

<DARREN SEED speaking>
**<Westport's Vice President, Investor Relations
and Communications>**

Thank you, everyone, and good afternoon. Welcome to our Fourth Quarter and Year End conference call for fiscal 2010. It is being held to coincide with the disclosure of our financial results earlier this afternoon. For those who haven't seen a release and financial statements 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 on this call is open to the public and to media, but for the sake of brevity we're restricting questions to analysts and institutional investors. You are reminded that certain statements made in this conference call, and our responses to various questions may constitute forward-looking statements within the meaning of US and applicable Canadian securities laws, 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 the 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>
<Westport's Chief Executive Officer>

Well, thanks, Darren, and good afternoon, everyone. As usual, I'll lead off with some comments about our strategic plan and the progress that we made this quarter, and because it's the year end we always tend to look back a bit and look forward a bit in terms of years. And then, of course, I'll turn the floor over to Bill for his presentation of the financial statements.

Starting with the top line, consolidated revenues for the quarter were 35.7 million, which is up coincidentally, 35.7

percent compared to Q4 last year. And for the full fiscal year, revenue was up 7.3 percent compared to fiscal 2009, which was in line with the guidance and the expectations that we've been setting for single digit growth for the year, and as a result of the financial market collapse last year. That said, we feel pretty good about the year, and the single digit growth is in the context of a very significant downturn in the rest of the industry, so we think this has done pretty well.

Fiscal 2010 marked our seventh consecutive year of revenue growth, and looking back, our three-year average growth rate has been 29 percent on a compound growth basis. And we've used this numbers for years, so even though—you know—we're at 7.3 this year, we're still in line on CAGR. Our strategic plan calls for continued strong growth on that order of magnitude as we launch new products and new alliances, and see increased market penetration for natural gas products around the world.

CWI also continues to demonstrate strong earnings leverage with our share of the joint ventures net income rising by 95 percent year-over-year to 7.6 million.

Looking forward, I'm going to talk to you in five lines of business, which is a bit of a departure for us. You know, you've seen CWI revenue and earnings growth for several years now, so that part of the business should be no surprise, but as we look at the other four units, they're either new or there's some significant uncertainties, both upside and delays that I'll try to outline for you.

And as we've consistently advised, we use a three-year rolling compound growth rate of approximately 30 percent in our business modelling, so this would suggest that over the next few years that Westport, including CWI, should grow substantially if we're going to achieve those goals. This growth will come from further growth in market penetration of existing markets, such as transit and refuse fleets around the world, but also from new products in new markets such as the regional and long-haul trucking business in several geographic areas that's developed over the past year. But I'd caution that any time we talk about new market creation, we need to all understand that there's no straightforward path. Our plans need to be flexible, creative, and a bit opportunistic depending on how things develop.

So starting with CWI. We've seen strong growth in the North America refuse and regional trucking markets this

year, some of which, some of—you know—such as the San Bernardino contract with Ryder that you've heard about recently, have been driven by federal stimulus contracts. The transit market also has a few major deals this year, which, of course, typically would ship in 2011 or 2012.

Internationally, we continue to see strong potential in India and in China to serve export markets. CWI is also benefitting from our new relationship with Volvo, and CWI has engines that are now available in several of the Volvo brands, including Mack and Renault around the world.

CWI does face some uncertainty this year despite the—kind of the sunny climate and the return to growth. This year and next in North America there's a lot of focus on the natural gas vehicle incentives for commercial vehicles, and technically, the ones that we have on the books today expire at the end of calendar 2010. Now, as you all know, and as our customers understand, there is good momentum behind new proposals in the NATGAS Act that would double this existing tax credit for natural gas trucks, including those with CWI engines.

So we're facing a bit of a binary situation with CWI, where it can essentially expire as scheduled at the end of this year. We would normally expect a rush to order before the deadline followed by a dead period, or alternatively, we could see a transformative market incentive that suddenly makes natural gas trucks and economic must-have for fleets. In the short-term, until we see clarity on incentives and on their timing, we expect to see fleets in the United States take a more cautious wait-and-see stance. Now, this won't affect CWI's business around the world, of course.

Now, the second business area I want to highlight and talk about is our high-performance heavy-duty truck engine, the Westport GX engine, which is available in Kenworth and Peterbilt trucks in North America and Australia. As you know, GX product was launched at the Ports in Los Angeles in Long Beach, and GX product revenue, as you can see from our financial statements, tailed off slightly this fiscal year, with 114 units shipped in the year versus 131 in fiscal '09.

Now, as we pointed out during the year, this drop was expected. We launched to support the Clean Trucks Program at the Ports, and as expected, the first phase of the Ports program began to wind down in late 2009, and with significantly lower port volumes following the 2008

economic collapse; the Clean Truck Program volumes were lower than anticipated when the program was first announced. That said, we think the program has been very successful, and our customers are, of course, well-entrenched now with natural gas.

During 2009 we began to reposition this product for both the new 2010 emissions standards that would apply to the GX product, and the reconfiguring of our market efforts from supporting this local, specialized environmental project at the Ports in Los Angeles, to a much more complex and larger opportunity to address the long-haul trucking market across the US and around the world. We've invested significant time and effort with our partners over the past year to prepare for this new opportunity.

Now, if you look at the numbers, you can see directly the impact of our work to reduce our costs and to pass this through as price reductions. Year-over-year, you can see that our average selling price in the Westport HD business has dropped from around \$84,000 to approximately \$63,000 over the course of the last year. Margins have been moving around a bit, but we would expect to re-establish gross margins in the 20 percent range as we complete our transition to new suppliers and new components. As you can see, we took some adjustments at the end of the year to our inventory to ensure that we're properly positioned going forward.

Now, for penetration of the long-haul market successfully, we believe that we need to show a 12 to 18 month payback from fuel price savings. The outlook for diesel and LNG price ratios has been going our way this year, with the apparent success of gas shale production on the long-term giving us confidence and our customers confidence that we have long-term supply at good prices of natural gas in our key markets, and the return to oil price increases over the past year. Of course, both commodities are volatile, and the ratio changes daily, but the long-term trends are giving fleets confidence that there'll be a significant fuel price advantage by moving to natural gas.

For planning purposes, we've historically been using a saving of \$1 per gallon in the US, potentially higher outside the US in some markets, and we've seen wholesale pricing recently of up to \$2 per gallon savings for LNG over diesel fuel in some markets. This adds up to a big benefit, and typical fleets that we are targeting consume more than 20,000 gallons per truck per year,

so you can see we'd be talking 20 to \$40,000 in fuel savings.

So as we work through this economics, and as we launch this complex new system technology with our partners, with LNG refuelling corridors being developed, and many new entrance and partners and suppliers getting involved in this big opportunity, delivering that payback to customers is a complex undertaking. Our priority last year was to improve reliability on new components, and also deliver cost reductions through a combination of work with suppliers and redesign to reduce manufacturing costs.

Reduced costs also reduces the price of service parts, and in combination with increased durability and reliability, we see a double impact on warranty costs, which, of course, have been high as we launch the new products such as the GX.

Now, we've seen excellent progress during the year on both fronts, and as we transition to some of our new suppliers, such as Delphi, which we announced earlier this year, we'd expect to be able to deliver around 30 percent reduction in the cost of our product, which will improve our margins as well as give us more pricing flexibility around the world. The next step is to ensure that our customers see that payback in the field, and see the benefits of our higher reliability parts by moving older trucks to the new component levels, and by ensuring that our distribution and support channels are fully aware of the progress we're making on this front.

Now, we've also seen a major emissions level change at the start of 2010, and the associated regulatory approval process for our new products has been surprisingly slow. We'll not be shipping 2010 equipment in the US until certification is complete, of course. And as always, it's impossible to forecast this type of process, but we do have some indication from the EPA that we may have our approvals by the end of the month. In the meantime, we've seen fleets in the US pause while waiting for clarity on the NATGAS Act timing, and the details of these subsidies in any event. Neither factor affects our sales in Australia or in Canada, of course, and as you can see—you know—we continued to ship into Australia.

Looking forward though, I have to remind people of the actual number of engines shipped in this quarter or the next is not important strategically. We have a sufficient field population, and various duty cycles in service with

our customers around the world, and this is delivering us invaluable performance data. We're using this feedback to rapidly improve the product, and to position us properly for what we think the market expectations will be.

We expect that 2010 model year trucks, when they are delivered, will have better fuel economy and performance in 2009, with higher reliability and durability. We intend to continue to continuously improve the product, and to continuously reduce our costs.

Now, independent of the progress of incentives such as the NATGAS Act, over the past two years, we've seen a significant shift in market acceptance of LNG as a viable truck fuel all over the world. Given the relative energy costs in this energy-intensive marketplace, we believe that the transition to natural gas will be inevitable. This is an unimaginably large opportunity for Westport and for our partners, and we have virtually no competition for our technology at this point. So we're working hard to support the many new partners and customers that are examining this with us, and moving forward to make this reality come true. In that context, it's critical for us to get the product right, to get the price right, and to get the distribution and support channels ready for very large scale-up.

Now, one point that I can point you to, recently we've seen announcements by the Quebec Government, by Gaz Metro and Robert Transport in Quebec that they will launch an LNG incentive program and build infrastructure along the Quebec to Detroit highway corridor. It's interesting, I thought you'd be interested in the Quebec story because this is a very new market for us, and it's outside the US, and outside the conventional incentives. The Quebec Government has come up with some very interesting new ways to do this.

Why are they supporting it, or what's the reason behind the policy? Because LNG trucks aligns with the government's strategic objectives; development of the large gas shale that's been recently developed in Quebec, the Utica shale, carbon emissions reductions in transportation, Quebec has been very supportive of carbon reductions, the development and support of leading Quebec companies like Robert and Gaz Metro, and of course, technological leadership and innovation. So we hit a number of different fronts on government policy, and as a result, the Quebec Government has

introduced very significant economic incentives to encourage the adoption of LNG in the trucking industry.

And we see many governments around the world looking at LNG trucks in the same light, as a strong implementation of a policy direction that meets their objectives. So this is what lets us reach the conclusion that this market is going to develop with or without the immediate incentives proposed in the US, although, of course, if we see the NATGAS Act incentives passed, it would have a very transformative effect and move things along—you know—much more quickly than without it.

Now on that issue, you've seen the introduction recently of the American Power Act. This is the Kerry Lieberman bill in the Senate, and all the discussions on its prospects. It's no doubt that the situation in the Gulf of Mexico has complicated the discussion around the APA and the US energy policy, but we see a number of paths forward for these particular incentives, and under the circumstances, I think we can all agree that the domestic natural gas industry is looking better all the time compared to continued reliance on oil and offshore drilling.

So the NATGAS incentives may come under the American Power Act soon, or under another piece of legislation, or perhaps an amended APA to get it passed early in the summer. We're just going to have to wait and see.

So concluding on the GX business, we have to launch the 2010 engine in trucks. We're shifting to new high volume suppliers. We're rapidly improving product quality and product reliability. We will be in a position to rapidly scale up production if the market reacts to the new incentives brought in place by various governments, and if the price spread continues to encourage adoption of natural gas as a truck fuel, we would expect to see that growth develop. So we're confident this is an attractive business with very large potential returns.

Now, I'm—I've spent a lot of time on the GX, but I'd like to turn to three other businesses that we see as being very significant starting this year. First, Juniper Engines, which I told you last quarter we were preparing to launch production in Korea in support of our first contract with Clark Forklifts, and I'm pleased to report that we began to ship engines on schedule in April, and so far, the launch has proceeded successfully.

Our focus for the near-term, of course, is to support Clark, and to ensure that we can scale up production smoothly and with high quality, and meet their expectations. However, we are actively pursuing several new market opportunities with Juniper, and the market feedback on our value proposition has been very encouraging, frankly.

Juniper is offering the market the first fully-engineered systems in this engine class, based on advanced Hyundai gasoline engines that are optimized for natural gas, propane, and other fuels, and all doing it at a very competitive price. So we think the progress has been very satisfactory in Juniper, and with its radically outsourced project team, we think there's considerable room for new investment in this model, and in the market for light duty engines. We'll keep you posted on our progress, of course.

The four and fifth business lines aren't news either, but we are kicking off these businesses, and they are quite different, and so I want to highlight how they're going to develop in 2011 and beyond. Of course, I'm speaking about alliances with Weichai and Volvo.

I think it's important to—you know—remember that we've now covered a very significant part of the global diesel truck engine business with Weichai, Volvo, and our GX business in North America. So we've covered the three major markets with leading engine companies, and we intend to continue to expand this, but these three do give us a very broad market coverage.

With Weichai, we've announced this new joint venture with Weichai some time ago, but I'm pleased to report that the JV has now completed government approval processes. We expect to make our planned investment of US 4.5 million, which will give us a 35 percent position, and this will be complete before the end of June.

Now this JV does commence with an existing natural gas engine product that's targeted at the Chinese domestic market, so we will see sales immediately in the JV, and the JV has been profitable.

So, of course, we also intend to launch a new line of our direct injection technology engines that will target the truck market in the Chinese domestic market, and for export. Now, we believe this is a very exciting project. We're looking forward to be underway and to be working with our new partners at Weichai.

Also, you've heard that we announced that Westport and Volvo will be working together to launch new direct injection product lines based on Volvo diesel engines.

We haven't disclosed our business model or the financial arrangements, but this will be becoming clearer obviously over the course of this year as you see the financial statements. This is a very exciting relationship, and we expect with Volvo to demonstrate that LNG vehicles are mainstream commercial products that will be a high-growth market over the next decade around the world. Westport will contribute engineering and product development services, as well as components and technology, and of course, our market development experience is guiding the team's market and product priorities.

We've established challenging cost and performance targets, that if we're successful, I've got no doubt that with Volvo's global market position we can establish a very significant market momentum towards natural gas. While I can't give you the details today, I can tell you that we'll be significantly ramping up the Westport engineering work with Volvo this year, and the costs will be shared by Volvo and Westport under this total program. In fact, most of the product development costs will be covered by Volvo.

I'm about to wrap up and let Bill take the floor, but—you know—I've spent some time now with the theme that we're now seeing a global and all markets shift toward natural gas as a mainstream fuel. It's no longer a niche environmental play. As the dominant player in the technology for commercial vehicles, Westport is the natural partner for many players in this existing industry. Our challenge is to deliver value to the major global OEMs, and at the same time, protect our leading IP position by advancing our research programs and creating shareholder value.

Looking ahead, we're optimistic about sales growth in fiscal 2011, but it's clear that we still have challenges in the marketplace, as well as our own internal milestones to work through. We still see caution signals in many segments of the commercial vehicle market, with uncertainty rising from general economic conditions, as well as the disruption or the transforming effect of government programs and incentives, which is having the effect of having a market pause while people wait and see.

On balance then, we're continuing to grow our market share, but deals continue to remain slow to move to purchase order points. Nevertheless, we believe those decision points are approaching, and unless we see a significant negative event in the economy, we think sustainable strong growth will emerge in fiscal '11.

Fiscal 2010 is behind us, and I think we will look back on it as the tipping point for our business and for our industry. This year we expect to see evidence of growing market enthusiasm for natural gas as a fuel, with the development of refuelling corridors for long-haul trucking, and several product announcements that reinforce the mainstreaming of this technology.

We're well-positioned to see significant breakthroughs in new markets. Our current business remains healthy and growing. We intend to work quickly to strengthen our competitive position while continuing to be prudent managers of our resources as this industry unfolds.

So that's enough from me. I'll turn the floor over to Bill now to take you through the fourth quarter and year end numbers.

<BILL LARKIN speaking>
<Westport's Chief Financial Officer>

Thank you, David, and good afternoon, everyone. The press release, financial statements and management's discussion and analysis provide a considerable amount of detail regarding our fiscal year ended March 31st, 2010 and are posted on our website. This afternoon I will focus on relative changes in revenues, margins, and net loss.

Turning to the fourth quarter first. For the fourth quarter ended March 31st, 2010, revenues were 35.7 million compared to 26.3 million for the previous fiscal year, a 35.7 percent increase. CWI product revenue was up 4.6 million as unit sales increased from 671 units to 998 units, primarily from increased volume of ISL G sales. CWI parts revenue also increased by 1.7 million quarter-over-quarter due to an increase in units in service and price increases on certain parts. Non-CWI product revenues increased by 2.4 million, with 46 HD systems shipped in the fourth quarter of fiscal 2010 compared with five in the comparative quarter.

Consolidated gross margins for the fourth quarter ended March 31st, 2010 increased by approximately 5 million on higher revenues, while gross margin percentages

increased from 26 percent in the fourth quarter of last year to 34 percent in fiscal 2010.

CWI gross margin percentages alone increased from 29 percent in the fourth quarter of fiscal 2009 to 40 percent in fiscal 2010 as a result of more favourable warranty experience, and an increase in parts margins from CWI negotiating lower expenses on certain parts. While we experienced a significant increase in margin percentages for CWI, going forward we would expect normalized margins to be in the traditional 30 percent range.

Net loss for the three months ended March 31st, 2010 was 12.2 million, or \$0.32 per share, compared to a net loss of 12.7 million, or \$0.43 per share in the three months ended March 31st, 2009.

Our share of CWI net income increased 2.1 million from 800,000 to 2.9 million, primarily because of increased revenues and a higher gross margin percentage. The increase in CWI's net income, as it relates to our consolidated earnings, was primarily offset by CWI's income tax expense increase of 1.7 million, and effects from non-CWI operating expenses, and certain charges recorded during the period.

Turning to the full year results. For the year ended March 31st, 2010, consolidated revenues were 130.7 million, an increase of 8.9 million, or 7.3 percent from 121.8 million for the same period last year. We shipped 3,921 units in fiscal 2010 compared to 4,038 units shipped in fiscal 2009.

The increase in revenues was primarily due to a 9.5 percent increase in CWI revenues to 120.3 million from 109.9 million in the year ended March 31st, 2009. The increase in CWI sales was primarily related to increased sales of CWI's ISL G engine.

Non-CWI revenues decreased 12.6 percent from 11.9 million in the fiscal year 2009 on 131 Westport HD systems shipped, compared to 10.4 million in the fiscal year 2010 on 114 Westport HD systems shipped.

While CWI unit sales decreased from 3,907 in fiscal 2009 to 3,807 in fiscal 2010, CWI product revenue increased 3.7 million, or 4.1 percent, to 94.6 million, primarily due to product mix. Contributing to the increase in consolidated revenue, parts revenue increased 6.6 million, or 34.7 percent, to 25.6 million in fiscal year 2010, due to an increase in units in service.

Consolidated gross margin was 41.4 million, and 30.8 million, or 32 percent and 25 percent for the years ended March 31st, 2010 and 2009 respectively. CWI gross margin and gross margin percentages were 41.4 million and 34 percent in fiscal 2010 compared with 28.6 million and 26 percent in fiscal 2009.

Non-CWI gross margin was slightly below breakeven for fiscal 2010 compared with 2.2 million in fiscal 2009. The decrease in gross margin percentage was driven by changes in our inventory provisions and campaign charges of 1.8 million, and 200,000 respectively.

Moving on to our net results. Our consolidated net loss for the year ended March 31st, (2007), was...2010, was 37.6 million, or \$1.10 per share compared to a net loss of 24.4 million, or \$0.81 per share for the year ended March 31st, 2009. On a comparative basis, results for the year ended March 31st, 2009 included approximately 11.9 million in net gains on the sale of investments versus 2.9 million for the year ended March 31st, 2010.

Therefore, our net loss for the year ended March 31st, 2009, excluding gains on the sale of investments, was 36.3 million, or \$1.20 per share compared to 40.5 million, or \$1.19 per share for the year ended March 31st, 2010.

The increase in net loss, excluding net gains from the sale of investments, was primarily due to the increase of 3.6 million in non-CWI operating expenses, such as G&A and sales and marketing.

Contributing to the consolidated net loss was a 1.8 million increase in inventory obsolescence provisions for non-CWI products, an increase in interest expense of 900,000, a reduction in investment income of 700,000, and an increase in net foreign exchange losses of 500,000.

Helping offset non-CWI net losses, CWI's net income increased 7.3 million from 7.8 million in fiscal 2009 to 15.1 million in fiscal 2010. The increase was driven primarily by higher product and parts revenue, and an increase in gross margin percentage as a result of more favourable warranty experience compared with the prior year. For the year ended March 31st, 2010, our share of CWI's net income increased by 3.6 million (was 8) to 7.6 million. Excuse me.

And as of March 31st, 2010, our cash, cash equivalents, and short-term investments balance was 105.9 million

compared to 82.6 million at March 31st, 2009. For the year ended March 31st, 2010, we raised approximately US 54.2 million in net proceeds from our public offering in December, 2009, 2.5 million from the exercise of stock options, and 3.8 million from the sale of shares of Clean Energy and Wild River Resources.

For the year ended March 31st, 2010, cash used in operations and capital expenditures were 22 million and 300,000 respectively. Subsequent to March 31st, we added approximately 8.4 million to our bank on the exercise of warrants previously issues to Industry of Canada.

As stated on our conference call, we will be moving to US GAAP in fiscal year 2012 instead of IFRS, as we already provide a reconciliation to US GAAP. In addition, we'll start reporting in US dollars beginning with our first quarter of fiscal 2011, ending June 30th, which is, which is expected to be reported in early August.

As mentioned earlier, 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

Thank you. Questions will now be taken from the telephone lines. If you have a question, and you are using a speakerphone, please lift your handset before making your selection. If you have a question, please press star one on your telephone keypad, and if at any time you wish to cancel it, please press the pound sign. Please press star, one at this time if you have a question. There will be a brief pause while participants register, and thank you for your patience.

The first question is from Graham Mattison from Lazard Capital Markets. Please go ahead.

Graham Mattison, Lazard Capital Markets

Hi, good afternoon, guys.

David Demers, Chief Executive Officer

Hi, Graham

Bill Larkin, Chief Financial Officer

Good afternoon.

Graham Mattison, Lazard Capital Markets

I was wondering if you could just comment a little bit more on the Australian market, and also Canada? Just sort of give a sense of how big those markets could potentially be, or just the overall size of Class 8 trucks that you're going after and potential penetration rates there?

David Demers, Chief Executive Officer

Well, obviously they're both much smaller than the US market. If you just look at truck populations, you know, both Australia and Canada are about 10 percent the size of the US market, but you add them together and that's 20 percent, so it's not insignificant. They have a couple of different features. You know—clearly diesel fuel is more expensive in Canada. We have higher taxes, and with governments promoting the adoption of natural gas because of these local productions—you know—surprisingly enough, shales are popping up in previously unknown jurisdictions like Quebec, and recently New Brunswick, so these governments are keen to become—you know—petro-states, and encourage it, and they're being told by the natural gas industry that the fastest way to develop this asset is to get this new high-value project on the road.

So there's actually a very high concentration of trucks along the 401 Corridor in Eastern Canada, and there's been another announcement of corridor activity in western Canada between Alberta and Vancouver. So—you know—as these emerge over the course of the year, and with the support of market leaders like Robert Transport and Canadian Trucking Association, I think—you know—I think Canada's looking very interesting, which is a huge change, because we've never sold anything in Canada before to speak of, as you know. So I think that's an interesting development, and I think it's going to have a very significant effect.

The Quebec Government's incentive, by the way, is a new one. They're offering 145 percent capital cost allowance, which is—you know—which is pretty attractive to a trucking fleet, as opposed to a kind of a direct cash rebate or a tax credit of some kind. So that's an interesting idea, and I think other Canadian jurisdictions are looking at that model as being interesting.

Australia is also different because they've got a very low-cost supply of natural gas. We've told you this story before. It's been held up over the last couple of years because of the volatility of foreign exchange, and you know, the presence of US companies selling US product into the Australian market in US dollars has made it really difficult as the Australian dollar has moved by—you know—30, 40 percent. So that's settled down now. We're starting to see prices be a little more realistic, and we've also used the last year, year and a half to develop corridors in Australia. For example, I think BOC has launched a major corridor in Eastern Australia, and the price of fuel is really what's driving it. It's very high fuel use, high mileage trucks—you know—multiple trailers with—you know—very cheap LNG.

So we think both markets have unique characteristics. We have to get the right product, the right partners, the right distribution, the right product price. All this stuff applies there just as it does in the long-haul trucking business in the US, but I think it's also further evidence that we're seeing global take-up for this as a concept, and although the details are going to be different—you know—it's going to be a trend everywhere driven by the economics.

Graham Mattison, Lazard Capital Markets

So do you potentially see this contributing to the remaining calendar part of the year?

David Demers, Chief Executive Officer

Yes, I think fiscal '11 we're going to see—we're going to see good sales in both countries, which—you know—again, which highlights that it's not just all about waiting for NATGAS Act stimulus.

Graham Mattison, Lazard Capital Markets

Great. And then just another question on the GX engine. I'm assuming—you mentioned that you'd probably expect to get the certifications sometime this month. What are the opportunities there in terms of working with other non-PACCAR (phon) truck companies?

David Demers, Chief Executive Officer

We'd love to work with anybody, I guess, is the official answer. In the—you know—strict sense, we have committed to PACCAR that production line trucks—you know—they've got an exclusivity period that expires in 2010. We're are typically doing an early upfit model with other truck brands, as you know, Graham, so this exclusivity period isn't really restricting us from talking to other people, and I expect that in calendar 2011 you will see other brands of trucks with the GX engine.

Graham Mattison, Lazard Capital Markets

All right, great. Thanks. I'll jump back in queue.

Operator

Thank you. The next question is from Rob Brown with Craig Hallum. Please go ahead.

Rob Brown, Craig Hallum

Good afternoon. You mentioned Weichai is starting to see revenue. Could you just give us a little colour on how you think that rolls out, and then how—remind us again how that joint venture works through your business model?

David Demers, Chief Executive Officer

Yes. Okay, so—you know—we've gone over this in exhaustive detail in terms of the pain we've had on government registration. The good news is that the business actually has been developing quite well over the last 18 months. Weichai is producing natural gas engines in a new plant for the domestic bus business

primarily, a little bit of export, and you know, we'll disclose full financials next quarter; you'll see this in the notes. But it's not huge, but it's not immaterial, and you know, I can say it's—you know—on the order of 20 million US in sales last calendar year, and they're going to show strong growth this year.

Now, we have a 35 percent share, so the—you know—the bottom line contribution isn't material, but it's also—you know—a very strong base to be building on, and we think a strong brand. Weichai has emerged as the number one diesel company in the world just in selling diesel engines in the truck market, so we think we've got a very strong partner, and that this alliance is well-positioned with the production capacity and experience to really make natural gas happen in China.

So I think you will see some positive contribution from the joint venture to our consolidated statements this year, but more importantly, it's giving us some confidence that this business can develop very quickly.

Rob Brown, Craig Hallum

Okay, great. And then a second question on your expense—operating expense run rate in the quarter. I guess were there any one-time items in the quarter we should note, and then how do you see the sort of expense level going forward here for the next few quarters?

David Demers, Chief Executive Officer

I'll look at Bill. Do you want to comment? Yes, there was a whole bunch of one-time items that you can pull out, Rob, and I think they're all pretty clearly described in the MD&A and notes. We haven't seen any significant change in our basic expense run rate. I think that's—I'm looking across the table at Bill. Some of the one-time issues were adjustments to warranty and to inventory.

As you know, Mike Gallagher retired, and so there's some stock-based comps that hit the P&L as a result of that transaction. You know, there's the sale of Clean Energy shares that we've been undertaking over the last couple of years since their IPO. So there's—as you wash that out, I think if you look at it, you'll see a pretty

constant base run rate on the—kind of the normal—you know—sales, administrative costs, R&D.

Now, I think you will see—I'm rambling here waiting for Bill to jump in here, but you know, I think there's a lot of language around some of the shift over the last year between product development and sales expenses. The aggregate total is about the same, but there's been a lot more emphasis on sales and marketing; primarily field support, frankly, customer support, because you remember, we're working on a channel strategy where we're working with truck dealers and distributors to do direct sales. But those expenses are rising and product development expenses are falling, leaving about—you know—about a constant amount of investment.

Do you want to add anything, Bill?

Rob Brown, Craig Hallum

Okay, thank you. That's good. Thank you.

Operator

Thank you. The next question is from Laurence Alexander with Jefferies & Company. Please go ahead.

Laurence Alexander, Jefferies & Company

Good afternoon. I guess the first question, as you look across your various partners—you know—on the LNG engine side, what's your—if they were all running full out currently, what would be the total capacity that's currently in place?

David Demers, Chief Executive Officer

Their total diesel capacity?

Laurence Alexander, Jefferies & Company

No, the LNG capacity?

David Demers, Chief Executive Officer

The LNG capacity?

Laurence Alexander, Jefferies & Company

Right. So if your partners were running full out, I mean how much could they be doing?

David Demers, Chief Executive Officer

Sorry, Laurence, I'm just looking for clarification. Are you looking for our supply chain partners, or...?

Laurence Alexander, Jefferies & Company

Yes.

David Demers, Chief Executive Officer

Are you just looking for Volvo and Weichai?

Laurence Alexander, Jefferies & Company

Sorry, I'm thinking PACCAR. I mean obviously you can't speak to Volvo and Weichai at this point.

David Demers, Chief Executive Officer

Yes, well I guess what I can say because we've talked about this in the past, the focus over the last year was to get our capacity restrictions removed, and the main restriction—you know—on the build of LNG trucks has been the proprietary unique components; things like tanks, cryogenic pumps, fuel injectors. The major issue—you know—there was fuel injectors, and by moving to Delphi, and the Delphi capabilities—global capabilities, we really have no limitation anymore on production injectors. I mean Delphi produces millions of diesel injectors, and we've got access to all that capacity, so that really becomes a demand driven issue once that—you know—once that plant is up and running, and delivering, which will happen later in 2010. We're just undergoing—you know—the start-up and testing of that production capacity.

The tanks, a little different story. We've been working in China with BTIC, who are a major manufacturer. They're putting new capacity in place as we speak with new plants. We've also developed second suppliers in North America, so we feel that we have good capacity for any foreseeable demand, and the ability to ramp production up on reasonable notice; probably six months notice to any reasonable demand. So I think we can declare victory on this. The goal that we told you last year was that we wanted to be able to deliver 10,000 trucks a year, which is a long way from 100 trucks a year, but we think we've got that capacity in place. We have quotes in place and visible capacity to be able to do that, with reasonable notice, of course. It's not something that we can deliver in a week.

That said, the total market potential is much bigger than that, so we're not—you know—we're not down in tools. I think we have to continue to develop quality capacity and cost in the entire supply chain, and make sure that there is no single limitation on our ability to grow, and to cover the potential demand that we would see from partners like Volvo and Weichai once they get into the business. Does that make sense?

Laurence Alexander, Jefferies & Company

Yes, no, that's very helpful. Could you also address sort of where you think you need to get to on bringing down the average selling prices? I know you're thinking it about it in terms of paybacks and that's going to vary by region.

David Demers, Chief Executive Officer

Yes.

Laurence Alexander, Jefferies & Company

But just if you can give us sort of a bit of a like timeline and when you expect to get where?

David Demers, Chief Executive Officer

Yes, the—you know—we've talked, Laurence, I'm sure I've been boring with everybody else, too. But—you

know—the trouble with a question like that is it is all in the eyes of the beholder, and every fleet has their own view of total lifecycle costs, and fuel savings, and all the rest of this stuff, so it's a bit of a moving target. As we abstract it to segments of the market, well, I said we're looking for the higher mileage fleets that are probably doing 20,000 gallons per truck per year, and you know, at a dollar or two in fuel savings, that gets us pretty good cover for an ASP in the—you know—in the 40 to 50,000 range, which is where we're closing in. I said that—you know—for fiscal 2010 I think we were averaging in the low 60s. We've talked, I know in the past about getting that down to the low 50s. If there's any sort of environmental credits, or incentives, or carbon credits or something like that, that puts us right in range of a 12 to 18 month payback with someone that's doing 20,000 gallons a year.

Now, on the other hand, if we see significant incentives as we saw at the port, or with the NATGAS Act, that gives the—you know—the whole supply chain a whole bunch more margin to work with. And we want to see that passed back to the customer to encourage fast adoption, and you know, we've got to make sure that that actually happens.

So that's—we think that we are getting our price and costs into the zone that we want to see. I think I talked about another 30 percent drop in costs as we get Delphi and other people. That's kind of a realistic target, I think, as we see improvements in warranty. So you can kind of do the math on where that gets us, and the pricing capability that that gives us in these markets.

So we'll have to wait and see how some of these other things move out. Right now the—you know—one of the big unknowns is the relative price of fuel. We're seeing—you know—some pretty big movements in markets like China as they lift some of their—you know—their energy pricing controls, which I think is helpful to us. We're seeing a lot more support from the gas producers to supply gas directly at a low price to big applications like fleets. So there's still lots of moving parts that are going to have to come together next year, but I think everything is moving in the right direction.

Laurence Alexander, Jefferies & Company

And then lastly, as you've been discussing the end market trends with your partners and customers, do you have any rough sense for what the backlog, I mean, and

I don't just mean—I mean I realize it's lumpy in the near-term, but if you think over the next 12, 18 months, the size of bids that you have in North America that would've normally been hitting the market if the NATGAS Act weren't there to muddy the water?

David Demers, Chief Executive Officer

Yes, that's—yes, it's a really good question. We've—remember, we do work through distributors, and it's kind of their business that you probably need to check on. But I know that at some of the conferences recently, we've seen Kenworth and Peterbilt talking about the backlog, talking about the fact that this has become a mainstream product and that they're seeing demand across the US; it's not just a California phenomenon, and you know, the quote activity is in the thousands not in the tens. I can tell you that we do have a demo truck that we put on the road recently, and it's booked through September in three-day slots, so there's a lot of interest around the US. It's been in a lot of fleets. We're seeing a lot of demand.

In terms of absolute orders, frankly, everybody we see in the US is waiting. Aside from the stimulus contracts with things you've seen like Ryder and UPS—you know—those—I think those ones are going to go independently. I think the short-term action is going to be in Canada with people like Robert, and some of the other Quebec fleets—you know—in support of this new—this new Quebec program, and in Australia. And I think we've got good demand in both places developing to keep us busy.

Laurence Alexander, Jefferies & Company

Thank you.

Operator

Thank you. The next question is from John Roy with Janney. Please go ahead.

John Roy, Janney

Hi, thank you. Yes, just a couple quick questions. Are you guys planning to break out Juniper and Weichai next quarter, or are you going to consolidate that for awhile?

Bill Larkin, Chief Financial Officer

Well, as the businesses continue to develop, and become—you know—a more significant piece of our business, we will start probably looking at our business by—you know—the Weichai, Juniper, and hopefully provide more clarity in our business and how those relationships are progressing.

David Demers, Chief Executive Officer

Yes, I think we have to follow GAAP unfortunately, and—you know—they're real spoil sports sometimes. But we're going to try and disclose as much as we can in notes. It is important, I think, for people to be able to see our—you know—how the historical businesses are doing and growing, and the leverage we're getting on profitability, and how we're investing in new businesses, so we're going to have to try and communicate this as the business gets more and more complicated in these multiple lines of business.

John Roy, Janney

Great. And one other quick question. We've been hearing a little bit out of China about marine engines and barges up and down the Yellow River. Are you guys expecting that to happen? Is that something that you've even heard talked about?

David Demers, Chief Executive Officer

Yes. You'd be surprised at the ideas that we're hearing. We're hearing it from all kinds of places that I didn't expect either, frankly. Off road in particular is a high fuel use application. So—you know—we're hearing from rail operators. Of course, we've talked about mine trucks in the past, but—you know—mining and industrial applications like that, anywhere where you see high fuel use, people are keen to talk about going to a lower cost

fuel. So I think we will see marine engines, and I think we will see more off road and the bigger the better.

John Roy, Janney

If that were to occur, would that go through the Weichai joint venture...?

David Demers, Chief Executive Officer

Weichai—yes, Weichai makes a very broad range of engines. I think there is a pretty good description on their webpage, but they go up to, I think, 90 litre capacity in terms of their current production, and down quite a ways as well in the product line. So they've got a very broad diesel product line. The joint venture has access to all of that product and technology, and I think—you know—it's clear that the first opportunity is going to be on-road vehicles, but if there's market demand, you should expect industrial engines to follow quickly.

Volvo has an industrial engine business, but Juniper's after this, too, so I think there's a good opportunity for us as those customers start to look at alternative fuels.

John Roy, Janney

And one last question on that. In terms of the geographics of where they can go—where Weichai can go, is there any—are there any limitations?

David Demers, Chief Executive Officer

No restrictions on anybody, although from a practical viewpoint—you know—the industry is segmented by regulation, and—you know—and I guess customer practice, and you see a little more coherence between Asia and Europe just because they do have common emissions standards and a pretty common business model. But—you know—China and India are emerging as discreet markets with their own domestic suppliers, and the Europeans, of course, are active in both places trying to grab market share. So Europe and Asia are—you know—are two markets that have strong interconnections, but are developing independently.

North America has historically been different suppliers, different characteristics and different regulations, so it's a bit discreet, which is why we've worked hard to try and get coverage and partnership in each of those markets with leading players. But I think you'll see a lot more commonality because the global industry is driven by energy, and energy is a global commodity, so it's—so we're going to see convergence on some of this.

John Roy, Janney

Great. Thank you much.

David Demers, Chief Executive Officer

Thanks.

Operator

Thank you. The next question is from Eric Stine with Northland Capital markets. Please go ahead.

Eric Stine, Northland Capital Markets

Hi, everyone. Thanks for taking the questions. Most of the questions have been answered or asked, but maybe we could touch on India, and if you could just give the kit revenue in the quarter?

David Demers, Chief Executive Officer

I'm looking at Bill, who's pulling the paper out. I'm not sure we disclosed—did we disclose India discreetly? I mean I can give you the number, but I'll probably get hit. I mean I'll ramble a bit while Bill decides what he can say the. The short answer is I think the India program is going to continue for several quarters yet at a pretty constant rate. And that contract was originally for a few thousand engines, 3,100 engines, and I think there's been some add-ons to it. Do you want to comment?

Bill Larkin, Chief Financial Officer

Yes, just looking, which is disclosed in more detail in our financial statements. Kit revenue increased to 6.3 million from 1.4 million during the year.

Eric Stine, Northland Capital Markets

Okay. And I know your recent orders were for customers outside of Delhi, and should we expect that there is the potential for a follow-on order from Delhi Transport?

David Demers, Chief Executive Officer

We sure hope so.

Eric Stine, Northland Capital Markets

Okay, that's good to hear.

David Demers, Chief Executive Officer

It's a very competitive business. I don't know if you've been to India, but there's a ton of new entrants in the transport sector and the automotive sector; fairly high quality, really interesting times, and the whole industry is growing really rapidly. So transit buses in particular, and natural gas transit buses are seen as a very high growth area; very competitive. I think we've got the leading market position with the order in Delhi; some of the follow-ons we've got as leading partners, so—you know—we feel like we're in good shape, but it's certainly a very active and competitive market.

Eric Stine, Northland Capital Markets

And this goes back—I probably asked this on the last conference call, but at the time CIL was in talks with Volvo to be the preferred engine supplier for their new CNG bus.

David Demers, Chief Executive Officer

Yes.

Eric Stine, Northland Capital Markets

Anything you can share there?

David Demers, Chief Executive Officer

I mentioned that CWI has benefitted from our alliance with Volvo in that Volvo brands like Mack truck and Renault are selling CWI engines. And—you know—we'd expect over time that Volvo engines are going to emerge as well, but in the near-term, I think it suggests that the Volvo brands are seeing opportunity for natural gas vehicles, and CWI offers them a good product. That's a roundabout answer. I think—you know—I think your suggestion that Volvo bus is bidding projects as well is pretty public, but that's their business, and you know, you'll just have to keep your eye on it.

Eric Stine, Northland Capital Markets

Okay, fair enough.

David Demers, Chief Executive Officer

Okay.

Eric Stine, Northland Capital Markets

And maybe just to clarify on the EPA 2010 certification. Is it fair to say that you've already met—you know—kind of the testing parameters and now you're just in that waiting—I mean waiting for the actual parchment?

David Demers, Chief Executive Officer

I wouldn't say it's waiting. It's been a very thorough process; much more challenging than previous certification processes, frankly. Some of this is because this has been such a controversial year, and as you probably know, there's been a bunch of litigation with the EPA around this, so I suspect that there's just a very thorough analysis. The issue is not really with the test results, because no one's questioning those results. We're legally bound to deliver the numbers, and the

right numbers, so it's not whether or not we qualify, it's—it evolves—it involves more things like—you know—the lifetime warranty for emission gear, and what the deterioration factors are on emissions products and with these engines. So former practice on these regulations and approval certifications have changed, and so that's where we're in negotiations with the EPA, and with CARB, is to get clear on exactly what they expect on these issues, and for them to get comfortable with our procedures.

So it's been a very thorough process. It's taking time. We're confident that certification will result. But, you know, as you saw, Cummins didn't get certification of their engine until the end of January. It's—we couldn't start until then, so it's to be expected that there will be some examination of this. It has gone on longer than we expected. I think we're near the end, but we can't be certain there won't be another question or round of document exchange.

Eric Stine, Northland Capital Markets

Okay, that's helpful. And then last—and just on the CWI side. The sequential downtick in units, I mean usually I just think of that as more normal—normal volatility, or is there anything in a specific segment that I should (inaudible) on that?

David Demers, Chief Executive Officer

Kind of it is product mix as well, and so I mean you can see revenue is up and units are down. It's some of what we count. We don't count units shipped to India, for example. Those are kit revenue, which I guess is in the other revenue bucket somewhere. It's—you know—revenue is revenue, but engine units really vary quarter-to-quarter and year-to-year depending on product mix.

Eric Stine, Northland Capital Markets

Okay, and I was just trying to back into just the geographic number for the fourth quarter, and it—and maybe I'm wrong, but did Asia drop? I mean was Asia a low number in the fourth quarter, and if so...?

David Demers, Chief Executive Officer

Yes, Asia is always very volatile. It kind of depends on a few major orders, and you know, so it depends if we're shipping to Beijing, for example, or if they've got a major order. A lot of our China business these days is for export, by the way. It gets re-exported to South America or Africa or the Middle East by Chinese manufacturers. So it really depends on their order flow, and where things are. So I wouldn't draw too many conclusions by the volatility in either the unit number or the geographic spread.

Eric Stine, Northland Capital Markets

Okay, just normal course of business?

David Demers, Chief Executive Officer

Yes.

Eric Stine, Northland Capital Markets

All right. Thanks, everyone.

David Demers, Chief Executive Officer

Thanks.

Operator

Thank you. The next question is from Dilip Warriar with Thomas Weisel Partners. Please go ahead.

Dilip Warriar, Thomas Weisel Partners

— taking my question. I was wondering if you could provide an update on the flow of funds from the Clean Cities Awards? You know, have you seen any orders materialize yet? I think we've seen a couple of positive press releases from Ryder and a couple of other companies, but I was just wondering if there is kind of a wait and see until the NATGAS Act gets passed, or are you beginning to see orders here?

David Demers, Chief Executive Officer

I think the—yes, if you're talking about the Clean Cities Program—sorry, you were breaking up a little bit, and I wasn't sure if I got all the details. I think some of that is behind us. A lot of the contracts have been left. A number of projects in the refuse business, for example, and bus business, so we'll see that flow over the course of the next probably 12 to 18 months. Some of the higher profile projects, things like the—you know—UPS and Ryder have taken some time, frankly, because it's been dependent on the development of infrastructure, and there's been a little bit of jurisdiction shopping, frankly, by some customers shopping around to see what their—you know, what the better deal might be if they wait for NATGAS Act, if they—you know—do this or that. So the money I am confident will be spent by the Clean Cities organization. Negotiating the exact details of where that last dollar goes, and who gets it is up to them, but I expect that it'll all be spent on schedule.

Dilip Warriar, Thomas Weisel Partners

Okay. And—you know—when you talk of HD units at an ASP of \$40 to 50,000, are you still expecting gross margins in the 30 percent range?

David Demers, Chief Executive Officer

Yes, we've been using 20 percent as—I don't want to say guidance, because that's too strong, but we're—you know—suggesting that as we continue to develop the product and move the price, it's going to be hard to maintain a mature margin like 30. If you look at our experience with Cummins Westport, typically margins do go through a lifecycle where they start low—kind of low 20s, high teens, and they evolve over time to be more like high 30s, maybe low 40s as markets mature, products mature, and warranty accruals drop. I think you'll see the same pattern once we settle down at a final price point on heavy duty, but we are working hard to make sure that warranty accruals are conservative and that we've got a great customer service experience, and so margin optimization is, frankly, not the focus right now.

So over fiscal '11, I think what I suggested was margins will build back to sort of 20 percent—you know—low

20s, high teens in most markets, and then likely we'll move toward the 30 percent gross margin as the market develops.

Obviously—you know—new suppliers like Delphi are going to help, and you're going to have to see some of our current inventory flow through the system—you know—to see that margin improvement. We are taking the price actions now with the 2010 products, and as these new suppliers and new pricing experience shows up, you'll see the margins improve.

Dilip Warriar, Thomas Weisel Partners

Got it. Okay. One last question. You know, of the 1,000 units you shipped this past quarter, how many went to the Ports?

David Demers, Chief Executive Officer

Port trucks, actually I'm not sure of that. I'm looking at Bill. I think—in fact I think most of the shipments last quarter were Australian. I think the Port Program, they've still got a few more weeks to take delivery of 2009. I know there was some delay in contracts, so I'll—we can get back to you on that, if you'd like. Port Program first phase is wrapping up. We are hearing that there will be another procurement in 2010 for more LNG trucks, but I think we'll be topping out in the—I'm looking at Darren and Bill, 1,000—1,100 LNG trucks over the next few weeks.

Dilip Warriar, Thomas Weisel Partners

Okay, thank you very much.

David Demers, Chief Executive Officer

Okay.

Operator

Thank you. The next question is from Matt Gowing with Mackie Research. Please go ahead.

Matt Gowing, Mackie Research

Good afternoon.

David Demers, Chief Executive Officer

Hi, Matt.

Matt Gowing, Mackie Research

Hi. On the—very interested to see in the release comments on the Juniper engines and where you see that joint venture going—you know—work on the oilfield applications as well as the stationary power market. On the stationary power market side, I'm just wondering how large potentially could you see that market?

David Demers, Chief Executive Officer

It's—I mean part of the story behind Juniper is that there is an existing alt fuel market that's well-developed, and the change that we're exploiting is this move from a market that's been dominated by relatively—you know—simple aftermarket conversion kits on a gasoline engine to a more fully-engineered, fully-integrated engine product from Juniper. And so the market today is on the order of 100, 150,000 engines a year in this class; the 2, 2.4 litre class that we've launched in. And of that, probably half of it is good movement forklifts, and things like that, and the other half with the industrial engines in all kinds of places; power generation—you know—other off road equipment, oilfield service and pumps, and things like that.

So it's—they're not gigantic markets, but they're significant, and they're significant because they're—you know—they're there year in and year out, and you know, and we think if we can capture a customer with this value proposition, they're—we'll become their supplier. So it's not selling a consumer product in quantity one, it's capturing a customer that will buy thousands of engines from us.

Matt Gowing, Mackie Research

And in terms of the price point strategy, should we think about it as similar to the case of Westport HD units

selling at a bit of a premium, but the proposition being that—you know—the spread, the savings between what they have been using, either gasoline or diesel, is there, so you're able to get that price premium?

David Demers, Chief Executive Officer

Juniper's actually been contrarian, and I guess you can think of this as a portfolio approach where they're coming in at—as the price and performance leader both. They—I think they've got a better product at a lower price, and obviously we think that's a—that should be a winning proposition if we can prove it.

Matt Gowing, Mackie Research

Great. And just questions around your comments around 2011, talking about sustainable growth number. When we think about that sustainable growth number, should we think about that in terms of—you know—your 30 percent, three-year compound annual—compounded revenue growth number, or is it the fiscal 2009 number, or is it somewhere in between? Just looking for a little bit more colour on that, please.

David Demers, Chief Executive Officer

Yes, I mean we used a three-year CAGR. I think that's the easiest thing to do because it smoothes out. You know, it's impossible really to draw many conclusions from a year that we had 7 percent growth that followed a year where we had 50 percent growth, that followed a year with—you know—35, or whatever the number was in '08. Looking back, I was pleased to see that our three-year CAGR turned out exactly 29 percent, and you know, and our five year CAGR, I think is still 33, 34. So I think that's reasonable going forward.

Now, we didn't pull this out of the air, frankly. It's—you know—we have done some analysis of a lot of other companies in many industries, and other companies in the green space, including stuff that you wouldn't think is necessarily comparable, but it's very rare—I think it's—you know—it's probably above the 75th percentile to see anybody that's able to sustain more than 25 percent growth for very long. So we think that—you know—much as people would love to see 100 percent compound growth, we're not sure that's realistic, you

know. And I'm an optimistic guy, as you know, but—so we do need to be tempered with reality. I think that setting the bar at 30 percent compound growth from where we are for the next three years is a challenging goal, but I think it's achievable, and if we achieve it I think our shareholders should be pretty happy with us. So that's how we set it. Is there more market potential? Absolutely. And can we deliver it? That's what remains to be seen.

Matt Gowing, Mackie Research

So on the 30 percent growth out three years, do you envision that being, in the near-term, specifically 2011, below the 2011—or below the 30 percent number, and then accelerating above the 30 percent number over the years, or is it going to be kind of even keel, 30, 30, 30?

David Demers, Chief Executive Officer

Yes, yes, we really can't say, but—you know—I think if you look at the Q4—you know—Q4 was at 35 percent year-over-year, so that should—you know—give us maybe some confidence that growth this year is back to normal. It really depends on whether we see another collapse in the economy. But can we—can we pull off a sustained three-year CAGR? I think so.

Matt Gowing, Mackie Research

Great. Thanks a lot for taking my questions.

David Demers, Chief Executive Officer

Yes.

Operator

Thank you. The next question is from Ian Tharp with Dundee Securities. Please go ahead.

Ian Tharp, Dundee Securities

Thanks, everyone, and yes, good results over the year, and lots accomplished. So going back to Weichai, I

know you spent a lot of time on questions, and David, your commentary. So just to recap, the license really just formalizes by the payment of the 4.5 million within the month, is that right?

David Demers, Chief Executive Officer

Yes.

Ian Tharp, Dundee Securities

Okay. And then I just wondered, you talked about natural gas engine sales that will happen now. Is it as billed in terms of the proportion of the JV you would just see that proportion of revenues coming toward Westport for your share of the joint venture?

David Demers, Chief Executive Officer

Because we're a 35 percent partner, you'll likely just see an income from joint venture line where we'll (inaudible) all the joint ventures.

Ian Tharp, Dundee Securities

Right.

David Demers, Chief Executive Officer

In the notes, I suspect we'll have to report—you know—kind of the major balance sheet and P&L numbers from the JVs, so you'll see the assets, the revenue. I'm looking at Bill, are we going to disclose those gross profit? Probably not. You'll probably see major expense lines broken out, and then in our P&L you'll just see the 35 percent interest in after tax income.

Ian Tharp, Dundee Securities

Okay. And so they're selling a natural gas engine product now, and just to clarify, is that based on Westport HD at this point, or...?

David Demers, Chief Executive Officer

No, this is a pretty traditional spark-ignited bus engine. I happen to think the product's pretty good. We've been working with them for some time, so we've kept in touch, but this a Weichai development, and obviously we'll come in and provide some advice on the product line as we speak.

But the Chinese natural gas domestic market is emerging quickly. As you know, Cummins Westport's been there for I guess eight years now. There are other domestic manufacturers in the bus business, and we're starting to see that move into trucks and other applications, so I think our timing is pretty good.

We do want to broaden the product line with a range of technologies. We also think that there's a good opportunity for our HPDI technology in the Chinese market, but it certainly won't be the only product that the joint venture does.

Ian Tharp, Dundee Securities

Okay, but the initial units that are recognized within the joint venture, they're not split in any different proportion than those that are based specifically on HD, or other Westport born technologies?

David Demers, Chief Executive Officer

We bought an interest in a business. We happen to think it's a really good business. We happen to think that the valuation is attractive, and has lots of opportunity, but it's a business on its own. It has a Board. It will make its own decisions on what businesses to enter, and some of those will have Westport technology, and some of them will have Weichai technology, and some of them might be things that we haven't invented yet. So it's an exciting business, it's a good team; strong support from Weichai, and we think it's got a bright future.

Ian Tharp, Dundee Securities

Okay, and just you alluded to incentives and legislation in China. They've been very active in other parts of the renewables market in enabling growth in those

industries. What, David, do you see now or on the horizon within China that could really accelerate the growth within the country?

David Demers, Chief Executive Officer

I think the transport policy and energy policy is essential to China's economic growth, and I'm not going to be stupid enough to try and tell you what China's Government policy is. What you can see publicly is that they have been moving to a—closer to market pricing for fuels, including natural gas most recently. We just got that note this morning. So—you know—people have been talking for some time that China needs to get to those global pricing to set a coherent energy policy, and I think that's consistent with that push. So there have been very large increases in prices for conventional fuels and natural gas as they remove those government subsidies, which are really market distorting.

Over time, it's clear that transportation fuel is a critical strategic issue, and I think you will see China—you know—moving towards natural gas in commercial vehicles; at least I would hope that we see that as a policy push. It's been mentioned in their government policies, and so I think you can see these steps as being consistent with that.

Ian Tharp, Dundee Securities

Okay. And then just moving on, if I may. You alluded to the carbon credits business, and that you've got some registration that's happened there. Any further data points as to how we see that business roll out for Westport?

David Demers, Chief Executive Officer

Yes, actually a really good question. I'm surprised that no one else raise it. The—because I'm really pleased with this. The—you know—the program is the first global transportation initiative, so we have a verified transportation carbon credit program now under the Voluntary Carbon Standard regime, which is really the only independent regime that's out there other than the Kyoto, the Clean Development Mechanism. So we are now in a position to offer our customers carbon certificates. Now, this will have to be verified, and

there's a verify protocol. If you go into the website for VCS you'll see our standard, it's been approved now, and so there will be a mechanism of documenting mileage, fuel consumption—you know—what was done, and we'll be able to print carbon certificates.

Now, our intent here is to—is really to just aggregate this on behalf of our customers. Really, no individual fleet's got the mass to—you know—go through this hassle to go and get a—you know—a standard registered internationally and to comply, so you know, that's probably why we're the first one. But there's no obligation. Our customers can go and sell their carbon to anybody if they can come up with a—you know—a one-on-one deal, or something that people can independently verify—you know—they can go sell their carbon to the highest bidder.

I think the good news is that we are demonstrating that there's a significant carbon saving to operate on our vehicles. This is Cummins Westport, Westport and any future vehicles from Weichai or Volvo, they'll all fall under this standard, and that we can pass those credits to our customers for use in whatever way they want. Sometimes it may just be to comply with regulation, or maybe they want to sell them on the market.

The market for carbon is still emerging. We've seen prices in isolated markets for well over 100 a ton, which is really interesting, and the wholesale price in bigger markets is—you know—7 to 20, right? So it's really hard to say what's the monetary value of this. It's not going to buy people free trust, but it is going to give them some significant emissions regulatory compliance and some benefits. It starts next January, by the way.

Ian Tharp, Dundee Securities

Okay. That's it for me. I'll go back in queue. Thank you.

David Demers, Chief Executive Officer

Great.

Operator

Thank you. I'd now like to turn the meeting back over to Mr. Darren Seed.

Darren Seed, Moderator

Thank you very much, everyone. This concludes our call, and we'll see you all in August for the next Q1 fiscal '11. Thank you, Operator.

Operator

Thank you. The call has now ended. Please disconnect your lines at this time, and thank you for your participation.
