

Railroad Company Involved in Deadly Explosion Seeking Bankruptcy Protection

by Joel R. Glucksman on August 20, 2013

Railroad company Montreal, Maine & Atlantic Ltd., which has recently been in the media spotlight for causing a deadly explosion in Quebec, is seeking bankruptcy protection under Chapter 11 in both the United States and Canada.

Earlier in July, a parked train carrying 72 tankers full of crude oil began rolling downtown in the small Quebec town of Lac-Megantic and eventually derailed, causing a fire and explosion that killed 47 people. Since the deadly explosion, the company has experienced significant service delays and disruptions that has indebted it to more than 200 creditors, the company said in its bankruptcy filing.

In addition, the railroad company, which is based in Maine, said that costly lawsuits and clean-up costs associated with the fatal explosion have only exacerbated its financial difficulties. The company also noted that in the one month following the disaster, its monthly revenue for its Canadian and U.S. units fell to \$1 million.

The company sought protection in the U.S. Bankruptcy Court in Maine, as well as in Canada, noting that filing in both countries would help preserve the value of its assets for a potential sale, Reuters reports.

"It has become apparent that the obligations of both companies now exceed the value of their assets, including prospective insurance recoveries, as a direct result of the tragic derailment at Lac-Megantic, Quebec, on July 6," MMA Chairman Ed Burkhardt said in a statement.

Despite the company's financial instability and bankruptcy filing, Canadian authorities say they will push to ensure that the railroad company meets its obligations to the town that was impacted by the explosion.

"This announcement does not mean that MM&A is off the hook for their responsibilities to the people of Lac-Megantic," Ashley Kelahear, a spokeswoman for Canadian Transport Minister Lisa Raitt, said in an email to Bloomberg. "We will work with the Province of Quebec to ensure that the cleanup continues and that the people of Lac-Megantic continue to receive the support they need."