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RAILWAY IN QUEBEC TRAGEDY HAS ITS CANADIAN LICENSE SUSPENDED

The railway at the centre of the Lac-Megantic, Que., train disaster will have its operating licence suspended in Canada, a severe blow to an already crippled company.

The Canadian Transportation Agency announced Tuesday that it's revoking the certificates of fitness for the Montreal, Maine & Atlantic Railway Ltd. and its Canadian subsidiary, Montreal, Maine & Atlantic Canada Co.

The arm's length federal regulator says it made the decision after reviewing the railway's third-party liability insurance following the fiery July 6 derailment that killed 47 people and wiped out part of downtown Lac-Megantic.

The federal agency said it contacted the company to ensure that it has topped up its insurance, following the myriad financial claims against it in the wake of the derailment.

"We have concluded that (the coverage) is not adequate, thereby we have no choice but to suspend their certificate of fitness," agency spokeswoman Jacqueline Bannister said in an interview.

The agency said it's not satisfied the embattled company has purchased sufficient new insurance – so the licence for the railway and its Canadian branch will be revoked as of Aug. 20.

"This was not a decision made lightly," said Geoff Hare, chairman of the arm's length federal regulator.

"It affects the economies of communities along the railway, employees of MMA and MMAC (Montreal, Maine & Atlantic Canada), as well as shippers who depend on rail services.

Even before the suspension announcement, MMA's survival seemed like a longshot.

Since the derailment, several lawsuits have been filed, a criminal investigation is underway, railroad standards have been tightened, and the provincial government has demanded money from MMA for the massive cleanup efforts.

Last week, the railway was granted creditor protection in Canada and bankruptcy protection in the United States after it stated it did not have enough assets and insurance to cover the mounting costs of the disaster.

The federal agency said Tuesday that it had advised the railway that it must maintain at least the same amount of third-party liability coverage it had before the derailment.

But it said MMA's insurance broker indicated the aggregate coverage had been cut in half since the derailment. The agency added that the railway failed to provide evidence it had additional insurance to make up the difference.

"The agency is also of the opinion that the company no longer has the financial capacity for its self-insured portion," Bannister said.

The agency said that over the last decade, no claims by a federally regulated railway have exceeded the limits of its third-party liability insurance.

In the wake of the disaster, the regulator has also announced it is planning to review the insurance coverage of federally regulated railways this fall, given the ongoing increase in shipments of crude oil and other hazardous materials.

Forty-seven people died when an MMA train slammed into Lac-Megantic, Que., and erupted into fireballs on July 6. Since then, several lawsuits have been filed, a criminal investigation is underway, rail standards have been tightened, and the provincial government has demanded money from MMA for cleanup efforts.

In its statement, the agency also said it will undertake a review this fall of insurance coverage at federally regulated railways, given the ongoing increase in shipments of crude oil and other hazardous materials.

The president of Maine-based MMA, which has resumed some of its Canadian operations since the derailment, said Tuesday that he hadn't seen documentation about the licence suspension.

"I know nothing about it … so I can't make any comment," said Robert Grindrod, who was then asked whether he would be available to discuss the matter later in the day, once he had read the documents.

"Unlikely. OK, thanks. Goodbye," he said before hanging up the phone.

An official in the office of MMA chairman Ed Burkhardt, contacted Tuesday, said he wasn't yet aware of the licence suspension.

The local business community hopes the problem will be resolved soon, particularly in a region with an already tough economy and where some businesses have had no rail service since the derailment blocked a crucial section of tracks in downtown Lac-Megantic.

The industrial commissioner for the region around Lac-Megantic said local companies such as Tafisa, a particle-board manufacturer that employs a few hundred people, have had to spend more money by transporting their goods by truck.

"I hope that the government will operate (the railway) or that they will have different operators that can either buy or be the operator … until a permanent solution will be found," said Michele Tardif.

"They can probably find someone to be the operator, manage the line. Someone that is more reliable than MMA."

The chairman of the Canadian Transportation Agency said in a statement Tuesday that he's aware MMA's suspension affects the economies of communities along the railway, workers and shippers who depend on rail services.

"This was not a decision made lightly," Geoff Hare said.

"It would not be prudent, given the risks associated with rail operations, to permit MMA and MMAC to continue to operate without adequate insurance coverage."

CANADIAN OILFIELD GIANT PLOTS LONDON FLOAT

A Canada-based oilfield services group is plotting a £600m stock market listing in London that will underline the City's status as an international hub for the industry to raise funds.

Saxon Energy Services has hired bankers to prepare a flotation that would see it join the likes of Amec and Weir Group among its peers on the London market.

Saxon is jointly owned by Schlumberger, the energy technology group, and First Reserve, an investment firm which focuses on the oil and gas sector. The company's senior executives, who since March have been led by Derek Normore, the chief executive, also hold a small stake.

Insiders said on Friday that Morgan Stanley and JP Morgan Cazenove, the investment banks, had been appointed by Saxon to work on the listing, which was likely to seek to raise roughly $350m (£230m).

The issue of new shares will be used to provide funds for investment in new rigs, according to one person briefed on Saxon's plans.

The global oilfield services sector is expanding as oil explorers attempt to access harder-to-reach reserves. Saxon was established in 2005 with nine rigs in Ecuador but has since expanded to operate more than ten times that number, employing almost 4000 people in 13 countries.

The company is hoping to list in the coming months and possibly as soon as this year. A number of other stock market listings are likely in London in the autumn, including Merlin Entertainments, the theme park operator.