

Chapter 12

Establishment and Application of National Integrity Management System for Cruise Ports



Shanghai Cruise Port Case

Jingjun Gu

Abstract With rapid development of cruise industry, cruise integrity issues have gradually drawn attention. Shanghai Government departments and port authorities also developed and announced a series of policies and regulations on cruise integrity issues, and have achieved some results. However, they are not on the same path of development. In this paper, the establishment of cruise port integrity management system is discussed on the principle of comprehensiveness and delicacy, scientific reasonability, sufficient quantification and strong operability and on the basis of the existing research results, incorporating current status of Chinese integrity development and Shanghai cruise port integrity management as well as cruise industry development characteristics, so as to facilitate active establishment of Shanghai cruise industry integrity when the system is put into practice, to maintain development order of cruise economy, and to push forward sustainable and healthy development of cruise industry, thus producing experience and a pattern which is duplicable nationwide to contribute to Shanghai and even national economic growth.

Keywords Cruise port · Integrity management system · System establishment · Practical application

1 Introduction

In the development course of Chinese socialist market economy, credit is an integral part. To maintain healthy and orderly development of socialist market economy, developing and improving an integrity system corresponding to present Chinese development stage is a must-do. However, in the real world, lack of credibility can be seen everywhere, for example, tax dodging, fraud practice, improper trading and

J. Gu (✉)

Department of the Exit and Exit Frontier Inspection, Station of the People's Republic of China, Shanghai, China

e-mail: gujingjun1@163.com

competition, which prevents socialist market economy from sustainable and healthy development.

After 10-year rapid development, Shanghai cruise port has gradually become the 1st cruise home port in Asia-Pacific region and the 4th in the world. Comparing with the growth rate of cruise economy, port integrity system construction lags far behind. In recent years, functional government departments have gradually realized the importance of construction of cruise port integrity system, and have set about exploring actively.

2 Status of Similar Subject Studies Home and Abroad

2.1 Studies on Integrity Evaluation in Foreign Countries

Integrity is necessary at any stage of relation of social production development. In the 21st century, with rapid global development, economic intercourse has raised higher requirement for integrity.

Olegario (2008), the historiographer said in the book named *Credit Culture*: “Credit becomes an element of social economic operation of entire country. Social rules and culture commonly followed are characterized of self-reinforcement, which means credit becomes more necessary if more people rely on it.” In hundreds of years of capitalism development, western capitalist economy has been highly developed. It experienced various credit crises during development. Studies on integrity and credit crises have become an important point for economists.

Over the past forty years, international scholars have made great progress constantly on enterprise credit researches. Arrow (1972) believed that if two parties of a deal lack basis of credit, trading costs will be increased to a large extent, accordingly reducing an enterprise’s profit, thus increasing social operating costs and lowering social benefits. Kreps’s (1984) studies indicate that lack of integrity or insufficient trust between two parties of a deal will make it difficult to maintain long-term stable income. Therefore, in repeated trading, credit matters a lot to any party of trading. Hence, credit of any individual and principal trading party is an integral part of credit economy. Lack of credit of any party will trigger a series of chain reaction. Credit is a part of social capital (Fukuyama 1998). Moreover, methodology of integrity researches is a fruitful piece of research results in this area. To quantify integrity researches, more and more scholars attempted to study integrity management and evaluation by means of inter-discipline analysis, and have achieved fruitful results. Survival analysis and data envelopment analysis for integer programming, medical science and biology.

2.2 *Researches on Integrity System in China*

In 1990s, China set about preliminary research on integrity theory. Publication of Zeng Kanglin's *Credit Theory* (1993) was a sign that during the development of Chinese socialist market economy, integrity issues have drawn social attention. Qin and Li (2003) believed that lack of commercial credit may seriously impair economic operation, and that construction of credit system was of great importance. Therefore, it is a must do to strengthen laws and announce information. Liu (2004) believed that foundation, form and system of credit constitute an organic whole, and jointly form the ultimate credit capital. It is of realistic importance to take credit as social capital and provide effective management. In addition to theoretical guidance and education, a series of laws and regulations as well as construction of economic operation system are even required, establishing credit records of individuals and principal trading party to enable transparency of credit history. Government plays an importance role therein, which is both the participant and the manager of credible society. The government is obliged to announce to the public any information it is informed during law enforcement, as long as such information is irrelevant to national or commercial secrets, and to strengthen protection of honest and trustworthy entity equity, so as to propagate and encourage honest practices. It even has the right to punish individuals committing breach of promises, in order to give alert and eradicate such breach.

2.3 *Research Review*

National and international scholars carried out credit researches from multiple prospects and dimensions, including impacts on economic efficiency of social operation, information asymmetry, individuals and principal party of social trading. They carried out systematic studies on issues relevant to credit design in terms of professional division.

According to the existing results, it seems that there are only a few researches on credit issues in tourism, particularly cruise industry, but scholars' research results are valuable as they provide a reference to building integrity management system for Shanghai cruise port. For Instance, trading costs, information asymmetry and spillover effect of credit are all realistic issues faced by Shanghai cruise port in integrity management practice. Shanghai cruise port integrity management system targets enterprises engaging in cruise businesses. To establish the system, equal consideration should be given to construction and development of Shanghai cruise port and realistic issues faced by enterprises during operation. Hence, in this paper, it is intended to establish Shanghai cruise port integrity system on the basis of the existing researches and in combination with the current status of Chinese integrity and Shanghai cruise port integrity management, so as to facilitate active establishment of

Shanghai cruise industry integrity when the system is put into practice, thus pushing forward sustainable and healthy development of cruise industry.

3 Current Status of Shanghai Cruise Port Integrity Management

3.1 Government Support

In 2009, the State Council suggested in *Opinions on Accelerating Construction of Shanghai Financial Center and Shipping Center* that Shanghai should basically achieve the objective of completing construction of the international shipping center by 2020, and specified that Shanghai should guarantee sustainable and healthy development of cruise industry. Inspection department at each port should seize development opportunity, put mutual efforts into optimizing the pattern of opening ports to the outside world, pushing forward port information construction and improving convenient level of port clearance, and improve capacity level of cruise ports, thus constantly improving international competitiveness of cruise ports. As early as during Shanghai World Expo, Shanghai cruise ports unveiled *Measures for Pushing Forward Clearance Convenience for Cruise Tourists*, which specified six measures: cruise clearance information communication and sharing, optimization of entry clearance procedures, simplification of exit clearance procedures, standardization of on-board joint inspection, improvement of clearance information level and perfection of emergency linkage mechanism for clearance.

3.2 Practice of Integrity Management by Supervising Agencies of Cruise Ports

In 2001, General Administration of Quality Supervision, Inspection and Quarantine of the People's Republic of China (AQSIQ) unveiled *Administrative Provisions of Risk Pre-warning and Quick Response for Entry and Exit Inspection and Quarantine* on the basis of referring to internationally established practices, taking into account Chinese entry and exit conditions and observing related Chinese regulations. In 2005, Maritime Safety Administration of the People's Republic of China (MSA) announced *Selection Regulations of MSA for Safe and Credible Ships and Captains*. The reformed Shanghai General Station of Immigration Inspection (SGSII) announced provisions of "Green, Yellow and Red" card punishment in 2007. General Administration of Customs, P.R. China (GAC) issued Interim Procedures of Customs of the People's Republic of China for Enterprise Credit Management in 2014. These provisions, in principle, indicate the importance of establishing mutual trust mechanism between enterprises or means of transportation participating in entry

and exit activities and joint port inspection authorities. However, no specific controlling measures against clearance issues occurred in cruise operation have been taken. In 2015, SGSII announced *Measures for Implementing Cruise Reputation Management at Home Ports* and established credit events archives to evaluate and rate cruise credit at home ports. Differential management was also put into practice with some results achieved. However, each department/division was not on the same path of development.

3.3 Necessity for Establishing Shanghai Port Integrity Management System

With the rapid development of cruise industry, currently Shanghai cruise ports are facing three challenges of customs clearance. Firstly, organizations of cruise lines and travel agencies at the ports have influence on efficiency of customs clearance. Secondly, accuracy rate of cruise data declaration has influence on efficiency of clearance by inspection authorities. Thirdly, prominent issues of cruise lines during operation bring potential risks to customs clearance.

3.4 Basis for Establishing Shanghai Cruise Port Integrity Management System

On the CPC's third Plenary Session of the 18th Central Committee of the Communist Party of China (CCCPC) dated November 2013, the Decisions of CCCPC on Several Major Issues Concerning Comprehensively Deepening Reform specified that "push forward collaboration between inland customs and coastal/border customs in order to enable mutual information exchange, mutual recognition of supervision and mutual assistance of law enforcement between related departments of port management."

In December 2014, the State Council announced *Reform Plan for Implementing the "Three Mutual" Policy and Promoting General Clearance Construction*, including reform objectives, "Three Mutual" collaboration contents, improvement of general clearance management system and overall environmental safeguard, as well as promoting steps and organizational leadership, covering five aspects and twenty specific contents. Thus, the "Three Mutual" clearance construction stepped into a rapid growth path.

In June 2014, the State Council printed and issued *Summary of Construction Plan for Social Credit System (2014–2020)*, which stated that social credit construction should be boosted comprehensively, and a credit reference system covering the entire society should be substantially built by 2020 so as to guarantee incentives and punishment mechanism fully functional.

On June 27, 2016, *Standards for Shanghai Cruise Tourism Operation* was announced. The Standards provided criteria for credit management for cruise tourism operation in order to ensure Shanghai cruise tourism market order, protect consumers' rights and interests as well as lawful rights and interests of cruise lines, travel agencies, international shipping agencies and cruise ports.

4 Construction Frame of Shanghai Cruise Port Integrity Management System

4.1 Leading Organs for Integrity Management Activities

Led by Shanghai Municipal Office for Port Services (SMOPS), a working team of Shanghai cruise port integrity management should be founded responsible for unified coordination of integrity management of Shanghai cruise ports.

At present, the team members include SMOPS, Industry Supervision and Management Department of Shanghai Municipal Tourism Administration, the 6th Division of Shanghai Cultural Market Administrative Enforcement Unit, Foreigners Management Office of Exit-Entry Administration Bureau of Shanghai Police Security Bureau, Baoshan Riverside Development and Construction Management Committee, Pujiang Immigration Inspection Station, Wusong Customs, Baoshan Bureau of Exit-Entry Inspection and Quarantine, Baoshan Maritime Safety Administration, Wusong Cruise Terminal Corporation, Shanghai International Cruise Tourism Service Center.

Considering that sound mechanism has not been established at early stage of Shanghai cruise port integrity management, in early period of preparation, units having close relation with Shanghai cruise entry and exit clearance services will be recruited to be sponsor. When this mechanism operates smoothly, the working team will recruit more members depending on actual cruise operation situation to participate in integrity management evaluation, thus continuously improving cruise integrity management mechanism.

4.2 Customs Clearance Rules for Shanghai Cruise Port Integrity Management

Customs Clearance Rules for Shanghai Cruise Port Integrity Management is developed by the working team of Shanghai cruise port integrity management. Applicable to various enterprises participating in cruise operation, the Rules require all members to sort out problems accumulated during customs clearance inspection of cruise ships, which are frequently encountered by those to be managed, and produce a

menu list of these problems. Detailed contents of the Rules will be developed upon discussion and decision within the working team.

The contents will cover non-standard behaviors committed by cruise ship operators' staff when they cooperate with its company in clearance inspection in violation of integrity principle, which are detected by each member over the years of cruise operation, and behaviors that severely influence smooth clearance and environmental order at cruise terminals. Upon the completion of formulation of the Rules, it will be announced to the public by the working team in order to inform those to be supervised for warning purpose, thus urging the enterprises to avoid non-standard behaviors.

4.3 Work Pattern of Integrity Management

Integrity management activities are managed on the basis of combination of three modes.

4.3.1 Daily Management of Targets Supervised by Team Members

Daily management is independently carried out by each team member that enters integrity event information via information platform of Shanghai cruise port integrity management. Then, the system automatically computes daily scores of targets supervised according to event information for future reference. Besides, team members are allowed to carry out, within their law enforcement authorities, internal self-rating of how targets under their supervision observe and cooperate with customs clearance, according to list of integrity management events, and implement differential management of enterprises, as shown in Table 1.

4.3.2 Key Management of Special Events

For special events, a special event linkage working mechanism will be established in the form of key management. For targets supervised that trigger redline of supervision and cause emergencies, any of the team members may activate the linkage working mechanism. upon discussion on a joint session of the working team, a decision may be made to temporarily adjust overall integrity rating of the target supervised and take joint measures.

4.3.3 Annual Overall Rating

The platform for Shanghai cruise port integrity management information application automatically computes annual overall rating and score of the targets supervised

Table 1 Rating of home port cruise reputation management by Pujiang Immigration Inspection Station (2015)

Documentary basis	Reputation rating	Cruise lines	Cruise ship name	Rating criteria	Reputation measures
<i>Measures of Pujiang Immigration Inspection Station for the Implementation of Home Port Cruise Reputation Management</i>	Grade A	Princess Cruises	Sapphire Princess	No event where passengers stop over abroad and do not return occurs through the year. There is no Notice of Correction or administrative penalty issued by immigration inspection authorities	<ol style="list-style-type: none"> 1. Given a plaque of 2015 Credible Cruise Ship; 2. The cruise service agencies making mistakes in declaration, if on-site correction has no influence on clearance efficiency, will receive lenient punishment or be exempted from administrative penalty 3. In special circumstances, upon communication with joint inspection authorities, immigration inspection authorities may permit extension of clearance time 4. Quantity of valid one-year boarding permits may be increased properly for units involved
		Royal Caribbean International	Quantum of the Seas	Occurrence of events where passengers stop over abroad and do not return is lower than 0.3 ⁰ /000. There is no Notice of Correction or administrative penalty issued by immigration inspection authorities	

(continued)

Table 1 (continued)

Documentary basis	Reputation rating	Cruise lines	Cruise ship name	Rating criteria	Reputation measures
	Grade B	Royal Caribbean International	Mariner of the Seas Millennium	Entry and exit management laws and regulations and provisions of immigration inspection are observed in a conscientious manner. No severe violation of laws and regulations is committed, or there is potential management risk of minor nature, and timely correction has been made after warned by immigration inspection authorities	Receive management from immigration inspection authorities in accordance with general requirements
		Costa Crociere SpA	Serena Atlantica		
		Bohai Ferry Co., Ltd.	Chinese Taishan		
		SkySea Holding International Ltd.	SkySea Golden Era		
		Costa Crociere SpA	Victoria		
	Grade C	Costa Crociere SpA	Victoria	There are two events where administrative penalties are imposed for inaccurate information declaration. There are four events where 11 passengers leave tour group while travelling, accounting for 1.1 ⁰ /000, the highest rate	During its operation in Shanghai, immigration inspection authorities will implement rigorous management, including increasing ID check percentage of the ship's crew during joint inspection, strengthening inspection of new boarding crew abroad, and strictly controlling number of boarding visitors

according to the integrity event information entered by team members during their daily management, and sort them according to industry involved for reference.

The final annual overall rating is decided by the working team upon discussion on the joint session held at the end of each year.

4.4 Rules for Integrity Rating

4.4.1 Evaluation Method

- (1) Targets to be evaluated have a benchmark score for annual integrity, which is 100, subject to annual resetting, under the name of those which perform supervision duties. (In case of annual rating of Grades C and D, the integrity benchmark for the next year will be 10 and 20 lesser respectively.)
- (2) On the basis of integrity management events entered by team members, the integrity benchmark score is plus one per positive event and minus one per negative event.
- (3) Calculation method for annual overall score: average of daily scores gained by targets supervised under the name of those which perform supervision duties (Table 2).

$$\text{Annual Overall Score of Sapphire Princess} = \frac{90 + 95 + 100 + 80 + 90}{5} = 91$$

$$\text{Annual Overall Score of Sinotrans Limited} = \frac{95 + 90 + 92 + 87}{4} = 91$$

- (4) Each team member is entitled to one-vote veto. The member exercising the veto needs to provide related reasons and enter them into the system.
- (5) The annual rating of a target supervised over which a veto is exercised automatically falls into the next lower grade. If two or more team members exercise the right of veto, more degrading is subject to discussion and decision.
- (6) If there is less Grade A rating in an industry, the working team may make supplement in a proper manner according to actual conditions.
- (7) The target does not provide cruise port services within the year will not be taken into account for the current year rating.

4.4.2 Classification of Rating

Integrity rating follows the international practice of “four classes and ten grades”. The details are listed in Table 3.

Table 2 Example of calculation of annual overall score

Target supervised		Daily score		
		Sapphire Princess	Sinotrans Limited	...
Supervising agency	Shanghai Municipal Office for Port Services	–	–	...
	Shanghai Municipal Tourism Administration	–	–	...
	Shanghai Cultural Market Administrative Enforcement Unit	–	–	...
	Exit-Entry Administration Bureau of Shanghai Police Security Bureau	–	–	...
	Baoshan Riverside Development and Construction Management Committee	–	–	...
	Pujiang Immigration Inspection Station	90	95	...
	Wusong Immigration Inspection Station	95	90	...
	Wusong Customs	100	92	...
	Baoshan Bureau of Exit-Entry Inspection and Quarantine	80	87	...
	Baoshan Maritime Safety Administration	90	–	...
	Wusong Cruise Terminal Corporation	–	–	...
	Shanghai International Cruise Tourism Service Center	–	–	...

Table 3 Standards for integrating rating classification

Integrity rate		Standards for System evaluation	Level of integrity	Prerequisites for supplement of Grade A target
Grade A	AAA	Annual score > 100	Excellent	Within the first three ranks in its category
	AA	Annual score > 95		Within the first six ranks in its category
	A	Annual score > 90		Within the first ten ranks in its category
Grade B	BBB	Annual score > 85	Good	–
	BB	Annual score > 80		–
	B	Annual score > 75		–
Grade C	CCC	Annual score >70		–
	CC	Annual score > 65	Poor	–
	C	Annual score > 60		–
Grade D	D	Annual score < 60	Extremely poor	–

4.5 Integrity Management Measures

On the principle of reward and punishment, enterprises rated differently should be given different facilitation measures.

4.5.1 Facilitation Measures

For Grade A targets according to annual overall evaluation, the working team members will provide various facilitation measures on a unified basis. Furthermore, according to rating of targets supervised, from high to low (AAA => AA => A), preferential treatment will be provided.

4.5.2 Joint Law Enforcement

For Grades C and D targets according to annual overall evaluation, the working team members will carry out not less than one and three joint law enforcement activities in the next year respectively.

4.5.3 Notification to the Public

For Grade A and Grades C/D targets according to annual overall evaluation in all industries, the working team circulates a notice of commendation and warning occasionally through information application platform for Shanghai cruise port integrity management, depending on actual conditions.

4.5.4 Authorized Advertising

AAA targets will be authorized to put the slogan of “Shanghai Cruise Port Integrity Enterprise of the Year” on their company websites, WeChat Official Accounts and other push media for advertising purpose, in order to improve corporate image.

4.5.5 Priority on Equal Conditions

On equal conditions, Grade A enterprises may have priority.

4.5.6 Collaborative Law Enforcement

For Grade C and D targets, if they participate in Shanghai cruise operation in the next year, the working team members properly strengthen supervision through collaborative law enforcement.

4.5.7 Incentives for Cruise Terminals

On the basis of demands for cruise port integrity system construction, cruise terminals may implement differential management for some highly rated enterprises by exempting them from or deducting some service fees at their discretion, so as to urge cruise lines to consider the importance and economic benefits of customs clearance with cautious eyes.

4.6 Information Disclosure and Social Interaction

Through information disclosure module, the information application platform for Shanghai cruise port integrity management discloses annual overall rating of targets supervised and temporary rating adjustment arising from special events. Other information are sorted when the team members enter it into the system, and disclosed regularly subject to the working team’s decision.

As an authoritative channel, Shanghai International Cruise Tourism Service Center Limited discloses related information synchronously with its information platform. Moreover, as an interactive window between the information application platform for Shanghai cruise port integrity management and society, it accepts consumers' complaints and advices, organizes online voting activities, and gives related information to the working team after verification and summary.

5 Construction and Application of Integrity Management Information Platform

The information application platform for Shanghai cruise port integrity management is developed relying on single window of Shanghai ports, including four information modules, namely information inquiry and relevant module, integrity event entering module, integrity rating module, and information disclosure module. The system framework is sketched in Fig. 1.

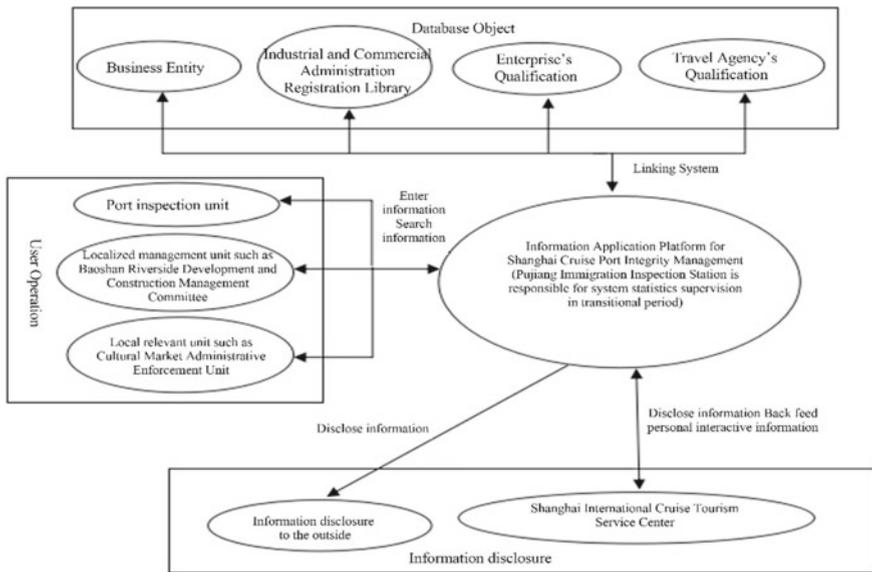


Fig. 1 Schematic diagram for framework of integrity management information application system

6 Management of Shanghai Cruise Port Integrity Evaluation System

Management of cruise port integrity evaluation system should include development of standards, system application and so on.

6.1 Development of Evaluation Standards

Being comprehensive and quantified indicator evaluation system, evaluation standards are basis on which integrity status of enterprises engaging in cruise industry is evaluated.

Integrity evaluation must be in quantified form with unified evaluation standards to produce a final score through calculation, which gives proper weight for evaluation contents according to previously drafted degree of importance. Furthermore, the development of evaluation standards requires incorporation of development phase of cruise ports to produce practical, scientifically reasonable and operable contents.

6.2 Evaluation Management

At present, all department of Shanghai cruise port have accumulated abundant experience in their management activities. They have attached increasing importance to applying integrity management theory to port management. However, sharing and integration level of port integrity management are still far lower than the level of advanced countries in the world. Currently, there are diversified methods for Shanghai port integrity management. Assessment of credit category also conforms to their respective business needs. However, on the whole, linkage among departments and credit resource integration haven't been realized completely.

6.3 Function Description of Platform for Integrity Management Information Application

At present, the information application platform for Shanghai cruise port integrity management has been established. This platform has functions such as information entry, information inquiry, information publish, information statistics analysis, and consumers' interaction. By evaluating clearance quality of cruise lines in operation period, benign interaction are enabled between management by supervising department and cruise enterprise credit construction. Requirement of "mutual information exchange, mutual recognition of supervision and mutual assistance of law enforce-

ment” is met. the information application platform for Shanghai cruise port integrity management provides a set of working mechanism for linkage among departments and resource integration regarding Shanghai port integrity management, provides a set of rules for execution of integrity management activities, and provides a unified platform for information exchange among departments.

6.4 Purpose of the System Development

The system is developed for five purposes: 1. Solidify credit management rules to enable standardized information acquisition; 2. Exploit network platform advantages to the full to enable sharing of management event information; 3. Utilize specific algorithm to enable intelligent data sorting and comparison; 4. Evaluate overall quality of customs clearance for cruise ships, providing basis for reputation management decision-making; 5. Put into practice government information disclosure to publish cruise clearance quality report, creating a competition pattern of cruise service quality improvement.

7 Conclusion

The establishment of *Customs Clearance Rules for Shanghai Cruise Port Integrity Management* aims at creating atmosphere of conscious promise-keeping line operation through differential management, in order to finally enable balance and coordination among management departments, enterprises and tourist. Formulation of rules comes out of both the need of solving prominent problems and the need of balancing interests of all parties. As the basic principle for social and economic operation, honesty and integrity play a protecting role in development and growth of cruise tourism. Strengthening propaganda, making government functional and establishing effective constraint mechanism are all effective approaches to establishing and improving Shanghai port integrity management system.