PUB:AUS31-JUL-2006 AUS31-JUL-2006 ED: AF AF 2/12295
PROOF OK CORRECTION SIGNATURE: ED AD
CMYK CMYK2 5 6 7 8 15 25 50 75 98 dmax

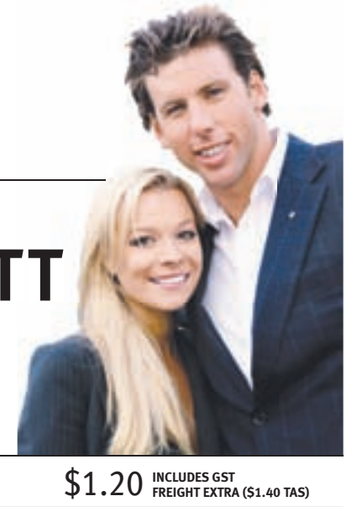
THE AUSTRALIAN

MONDAY JULY 31 2006 KEEPING THE NATION INFORMED $1.20 INCLUDES GST FREIGHT EXTRA ($1.40 TAS)

SPECIAL REPORT
ASIA SURVEY 12-PAGE LIFTOUT

BUSINESS ROBERT GOTTLIEBSEN
THE SIDE EFFECTS OF A RATE RISE

NEWS
GRANT HACKETT TAKES THE PLUNGE



■ Israeli bombing raid kills 54 ■ Rice mission to Beirut cancelled

Airstrike hits peace hopes

Peter Wilson
Beirut

PEACE talks were derailed yesterday when Israeli warplanes carried out the most deadly strike of the war, killing at least 54 refugees, including 37 children, sheltering in the basement of a building in southern Lebanon.

A furious Lebanese Prime Minister Fouad Siniora called off talks he was about to hold in Beirut with US Secretary of State Condoleezza Rice, saying there should instead be an immediate ceasefire and ''an international investigation into the Israeli massacres''.

The attack in the southern town of Qana came just a few hours after Dr Rice had flown back to the region to resume peace talks, following 19 days of conflict that had left a death toll now estimated at more than 600.

The collapse of the four-storey building — believed to be sheltering 63 people, mainly children and the elderly — after a huge missile landed beside it quickly inflamed the war, with Hezbollah vowing to strike back at towns in central Israel.

About 80 Israeli missiles and bombs had hit the village in an overnight onslaught. But the Israeli military denied responsibility for the deaths, saying Hezbollah had used the village as a base to fire rockets into Israel.

Warning that its attacks would continue and even intensify after the tragedy, the Israelis said Lebanese civilians had already been warned to leave the area.

Israeli Prime Minister Ehud Olmert said: ''All the residents were warned and told to leave. No one was ordered to fire on civilians and we have no policy of killing innocent people. The village and its surrounding areas were a source for launching hundreds of rockets.''

Local police responded that many of those sheltering in the basement had been too poor to pay for the trip to the relative safety of larger towns.

Journalists who reached the site as bodies were being pulled from the rubble said there were no signs of any Hezbollah military equipment in the wreckage.

Mr Siniora had been working with Dr Rice towards a complicated peace package. But in an angry televised address to his nation, he said there was no point talking to her while the killing was continuing and the US and its allies were refusing to call for an immediate ceasefire.

''We scream out to our fellow Lebanese and to other Arab brothers and to the whole world to stand united in the face of the Israeli war criminals,'' Mr Siniora said. ''The persistence of Israel in its heinous crimes against our civilians will not break the will of the Lebanese people. There is no place on this sad morning for any discussion other than an immediate and unconditional ceasefire as well as an international investigation into the Israeli massacres in Lebanon now.''

More than 500 angry protesters broke into the UN headquarters in Beirut in response to the bombing, burning curtains and destroying furniture. ''Feltman out now!'' they shouted, in reference to US ambassador Jeffrey Feltman, as UN staff sought refuge in a basement.

British Foreign Secretary Margaret Beckett last night described the airstrike as ''quite appalling''.

Israel continued to reject an immediate truce as meaningless without long-term changes to guarantee Israel's security.

Rescue workers in Qana said the building was destroyed at 1am yesterday (8am AEST) during a barrage that began about two hours earlier and destroyed many houses in the village.

The Lebanese media branded the attack ''the second Qana massacre''. More than 100 refugees were killed in the same mountain village during a 1996 conflict when the Israeli military struck a UN-run refugee centre.

A few hours before yesterday's tragedy, Dr Rice had gone into talks in Jerusalem with Mr Olmert saying she had been encouraged by Lebanon's willingness to discuss peace proposals, including disarming the Islamic radicals of Hezbollah.

Mr Siniora's cabinet, which includes two Hezbollah ministers, had endorsed a plan by the Prime Minister that included the principle of disarming Hezbollah, an exchange of prisoners and the return of a disputed piece of land held by Israel.

Hezbollah's leader, Hassan Nasrallah, had earlier declared on television that Israel was losing the ground war and dismissed Dr Rice's shuttle diplomacy.

''Rice returns to the region to impose conditions that serve Israel,'' Nasrallah said.

Continued — Page 6

Worldwide

''Israel is the victim of terror, and its response to Hezbollah is a parallel to the American response to September 11.''

David Pryce-Jones – Page 9

More reports – Pages 6, 9-11

Life snuffed out: A man carrying the body of a dead girl screams for help after the Israeli airstrikes on the southern Lebanese village of Qana **Picture: AFP**

'Holy war': A Beirut youth attacks the UN mission

Fears of a regional conflict grow

MARTIN CHULOV IN DAMASCUS

TWO Syrian members of a Palestinian militant group have died fighting for Hezbollah in Lebanon and dozens more have left Damascus to replace them, in moves that will increase fears the conflict is sliding relentlessly towards regional war.

The Australian has established that two members of the Popular Front for the Liberation of Palestine were killed by an Israeli missile six days ago, and the two are being hailed in the Yarmouk Palestinian refugee camp in Syria as martyrs of a new holy war.

Revelations of the men's deaths and the growing militant Palestinian presence in Lebanon confirm the links between Hezbollah and Syrian-based insurgents, and renew fears the escalating conflict is now attracting recruits from elsewhere in the Arab world.

Six men spoken to yesterday inside the refugee camp said they were planning to leave for south Lebanon tomorrow to join the Palestinians already fighting alongside Hezbollah in the besieged towns of Bent Jbail, Aitaroun and Nabatiyeh.

They claimed to have been motivated to fight as much by the Israeli campaign in Gaza as by the assault on Lebanon.

The two slain Syrians were named by the PFLP as Ahmed Ibrahim Qassem and Mohammed Hassan Salami.

From the living room of his home in the camp near Damascus, Salami's father, Hassan Salami, said his son had been killed fighting for the Arab nation.

''There is only one nation,'' he said. ''There is nothing called Lebanon. The leaders speaking about all of this have nothing to do with our people.''

Mr Salami said his Sunni Muslim son's death as a martyr had honoured his family and that he had no problem with him fighting alongside the Shia fundamentalists of Hezbollah.

''We are all Arabs and we are all fighting the one enemy,'' he said.

''We want all the world to see the Israeli terrorism and the American support for it.''

Israel yesterday attacked the main road between Syria and Lebanon in an attempt to hinder the transport of men and supplies.

Israel claims to have killed more than 200 Hezbollah militants since the fighting erupted almost three weeks ago

Continued — Page 6

Double whammy on jobs and rates

David Uren
Economics correspondent

UNEMPLOYMENT has bottomed out and will start to climb again before next year's federal election, according to a government submission that forecasts an extra 37,500 people will be out of work by next June.

On the eve of a Reserve Bank board meeting expected to raise interest rates, the Howard Government has told the Fair Pay Commission it does not believe the current unemployment level of 4.9 per cent can be sustained, tipping it to climb back to 5.25 per cent by next June.

The prospect of both unemployment and interest rates rising underlines the challenges facing the Government as it campaigns to secure a fifth term in office.

Economists, here and overseas, are beginning to express concern about the return of ''stagflation'', with rising prices and interest rates, but slowing economic growth.

Treasurer Peter Costello said yesterday that managing the economy was calling for fine judgments. ''This is a very difficult time for economic management,'' he said, pointing to rising oil prices, the emergence of China and political instability in the Middle East.

Although the forecast unemployment rate would still be low by recent standards, the Government thought the change in the labour market sufficiently serious to warn the Fair Pay Commission against handing down any excessive increase in the minimum wage.

Employment growth has been strong this year, with more than 100,000 new jobs created in the past two months.

Some economists have used the strength of employment as evidence the economy is growing too quickly and needs an interest rate rise to slow it down.

However, the Government believes the past two months have been an aberration, and says the indicators of future demand for labour show that it will weaken.

''The pace of employment growth has already begun to slow from a robust rate of 4.2 per cent in the year to August 2005 to 1.7 per cent over the year to May 2006,'' the Government's submission on the minimum wage says.

The Government says the groups most exposed to a weakening labour market are teenagers, long-term unemployed

Continued — Page 2
Business — Page 25

Arrested Gibson rants about Jews

David Nason
New York correspondent

ACADEMY Award winner and self-described alcoholic Mel Gibson launched an anti-Semitic diatribe against police officers arresting him for drink-driving in Los Angeles, ranting: ''F . . king Jews, the Jews are responsible for all the wars in the world.''

The actor and director who started his career in Australia has since apologised for the potentially career-ending incident that also included threatening a police officer, insulting another, smashing a police station payphone and trying to urinate in a police cell while wearing handcuffs.

According to a leaked police report on the incident, Gibson, whose father Hutton Gibson is a

notorious Holocaust denier, made the comments before asking the arresting officer, LA County sheriff's deputy James Mee: ''Are you a Jew?''

Gibson also repeatedly said, ''My life is f . . ked.''

He was handcuffed when the officer thought he might turn violent, having refused to get into the police car. TMZ, an internet site owned by media giant Time Warner, says its information was based on a leaked copy of Deputy Mee's report of the incident. It also claims Gibson's remarks were taped by the officer.

TMZ says Gibson also called a female police officer ''sugar tits'', smashed a telephone Russell Crowe-style at the Malibu-Lost Hills police station, was placed in a detox cell and made repeated threats to Deputy Mee, at one point saying: ''You mother f . . ker. I'm going to f . . k you.''

Gibson also allegedly told Deputy Mee that he ''owns Malibu'' and was going to spend all his money to ''get even'' with the police officer.

Continued — Page 4

Story tells a tale the jury didn't believe

Caroline Overington

ABC Television's award-winning *Australian Story* has been accused of crossing the line between journalism and advocacy in an unprecedented series of programs claiming three West Australian men were wrongly convicted of murder.

In the final episode of a three-part investigation, *Australian Story* will tonight examine the alleged murder of Phillip Walsham, 21, who fell to his death from a pedestrian bridge over a freeway in the Perth suburb of Stirling in February 1998.

West Australian police believe a group of teenage louts armed with tyre levers found Walsham sitting, alone and drunk, on a bench near a train station. They say the youths kicked him in the head without provocation, then pushed or threw him over the footbridge to his death.

But *Australian Story* has broadcast claims that the teenagers — now men in their mid to late 20s — were wrongly convicted by a jury in March. While the men do not deny they were armed with tyre levers, and admit they kicked Walsham in the head, they insist they left him sitting on the bench and did not follow him on to the footbridge.

West Australian Police Commissioner Karl O'Callaghan has condemned *Australian Story*, accusing the program and its staff of mounting a campaign to get the conviction overturned.

''It is not journalism, it is advocacy,'' Mr O'Callaghan said after he had seen the first program in the series.

''There were quite glaring events that could have provided a different point of view which were simply left out.''

Australian Story has focused on Mirella Scaramella, the photogenic girlfriend of one of the men, who program presenter Caroline Jones says ''turned detective'' in an effort to ''uncover the truth of what happened that night and get the murder charge dropped''.

It is clear many of the staff working on the program also believe that the West Australian police, reeling after several high-profile convictions were overturned, got it wrong.

But on March 7, a jury disagreed. It convicted three of the men of murder, and they are now serving 10 years in prison.

Inspector Jon Tuttle of the West Australian police media unit said *Australian Story* was ''telling a story, but it's a story the jury didn't believe''.

Inspector Scott Higgins, who assembled the evidence that led to the conviction, said: ''I have no doubt — or no reasonable doubt, since I suppose nobody can ever be 100 per cent sure — that we got the right people.

''There are a group of people, lawyers and journalists among them, who are campaigning to get all kinds of convictions overturned as if justice in WA is completely rotten, and it is a

Continued — Page 6

Inside

7 Arts
8 Features
9 World
14 Opinion
16 Weather
17 Sport
23 Television
23 Crossword
25 Business
28 Classifieds

www.theaustralian.com.au

ISSN 1038-8761

SECOND EDITION NO 13,013

This paper participates in recycling

Behind every good man is...
well, pretty much everyone else.

MASERATI

QUATTROPORTE SPORT GT and EXECUTIVE GT

SYDNEY 02 9360 1155 | MELBOURNE 03 9270 7000 | BRISBANE 07 3252 8222 | PERTH 08 9242 4546 | ADELAIDE 08 8338 7755 | AUCKLAND +64 9 526 6962 www.maserati.com.au