger on a supported route sleeps in a hotel the planning authority approved, attends an event the culture ministry funded, eats in a restaurant the licensing regime permits, is driven by a company the workforce programme trained,

and spends in a sector the treasury taxes. The same spend runs through the same 50 sectors regardless of which ministry's decision started it.

That is what makes the levers connect. A new route changes hotel demand. A hotel approval changes what events the city can host. An event calendar changes what workforce the region needs. A short-term rental rule changes the yield on all of it. None of these sits inside one domain, and each multiplies the others when it lands in the right order.

What it takes to see it

Seeing the system as one requires three things that a departmental study does not have. One method, across every domain, so the outputs are comparable by construction. Live signals, so demand is seen moving rather than surveyed after the fact: routes and fares, event calendars, hotel and short-term rental supply, prices, weather, sentiment, and visitor movement. And a stated counterfactual, so that what is counted is what is genuinely additional, net of displacement and deadweight.

With those in place, a government can test a route, an event, and a hotel approval on the same afternoon and see what each does to the others. That changes what can be asked, and how fast the answer arrives.

> **The levers are yours. Now see them together.**

PART III

The five levers

Routes and access

A route is the first lever because it is where the money enters. The decision is which routes to support and at what level. Pulled alone, it is priced against the airline's ask. Pulled with the system in view, it is priced against the hotel nights, event attendance, and sector spend the route carries, and against the connectivity relationship the UK Department for Transport's aviation connectivity review sets out between air access and economic growth. The risk of pulling it blind is subsidising a route the market would have flown anyway, or losing the one that carries the region.

Events and the calendar

The calendar is the lever most governments already pull, usually one event at a time. The decision is which events to fund, and when and where to hold them. Seen as one portfolio on one method, the calendar can be ranked on return net of displacement, and the shoulder weeks with open capacity are usually worth more than the peak weeks that displace demand already there. The flood proves a city can

host the world once; the tide of the ordinary calendar pays the taxes every year, and both need measuring the same way.

Hotel and short-term rental capacity

Capacity is the lever with the longest lead time and the least forgiveness. The decisions are how many keys to approve, where, and in what order, and how many short-term rental licences to release or withdraw. Approved against a remembered peak, capacity sits empty. Approved against forecast demand by location and by year, and sequenced so each opening is absorbed before the next, it fills. Licences released as hotels open, rather than against them, keep the two supply channels complementary instead of competing.

Workforce and supply chain

The fourth lever is how much to build and how many to train, and it is the one most often sized by instinct. Demand by origin, timing, and purpose, set against beds, seats, and skills, shows whether a workforce programme is training for a peak that will not return or for the sustainable level. The same view shows which local sectors would keep more of the value if they grew: the caterers, ground transport, and ground handling that either absorb visitor spend or watch it go to imports.

Policy and licensing

The fifth lever is the rule book: trading hours, short-term rental regimes, zoning, event licensing. Every rule changes the yield on the rest of the system. Tested before it is signed, a rule shows its displacement, its yield, and its fiscal effect across every domain. Signed blind, it protects one sector by quietly taxing another, and the cost surfaces a year later as a hotel rate, a vacancy, or a route that no longer pays.

PART IV

Sequencing and absorptive capacity

The order matters more than the amount

Absorptive capacity is how much demand a place's supply chain can take on before the value leaks: to imports, to the next city, or to an operator who flew in for the week. It is the concept behind the fleet on foreign plates and the guests in the next city, and it is the concept behind a host city whose bars ran dry because 50,000 supporters arrived on a weekend nobody had modelled.

Sequencing is the discipline of pacing demand so that capacity grows into it. Approve keys in the order demand will fill them. Release licences as hotels open. Place events in the weeks where the calendar has room, so that caterers, drivers, and airlift scale with the demand rather than being overwhelmed by it or importing

to meet it. Done well, the local supply chain is larger at the end of the cycle than at the start, and it keeps more of every subsequent event.

The counter-seasonal argument

Most destinations run near capacity for part of the year and well below it for the rest. A visitor added in the peak displaces one already there and strains services that are already full. A visitor added in the shoulder occupies a room that would otherwise be empty, is served by staff who would otherwise be idle, and leaks less because the supply chain has room. The same event moved from August to May can be worth more to the country, and the calculation that shows it is the one almost no destination runs before fixing a date.

> **A drumbeat of evidence is remembered. A 250-page study is shelved.**

PART V

The size of the prize

An illustrative economy

The figures in this section are illustrative. They show the shape of the arithmetic so that a reader can substitute their own economy; they are not a measurement of any country.

Take a visitor economy of US$20bn a year in gross visitor spend. Suppose 40% of that spend leaks outside the border: to imported goods, to non-resident operators, to the next city. The country retains US$12bn. Now suppose the levers above are sequenced so that retention rises by five percentage points, to 65%. The country retains US$13bn. The difference is US$1bn a year, from the same visitors, every year.

	Retention	Retained value	Change
Today	60%	US$12.0bn	
Five points better	65%	US$13.0bn	+US$1.0bn a year
10 points better	70%	US$14.0bn	+US$2.0bn a year

Illustrative. Gross spend, leakage, and the achievable improvement vary by economy and must be measured, not assumed.

Where five points comes from

Five points of retention is not one decision. It is the sum of several, each small, taken in order. Two points from sequencing capacity so that new keys are filled by demand rather than by discounting. One point from placing events in shoulder weeks where displacement is lower and local services have room. One point from growing the two or three local supply sectors that currently import the most. One point from a licensing regime that keeps hotels and short-term rentals complementary. The exact split is a property of the economy being measured; the shape is general.

What the gain is not

It is not a forecast. It is not a promise of growth in gross spend, which depends on markets a government does not control. It is the share of existing spend that the country keeps, which depends on decisions it does control. That is the reason it is the right prize to size: it is the part of the visitor economy that is genuinely in the government's hands.

PART VI

What changes for a government

Eight things, in order of what leadership notices

Scope. Six ministry studies that do not reconcile become one system, so a route shows its effect on hotels and an event on jobs.

Speed. Three months and 250 pages, delivered after the programme has moved on, become minutes, on one page, while the capital is still uncommitted. The three months a commissioned study takes is not analysis time. It is the time it takes to assemble the inputs from scratch, every time, for every department separately.

Comparability. Figures that cannot sit side by side become a route beside an event beside a hotel incentive, on one method, so the portfolio improves every year instead of being defended one item at a time.

Capacity. Beds, seats, and training built for a remembered peak become capacity and workforce sized to the demand the place can sustain.

Investment. Projections nobody can trace become a demand case with a stated counterfactual, built for a partner's due diligence.

Leadership. Ministries reporting different figures upward become one evidence base every authority reports from.

Sovereignty. Knowledge that leaves with the consultant at the end of the engagement becomes a model, a method, data, and a trained national team, held in-country.

Distribution. A national total that says nothing about a region or a project becomes retained value by region, by project, and by sector.

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METHODOLOGY

How it is measured

Economic contribution is calculated across 50 OECD ISIC sectors using ISIC Rev.4 classification and Leontief Type I and Type II multipliers, calibrated to the host economy rather than borrowed from comparators. Every figure states whether it is gross, incremental, or attributable; what it measures; its geography and period; and its uncertainty range. Counterfactual, displacement, and leakage are stated explicitly and netted before reporting. Basis, confidence, as-of date, and model run are attached to every number, and observed, derived, and inferred values are kept visibly separate.

Where OECD material informs a method, the instrument is named. The OECD Recommendation on Global Events and Local Development calls for early evidence, consistent ex-ante and ex-post evaluation, and transparent public investment, and this framework is built to satisfy it. Outputs support reporting against the UN Sustainable Development Goals so that a national visitor-economy case can sit alongside a government's existing commitments rather than be reported separately. Route-level assumptions draw on the UK Department for Transport's aviation connectivity literature review. The platform, the data, and the trained team can all be held inside the government's jurisdiction; sovereign hosting is a standard option, not an exception.

RIGHTS AND NOTICES

Modelled estimates are not forecasts. Figures marked illustrative show the shape of an output and are not measurements. Nothing in this document constitutes investment, legal, financial

or policy advice, and no reliance should be placed on it for those purposes. Living Lab accepts no liability for decisions taken on the basis of this publication.

We Are Living Lab Ltd

Registered in Scotland, company number SC848549 · VAT GB495295540

36 Miller House Courtyard, Miller Road, Ayr, KA7 2AY, United Kingdom

wearelivinglab.com