

Lift



CAPTAINS OF INDUSTRY

These aviation business leaders are at the top of their games—and they're helping the next generation get its start


A photograph of two men, David McKay and C. Jeffrey Knittel, standing in front of a suspension bridge, likely the Bix Creek Creek Bridge in Erie, Pennsylvania. Both men are wearing dark blue suits, white shirts, and ties. David McKay is on the left, wearing glasses and a blue patterned tie. C. Jeffrey Knittel is on the right, wearing a red and white striped tie. The bridge's stone towers and steel cables are visible in the background under an overcast sky.

EXECUTIVE CLASS

David McKay ('77, DB) and C. Jeffrey Knittel ('80, DB)—who share the same hometown and a passion for flight—have been instrumental in shaping aviation finance and insurance

BY DAVID MCKAY WILSON

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Two titans of the aviation business world—David McKay ('77, DB) and C. Jeffrey Knittel ('80, DB)—grew up in suburban Philadelphia, enthralled by the mystery of flight and inspired by the aerospace heroes of the 20th century.

They traveled south to Embry-Riddle and both eventually established their niche in aviation's financial sector, using their business savvy to aid in the industry's growth over the past three decades. Knittel, president of CIT Transportation Finance, today presides over a \$20 billion diversified transportation finance organization that includes a fleet of about 350 leased aircraft. McKay is chairman and CEO of United States Aircraft Insurance Group, known as USAIG, one of the world's largest insurers of business, commercial and fractional general aviation aircraft. In fact, USAIG insures a number of aircraft operators and manufacturers whose planes are leased by Knittel's company.


McKay and Knittel didn't know each other on the Daytona Beach Campus of Embry-Riddle. But they crossed paths some years later, while midlevel executives, at The Wings Club, the aviation industry's premier social club in Manhattan, N.Y. As they rose up in the industry, they made deals with many of the executives they met for lunch in The Wings Club's restaurant on the eighth floor of an office building in midtown Manhattan (see sidebar).

In spite of their success, they've never forgotten their Embry-Riddle roots. Under their leadership, USAIG and CIT have joined The Boeing Company, United Airlines and Frontier Airlines in Embry-Riddle's Business Eagles program, which facilitates interactions between industry partners and Embry-Riddle students, providing those essential contacts for graduates as they seek opportunities in the aviation marketplace. Having an aviation background can give job applicants a leg up when seeking employment in the industry's financial side.

"When we reached out to the industry, David McKay responded lickety-split," says Bert Zarb, professor of accounting at the Daytona Beach Campus. "He has been extremely supportive of the program, which opens a pipeline for our students to speak with the captains of industry."

At his corner office in the financial district at the southern tip of Manhattan, where he can hear the throb of helicopters from the nearby helipad, McKay says that he continues to look to Embry-Riddle when his company has an opening.

"Embry-Riddle students are passionate about the aviation business," says McKay, who has influenced the curricula at Embry-Riddle through his participation on several industry advisory boards. "We tell them if they love aerospace now, they'll love it in 40 years. And we've found that it's easier to teach insurance to those passionate about aviation than to teach aviation to those breaking into the insurance field."



"I worked with former fighter pilots from the military. I made the case that I could do it because of my academic experience at Embry-Riddle."

—DAVID McKAY

Knittel, who has previously served on Embry-Riddle's Board of Trustees and established an endowed book fund for Embry-Riddle students, says he's committed to helping develop the next generation of aviation industry executives.

"It's important to give the people, who 20 years from now will be making a difference in our industry, the opportunity to meet with today's leaders," he says. "It gives them a chance to listen to views, hear the counterviews and form their own thought process."

Knittel and McKay are undeniably two of the leading figures in the aviation industry today. Here's how they got there.

An Itch for Flying

Growing up in suburban Philadelphia in the 1960s, McKay recalls waiting with great excitement for the latest edition of *National Geographic*, which at the time chronicled the exploits of test pilots such as Scott Crossfield, who flew the X-15 to hypersonic speeds. His passion for flying deepened after his first exposure to primary flight training at nearby Wings Field, where Knittel also had his first up-close look at airplanes.

At Embry-Riddle, McKay started off in aeronautical science. But he was itching to get up in the air, so he transferred into the professional pilot program, which allowed him to obtain his ratings more quickly.

Then he joined the Aviation Reserve Officer Candidate program, which enhanced his expertise and his connection to the U.S. military.

He had his heart set on landing a flying job upon graduation in December 1977 and living the pilot's life. But entry-level job openings were scant, with fighter pilots returning from Vietnam and experienced airline pilots in no mood to retire.

"There just weren't a lot of flying jobs," McKay says. "If I'd persevered, I would have gotten an airline job, but in the meantime, I had to eat."

So he answered a classified ad in *The New York Times* for a company called Aerospace Management Services International, a subsidiary of USAIG, which was looking for an air safety investigator to work with the National Transportation Safety Board on fatal airline crashes. He was hired and became USAIG's first employee

from Embry-Riddle. Today, 14 of the company's 184 employees are Embry-Riddle graduates.

For three years, he combed through the details of 150 fatal accidents for manufacturers, such as Lycoming Engines, Teledyne Continental Motors and Bell Helicopter. His Embry-Riddle academic and flight training provided the background he needed to land the job.

"I worked with former fighter pilots from the military," McKay says. "I made the case that I could do it because of my academic experience at Embry-Riddle."

Some of those veterans were still serving in the Air Force Reserve, and through those connections he received his commission as a reserve officer. USAIG granted him a two-year leave to undergo Air Force training, during which time he trained on the

supersonic Northrop T-38 and flew Lockheed C-130 transport planes.

"I'd finally scratched that flying itch," says McKay, who served in the Air Force Reserve for seven years after returning to USAIG and for many years flew his own Mooney M20J. "After the training, I was ready to develop my career in the aviation business."

Moving Up the Ranks

Back at USAIG, McKay transferred into its general aviation division, as an underwriter at its Houston office. By 1990, he was back in New York, working in USAIG's products liability department at a time when some commercial aircraft were aging, many suffering from corrosion. He moved up through the organization, becoming chief underwriter across

Club Connection

In 1942, a group of aviation leaders founded The Wings Club in New York City to help promote aeronautics. Since then, the club has enjoyed the participation of many aviation and aerospace leaders, including David McKay ('77, DB) and C. Jeffrey Knittel ('80, DB). Both have served as club president—Knittel in 2010-11 and McKay, his successor, in 2011-12.

That was a time in which Knittel and McKay transformed the private social club. Knittel expanded the board to include more women and developed programs to attract young professionals. McKay began the process to transform the club into a nonprofit organization dedicated to supporting educational opportunities for college students pursuing careers in

aviation, while continuing to build the aviation community at its monthly luncheons with top industry speakers.

Both remain active, with McKay co-chairing the club's Development Committee and Knittel chairing its Awards Committee. Two of The Wings Club's six scholarships in 2015 went to Embry-Riddle undergraduates: \$30,000 to Jonathan Clark and \$10,000 to Matthew Philbin.

"Jeff and Dave are great guys, with big jobs, who are committed to the next generation," says Tom Fitzsimmons, The Wings Club's executive director. "They've helped change the mission of our group to become a true supporting organization for the field of aviation, and for those aspiring to join it."



C. Jeffrey Knittel



David McKay

all its insurance lines. He became president and chief operating officer in 2006 and chief executive officer in 2011, and he was named board chairman in 2016.

USAIG, founded in 1928, was the nation's first aviation insurer, and is a wholly owned subsidiary of General Re, which is wholly owned by Warren Buffett's company, Berkshire Hathaway. With 13 branch offices across the United States and Canada, USAIG has the largest footprint of any aviation insurer in North America.

Bruce Whitman, president and CEO of Flight Safety International (FSI), also owned by Berkshire Hathaway, over the past 30 years has seen McKay parlay his keen focus on the mission at hand and healthy sense of humor into a place at the top of the aviation insurance industry. Both Whitman and McKay support twice-a-year simulation training for their customers who operate turbine-powered aircraft, so most of USAIG's customers train at FSI.

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“I’ve watched Dave on his way up as he has become an industry leader,” says Whitman, who succeeded McKay as Wings Club president. “He’s disciplined, well-organized, and straightforward. And safety is at the top of his agenda.”

Today, USAIG manages a pool of assets for several unrelated companies, such as Chubb, Liberty Mutual and Hanover Re. USAIG assesses the risk through its underwriting division, does the accounting, and handles claims and litigation for all of the companies in its group.

Rates shot up following the catastrophic events of Sept. 11, 2001, in lower Manhattan, less than a mile from McKay’s office. But higher rates sparked competition and drove rates lower. So have historically low interest rates, which have provided a flood of low-cost capital to insurance companies to cover potential losses.

It’s good news for McKay’s customers, but it has presented challenges for USAIG.

“It forces us to get better,” he says. “To be relevant and survive, you have to reinvent yourself and make sure you are customer-focused. It’s easy when it’s easy, but we like the challenge when it’s hard. If we can do well in this environment, we will do really well when it changes.”

Inspired by the Embry-Riddle Community

Like McKay, Knittel grew up fascinated by airplanes and travel. At Embry-Riddle, Knittel had a concentration in aviation management, which he says provided him the foundation in the aerospace industry and economics. He studied in Daytona Beach in the late 1970s, just as the Airline Deregulation Act of 1978 removed the federal government from its role of setting fares and routes in the U.S. market.

He remembers the speculation about what impact unleashing the private market would have on commercial aviation.

“All the professors were trying to figure out what the industry would look like,” he recalls. “One professor predicted we would end up with three or four strong players [airlines], which would have to get much more efficient. And that’s what eventually happened.”

He felt inspired by the Embry-Riddle community and its commitment to aviation.

“My biggest takeaway was that people with a passion about a subject or issue can do great things,” he says. “Embry-Riddle brings people together who have a love for aviation.”

Knittel’s enthusiasm for the industry comes through in his leadership style, says CIT Aerospace President Tony Diaz (’80, DB), who has worked under Knittel since 1987, and Damon D’Agostino (’94, DB), CIT Commercial Air’s chief commercial officer.

“Jeff is very animated—he’s got a large personality,” Diaz says. “At a meeting, he’s engaged and expresses his opinion. He’ll ask very direct and difficult questions, so you better be prepared. He also appreciates if you show the strength of your convictions. If you push back, he respects that.”

D’Agostino says Knittel’s zeal is inspiring.

“When someone is passionate, you want to follow them, and by default, they are therefore great leaders,” he says.

Knittel began his career with Cessna Finance Company, helping finance general aviation aircraft. Instead of a company car to make calls as Cessna’s Northeast representative, Knittel piloted a single-engine Cessna 172 to visit regional dealers.

He was then recruited to work for Manufacturers Hanover Leasing Corp., which at the time was the largest bank-owned leasing company in the world. Aircraft leases were among its products, and Knittel dove in.

By 1986, he’d joined CIT Group’s capital finance division, where he has held several senior management

Did you know?

Fifty years ago (1966-67), Embry-Riddle started offering its first business courses leading to a Bachelor of Science in Aviation Management. Today, Embry-Riddle offers 22 undergraduate and graduate business-related degrees among its three campuses (Daytona Beach, Fla., Prescott, Ariz., and Worldwide/Online).

positions. He headed up CIT's commercial air leasing business for 10 years, and for the past decade he has expanded his portfolio to run CIT's transportation finance business. This unit provides leases for business and commercial aircraft, railroad companies and the maritime industry.

Among the world's 17,500 commercial aircraft, CIT has 350 in its leased fleet, with another 140 airplanes on order, making it the world's fourth largest airplane lessor, Knittel says. Twin-aisle planes can cost as much as \$200 million, so leasing lets airline companies obtain aircraft with less capital, and it provides the capability to reconfigure their fleets after the first lease expires in eight to 12 years.

Career Capstone

Diaz recalls their early days in the aviation business in the late 1980s, when only about 2 percent of aircraft worldwide were leased. Back then, CIT would buy planes from airline companies and lease them back, or buy planes for other leasing companies. In 1998, CIT placed its first direct orders to The Boeing Company and Airbus.

Today, about 40 percent of the world's commercial aircraft are leased, which provides great opportunities for companies in that finance sector.

"It's a capital-intensive and dynamic global business," Knittel says. "You need to know how airlines operate, know how airplanes work, understand their value, and have good relationships with the manufacturers. You put it all together and you have a profitable business."

What happens next for CIT's commercial air leasing division will unfold later this year as the corporation either sells it or spins it off into a new public company. It's a way for CIT to maximize shareholder value. It's also an opportunity for Knittel to build a company focused solely on aviation, to make one last contribution to the industry that captured his imagination as a child, strolling among the single-engine prop planes on Wings Field in suburban Philadelphia.

"Going with the new company would be the capstone of my career," he says. "We intend to have it all wrapped up in 2016." 🐦

David McKay, left, and C. Jeffrey Knittel are fellow Embry-Riddle Eagles and business colleagues. Both hail from suburban Philadelphia and have business headquarters in New York City.

