

Cour des comptes



ENTITIES AND PUBLIC POLICIES

DIRECTORATE-
GENERALE
OF CUSTOMS AND
INDIRECT TAXES

Fiscal years 2013-2019
Necessary refocusing

Summary Report

September 2020

 **NOTICE**

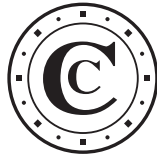
This summary report is intended to facilitate the reading and use of the report from Cour des comptes.

Cour des comptes is only accountable for the report.

Responses from the administrative bodies, organisations and authorities concerned appear after the report.

Summary

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1 The Customs authority: a versatile administration, constantly having to adapt to changes to the context in which it carries out its missions

Attached to the Ministry of Public Action and Accounts, the Directorate-General of Customs and Indirect Taxes (DGDDI) carries out three main missions: surveillance and fight against fraud and trafficking, support for economic activity, collection of certain taxes and indirect contributions¹. It also participates in Central Government action at sea, passenger control at the external borders of the Union and management of migratory flows. It also has jurisdiction in terms of guidance for the wine sectors and the tobacco trade.

This wide range of missions arose from a balance dating back to the introduction of the “single market” in 1993 and the abolition of internal borders within the Union, which led to a contraction of the territorial network for border guards and, conversely, to a widening of fiscal missions and increasing participation in internal security missions.

The DGDDI is obliged to adapt to new public action priorities and changes to the national and international context. All Customs officer competencies are concerned by this necessity for modernisation.

Therefore, it had to implement the new code for the Customs authorities of the Union, adopted in May 2016, which thoroughly changes the procedures for customs release and guidance for economic implementing partners. Nowadays, customs clearance operations are predominantly digitalised and the implementing partners can choose the entry point for their goods (presentation office) on Union territory while completing their reporting formalities at another point (declaration office). Furthermore, they are strongly encouraged to request the approved economic implementing partner label (OEA), which is used to reduce the controls that their goods are required to undergo. This approval is recognised by the Customs authorities of all the countries in the Union.

¹ Every year, the Customs authority collects approximately 28% of the net Central Government tax revenue.

The Customs authority: a versatile administration, constantly having to adapt to changes to the context in which it carries out its missions

These new regulations, which will contribute to the deepening of the internal market and the facilitation of exchanges within the Union, lead the Customs authorities to adapt their organisation to better meet the requirements of the implementing partners. This situation may create a form of competition between national Customs authorities, as companies can redirect the processing of commercial flows and the related logistical systems towards other countries in the Union if satisfaction levels are low.

In parallel, as of 2015, the Customs authority reorganized its action in terms of surveillance to adapt its “traditional” missions to the high threat level and accelerate the increased powers of its intelligence activities. As part of the counter-terrorism plans, It has benefitted from a contribution of more than 1,000 jobs, equipment renewals and the reinforcement of its legal resources for action.

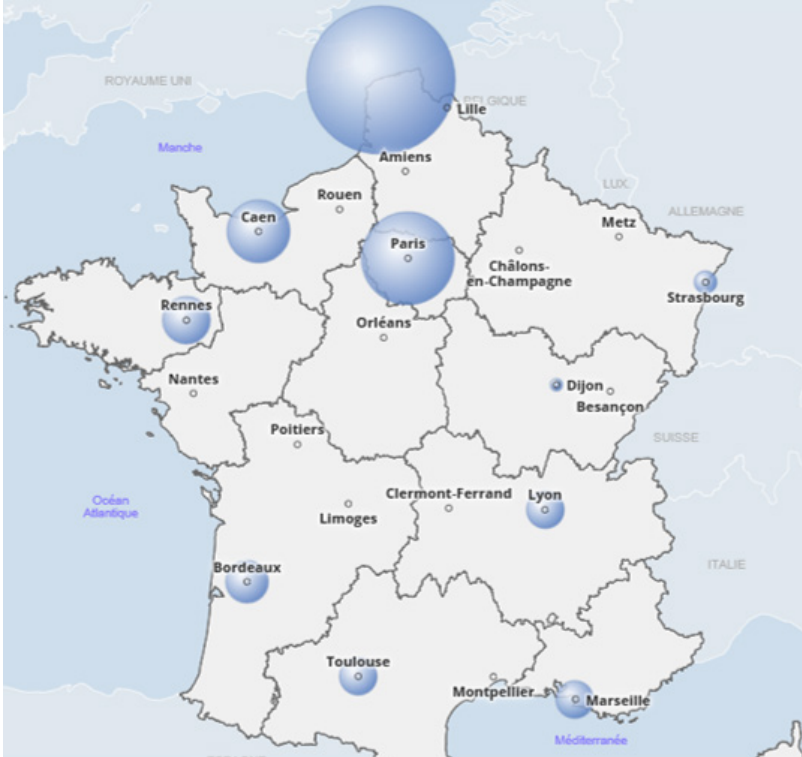
Faced with the necessity of modernising fiscal management and further to constant observations from the Cour des Comptes over many years now, the DGDDI has been committed to simplifying the taxation under its responsibility

and rationalising its accounting network in coordination with that of the Directorate-General of Public Finances (DGFiP). Therefore, since 2017, the Customs authority has initiated a movement towards the specialisation and professionalisation of fiscal management. Furthermore, eleven “low-yield” taxes have been eliminated since 2013 and the reversal of VAT liability for imports is permitted since 1st January 2015, to simplify tax procedures for companies.

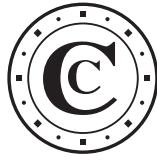
Lastly, since the United Kingdom initiated the procedure for leaving the European Union (Brexit), customs authorities have sought to anticipate any possible consequences of restoring migratory controls and rules on imports, exports and the circulation of third-party goods on the Customs territory of the Union. This preparation has enabled it to obtain a contribution of 700 full-time equivalents (ETP) over three years, has led to investments for the construction of a specific information system and has also led to a reinforcement of the building installations, particularly in the Nord and Pas-de-Calais local public entities.

The Customs authority: a versatile administration, constantly having to adapt to changes to the context in which it carries out its missions

Geographic distribution of customs reinforcements on mainland France



Source: DGDDI, Cour des Comptes processing



2 An administration with a specific organisation and resources

Although no single customs organisation model has clearly emerged in the developed countries, the French situation, characterised by the combination of the Customs release missions and the economic, fiscal and internal security missions, appears unique. The French Customs authority sets itself apart from other comparable Customs organisations due to the extent of its fiscal powers.

To carry out their varied missions, the Customs authorities mobilise almost 17,000 agents, mainly deployed within the territorial network comprising 840 installations. The central administration steers this network. With approximately 650 officers in 2018, its organisation chart has been revised as of 1st October 2018 to be adapted to any changes of the ongoing missions. In this respect, the Customs authorities have chosen to create a large number of specialised entities, particularly in the form of departments with national jurisdiction, which is a departure from traditional line management, and have some managerial autonomy.

It has its own specific territorial breakdown which differs from that of the Central Government. Mid-2019,

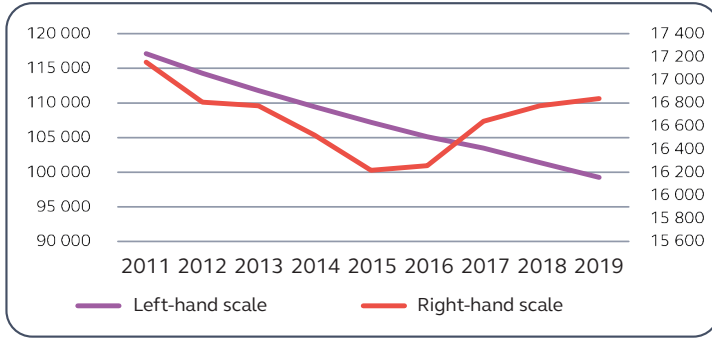
with 12 inter-regional directorates, 42 regional directorates, 150 Customs offices, 244 surveillance brigades and 51 indirect contribution departments, the territorial network is dense and results from the diversity of the missions carried out.

The significant material resources deployed by the Customs authorities, particularly in terms of air-sea surveillance, contribute to this competency versatility. Furthermore, it has both administrative and judicial legal powers which make it a specific administration.

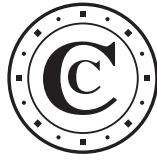
The Customs authority has benefitted from favourable financial trade-offs. Therefore, the combined effect of the recruitments granted as part of counter-terrorist plans and preparations for Brexit, the employee numbers of the DGDDI increased by 4.6 % between 2015 and 2019. Within the finance ministries, this increase clearly differs from the job reductions conducted by the DGFIP (-7.4 %). The scale of recruitments brings the employee numbers of the DGDDI back to their 2013 levels, thus offsetting the job reductions decided previously.

An administration with a specific organisation and resources

Employee numbers of the DGDDI and the DGFIP in ETPT



Source: Budgetary documentation, Cour des Comptes processing



3 A transformation slowed by management rigidity and an insufficient performance approach

Interms of human resources, the sedimentation of complex and costly exemption regimes are an obstacle for officer mobility and for the development of competencies. The room for manoeuvre for making changes to employee numbers and ensuring the successful adaptation of profiles to the jobs available are highly constrained. This results in high vacancy rates and persistent discrepancies between the organisation charts displayed and the needs of the department. This observation led the DGDDI to adopt a multi-year action plan End-2019, which must provide a reduction in the number of allowances and their modernisation, and, in early 2020, establish management guidelines regarding mobility, aimed at taking more account of the profiles of the officers in the recruitment programs. The Cour des Comptes recommends continuing this approach by simplifying the statutory and compensatory exemption regimes and reducing their number to facilitate the functional mobility of Customs officers.

In addition, the accommodation conditions for officers implemented by the public institution “Masse des douanes” (Customs officer housing association) remain affected by a series of deficiencies, previously reported by the Cour des Comptes in 2016². Access to a pool of accommodation should nonetheless help to reduce the difficulties encountered by the officers affected in certain regional directorates, particularly in the Île-de-France region, and become a lever of adaptation for its organisation and its network. The Cour des Comptes therefore recommends introducing a new housing benefit policy for Customs officers to facilitate their geographical mobility.

While Customs authorities offer a wide variety of competencies and careers and while this range is having to be transformed due to the changes it is undergoing, the officers have little mobility and the management forecast approach for employee numbers, jobs and competencies (GPEEC) remains clearly insufficient.

² Cour des Comptes, *Customs officer accommodation through the “Masse des douanes” (Customs officer housing association)*, referred, May 2016, available at www.ccomptes.fr.

A transformation slowed by management rigidity and an insufficient performance approach

Several competencies are increasingly experiencing differences between the jobs on offer and the profiles available, particularly in the field of information systems. To facilitate more fluid career paths and provide guidance for the modernisation strategy, the Cour des Comptes therefore recommends building a GPEEC taking into account any foreseeable changes in the missions of the Customs authority.

The adaptation of the DGDDI to its environment is also constrained by the weakness of the tools used to allocate its resources in a rational manner. The absence of reliable reference employee numbers and its incapability of calculating the full cost of each of its missions prevent it from managing its resources satisfactorily. In addition, the lack of reliability of its activity monitoring tools and a real reluctance to acquire the necessary resources prevent it from comparing itself to the other Customs authorities of the Union.

However, in the context of the increase in workload outsourced to Frontex, the difficulties encountered by the Customs authority to document the cost of its three main missions and compare itself to the other European Customs authorities could lead to France being refused the right to reimbursement for its availability on behalf of the Agency. The DGDDI must use the forthcoming months to work, in coordination with the budget department, on providing the activity analysis elements enabling it to receive these reimbursements.

The Cour des Comptes therefore recommends that the Customs authorities acquire tools enabling a

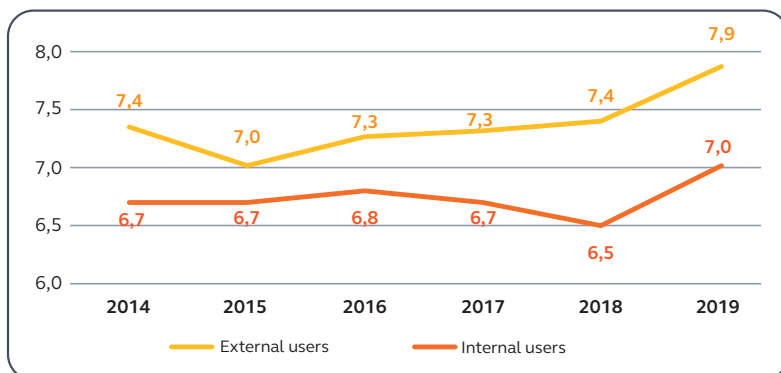
rational allocation of resources for each mission and each department, as well as developing an accurate monitoring system for its activity to enable reinforced steering and comparisons with the other European Customs authorities.

Furthermore, the dysfunctions observed over the last few years in the management of the air-sea resources of the Customs authorities are only being corrected very gradually. The availability of aerial resources, despite some recent improvements, remains insufficient for the helicopter fleet and worrying for the aeroplane fleet. The Cour des Comptes points out the necessity of increasing the availability of air-sea resources, in particular by accelerating the pooling of maintenance for the fleets of aircraft and boats.

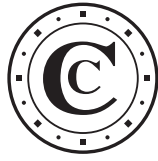
Lastly, the Customs authorities have not introduced any tools for performance measurement and, due to its inspection and sanction missions, has only recently developed a measurement approach for services provided for users. Consequently, no reconciliation is made systematically between the results obtained and the resources implemented and the reasons for low user satisfaction levels remain the same from year to year. The Cour des Comptes consequently recommends improving the performance measurement system and better taking into account the reasons for low public satisfaction levels, in particular to reinforce the ability to allocate its resources according to its priorities.

A transformation slowed by management rigidity and an insufficient performance approach

Rating of the main teleservice systems (out of ten points)



Source: DGDDI, Cour des Comptes processing



4 Necessary refocusing of the DGDDI on its expertise in the control of goods flows and people to address the forthcoming changes

The changes observed over the last few years in the Customs environment are expected to accelerate. These changes, on an unprecedented scale since 1993, must lead the DGDDI to reassess its scope of expertise and pursue its transformation.

With the massification of international trade in an open economy, the Customs authority should refocus its activities on the control of goods flows. This flow logic has become central, in particular with the increase in power of EU regulations, the development of new forms of trade, including electronic trade, which deeply modifies the characteristics of flows of goods, the intensification of flows of passengers at border crossing points and migratory pressure at the Schengen zone borders.

The Customs authority should therefore consider itself once more as an administration for border protection and flow control. It should allow for the reorganisation of its network in accordance with this logic and taking into account the digitalisation of procedures. The redeployment of resources should, furthermore, be carried out as part of a search for synergies with other administrations. For this purpose, the Cour des Comptes

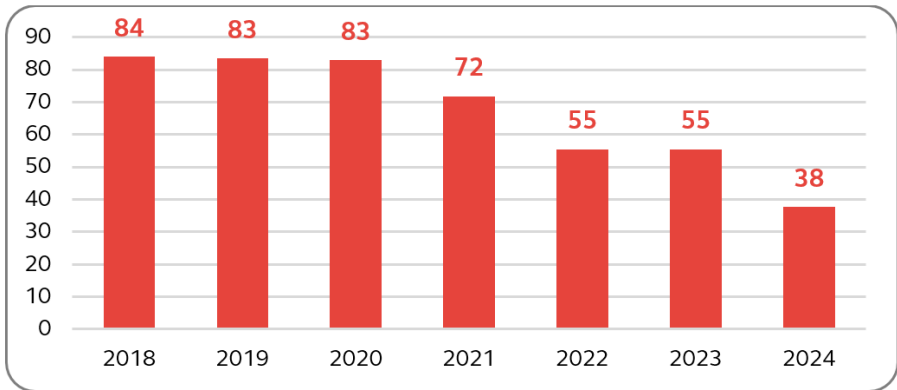
recommends reassessing the share of responsibilities at the border crossing points with border police central management.

This transformation will be carried out as part of a reinforcement of the Customs resources of the Union. In particular, the creation of a European body for border guards and coast guards, under the European regulation dated November 2019, with reinforced resources, must lead the DGDDI to anticipate the consequences of the increase in workload outsourced to Frontex and to identify without delay the necessary resources and the work methods to be introduced.

The movement for unification of the tax collection function, initiated by financial legislation for 2019 and further to Article 184 of the financial legislation for 2020, will involve the transfer of fiscal functions from the Customs authority to the DGFIP. By 2024, all or part of the management of 11 of the 14 indirect contributions currently managed by the Customs authorities will be transferred. Once the transfers of missions stipulated by the financial laws have been implemented, the taxes recovered by the DGDDI for 2024 will only represent approximately a third of the sums collected in 2019.

Necessary refocusing of the DGDDI on its expertise in the control of goods flows and people to address the forthcoming changes

Order of magnitude of the expected reduction in revenue collected by the DGDDI (in Millions of €)



Source: Customs, Cour des Comptes presentation. The figures are orders of magnitude.

This important work area shall involve both pursuing the adaptation of fiscal management prior to the transfers, and, in parallel, preparing for the thorough transformations of the Customs authorities organisation, with its Customs accounting network being primarily concerned.

The Cour des Comptes recommends implementing the transfer of the collection of many taxes provided for by financial legislation for 2020 within the specified deadlines and drawing the necessary conclusions in terms of employee numbers and territorial installations. With the exception of Customs duty, the TICPE and VAT for imports applicable to non-taxable individuals, for which the management, collection and inspection present specificities that fully justify their being retained at Customs, the Cour des Comptes also considers it necessary to assess, for each individual fiscal measure, whether the transfer of collection

functions must be accompanied by the transfer of tax base and inspection functions.

Furthermore, the Cour des Comptes recommends establishing a strategy for valorising and integrating Customs data in common with the DGFIP. Indeed, the pooling of data and its use with this administration would both allow the emergence of bigger data sets and facilitate the recruitment of competent staff to process them. It would be all the more useful for the DGDDI as the contraction of the scope of its fiscal missions will, gradually during the transfer of taxes to the DGFIP, limit its ability to access and use a rich and extended data set.

The thorough transformations initiated by the gradual transfer of the fiscal missions of the Customs authorities provide an opportunity to reassess the operational scope of the DGDDI. They give reason to envisage a refocusing of its missions

Necessary refocusing of the DGDDI on its expertise in the control of goods flows and people to address the forthcoming changes

by transferring the competencies of economic sector guidance. Further to its observations formulated in 2014, the Cour des Comptes recommends that the wine sector powers of the Customs authorities be outsourced partly to the Ministry of Agriculture, which also has a territorial network, and partly to the professional organisations. It also recommends a reassessment of the conditions for organisation of tobacco retail, without taboos concerning the status of Customs representatives and their tobacco sales monopoly, and with the aim of efficiency and greater consistency for public policies.

In a context marked by the strong dynamic for digitalising procedures and creating competition between the various Customs authorities of the Union, this transformation approach must enable the Customs authorities to better meet the requirements of the

economic implementing partners and the evolving threats. By refocusing its customs activities on a high-stakes core profession, the DGDDI would thereby be in a position to renew its operating conditions and reinforce its position in the national and European administrative action. Through these adaptation efforts, it would contribute help to ensure that the implementing partners continue to locate the processing of flows of goods and the related logistical systems in France.

All these transformations make it necessary to develop a strategic plan setting out the changes and conditions for carrying out Customs authorities missions, including an adaptation diagram for the territorial network. This plan shall be prolonged by the establishment by End-2020 of a performance contract for the DGDDI in conjunction with the strategic project.

Recommendations

Recommendations relating to the management of human resources

1. Simplify the statutory and compensatory exemption regimes and reduce their number to facilitate the functional mobility of Customs officers (*DGDDI*).
2. The Cour des Comptes therefore recommends introducing a new accommodation support policy for Customs officers to facilitate their geographical mobility (*DGDDI*).
3. Set up a forecast management system for jobs and competencies taking into account any foreseeable changes in the missions of the Customs authorities (*DGDDI*).

Recommendations relating to the management of resources and performance

4. Acquire tools providing a better match between the resources and the missions of the departments, particularly one suitable indicator for distributing jobs between territorial departments (*DGDDI*).
5. Develop a specific monitoring system for Customs activity to enable reinforced steering and comparisons with other European Customs authorities (*DGDDI*).
6. Increase the availability of air-sea equipment, in particular by accelerating the pooling of maintenance for the fleets of aircraft and boats (*DGDDI*).

Recommendations relating to changes and refocusing of missions

7. Reassess the share of responsibilities at border crossing points in conjunction with border police central management (*DGDDI*, *DCPAF*).
8. As part of the increased workload of the missions outsourced to Frontex, identify the necessary resources and the work methods to be introduced (*DGDDI*, *SG Mer*).
9. Implement the transfer of collection within the set deadlines and deduce the necessary consequences in terms of employee numbers and territorial installations (*DGDDI*).
10. Specify, for each individual fiscal measure, whether the transfer of collection functions to the DGFiP must be accompanied by the transfer of tax base and inspection functions (*DGDDI*, *DGFiP*).
11. Introduce a valorisation of pooled data between the DGFiP and the DGDDI (*DGDDI*, *DGFiP*).
12. Organise the transfer to the Ministry of Agriculture and the relevant professional organizations of economic monitoring of the wine sector (*DGDDI*, *DGAL*).
13. Draw up a strategic plan based on a review of the missions of the Customs authorities and translate it by the end of 2020 into a performance contract that sets the objectives, resources and a diagram for the adaptation of the territorial network of the DGDDI (*DGDDI*).