



Westport Innovations Inc.: From Science Project to Industry Leader

Description

Begun by research scientists, **Westport Innovations** (TSX:WPT) now partners with **Ford**, **Caterpillar**, and others to supply the growing market for natural gas-powered vehicles.

Bill Larkin is the CFO of Westport, a global leader in low-emissions transportation technologies that engineers the world's most advanced natural gas engines and vehicles. A CPA with a degree in accounting from the University of Southern California, Bill has also served as CFO of **Fuel Systems Solutions** and **DDi Corp.**

Born of a research project at the University of British Columbia, Westport has grown into a world leader in the alternative fuels industry. In the following video, Bill tells Fool analyst Brendan Byrnes about the company's origins and its successful present-day joint venture with **Cummins**, including their latest product, a recently introduced 12-liter spark ignited engine. (Run time: 3:18; a transcript is provided below.)

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Brendan Byrnes: Hey Fools, I'm Brendan Byrnes and I'm joined today by Bill Larkin. Bill is the CFO of Westport Innovations. Thanks for your time.

Bill Larkin: Thank you.

Brendan: I wanted to start by, if you could give an overview to maybe an investor watching right now that doesn't know anything about Westport, what you guys do, exactly.

Bill: Westport was born out of the University of British Columbia by a group of combustion research engineers with, truly, the vision of using natural gas as a different source of fuel.

What made it very attractive was that the engines — to convert them to run off natural gas — the OEMs didn't have to invest tens of millions or even hundreds of millions to redesign their engines so they can run on natural gas.

It started off as a small, say, "science project." If you fast-forward to today, we are the technology leader in this industry. Our technology enables engines, from an automobile — from the Ford 250/350 programs that we have — all the way up to our program that we have with Caterpillar to design natural gas fuel systems for big mine haul trucks. Also we're working on rail and marine applications as well.

Ultimately, these are environmentally-friendly technologies, but from an end consumer standpoint it all comes down to economics. When you have stability in natural gas prices and a lot of volatility in diesel, and a huge price differential, there is a definite payback there by adopting this technology.

Brendan: One of the things I think is really critical for investors to understand Westport is your competitive advantages. I know you have an agreement, a partnership — you have a JV, actually — with Cummins. Could you talk about what prevents Cummins from just doing it themselves? Why they use Westport, and what proprietary stuff you guys have?

Bill: Sure. Let's just take a step back. The joint venture was formed back in 2001 in anticipation to develop and sell engines, principally for the bus market because there is a demand there. Over time ... it started off as a little niche play. If you fast-forward to today you look at, within the transit markets, we're seeing penetration rates in the 20%-plus.

Even more surprising is we're seeing even more penetration in the refuse market, just because the economics are so compelling there.

Through that original agreement, the relationship with Cummins, they are prevented from going and doing this on their own. What we bring to the table is, in the original agreement we invested some initial IP which has developed over time, so the joint venture has its own portfolio of IP for spark ignited engines.

If you look at what we're doing today, we've been investing heavily in the 12-liter spark ignited engine, which just started selling in the market. The beauty about this program is there's been a huge hole in the product offering, and that's what we're trying to get to; to bring products to the market and get those customers into the right products.

We're seeing significant demand for this product with updated technology.

You can view the entire interview with Bill Larkin [here](#).

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