MSC the big winner as Hutchison loses interest in global ports

MSC's TiL is set to become the world's largest private terminal operator through the $22.8 billion deal with BlackRock to acquire CK Hutchison's international port network.

Nick Savvides, Europe correspondent

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Hutchison's Ports BEST terminal in BarcelonaCredit: Hutchison Ports

At a Glance

- Hutchison Ports has only grown organically in the last decade
- The deal will catapult MSC's TiL to the position as the world's largest terminal operator
- Analysts expect each jurisdiction involved will have to clear the transaction from a monopoly perspective

CK Hutchison's "disinterest" in the terminals business epitomised by a lack of investment over a decade or so, was ultimately to be a major gain for the world's largest stand-alone container line, MSC.

According to port industry sources the sale of Hutchison Ports business, excluding terminals in Hong Kong and mainland China, to a consortium consisting of MSC subsidiary Terminal Investment Limited (TiL) and major US investment company Blackrock was due to the Hong Kong listed company's terminal portfolio "treading water for 10 years".

The source added: "Hutchison Ports had only grown organically over the last 10 years and that reflected a level of disinterest in the business."

The individual stakes of BlackRock and TiL in the consortium buying Hutchison's international terminal business have not been revealed.

Former shipping analyst Mark McVicar told *Seatrade Maritime News* that when he visited Hutchison's UK port at Felixstowe, some years ago, it was "Very obvious that Hutchison was not interested in the terminals business, it was just a cash cow for them".

Other industries looked to have taken precedent at Hutchison, but with the size and global reach of its terminal portfolio it is the right kind of deal for a global investment company like Blackrock and MSC as a major carrier.

Related:CK Hutchison in $22.8bn ports deal with BlackRock and MSC

Moreover, Hutchison Ports complements MSC's 49% investment in the Hamburg terminal operator HHLA last year, which operates three out of four terminals in the North European port, and its other facilities in North Europe and elsewhere.

Ports and terminals analyst at Drewry Shipping Consultant's Eleanor Hadland said the Hamburg deal was important because of the facility's intermodal connections, and that view holds true for other port investments.

"It is important to secure capacity at key ports because it gives a carrier leverage on the investment in ports and their inland networks, particularly with the growing importance of net zero operations, and end-to-end logistics," said Hadland.

MSC Group now consists of the largest container vessel operator in the world, the largest private terminal operator and it has a significant foothold in the logistics business with Medlog, which was established to support MSC's container business in 1988.

TiL, which is 70% owned by MSC, with 10% owned by a Singapore wealth fund, GIC and, after it invested in a 20% stake when it acquired Global Infrastructure Partners (GIP) in the autumn, also by Blackrock.

Medlog includes warehousing, trucking, rail and barge operations in more than 80 countries and, when the Hutchison acquisition is finalised, will also have dedicated terminals in many key locations, including Alexandria on the Mediterranean end of the Suez Canal, China, South Korea, Southeast Asia, Northern Europe and Mexico, with four facilities in what could prove to be a crucial presence in North America.

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Mexican port volumes have increased substantially since Donald Trump's first tariffs were imposed in 2018-19, during his first term in office.

Often considered as a backdoor to the US Xeneta data reveals that Mexico's port volumes, particularly on the trade route between China and Mexico, have seen a significant surge with record-breaking demand and substantial growth in container shipments.

Rapid growth in volumes has led to volatility in freight rates on this trade lane, with June 2024 marking a peak in volume with 135,724 teu shipped between China and Mexico.

Peter Sand, Xeneta's chief analyst, has said that the original tariff regime stimulated growth in the Mexican trade, however, he added, Chinese exporters have also looked at southeast Asia, India and the Middle East as alternative bases to export to the US and avoiding tariffs.

He added that many of these regions are seeing volumes arriving that are so high they cannot be supported by local or regional demand.

Related: Hutchison Ports investing $700m in Sokhna and Alexandria terminals

Latin America has made the headline news, due to the inclusion in the sale of the Panama Ports Company which includes Balboa and Cristobal ports at the Pacific and Caribbean ends of the Panama Canal, due to President Trump's insistence that China controls this critical and strategic infrastructure.

McVicar explains, however: "Clearly the decision by Hutchison to sell everything except its terminals in mainland China is not a decision made recently, it's not a reaction to Trump's claims regarding China's control over the canal, it's a decision taken because they don't want to be in the global ports industry anymore. It may be politically expedient from Trump's point of view, but it's not a driver."

The main driver for CK Hutchison to offload its international terminals is that ports "are a less interesting business than other parts of the company, according to Hadland.

The CK Hutchison businesses include telecommunications across Europe, an infrastructure company, and a finance and investment company working in transport and pharmaceuticals as well as retail services.

Nevertheless, Hutchison's port business remains substantial, with the operator sixth in Drewry's equity adjusted throughput data, that is volumes from all terminals in an operator's portfolio, having handled 43 million teu in 2023.

In the same volume data MSC was seventh having handled 42.3 million teu in 2023 and PSA International took the top spot having recorded 62.6 million teu throughput.

MSC's Hutchison deal will catapult the carrier to the top of Drewry's list with a combined volume of 78.3 million teu, which excludes Hutchison's China volumes.

Meanwhile, analysts believe that while each jurisdiction will need to clear the acquisition from a monopoly point of view, which could mean "it will take at least a year for regional authorities to agree the transaction," MSC will need to divest some terminals in some regions.

"This deal will put MSC and TiL in a dominant position in the Hamburg-Le Havre range with its recent deal HHLA deal, its Rotterdam terminals and its dominant position in Antwerp and Le Havre."

Apart from its stake in HHLA, MSC has a terminal in Bremerhaven, it has a joint venture with Hutchison in Rotterdam's ECT Delta terminal and is dominant in Antwerp and Le Havre.

"The EU will take a look," said Hadland. And another possible candidate for divestment may come in Panama where MSC has invested in the Port of Rodman on the Pacific end of the Panama Canal, with Hutchison having concessions in Balboa, on the Pacific, and Cristobal on the Caribbean side of the canal.