amend the Anti-Inflation Act to ensure effective administration of controls during the period of transition and to minimize the risk of a bulge when controls come off. We will also proceed with establishment of an agency to monitor and report upon price and cost developments.

In the phased process of decontrol beginning next April 14, employees will be free of controls for their guideline years which start after that date. Business will be free of price and profits controls for their fiscal years which begin after that date.

Changes are being made in the guidelines for the third year of the program. They are fully explained in the Supplementary Information I will be tabling. Briefly, the basic guideline for wages and salaries will be 6 per cent. The experience adjustment factor will continue to apply. Dividends will remain under control. The permissible increase will be reduced from 8 per cent to 6 per cent, the same amount as for wages and salaries.

We have no choice but to keep slowing down the increase in costs if we are to get the economy going again and reduce unemployment. Barring unforeseen events, the rate of inflation will come down below 6 per cent next year, so the lower guideline will not lead to a fall in real incomes. Furthermore, I am taking steps to ensure that the take-home pay of lower and middle income workers will increase.

In fact, in the last two years, we have been right on target. We were two points lower in the first year. This year, because of the circumstances I have explained, we are two points higher. That totals exactly the same.

If we had left the regulations unchanged, the guideline would have been about 8 per cent because the consumer price index has gone up by more than the price target this year. But I would like to emphasize that the first two years of the program taken together were just about on target. We did better than the target by almost 2 per cent in the first year and seem likely to fall short by about the same amount in the second year. This was due to two main factors. First, food prices fell in 1976 and then rose sharply in 1977. Second, the Canadian dollar remained quite strong through much of 1976 but has since fallen quite sharply. This has pushed up the prices of the things we buy abroad.

There is no way in which we can protect Canadians from the loss of real income caused by higher import prices. If money incomes were allowed to rise correspondingly, the inevitable result would be still higher prices and we would be worse off.

I turn now to fiscal measures.

While my room for manoeuvre is very limited because of large deficits in our accounts, I believe we can do more to stimulate the economy. The measures I have chosen will serve several purposes. They will offset the cut in the wage guideline for low and middle income wage earners. They will stimulate consumer spending and housing. And they will create jobs.

First, I am cutting taxes for low and middle income taxpayers by $100. I propose to do this by increasing the minimum amount of the 9 per cent federal tax credit from $200 to $300.

[Mr. Chrétien.]

This will apply only to the 1978 taxation year. The value of this additional $100 cut will be more than $700 million.

To provide quick stimulus, the reduction will be concentrated as much as possible through the January and February deductions at source. The take-home pay of millions of employees will increase by $50 in January and $50 in February. Many will enjoy a holiday from federal income tax in those two months and some for the whole year.

[*Translation*]

Here are some examples. A typical married taxpayer with two children and an annual income of $15,000 will see his federal tax reduced in January and February by the full $100. If his income is $10,000 or less, he will pay no federal tax at all in these two months. If he earns about $8,500 or less, he will have a holiday from federal taxes for the year as a whole.

Over 7,500,000 taxpayers will benefit from this tax cut. About 6 million will receive the full $100 cut.

I also wish to announce that the indexing factor for the personal income tax for 1978 will be 7.2 per cent. This means that the basic personal exemption will increase from $2,270 to $2,430. For a family of four, total personal exemptions will rise by $360 from $5,120 to $5,480. In total, Canadians will pay $850 million less in taxes next year as a result. I only regret that the importance of indexation is so often forgotten or ignored in public discussion. That is why I am pleased to repeat it this evening—taxpayers will benefit from an additional $850 million exemption in the early part of the year.

I now turn to our measures of direct job creation. We have already allocated a total of $450 million this year for Canada Works, Young Canada Works and the other job creation programs. These programs will be maintained at this very high level for 1978-79. In addition, we are providing $150 million for work projects with a high employment content. These will be focussed on high unemployment areas beginning immediately. In total, for the current and the next fiscal year, the government will be spending over one billion dollars for direct job creation. All of these funds are being provided within the expenditure ceilings to which we are committed.

The new funds, the additional $150 million, come from the budgetary cuts made by my distinguished colleague the President of the Treasury Board (Mr. Andras).

Mr. Speaker, I also expect to introduce shortly a new program of employment credits for private business firms. This will be a new approach to job creation in Canada, and I have to give careful study to alternative ways for carrying it out efficiently and effectively. I fully expect, however, that legislation will be introduced to initiate this new job credit plan early in 1978, at an approximate cost of up to $100 million. Last, I am taking this opportunity to announce some other tax changes. I will be extending by regulation the fast write-off for anti-pollution equipment until 1980. I will also be extending by regulation for another year the special provision permitting taxpayers to offset against other income their losses on rental housing generated by capital cost allowances. This will maintain the incentive for the construction of multiple unit residen-