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U.S. Judge Approves Bankruptcy Plan for Railway in Quebec Train Blast

Plan includes \$343 million fund for victims of deadly 2013 crash



The wreckage of a train derailment in Lac-Mégantic, Quebec, on July 8, 2013. *PHOTO: MATHIEU BELANGER/REUTERS*

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More than two years after a train laden with crude oil derailed in Canada, killing 47 people and destroying part of a small town in Quebec, a U.S. judge approved the railway's multimillion-dollar bankruptcy-exit plan and cleared the way for victims to begin receiving payment from a \$343 million fund.

Judge Peter G. Cary, of U.S. Bankruptcy Court in Bangor, Maine, on Friday approved Montreal, Maine & Atlantic Railway's bankruptcy-exit plan, a day after a Canadian judge gave it conditional approval. The plan earmarks about \$86 million for the families of those who died in the explosive crash in the town of Lac-Mégantic.

The railway is now defunct, its assets sold off as part of the bankruptcy case, but the remnants of the company under the control of Robert Keach, the bankruptcy trustee in the U.S. case, have been working with parties on both sides of the border on a compensation plan for victims and creditors.

"No amount of money can put people's lives back together or put the town back together, but we're happy to be able to get money into the hands of the victims just a little over two years after this horrific accident," Mr. Keach said Friday. He said victims will be receiving payments by the end of the year and, possibly, as soon as the end of next month.



Montreal Maine sought bankruptcy-court protection in the U.S. and Canada a month after a derailed train set off blasts in July 2013. *PHOTO: PAUL CHIASSON/ASSOCIATED PRESS*

A sizable part of the settlement funds will be contributed by a number of oil companies seeking to avoid litigation over the highly volatile fuel the train was carrying. The companies, which deny liability, include Royal Dutch Shell PLC, Marathon Oil Corp. and ConocoPhillips.

Canadian Pacific Railway, which first transported the crude oil that Montreal Maine

took on board, isn't contributing to the fund but withdrew its objection to the deal, allowing victims to begin receiving payments. Spokesman Marty Cej said the company always supported the Lac-Mégantic compensation fund for those affected by the incident.

“Although CP was not at fault in the derailment—the train was not operated by CP employees, traveling on CP tracks, or using our locomotives or railcars—the company has been working with the trustee on a solution that protects CP's interests while allowing compensation to be paid to the victims as soon as possible,” he said. “We are hopeful that these efforts will result in a prompt and positive outcome for the victims.”

Absent the settlements that form the backbone of the chapter 11 plan, litigation over who was at fault for the derailment and subsequent explosion would have likely dragged on for years, Mr. Keach said.

Canadian Pacific Ltd., which denies liability for the accident, is facing a number of lawsuits tied to the derailment, which set off a fiery explosion that partially destroyed Lac-Mégantic.

The Canadian railway initially had opposed the settlement, arguing it would tie its hand in defending litigation in the U.S. and Canada. It agreed to drop its opposition in return for a so-called judgment-reduction provision that ensures it will have to pay only a proportional amount of any judgment if found liable in the U.S. or Canada litigation.

As part of the plan, holders of property-damage claims are expected to recover an estimated \$32 million of settlement funds. Together, the governments of Canada, Quebec and Lac-Mégantic would share about \$148 million.

Montreal Maine sought chapter 11 protection in the U.S. and Canada in August 2013, the month after an unattended train carrying 72 carloads of crude oil derailed and set off explosions.

Canadian authorities have charged nine parties, including a number of Montreal Maine employees and the company itself, in connection with the derailment. An investigation by Canada's transportation ministry found the train's hand brakes hadn't been properly applied.

As a result of the accident, regulators in the U.S. and Canada have called for stricter rules governing oil transport. Special focus has been given to the Bakken Shale formation in North Dakota, the source of the crude oil that has featured in several explosive train derailments.