

DARREN SEED speaking

Vice President, Investor Relations and Communications, Westport Innovations

Thank you and good afternoon. Welcome to our First-Quarter Conference Call for Fiscal 2012. It is being held to coincide with the disclosure of our financial results earlier this afternoon. For those who haven't seen the release and financial statement yet, they can be found on Westport's website at www.westport.com. Speaking on behalf of the Company will be Westport's Chief Executive Officer, David Demers, and Westport's Chief Financial Officer, Bill Larkin. Attendance at this call is open to the public and to media, but for the sake of brevity we are restricting questions to analysts.

You are reminded that certain statements made on this conference call and our responses to various questions may constitute forward-looking statements within the meaning of U. S and applicable Canadian Securities Law and such forward-looking statements are made based on our current expectations and involve certain risks and uncertainties. Actual results may differ materially from those projected in the forward-looking statements.

Information contained in this conference call is subject to, and qualified in its entirety, by information contained in the Company's public filings, and except as required by applicable securities laws, we do not have any intention or obligation to update forward-looking information after this conference call. You are cautioned not to place undue reliance on any forward-looking statements. Now, I will turn the call over to David Demers.

DAVID DEMERS speaking

Chief Executive Officer, Westport

Thanks Darren, and good afternoon everyone. Well, it's been another remarkable quarter for Westport. Obviously our growth strategy is executing nicely, with revenue up 133% year-over-year, with strength across every segment. I'll come back to go through some of the highlights in a minute, before I turn the podium over to Bill for his review of the financial statements. But leaving aside the quarterly results for the moment, I want to take a few minutes to review the dramatic changes in market conditions that are transforming our business, and I want to respond to some recent confusion about Westport's strategy.

Natural gas is now seen as an inevitable fuel for transportation applications, I think over the last two years we've seen dramatic shifts in attitude from everyone, from government policymakers, oil and gas participants, the vehicle manufacturers themselves, of course, and customers and fleet operators. So the question now is not if we're going to see natural gas, it's how fast and how far this new fuel is going to penetrate each specific market. So this is no longer just a niche speculative opportunity. The market data clearly shows the development of an industry with many billions of dollars of overall annual turnover, from supply-chain participants to the OEMs, infrastructure construction and service to the actual sale of fuel itself.

So anywhere today that we see gasoline or diesel fuel in use, we see potential opportunity for Westport. We're in a strong leadership position in the right place at the right time, with a compelling portfolio of capabilities, technology, and the available hardware that allows our partners to quickly embrace these new opportunities. So, really, despite this dramatic talk about disruption to global energy markets, our business model is simple. We want to do things that people are happy to pay us for. What's our secret? We think we understand the important challenges about using natural gas in these applications, and we've embodied our knowledge into

proprietary technology and designs that can offer customers the highest performance, the best quality, and the lowest cost. So, this isn't very complicated.

As you know, our key focus for the past few years has been working with both automotive OEMs and with the energy industry to create the overall value chain that makes this broad transition possible. Westport on its own can't possibly do it all. We need the big players to make investments in both vehicle production capability and the energy infrastructure. We don't aspire to controlling 100% of the revenue across the entire value chain. All we need to establish a sustainable and valuable place in this emerging industry is to ensure that our core technologies and standards become widely adopted throughout the system.

Now, I think we've already achieved that position today, and as our partners become increasingly engaged in growing their natural gas businesses, we will also grow in reach and influence. As participants, for example, in the Mid-America Truck Show in February saw every manufacturer of trucks in North America is now offering a natural gas option. 100% of those available trucks include some Westport content. In most cases, we see revenue from the engines that are either manufactured by our Cummins-Westport joint venture, or by Westport in a Cummins plant. We also, much to some people's surprise, supply the industry-standard tank valves on CNG vehicles.

At Waste Expo this month it was even clearer, the majority of trucks on display at the show were natural gas, and all of those available natural gas trucks include Westport content. It's clear that the whole refuse industry is now moving toward natural gas, by the way, why? You've hear this story before, but I'll repeat it. The trucks are cleaner, they're quieter, and most importantly, the fuel is much cheaper. So this means competitive advantage and higher margins to fleets running on natural gas. As we pointed out before, the operators that don't incorporate this new factor into their business operations will quickly become uncompetitive, it's as simple as that.

Over the past few weeks, I've been getting a lot of specific questions and, frankly, fearful comments about potential new competition on the heavy-duty engine front. I think all of these questions, are at the bottom, based on a misperception about products and partnerships, and also about our strategy going forward, as the industry evolves into a large and complex business.

Let me be clear when I say that we have a great relationship with our major heavy-duty OEM partners, where we have multiple and complex product relationships. This list includes Cummins, Weichai, and Volvo today, and as you know, we're working with many more. Our existing relationships should give you an indication of the complexity and the opportunities in front of us. We interact with OEMs and their customers at several points, and Westport content appears all along the value chain, from proprietary components integrated into the final product, to how the overall product is used by the end customer.

In some cases, for example, Volvo, we've been supplying engine development services. With Cummins and Weichai, we have multiple relationships, including joint ventures over part of our mutual business. This doesn't mean that we have, or even want to have, complete control over every interaction that our partners have with this future natural gas opportunity.

I've been asked to specifically discuss the announcement by Cummins of a 15-liter, spark-ignited engine. The answer is simple, each new OEM engine program of this sort is going to require significant investment. We've used numbers in the past of say \$40 million to \$50 million to get an engine product like this to market. It takes many years of work and focus. In this case, Cummins is applying the proprietary Cummins-Westport Stoichiometric EGR technology to an engine that's one step up from the recently announced CWI ISX 12G.

We don't have a problem with Cummins announcing this program, and we wish them well. We simply believe that we have better returns available to us elsewhere, and under our recently renegotiated Joint Venture Agreement, we've explicitly approved Cummins'

exploration of all kinds of new opportunities where Westport has no interest in co-investing. I also have to point out, because there have been some incorrect statement about this issue recently, that the Cummins 15 SI program incorporates the SEGR technology that CWI is shipping today.

As a term of our renegotiated JV, Westport has similar rights to use this same technology, if we choose to do so. There may well be new products where Westport and Cummins do agree to co-develop and co-fund in the future. Our relationship remains very good, and we're going to make a lot of money together through CWI and through our Westport supply agreements over the next decade. Cummins' strong industry position and their commitment to great customer experience can do nothing but help grow the overall natural gas industry.

Now, I want to turn to a new area that's seen rapid development; high-horsepower applications, such as oil and gas exploration and production, mining, rail, and shipping, all have very energy-intensive operations, and their interest in natural gas, in particular exploiting the portability of liquefied natural gas, has really ramped up over the past few months. In each of these markets, we can see opportunities for Westport to add value. We think the potential returns to our shareholders are obvious and very compelling.

In the near term, our management focus is on building strong businesses around our existing products and markets. All three of our business units have major new products coming to market over the next two years. They're all profitable already today, or they will be very soon. And we believe that all have very strong growth ahead. Quarter-to-quarter is probably too short a time to focus on, as we are going to see some lumpiness, but the trend over the next few years should be quite satisfying.

Our corporate team continues to focus on the next major opportunities and the key investments that we are privileged to see as a result of our industry position and our technology leadership. Let me reiterate that we do not expect to do everything. What we are looking for are the best opportunities that we can reasonably take

on. While the current gold-rush mentality in natural gas for transportation may be creating a great deal of excitement, it can also create a lot of confusion and investment failures. It's our job to stay on our strategy, and I have no doubt that we will be successful.

Now, this has gone on quite a while. We still have to hear from Bill, and I do want to get to your specific questions. Let me close by highlighting a few highlights from this really remarkable quarter. In China, as many as you have seen, Weichai Westport unveiled their new 12-liter HPDI LandKing engine. The engine's now on the road in truck trials and it will be released next year. Weichai Westport, though, is really doing well, with more than 2,700 engines shipped this quarter, which is up 50% year-over-year. Last trip to China really demonstrated their investment in natural gas infrastructure is continuing to expand rapidly, probably the fastest in the world. So this is a really exciting opportunity for us.

Westport Heavy-Duty...there was a comment in the press release. We've launched a temporary fueling services called JumpStart that's helping bridge fleets to their permanent fuel stations, and in some cases, because we've seen strong demand for portable refueling services in segments like oil and gas, where the trucks move from site to site. Now, is this a core strategic business for us? Of course not, but it's being welcomed by our customers and we're making a good return, so, we think it's a fine idea.

CWI announced the ISX 12G this quarter. We admit this isn't a complete surprise to some of you, but industry acceptance has been very encouraging. Customers have the trucks with the engines today, and the feedback has been great. I think CWI has a real winner here, and as you've seen before, that will be available about a year from now, early 2013.

Also this quarter, there's been great reaction from customers and partners to our Light-Duty division's announcement of the Ford WiNG pickup trucks. We're on track to begin production this quarter in Louisville. We seem to have hit a nice combination of function, packaging, and price leadership with this product. We've guided you to expect 500 trucks shipped this year, but I

think LD might do a little better; I'm sure Bill will comment on that one.

I want to close by taking a moment to congratulate our teams in Italy on a very smooth integration and their recent strong results. The OMVL, and Emer teams have really become seamless and essential members of our global Light-Duty team, and the numbers have been great. I'd also like to welcome our newest addition to the Light-Duty team in Perth, Australia. So, that's a wrap for me. Bill, over to you.

BILL LARKIN speaking

Chief Financial Officer, Westport

Thanks David, good afternoon. I'll jump into the numbers now. We recorded consolidated revenue of \$88.6 million for the first quarter of calendar 2012 ended March 31, driven by increasing demand of natural gas vehicles around the world. This represents an increase of \$50.5 million, or 132.5% compared to the prior year period. Our consolidated gross margin for the quarter ended March 31, 2012, was \$28.5 million, or 32.2% of total revenue, compared to \$17.6 million, or 46.3% of total revenue in the prior year period. As we execute our strategy, we continue to diversify revenues among our business units, which has an effect on our consolidated gross margin percentage when compared to the prior year period and future comparable periods.

We break out our business into four operating segments; Westport Light-Duty, CWI, Westport Heavy-Duty, and Corporate. I'll walk through the financial details for each segment. We'll start off here with Westport LD. Westport LD generated \$26.7 million in revenues during the quarter, compared to \$7.5 million in the prior year period, which represents a 256% quarter-over-quarter increase, driven by contributions from our previous acquisitions.

During the quarter, Westport LD recorded gross margin and gross margin percentage of \$7.4 million and 27.8%, compared to \$1.7 million and 23.2% in the prior year period. Going forward, we expect margins for our Light-

Duty business to be in the 25% to 30% range. Our operating expenses for Westport Light-Duty increased by \$7.2 million. The consolidation of our acquisitions added \$3.1 million operating costs. R&D investments increased \$3.3 million to expand our OEM product offerings to include the launch of the Westport WiNG Power Systems for the Ford F250, F350 pickup trucks, and increase in head count and G&A-related costs to support this growing business.

Westport LD recorded net operating loss of \$2.2 million for the quarter ended March 31, 2012, compared to \$700,000 net operating loss for the same period last year. We expect to launch the Westport WiNG system in Q2, and revenue from this product offering will ramp up over the next few quarters. We have previously communicated an estimate of 500 deliveries of the F250, F350 pickup trucks in calendar 2012, but we believe our LD business can deliver more based on our current outlook. During the quarter, we invested approximately \$5 million in research and development, or 19% of Westport LDs revenues. We will continue to strategically invest in our Light-Duty business, focusing on OEM opportunities where we believe we can capture market share and earn returns on these investments.

Moving on to CWI. CWI has been growing its revenue at a CAGR of over 39% from 2007 to 2011. During the quarter, CWI generated \$52.7 million on 1,943 units. This is more than double the revenue and unit deliveries in the same period last year of \$25.1 million on 773 units. CWI gross margin and gross margin percentage for the quarter were \$19.6 million and 37.3%, compared to \$11.5 million and 45.9% in the prior-year period. Although the gross margin dollar increased, the gross margin percentage decreased due primarily to warranty adjustments to \$3.6 million during the quarter. Excluding this warranty adjustment, CWI gross margin percentage would have been over 44% for the quarter.

CWI continues to generate strong cash flows. For the quarter ended March 31, 2012, CWI recorded \$14.9 million net operating income, a 116% increase from \$6.9 million the prior-year period. Operating margin for the quarter was approximately 28%. CWI's operating expenses for the quarter ended March 31, 2012, were

relatively flat compared to the same period last year. Going forward, we expect to see strong top-line growth for the medium-duty business. In 2013, CWI will be launching an ISX12 G engine, which is a new market segment for CWI and will add to CWI's future top line.

Historically, CWI has been able to deliver gross margins in the 30% range, and recently we have been enjoying healthy gross margins due to having a stable of mature product lines. However, we expect to see CWI's gross margin percentage trend to the 30% to 35% range, as we launch the new ISX 12G. Of course, as we expect CWI's revenues to increase, we expect the margin dollars to increase as well.

Moving on to Westport Heavy-Duty. For the three months ended March 31, 2012, Westport HD generated \$9.3 million in revenues, with 151 HD systems shipped during the period, compared to \$5.6 million in the same quarter last year, with two HD systems shipped. Prior-year period included a \$4.1 million of service revenue. With no milestones scheduled for this recently completed quarter, no revenue was recorded, but we incurred a \$2.7 million in R&D expense during the quarter, which will be reimbursable. Westport HD business volumes were still in early production, and our cost of sales are heavily burdened with warranty accruals.

Westport HD gross margin, not including the service revenue and gross margin percentage for the three months ended March 31, 2012, of \$1.4 million and 15.4%, compared to \$300,000 and 22.3% in the same period last year. Our margin percentage was higher in the prior year period, since we sold some marketing trucks that we own and had fully expensed the cost of those trucks in the prior years. R&D activities for our Heavy-Duty program in North America, Europe, and China have been ramping up for new product offerings with our HPDI technology.

Westport HD R&D expenses increased by \$2.7 million to \$7 million. During this quarter we incurred approximately \$2.7 million R&D costs related to our development agreements, of which \$2.6 million is reimbursable, and the completion of the next milestone scheduled for the quarter ended June 30, 2012.

Westport HD SG&A increased by \$1.3 million to \$5.4 million, primarily due to increased head count to support our customer relationships and market development activity around the world. For the quarter ended March 31, 2012, Westport HD recorded \$8.3 million in net operating loss, compared to \$4 million loss in the same period last year, which we have netted the reimbursable R&D expenses for comparability purposes.

For the next several quarters we expect our Westport HD margins to improve as North American sales volumes increase, and we realize our cost-reduction initiatives, including our warranty experience on this product. We've also negotiated a Heavy-Duty supply agreement with Cummins so that the Westport 15-liter heavy-duty engine can be built in the Jamestown plant once demand reaches certain threshold of volumes. This will deliver cost advantages and scalable production for the product.

We are investing in our Heavy-Duty business in China and Europe, and we expect to generate revenues and cash flows when these new products with our HPDI technology are commercially available. 2013, we expect to start generating revenues and cash flows from the sale of HPDI engines and systems in China, and in Europe in 2014. When we get close to commercial launch in these markets, we expect to provide more clarity on the economics of these relationships.

Finally, under the Corporate segment, we include corporate costs such as R&D for future products, SG&A, and other expenses that are not attributed to a particular business segments. Our corporate net offering loss was \$10 million for the quarter ended March 31, 2012, compared to \$7.4 million for the same period last year, primarily due to the increase in services incurred during the quarter.

Our Weichai Westport joint venture continues to see a strong increase in demand for their spark-ignited natural gas engines. The JV generated \$37.2 million on a little over 2,700 engines during the quarter, compared to \$24.9 million on almost 1,800 engines in the prior year period, representing a 49% quarter-over-quarter increase in revenue.

For the quarter, we recorded income from our Weichai Westport joint venture of \$600,000, compared to \$400,000 in the same quarter last year. In addition, through our Emer acquisition we acquired 50% interest in Minda-Emer Technologies, Ltd., and recorded income of \$200,000 for the quarter. The net loss attributed to Westport for the three months ended March 31, 2012, was \$22.6 million, or \$0.44 loss per share, compared to a net loss of \$14.4 million, or a \$0.31 loss per share in the prior year period.

For the three months ended March 31, 2012, our consolidated adjusted EBITDA was a loss of \$9.5 million, compared to a loss of \$5.9 million in the prior year period. For comparability purposes, we did not record any service revenue in our development agreement during the quarter, compared to \$4.1 million in the prior year period. Taking this into consideration, our adjusted EBITDA loss for the quarter was consistent with the prior year period. Please see a reconciliation of adjusted EBITDA in our earnings press release dated today.

As of March 31, 2012, our cash, cash equivalents, and short-term investments balance was \$333.3 million, compared to \$85.7 million at December 31, 2011. Cash flows from financing activities included \$265.6 million net of share issuance costs. During the quarter, we invested \$8.7 million in capital expenditures to expand our R&D and testing facilities in Vancouver and assemblies facility in Louisville, Kentucky, where we will be installing the Westport WiNG system on the Ford F250/350s. During the quarter, we also acquired certain assets of AEC for \$1.1 million, and purchased IP of \$1 million.

To reiterate, our consolidated revenue for 2012 will be between \$400 million and \$425 million, representing approximately 50% year-over-year growth, driven by increasing demand for natural gas vehicles in all of our segments. For further financial disclosure, please see our MD&A and financial statements as filed and posted on the Company's website for more details. I will now pass the call back to the operator to open the call for questions. Operator?

Q&A SESSION

Operator

Our first question today comes from Graham Mattison of Lazard Capital Markets. Please go ahead.

Graham Mattison, Lazard Capital Markets

Good afternoon everyone. Wondering if you talk a little about the HD engine, specifically about the ASPs and how you see that trending over the coming years?

And then also if you could comment on the cadence of the Heavy-Duty orders that you've seen so far this year and is there or if you could give any update on your shell relationship?

David Demers, Westport Innovations, CEO

Wow, lots of questions there Graham, I thought we had a one-at-a-time rule, don't we Darren?

ASP's— obviously you know where this is it going, Graham. We are hoping to take prices down but we don't accept prices for truck and I know Darren's talked about this in the past. We're going to see lower cost, we expect in China and Europe, we think there's a different price for product there and so you're going to see ASPs, come down.

Our costs in fact, have been coming down very quickly and particularly the warranty accrual been taken, has

been very conservative but that result means that we can start taking lower accruals and that gives us much lower costs, certainly going forward. Now, some of this isn't quite clear in the P&L today because you are seeing those early deals that we did with Heckman and Robert flowing through where there were some nice terms and extended warranties and things like that. So it's not necessarily apparent in the gross margins that we're posting today, although the gross margins are certainly improving. I think that what we want to do in North America is push the price of trucks down along with the price of fuel so that we have a very compelling offering and that's really what we're doing in the bundling programs with Shell and with others.

I think it is clear that the MSRP for a new LNG truck is not necessarily what the price actually paid and we are encouraging, particularly the larger fleet, the one that can really make a move into natural gas, to do this in a significant way and we're using our pricing power with our partners to be able to get those prices down to the right level. That inevitably is going to change ASPs over time but I think Bill guided you to reasonable gross margins on Heavy-Duty and we want to see a price all-in for the truck and the fuel that's going to give people a great pay back and a great incentive. So, complicated answer but it's a complicated story. And as I said, really the real question is what price does the customer see for the price of the truck and that is not something that is within our control so we have to move some remote levers.

Does that make any sense or do you want me to elaborate on anything?

Graham Mattison, Lazard Capital Markets

No, that does make sense, thank you. And then if you could just comment on the Shell relationship and then the cadence of orders so far this year?

David Demers, Westport Innovations, CEO

We talked about backlog in orders, I think you can see that we actually had some pretty good shipment volume this quarter. The interest is very high, I have to say, I

know you've been at some of the tradeshow, interest is really high. I think everyone in the industry is now expecting natural gas to be part of their operations. So it's a case of working with them on exactly what sort of configuration of vehicles they want to buy, when are they available; what's the price; how are they going to get fuel. So it's a long sell process, but lots and lots of interest. I think we should be able to see the numbers that we talked about, we've been guiding for some time, we want to see volumes up to 700, 800, 900 Heavy-duty trucks in North America this year or next year, we would hope. I think that's given the interest we're seeing, that's very doable.

Graham Mattison, Lazard Capital Markets

Okay great. I'll jump back in queue. Thank you.

Operator

The next question comes from Vance Edelson of Morgan Stanley. Please go ahead.

Vikram Malhotra, Morgan Stanley

Hello this is Vikram in for Vance. Just one question we've been getting a lot is just differences in HPDI versus SI as it pertains to the more heavy-duty market. I'm wondering if you could elaborate a bit more and is there any metrics you have you could share with us, that would be helpful?

David Demers, Westport Innovations, CEO

Sure, and let's be clear, we are big fans of SI in the heavy-duty marketplace. It's been the basis of our products with Cummins Westport for years, it's the bulk of our sales with Weichei. SI has a very strong place in the light-duty side and of course SI is what we're doing with Ford.

So don't take this as anything negative about spark ignition, that said, there are some very well understood characteristics of spark-ignition engines that differ from diesel engines in terms of their torque, fuel economy, the basic performance that you can get out of a given package. And in some markets, like long-haul trucking,

we think those are going to be very difficult to overcome. In those markets we really need to have exactly the same torque and horsepower as a base diesel, we need the maximum that we can deliver. Of course those markets are overwhelmingly interested in fuel economy and fuel consumption and that's where direct injection high performance products are we think, are going to win the bulk of it. Not to say that there's not a home for a spark-ignited engine in some markets, that is really why we are launching the ISX 12G. We think that's going to be an interesting product to top-up in the refuse market, we think that's a great application and coaches, big buses, some regional trucking might work. So somewhere in that, I would call it in the diesel markets, the 10 litre and above displacement is where you're going to start to see direct injection technologies really take control. But there is going to be an overlap for some time and it's going to be up to customers. I think we want to let the customers have some choice so they can pick and choose on what's up.

Now there's some more confusion, I'll just keep going a bit because I know there's been a lot of confusion about CNG versus LNG and we want to make it very clear that although we've got no vested interest to either one, we don't think the trucking market is going to be able to see a lot of CNG. CNG is going to be very challenging for those applications for lots of reasons. And we think the overwhelming majority of truck leads will end up using LNG as their fuel source. So that creates a little bit of color for what is going on.

Vikram Malhotra, Morgan Stanley

Okay great, and if you could just give us a bit more color on the pace of growth in China, is there potential for further ramp up on the Weichei side? And any change in tone you're hearing in other larger markets in terms of customers potentially wanting to at least increase or at least jumpstart the adoption of natural gas. Maybe they were thinking to do this a year down the line but now they're thinking to do it even sooner?

David Demers, Westport Innovations, CEO

Yeah, I think the pattern we've seen in North America's getting replicated very quickly in China and coming fast in Europe. I know there's been some skepticism about Europe, but they've got lots of gas and they've got expensive diesel and so we are seeing exactly the same pattern being replicated as we get products ready for launch in China and Europe.

So we're working with the fuel providers, there's numbers of them in both areas and in fact in China we are seeing really spectacular investment in LNG infrastructure already. And some substantial government support for doing that. So I don't think there's going to be any constraint on growth in China. As you can see our sales were up 50% year-over-year, I think that's going to be a pretty regular occurrence going forward. They seem to be tapping a huge opportunity to move to this lower cost fuel.

So I think we're well positioned for HPDI to launch there. Still a couple of years away in Europe, but again, as I say you've seen lots of interest, somewhat regionalized, really depends on your availability of LNG. But we're working with people, like Shell around the world, who have that knowledge and I think everyone is getting geared up to be ready so the infrastructure is there when the trucks arrive and that is what we want customers to see.

Vikram Malhotra, Morgan Stanley

Very quickly, lastly to clarify, is Jumpstart limited right now to one region or is it being rolled out in a couple of regions?

David Demers, Westport Innovations, CEO

Jumpstart was a project that we started with our partners about a year ago. It's focused on North American customers who are, for various reasons, wanting to take trucks now but their infrastructure isn't built, or they don't have infrastructure in a particular area. And as I said, we've actually seen lots of interest in places that aren't going to see a permanent infrastructure built like you're out in the gas field, and you want to have trucks

servicing a frac site, so you need some portability. So there's no real magic here. We're using portable refueling stations built by Chart, they're a great product, just having them available and leasing them to customers is making it easier for them to take delivery early and we think that's just a logical thing to do, to step in and jumpstart the market.

I think there is going to be similar opportunities in China and in Europe but as I said earlier, we've got a little bit more time to get ready for that and I think you'll see wider scale of LNG available at launch in those markets.

Vikram Malhotra, Morgan Stanley

Great, thank you very much.

Operator

The next question comes from Laurence Alexander of Jefferies & Co. Please go ahead.

Laurence Alexander, Jefferies & Company

Good afternoon. Two questions, first, on the new partnership that you may be announcing this year, is the goal just to diversify the OEMs that you're working with on existing product sizes, or are we going to see a shift in the nature of the partnerships? It would serve a more narrow scope or a smaller cost footprint?

David Demers, Westport Innovations, CEO

Yes, I think the simple answer to that is both, Laurence. I don't think it should be any surprise to you on who those names might be, but I think that I said specifically, I'm just trying to get the exact quote. We see it in the Light-duty, in Heavy-duty and in the off-road space. I think there's going to be lots of new product that needs to hit the markets to meet customer expectations and I think you'll see us in the middle of some of it.

Laurence Alexander, Jefferies & Company

Can you go back and give a little bit more color on the Shell partnership or at least the progress there. What kind of news flow we might expect and what kind of activity or resources you're allocating to the efforts?

David Demers, Westport Innovations, CEO

Yeah, I think I'll just be very quick. Obviously, we could spend a lot of time on this one. Shell announced that they are making LNG available in the corridor in Alberta around their LNG facility in Calgary. And so they have now got trucks buying LNG from them along that corridor, which is great. They are working on their supply chain to get trucks ready on natural gas. I think they have some of those already, I'm looking at Darren. Anyway, there are some orders there. And we have been out marketing with Kenworth and Peterbilt and Shell and as we talked about in our bundling strategy we talked about last fall. So there is a specific proposal all set, let's say, that we are making. We're going out, it's volume dependent it's obviously tailored to each individual customer and we have a sales team that has representation from truck manufacturers, from Shell and from Westport, going to sit down and work.

So these are complex, tailored, special proposals for each fleet. So they take some time and they are complicated but I think we can say that the reaction has been very good, lots of interest. The tenet of it as we said, it's what will it take to get you to adopt natural gas in a big way in your fleet. So it's a whatever will it take discussion, and if we can answer that request, we will and I think we'll see new orders.

It's going to take some time for people to get this straight but I have no doubt that it's going really well.

Laurence Alexander, Jefferies & Company

Lastly if I can, just one quick one, is as you think about the order patterns, are we looking at a more linear kind of ramp over the next two years or does the timing and lag effect mean you get a bulge somewhere in the first half of next year?

David Demers, Westport Innovations, CEO

I think generally, when you see the product patterns as they get launched too, Laurence, that's also going to have a really big effect. Right now, we're really are focused in North America, the customers that are looking at a Peterbilt or Kenworth truck, and even within those, we are scrambling to broaden the product offering because there is a very broad array of chassis configurations and engine performance and things that customers expect. So we've got lots of work to do to introduce product and so I think as you see new products entering the market, that's inevitably going to have a major lift on the available market and that's going to put a geometric expansion.

I think just because of the nature of this business too, we're starting quite slow with early adopters in limited geographic areas that are able to take these risks. Early customers, feedback has been great. I think we're going to see more and more people adopt as time goes on and so inevitably you're going to see some sort of geometric expansion and adoption until we hit some sort of plateau in terms of market penetration, but I think we're a long way off from that.

Laurence Alexander, Jefferies & Company

Thank you.

Operator

The next question comes from Ann Duignan of JP Morgan. Please go ahead.

Ann Duignan, JPMorgan

Could you maybe somebody take us through your organic growth rates by segment versus total reported growth rates?

David Demers, Westport Innovations, CEO

I don't know, Bill, can you do organic? What's organic? I guess the only one that would not be organic would be Light-Duty.

Bill Larkin, Westport Innovations, CFO

There was high-single-digits for the organic growth of our existing Light-Duty business.

David Demers, Westport Innovations, CEO

Tough to tease out what was former business from what is current business with Light-Duty. We've obviously we directed OMVLs marketing pretty substantially, so I'm not sure you can really compare business they're doing this quarter from business they were doing a year ago. But certainly if you take out the Emer AFV business it's probably 20s, high-single, high-double-digits for OMVL.

Darren Seed, Westport Innovation, VP, Investor Relations & Communications

I think Ann, one potential answer to your question is the organic growth this year is coming from the new product launches like the Ford F250 and 350 business will provide some, what we expect to be some nice organic growth.

Bill Larkin, Westport Innovations, CFO

But also with our Heavy-Duty business as well. Because we started with a low base, and that's where we're going to see a lot of organic growth as well.

David Demers, Westport Innovations, CEO

Is that what you're after Ann or is there— ?

Ann Duignan, JPMorgan

No, that's perfect. I'm just used to always reported revenue and then organic revenue.

David Demers, Westport Innovations, CEO

Yeah, the trouble with those analyses, because we try and do it internally too, we scratch our heads a bit about it. But because we're shifting particularly the acquisitions, we're moving them away from their former business, OMVL in particular was mostly aftermarket and in a

different geographies. And so we kind of really pushed it into new stuff. And so I think they've done a great job of completely remaking their business and refreshing their product line.

So when we added the Emer teams similar, we're really focused on the OEM side and so the growth I think is coming from business that we want to encourage in the future and where we want to focus in the future and as the acquisition period gets further and further behind us, I think you'll be able to start to model organic growth a little better.

Ann Duigan, JPMorgan

Perfect, that's good insight. And then just if I look at your units shipped sequentially, they were down in CWI, they were down in Heavy-Duty, they were kind of flat with Weichei. Can you just talk about was there anything specific in Q4, like Waste Management taking delivery of a lot of CNG trucks before year end? Is there any reason to believe that Q2 should or should not be higher than Q1?

David Demers, Westport Innovations, CEO

I'll kick that off by my ritual reiteration of lumpy quarters. These are still small, small businesses. You'd know probably better than anybody Ann, that we're talking about tiny fractions of 1% of these total industries. If you were to compare the total gasoline and diesel shipments in these quarters, we're a bit of a rounding error still. So we can congratulate ourselves that we were 170 this quarter, 150 that quarter, but really it's not even a rounding error. So it's going to be lumpy until we get to some reasonable critical mass. And I think CWI is now at critical mass in things like transit and refuse where you can see some pretty consistent quarter-to-quarter numbers. But even there you will see some seasonality and you're going to see it biased by major orders. Like, we did a one single major order for a bus fleet in Venezuela this quarter, for example.

So it's always going to be slightly lumpy. And as much as we wish we could do some predictions based on past performance, it really is tough, somewhat based on

timing of specific customers and their preferences for when they want delivery and what they want to do.

In terms of this quarter versus Q4 last year, Q4 was spectacular, it was a record quarter. We matched pretty much those record numbers this quarter so I think that I wouldn't read too much into it, the overall trend is going to be lumpy quarter-to-quarter in each market, but overall, we reiterate this year we think overall revenue should be up 50% or little better. So that implies that we're going to see it all average out over the year. Does that make sense?

Ann Duigan, JPMorgan

In the interest of time I'll take my other questions offline. I appreciate it. Thanks.

Operator

The next question comes from Rob Brown of Craig-Hallum. Please go ahead.

Rob Brown, Craig-Hallum

Good afternoon. On the new 12-litre engine you mentioned a lot of interest, but could you give us a better dial in there in terms of end market demand—have you seen orders yet; when will you see orders; and then kind of what could that start to look like?

David Demers, Westport Innovations, CEO

Hey Rob, come on. You can figure it out. Short answer, you were at the show. We've got launch partners. Sorry, our thoughts are pretty megalomaniac, but we'll have to find out. The launch partners are some great companies. We've got Freightliner and Peterbilt and Kenworth, and Volvo. They've all announced availability of trucks and they've got more to do. We've got test of trucks on the road with each of them. They've all announced availability for early 2013. So, I certainly don't think anybody would claim they've got a backlog today, but there is a lot of interest.

I think people think that the engine is going to hit a sweet spot in the market, particularly in refuse which is

very heavily going towards natural gas so I think that's going to be very successful. Some of the coach business looks like that engine is going to be directed fairly well. The regional trucking business is going to depend more on the success of the infrastructure build-out and exactly how many fleets are comfortable with this product in their area for their application.

So, I think you're going to see a year where these early trials are really important and where people really want to get a sense of performance and fit and get comfortable with this idea of CMG, or LNG and model it into their fleet. So, I wouldn't expect that we're going to see a sudden complete conversion of the trucking industry in early 2013. I think what we're going to see is a lot more fleets think that they have got to look at natural gas and are going to start to do their plans and we think this product, the truck products that incorporate this new engine are going to create a lot of new customer for CWI and that is what we want. Does that make sense?

Sorry, I've really ducked your answer, but clearly we see it as a very big addressable market compared to CWI's current addressable market. It's a big expansion of opportunity but it's also not going to be 100% of the trucking industry either. So it's somewhere between where we are and a much bigger number.

Rob Brown, Craig-Hallum

Okay. Okay good, thank you. And then on your new portable fueling product, is there an investment required there in terms of CapEx or start up or is that sort of profitable right away?

Bill Larkin, Westport Innovations, CFO

Sure, Rob, yes, because we are acquiring the Orca's mobile refueling stations and then what we're doing is we're leasing them out to our customers and the customers are responsible for installing or putting them in service, getting them fueled up by their gas suppliers. So we are earning revenues and profits on that leasing income from those Orcas.

I think a greater benefit is to our customers in being able to help them through that transition period. To where they get to that permanent refueling infrastructure in place, so I think that is where a lot of the value is, as well we can make a little bit of money on it.

David Demers, Westport Innovations, CEO

I'll elaborate on it a bit more on it Rob, because there is no magic here. Except that it's been a very popular product with a very long lead time from Chart. And so a fallback, we sat down with Chart and came up with an arrangement where we could get a stream of these products that either would be, we would take ownership of it or we would allocate it to a customer because we think the temporary refueling idea is going to be a big part of the early stages of this industry.

So it's gone really well, it's a great product. We have taken ownership of some of these were we are going to lease them to customers for some time. I do think the off-road market is going to be an interesting long-term business, not something that we really want to do in the long term but it's, again, because of the rapid growth that we saw and the mismatch between available infrastructure refueling and the customers that want to buy trucks, we think this is going to be an essential part of it. So it's just a small business but a critical business to let the overall truck industry get going.

Operator

The next question comes from Shawn Severson of JMP Securities. Please go ahead.

Shawn Severson, JMP Securities

Thank you, good afternoon. I was wondering if you could talk a little bit about the roll out in the refueling infrastructure and the trucking corridors. And I'm sure you have a good chance to look at what types of trucks and fleets are running on those routes today and how that overlays with your business mix including CWI. So I guess another way to ask the question is, when those corridors are up and running, where do think the sweet spots are, the mix of engines will be for you?

David Demers, Westport Innovations, CEO

Wow, if I had an answer to that one, boy, we would be in good shape. Honestly Shawn, we aren't that sophisticated. We're trying to get to know the fleets early on and get a sense of who is going to natural gas first. For example, our very first fleet here in B.C. is a dairy specialist hauling milk and that really wasn't in our radar as the early adopter. Turned out to have been very successful, and much to our surprise they go tremendous miles and burn a lot of fuel. So I really think that the way we have to categorize this is by how many miles the fleet runs, what's their duty cycle and what's their fuel consumption and that seems to be directly correlated with their enthusiasm for going through this early learning around LNG because the prize is so high.

We have fleets that are telling us that their payback on these the trucks is less than six months, which is a phenomenal. But it gives you an idea of what sort of mileage and fuel consumption that they're putting their diesel trucks through today. So that's our target. They're everywhere, they're not in any particular geographic location unfortunately and they're not in any particular industry. It's really the business model of the particular fleet that we are talking about and we're finding them everywhere.

Now, obviously, we are working closely with Clean Energy on their public access natural gas highway. I think that there is lots and lots of opportunity that they are going to pick up, that really is a chicken and egg issue, where there's lots of fleets that are sitting on the sidelines waiting for refueling to appear and as it appears I think we're going to see fleets pick that up, so that's a step one.

But our focus has been on the very high fuel consumption fleets where they're going to justify fueling infrastructure on their own and also of course the major national fleets who are also likely going to do their own thing. So, I think it's pretty broadly based. I think if you look at the diesel industry distribution of product generally, that's ultimately where we think that things are going to plateau out. There's a natural home for engines that look like 10-litre diesels, 12, 13 litre diesels, 15 litre diesels. And those are going to end up being the people

who buy natural gas products that have similar performance and capabilities. So the market share ultimately is going to end up being that way, I think. But first it's up to the fleet.

Shawn Severson, JMP Securities

That's why I'm trying to get a better idea of these 15-liter HD markets or are these going to be 12-liter markets, or an optimal maybe 13-liter for these, for at least the initial roll-outs by Clean?

David Demers, Westport Innovations, CEO

I think people have underestimated a bit the fuel consumption with those big long-haul fleets. And that's really where we're seeing a lot of excitement. I think you're going to see a lot of fuel moving through the 15-liter direct-injection engine, because those are the guys that are heavy fuel consumers. So I think in the early well, the bulk of the, call it the cash flow for fuel is going to be from those fleets. The 12-liter products coming out of year from now, that's going to go into some great customer applications, but they're typically lower mileage, too, and lower duty cycle.

Shawn Severson, JMP Securities

Just lastly, are you considering or looking at any technology changes or design changes in the 15-liter that could take costs out? Anything not actually reinventing the wheel, here; but are there some things that you're actively pursuing that would be major cost reductions?

David Demers, Westport Innovations, CEO

Yes.

How's that? Sorry, can't take away our secrets here. Come on, of course we are.

Shawn Severson, JMP Securities

Okay, but it's clearly part of the strategic, part of the technology road map?

David Demers, Westport Innovations, CEO

I will go a little further, sorry, I couldn't resist. As I said, our costs are actually coming down a lot. Most of the costs, much to people's surprise, has been warranty. Our supply chain costs have been coming down rapidly as we start to migrate to new suppliers. There's really not that much hardware, and as we get volumes up, those costs had come down really dramatically. So I think that we're going to be able to see much lower price points if our partners want to lower the price.

Obviously, we don't really want to just lower our price and have it not move the price point for the vehicle. So there's some things we've got to do here. Yes, costs are coming down a lot. I think we also want to improve performance. There's really only one flavor of heavy-duty engine today, and we want to expand the applications that it can go to. And some people are going to have different requirements than the version we've got today, and we'll work on that.

Operator

The next question comes from Colin Rusch, with ThinkEquity. Please go ahead.

Colin Rusch, ThinkEquity

Thanks guys. Can you give us a -- this is a two-part question. Can you give us a backlog number, actually, in the quarter? Secondly, can you talk about the development of any sort of leasing product financing products or arrangements that might facilitate an acceleration in the sale cycle?

David Demers, Westport Innovations, CEO

Sorry, you broke up a bit, so I missed the last bit. Can you repeat the second half of that?

Colin Rusch, ThinkEquity

Sure. Can you talk about the development of any sort of leasing or financing product that might accelerate the sales cycle?

David Demers, Westport Innovations, CEO

Yes. Frankly, that's part of our large-account bundling projects. We don't really want to lease, although we did break that rule, Bill already did, with leasing the JumpStart equipment. But it's not really our business. I think the truck leasing business has got lots of players. We have been talking to everybody who is leasing today, and they're all quite happy to lease natural gas trucks now, so that's good progress. But that's going to be part of this bundled arrangement. It's up to the fleet to sort out the financing options. We can present them, and we can bundle in all kinds of interesting things, but ultimately it's a financing decision, and they have to be comfortable with who is providing that financing. It won't be Westport leasing, I don't think, certainly not in the near term.

First part of your question was backlog. We really tried to get away from talking about backlog. We still do have a backlog. Shipments are speeding up though, I have to say we got better build-slot availability with both Peterbilt and Kenworth on the heavy-duty side. Obviously on the medium-duty side, things are going well, as well. We're starting to shrink the lead time, which is good, but it's still not overnight, and it's still not something where we can say, well, we've got a backlog of X thousand customers, because it's just not the way this industry works. I think that when we get major orders, we're going to start shipping them as quickly as we can, and you're going to see that in the results.

Operator

The next question comes from John Quealy, of Canaccord Genuity

John Quealy, Canaccord Genuity

Hi guys, just two questions. First, can you give us an update on the locomotive side of things, and what we should be looking for in the next several quarters or years for that product line or opportunity? Then, more housekeeping -- for CWI, Bill, can you tell us what the split was between North America and Asia sales?

David Demers, Westport Innovations, CEO

I'll let Bill look that up. On the locomotive side, just to refresh everybody on that one, we have announced a program, started out with CN Rail in Quebec, in partnership with Gaz Metro, who are the local LNG provider that we've been working with on the trucking side to do a demonstration locomotive through a government funding program called Sustainable Development Technology Canada. That program is about a year old. It's got great progress.

The new news on that one, I guess, was that the locomotive provider who's jumped into the program is EMD, Electro-Motive Division, who are part now of the Caterpillar group. It's an EMD locomotive that will be the platform for this. I'm just looking at Darren for confirmation. I think that the -- we're going to have engine data this year, and you'll see test locomotives running around next year. The question is whether or not that will evolve into a commercial product.

It's going really well, getting a lot of attention, as you can imagine, because these guys consume so much fuel, and the opportunity for a really transformative cost structure in rail is pretty compelling. So lots of details to work out on how fuel will be managed and circulated throughout the rail industry, but I think from the locomotive side, I think everybody is pretty comfortable that we'll be able to deliver a high-performance locomotive that does the job. Are you ready for -- Bill?

Bill Larkin, Westport Innovations, CFO

Sure. For the breakdown for the CWI business, it was roughly 58% in North America, and then with the bulk of the remainder for the Venezuela order that we've talked about. So I think that's considered under the Asia, because that's where the engines were shipped to, and with buses that are designated for Venezuela.

Operator

The next question comes from Eric Stine, of Northland Capital Markets. Please god ahead.

Eric Stine, Northland Securities

Maybe I'll just start with Light-Duty, in the Ford with the WiNG. I know it's early, but if you could just talk about the interest level you're seeing and maybe how the pipeline has developed early on relative to what your expectations were?

David Demers, Westport Innovations, CEO

Well I kind of gave a hint, and I know Bill gave a hint, so I'm going to let Bill elaborate. It's your turn.

Bill Larkin, Westport Innovations, CFO

My turn?

Darren Seed, Westport Innovations, VP, Investor Relations and Communications

Actually, I'll speak up then. It was -- Light-Duty is seeing some interest and demand, an increased demand, Eric. I think we do start shipping the product here in the next several weeks, so I think everything seems to be on track and clearly the fact the vehicle has a range of 650 miles - it's got the complete OEM-like testing, and hot testing, crash testing, and a number of successes and accolades so far. I think that's just been driving a lot more interest in demand. I know we're looking at an interesting campaign coming up to get the truck out there in the next few weeks, which we'll talk about, probably, in a press release shortly.

Eric Stine, Northland Securities

Okay, fair enough, I guess I'll wait and see on that one. Maybe just turn on the high horsepower, you touched on rail, just wondering if you can give an update on the CAT relationship, and then I guess back to Light-Duty, maybe an update on the GM relationship, as well?

David Demers, Westport Innovations, CEO

Both Caterpillar and GM are technology development relationships. I think we can say, quite honestly, things are going well. Both very narrow objectives for those technology demonstrations, which have been met. I think all of these programs are not really about proving

what we have already done, because there's all kinds of good data on that we can give to new OEMs. It's -- they're always about, well if our plans look like this, could this technology fit into those plans, and what would it look like? We're into some cutting-edge work that is creating new data and new science. So, very exciting, both programs going well. I can't give you any more than that, we'll have to wait and see what the commercial eventualities are from those programs.

Eric Stine, Northland Securities

Okay, fair enough. Can I just sneak in one more? Just on the build slots, you just touched on it. It sounds like you're more confident than you've been in past quarters. I just know in past quarters, it's been somewhat of an ongoing thing that you've had to deal with. Fair to say that confidence is there, and the build slots are there to meet the demand as it comes?

David Demers, Westport Innovations, CEO

Yes. It's another one of those three-dimensional problems. We have to make sure that every one of our suppliers is scaling up and capable of scaling up in time, because we scale up at the pace of the slowest component, that's pretty obvious, but some people forget that. So we've done a round over the last six months of making sure that all of our suppliers have the quality and scale-up capability to meet any conceivable scale-up demand. We have to work with our partners, Peterbilt and Kenworth. Their plants have to be ready to scale up. Then, of course, we need to get into their own build cycle, where they can allocate build slots in a way that meet customer expectations.

So, complex problems. I think we are at the point now where everyone is comfortable that we can move that delivery time up, some of which is generally that I think that we've seen a little bit of softening on the truck business, there was a big bulge, as you know, last year, a pent-up demand on truck manufacturing, so the plants were really busy, didn't have a lot of time to focus on new stuff like natural gas. This year I think we've gotten a little bit more time and energy, so I think that we can see more availability of build slots in less than six months, and the ability to scale up if we see the demand. Now it's

back to the sales guys to close some demand, and so we can deliver that.

Operator

The next question comes from Alex Potter, Piper Jaffray.

Alex Potter, Piper Jaffray

I had a quick question here on margins in the heavy-duty segment. I was just hoping you could add a little bit of color on what exactly was going on in the quarter. I know that from a volume standpoint, the number of units shipped didn't change all that much quarter-over-quarter versus Q4, but the losses in the segment were quite a bit larger this quarter than they were last quarter, so I was just wondering if you could outline why that is, and what you kind of expect going forward? It sounds like you expect margins to improve there, as volumes ramp.

David Demers, Westport Innovations, CEO

The major issue, I think, quarter-to-quarter is just the mix of service revenue from Volvo. It was in last quarter and out this quarter. You really need to correct for that, and take out service revenue or add it in, depending on your choice, so you can really figure out what the actual hardware margins are. I know Bill buries it somewhere in his MD&A, but do you want to explain it?

Bill Larkin, Westport Innovations, CFO

Sure. Last quarter, I think David kind of alluded to it earlier in his prepared comments, as we get through these launch customers who had certain pricing incentives for being the launch customers, I think we're starting to see an upward trend in our margins. 15% is what we had for this quarter, it's a good starting point. However, as we continue to focus on our cost reduction initiatives, as we start seeing volume increases where we can leverage our supply chain, also too, as we start ramping down the warranty accrual that we have, we should start seeing an upward trend in our gross margins. We've talked about historically this 20% target; however, that's just kind of a reference point. We'd like

to see that maturity over the next several quarters as products get to the 30% range.

Alex Potter, Piper Jaffray

Okay, that's very helpful. I was wondering, too, if you could give a little bit of color around HPDI in a 12-liter context, specifically in the context of China. Obviously, the larger the truck gets, the more fuel it consumes, the further it travels, the more compelling HPDI should get. But in China, my understanding is there aren't a lot of 15-liter applications, so 12-liter is kind of where it's going to max out. I was just wondering if, in that all being the case, whether you think the Chinese consumer or the Chinese truck driver is going to want to opt for a 12-liter HPDI instead of a 12-liter spark ignited?

David Demers, Westport Innovations, CEO

Well, I guess we'll find out, because we have a 12-liter spark ignited product with the joint venture today, and we'll have a 12-liter DI engine. Pretty much everybody we talked to does see a distinct difference in the market place. Whether you're in China or not, there are trucking applications that need high torque and want to have the best possible fuel economy because they're burning a lot of fuel. The obvious example, I think, in China would be the resource industries, where they have -- moving iron ore and coal there is just as energy-intensive as it is here.

Much to people's surprise, fuel is expensive in China. It's taxed pretty highly, and so the difference between diesel and natural gas is pretty powerful. I think people are going to be incented to get the highest fuel economy product they can get. There's also a bit of a misconception, let me say, about the price differential between direct injection and spark ignition. Technically, there may be some lower costs in some components, but at the end of the day, in the truck, total truck pricing, we expect it's going to be pretty close, at the same performance level. There's not a huge premium for DI.

It's really going to be targeted at who wants fuel economy versus who wants the simplicity of the spark ignition system. Spark-ignited's pretty well understood. People understand they have to change the spark plugs and do a few performance things. We don't offer CNG

with the direct-injection product yet, for example, so if you really are wedded to CNG, you're going to be getting a spark-ignited engine. Lots more complex factors are going to go into that decision, but I think there's clearly going to be a segment of the market that needs and embraces the direct-injection product. I think it's going to do very well.

Operator

The next question comes from Matt Gowing, of Research Capital Corporation

Matt Gowing, Research Capital Corporation

Interested in your comments around testing of the high-horsepower products, and wondering if you could provide any data points to date on the testing that you've done? You've provided similar or comparable data points for the Westport Weichai DI testing, and you have come out with data points that that product could generate 20% to 25% better power and torque. Wondering if you could provide any kind of comparable data points for that high-horsepower product at this point?

David Demers, Westport Innovations, CEO

I'd be cute and say we could, but we can't, so sorry. Honestly, we have to have a few things in the background. As soon as we have something to tell you about the commercial product, we will. I think that in general, all I can say is that we think we can deliver locomotives, mine trucks, that meet customer expectations using the technologies that we've developed -- not necessarily a direct clone of the HPDI product you're seeing today in heavy-duty trucking, but we think we can deliver products that are going to work for those applications, and that's what we set out to do in these proof-of-concept trials. But it's a long way from where we are today to seeing a viable commercial ecosystem where LNG is just kind of a day-to-day operation in those businesses. We've got a bit of time to go, but you'll be the first to know as we reveal data. How's that?

Matt Gowing, Research Capital Corporation

Okay, great. Thanks for that. Just a couple quick housekeeping questions. First on the -- your break-even level for Westport HD, wondering if you could provide an update on kind of what annual volume run rate you need to be at, or quarterly run rate at for break-even. Secondly, in CWI, you mentioned the 794 Venezuelan units. Wondering how many of those were shipped in the quarter? Thanks.

Bill Larkin, Westport Innovations, CFO

Hi. Let's talk about the CWI first. All those were shipped to the OEM. As to what -- I don't know how many of those were actually shipped to the customer during the quarter. With respect to, what was the first question?

David Demers, Westport Innovations, CEO

Break-even on HD.

Bill Larkin, Westport Innovations, CFO

Oh, break-even on HD. We've historically talked about this 300 a quarter, 20% margin. We're still evaluating our business and we still believe that is where a good metric is or our break-even for the heavy-duty business.

Operator

The next question comes from Matthew Blair, of Macquarie Capital. Please go ahead.

Matthew Blair, Macquarie Research Equities

Thanks for taking my questions here. First one, I believe there's some comments about the high-horsepower opportunity in the oil and gas industry, and I was hoping you could elaborate on this? Are you talking about using LNG engines for like pressure pumping or drilling rigs, and also if you have any estimates on the total fuel consumption here that would be helpful, thanks.

David Demers, Westport Innovations, CEO

The answer is yes, that's exactly what we're talking about. Marine would be another one, lots of interest in the

marine industry, somewhat to our surprise, but I guess everybody is looking for cheaper fuel. Oil and gas exploration, some of this we're getting just because there's so much interest in obviously the water haulers and things like that on frac rigs, but the pick-up truck product, generally hauling equipment. The natural gas industry, as you'd expect, is quite keen to look at their operating costs and move to natural gas as their primary energy source. That's led us into conversations directly about, well, what about all of these big engines that are pumping fluids or drilling, or doing whatever, and the answer is of course, an engine is an engine.

It's speculative today. Let's say I think that those class of engines are similar to what you're seeing in the locomotive, mining, marine applications, so those applications are certainly within the realm of possibility, but I wouldn't say there's a commercial project under way yet. But customer demand has a way of translating into product eventually, and I think you'll see lots of people out there making noise about the need to go to natural gas to reduce their costs.

Matthew Blair, Macquarie Research Equities

Right, yes definitely. It really seems like a natural customer for you. Also, Bill, on CWI, this sum, \$3.6 million in increased warranty expense, could you provide some details or some clarity on that? I thought most of the CWI offerings were pretty mature, so just trying to figure out the origins of that increased warranty expense? Thanks.

Bill Larkin, Westport Innovations, CFO

Sure. As we sign up more customers, we're starting to find that principally the ISLG, we put it in different configurations, duty cycles, and as we put these engines in these new configurations, sometimes we run into some challenges, and we started seeing this in the last quarter, which had an overall impact on our warranty accrual, specifically for the ISLG. Over time, we're going to continue to address those as these engines end up in different configurations and duty cycles and uses. That's the principal driver there.

Matthew Blair, Macquarie Research Equities

Great, thanks.

David Demers, Westport Innovations, CEO

I think it's -- I'll just elaborate on that a bit. I think it's a bit of a fact that as we see the success of the ISLG, it had been driven down in warranty accrual over the past few years to where it was pretty spectacularly low, so that any slight up-tick in what we're seeing in claims pattern is going to change that warranty accrual profile. So we are moving it into lots of new applications and new products that have never seen it before, so we're trying to be as conservative as we can about those warranty accruals. Not a big real change, just a slight tick-up.

Operator

The next question comes from David Galison, of CIBC. Please go ahead.

David Galison, CIBC World Markets

Thank you very much, good afternoon. I had a quick question on Weichai. I was wondering if you could provide some color around how the launch will look for the HPDI product as it begins to ramp up?

David Demers, Westport Innovations, CEO

2013. As we said, we're just entering truck trials, so we've got trucks on the road doing trials. As you have probably seen from other product launches with us in the past, it typically means you're a year or so from start of production, so you would expect to start to see customer orders next spring, and truck manufacturers thereafter. Now, nothing is hard and fast on this, we have to finish road testing, we have to finish all of the certification work, and we have to gear up production, but that's about the schedule that you should come back and talk to us about.

David Galison, CIBC World Markets

Are you expecting it to be more of a hit-the-ground-running type of a ramp, or more of a slower ramp-up?

David Demers, Westport Innovations, CEO

Yes, again, hard to say. I would think that we're going to see pretty rapid acceptance in China, just the demand for natural gas trucks, generally, is very robust. I think as I said earlier, we're seeing a lot of demand for product like this. Can I give you volumes? No. We will let you know as soon as we know.

David Galison, CIBC World Markets

Will you also be having warranty accruals on that product as well, similar to your products in North America?

David Demers, Westport Innovations, CEO

Yes, of course. It'll launch with it. Now, don't forget the engine is going to go through the joint venture, so that won't be consolidated. You'll see it in our earnings, but the component cost that we deliver to the joint venture and the off-engine systems that we deliver to the truck manufacturers will have their own warranty, our manufacturer's warranty, as well. Yes, you'll see a warranty accrual tick-up on those as well.

David Galison, CIBC World Markets

If I could touch back on the previous question on EBITDA positive. Just in general, you highlighted, with the evolution of the formal market developing now, do you have, or could you provide some color on how you see Westport evolving to an EBITDA-positive Company?

David Demers, Westport Innovations, CEO

Well, we kind of hinted at that. I'll make it even more explicit if you think we need to, I'm looking at Bill here. As Bill said, if you kind of average out some of the service revenue, which we think you really have to neutralize for, we're running at about a \$5.25 million a quarter EBITDA loss. If we're going to get Light-Duty to profitability, which we said will happen the second half of this year, and if Heavy-Duty gets to 300, which is kind of double current volume, it's not done deal, but it's certainly not a 10 times growth or anything. It would be break-even in North America.

I think you should draw the conclusion that that \$5 million of incremental EBITDA isn't that far off. We just need to continue to see some volumes rise. Not seeing a major change in our investment rate, there will be some new R&D investment that's likely going to be offset with additional revenue opportunities, so I think that's the bogey is that \$5 million a quarter of incremental sale of products, which will happen with the light-duty and heavy-duty portfolio we have. If Heavy-Duty doesn't make it in North America, we think that either the Weichai or the European launch should lift it off, as well. I think that's the outer boundary of where we would see profitability.

Operator

The next question comes from Rupert Merer, of National Bank Financial. Please go ahead.

Rupert Merer, National Bank Financial

A couple of quick housekeeping questions. You mentioned a little about increases potentially in R&D with the last question. Can you talk a little about your expectations for R&D and SG&A. Should we expect the current run rate to hold for the rest of the year, or do you think you'll meet --

Bill Larkin, Westport Innovations, CFO

Sorry -- it was a little bit hard to hear for -- I think you're talking about our operating expenses for R&D for the year. We said in our press release we're looking at spending, investing about \$80 million in research and development among various programs. We're seeing quarterly run rate for G&A and sales and marketing about \$10 million each on a quarterly basis for the remainder of the year.

Rupert Merer, National Bank Financial

Okay, great. The ASPs at CWI were off a little bit. Was this a product mix issue or --

Bill Larkin, Westport Innovations, CFO

Yes. If you look, they had that big shipment to Asia.

Darren Seed, Westport Innovations, VP, Investor Relations and Communications

It ended up in the buses in South America, so it's just product mix, Rupert.

Rupert Merer, National Bank Financial

All right, and then just one final question. If you look at the revenue outside North America, can you remind us are there any changes they way you'll book revenue earnings with CWI sales that are outside North America after the changes to the JV?

Bill Larkin, Westport Innovations, CFO

No, none that I'm aware of.

Operator

That concludes the time allotted for questions. I'll hand the call back to Darren Seed for any closing comments.

Darren Seed, Westport Innovations, VP, IR and Communications

Thank you very much everyone, look forward to seeing everyone in early August on the Q2 conference call. I understand from our service provider there was a clip out of audio on the webcast. Just as a reminder that the full transcript of this conference call will be on our website shortly. Thank you.

Operator

Ladies and gentlemen, the conference is now concluded. You may disconnect your telephones. Thank you for joining and have a pleasant day.