WASHINGTON (Reuters) - Three Silicon Valley venture capital firms are backing a project to grab a slice of valuable U.S. wireless airwaves to offer nationwide high-speed Internet service, according to a recent regulatory filing.

Kleiner Perkins Caufield & Byers, Charles River Ventures and Redpoint Ventures, each with more than $1.5 billion under management, are financing a firm called M2Z Networks Inc. to launch the project.

Most wireless spectrum is auctioned to the highest bidder but M2Z has offered to pay the U.S. Treasury 5 percent of its gross revenues from the premium broadband service it plans to offer alongside free, but slower, Internet access.

M2Z asked the FCC to grant it a 15-year license so it can offer free 512 kilobits per second broadband service that would be supported by advertising. Consumers would have to buy a "low-cost" receiver to use the service.

Faster rates of broadband access would also be available for a subscription, the company said.

The company was founded by the former head of the FCC's wireless bureau John Muleta and cable executive Milo Medin who created AtHome Networks. M2Z said it would be able to obtain more than $400 million to help build and operate the network.
An FCC spokeswoman declined to comment. M2Z executives have already met with agency officials to discuss the proposal. Muleta was not immediately available for comment.

The airwaves, 2155 megahertz (Mhz) to 2175 Mhz, are being vacated and have been allocated for advanced wireless services. M2Z argued they would lay fallow for years since they are not paired with other airwaves.

M2Z's plan could be controversial since the FCC usually sells wireless airwaves through auctions. Next month, the agency is slated to auction nearby airwaves for advanced wireless services, a sale that analysts say could raise $8 billion to $15 billion.

M2Z could also face challenges from the wireless telephone, traditional telephone and cable industries, which are fiercely competing for broadband customers.

"We see no reason why the FCC should revisit their decision to allocate and auction this valuable spectrum for advanced wireless services," said Joseph Farren, a spokesman for CTIA, the trade association that represents major wireless carriers.

But M2Z said an auction was not required and it was prepared to make several commitments to quell concerns.

In addition to offer some of its revenue, and in a nod to concerns by parent groups about pornographic content on the Internet, M2Z offered to include "state of the art filters" to block access to some sites.

M2Z also cited the FCC's decision almost two years ago to swap airwaves with Nextel Communications, which was later bought by Sprint Corp., as a precedent for not auctioning the airwaves, a ruling on which Muleta worked.
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